



**KENYA NATIONAL AUDIT OFFICE**

**PARLIAMENT  
OF KENYA  
LIBRARY**

*By the leader of  
majority party  
Hon. Olen Duda  
on Tuesday  
1/12/2015*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NEW DEMOCRATS**

**FOR THE YEAR ENDED  
30 JUNE 2012**





## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NEW DEMOCRATS FOR THE YEAR ENDED 30 JUNE 2012

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of New Democrats set out on pages 4 to 11, which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in general fund and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 31(2) of the Political Parties Act, 2011.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 9 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Party's internal control. An audit also includes evaluating the appropriateness of accounting

policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I am not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Basis for Disclaimer of Opinion**

#### **1. Failure to Submit the Original Documents**

The Party's financial statements balances for the year ended 30 June 2012 were supported by copies of payment vouchers and bank statements instead of the original documents. No satisfactory explanations were provided for the above anomaly. In the circumstances, it has not been possible to confirm the validity of the expenditure totalling Kshs.6,213,006 captured in these financial statements.

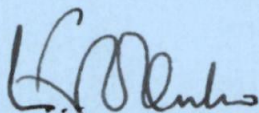
#### **2. Inaccuracies in the Financial Statements**

The statement of financial position as at 30 June 2012 does not reflect note 5 while notes to the financial statements indicate a note 5 representing receivables of Kshs.60,000. Further, the financial statements reflects two versions of note 2 to the financial statements under summary of significant accounting policies in page 8 and general fund in page 10.

No satisfactory reasons were given for the anomaly. In the circumstances, it has not been possible to confirm the validity and completeness of the Party's financial statements for the year ended 30 June 2012.

### **Disclaimer of Opinion**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements.



**FCPA Edward R.O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**23 October 2015**



**ANNUAL REPORT &**

**UNAUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2012**



**NEW DEMOCRATS PARTY**



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**New Democrats**

**Party information**

**For the year ended 30 June 2012**

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**National party officials**

- : **Party leader**  
David Sudi
- : **Secretary General**  
Frederick Muthangya
- : **Chairman**  
Daniel K. Musembi
- : **Treasurer**  
Daniel K. Bii

**Registered office**

- : New Democrats Party.
- : Tom Mboya Avenue,
- : Tudor Estate
- : P.O Box 43428–80107,
- : Mombasa.
- : Kenya.

**Principal bankers**

- : National Bank of Kenya Ltd.
- : Mombasa.

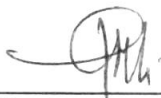
**Report of the party officials**

The party officials submit their report with unaudited financial statements for the year ended 30 June 2012, which disclose the state of affairs of the party.

**PRINCIPAL ACTIVITIES**

The principal goal of the party is to influence the process of governance in the Republic of Kenya and to promote and advance the civil, political, economic, social and cultural welfare of all Kenyans.

By order of the National Executive Council



\_\_\_\_\_  
Mombasa

SECRETARY GENERAL

.....15/09/..... 2012.

**Statement of party officials responsibilities**

The political parties Act requires the party officials to prepare financial statements which give a true and fair view of the state of affairs of the party as at the end of the financial year and of its operating results for that year. It also requires that the executive committee ensures that the party maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the party.

The party officials accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable, prudent judgements and estimates. And also in conformity with International Financial Reporting Standards and the requirements of the Political Parties Act. The party officials are of the opinion that the financial statements give a true and fair view of the state the financial affairs of the party as at 30 June 2012 and of its operating results for the year then ended.

The party officials further accept responsibility for the maintenance of the accounting records which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

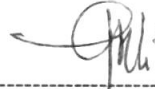
Nothing has come to the attention of the National Executive Council to indicate that the party will not remain a going concern for at least the next twelve months from the date of this statement.

This statement is approved by the National Governing Council and is signed on their behalf by:-



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PARTY LEADER

15/9/.....2012



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SECRETARY GENERAL

15/09/.....2012

**Statement of comprehensive income**

|                                    | Note | As at 30 June    |                  |
|------------------------------------|------|------------------|------------------|
|                                    |      | 2012             | 2011             |
|                                    |      | K.shs            | K.shs            |
| Income                             | 7    | 1,014,455        | 812,364          |
| Other income                       | 8    | 5,330,645        | -                |
| <b>Total income</b>                |      | <b>6,345,100</b> | <b>812,364</b>   |
| Administrative & other costs       | 9    | (6,213,006)      | (966,908)        |
| <b>Operating surplus/(deficit)</b> |      | <b>132,094</b>   | <b>(154,544)</b> |

**Statement of financial position**

|                         | Notes | As at 30 June  |               |
|-------------------------|-------|----------------|---------------|
|                         |       | 2012<br>K.shs  | 2011<br>K.shs |
| <b>CAPITAL EMPLOYED</b> |       |                |               |
| General fund            | 2     | 167,137        | 35,043        |
|                         |       | <b>167,137</b> | <b>35,043</b> |

**REPRESENTED BY:-**

**Non- current assets**

|                        |   |         |         |
|------------------------|---|---------|---------|
| Property and equipment | 3 | 152,466 | 177,887 |
|                        |   | 152,466 | 177,887 |

**Current assets**

|                           |   |        |        |
|---------------------------|---|--------|--------|
| Cash and cash equivalents | 4 | 1,072  | 1,957  |
| Receivables               |   | 60,000 | 60,000 |
|                           |   | 61,072 | 61,957 |


**Current liabilities**

|          |   |        |            |
|----------|---|--------|------------|
| Payables | 6 | 46,400 | 204,800    |
|          |   | 46,400 | 204,800.00 |

**Net current assets/(liabilities)**

|  |  |                |               |
|--|--|----------------|---------------|
|  |  | 14,672         | (142,843)     |
|  |  | <b>167,137</b> | <b>35,043</b> |

The financial statements on pages 4 to 7 were approved for issue by the party officials on..... 2012 and were signed by:-

  
 \_\_\_\_\_  
 PARTY LEADER

  
 \_\_\_\_\_  
 SECRETARY GENERAL

**Statement of changes in general fund**

| <b>Year ended 30 June 2012</b> | <b>Total</b> |
|--------------------------------|--------------|
|                                | <b>K.shs</b> |

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|                     |        |
|---------------------|--------|
| As at 1st July 2011 | 35,043 |
|---------------------|--------|

|                                |                |
|--------------------------------|----------------|
| (Deficit)/Surplus for the year | <u>132,094</u> |
|--------------------------------|----------------|

|                 |                       |
|-----------------|-----------------------|
| At 30 June 2012 | <u><u>167,137</u></u> |
|-----------------|-----------------------|

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| <b>Year ended 30 June 2011</b> | <b>Total</b> |
|--------------------------------|--------------|
|                                | <b>K.shs</b> |

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|             |         |
|-------------|---------|
| As at start | 189,587 |
|-------------|---------|

|                                |                  |
|--------------------------------|------------------|
| (Deficit)/Surplus for the year | <u>(154,544)</u> |
|--------------------------------|------------------|

|                 |                      |
|-----------------|----------------------|
| At 30 June 2011 | <u><u>35,043</u></u> |
|-----------------|----------------------|

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| <b>Statement of cash flows</b>                           | <b>Notes</b> | <b>As at 30 June</b>  |                       |
|----------------------------------------------------------|--------------|-----------------------|-----------------------|
|                                                          |              | <b>2012<br/>K.shs</b> | <b>2011<br/>K.shs</b> |
| <b>Operating activities</b>                              |              |                       |                       |
| (Deficit)/surplus for the year                           |              | 132,094               | (154,544)             |
| Adjustments for:-                                        |              |                       |                       |
| Depreciation                                             |              | 25,421                | 30,614                |
| <b>Changes in working capital</b>                        |              |                       |                       |
| Increase/(decrease) in receivables                       |              | -                     | 40,000                |
| Increase/(decrease) payables                             |              | (158,400)             | 204,800               |
|                                                          |              | <b>(885)</b>          | <b>120,870</b>        |
| <b>Investing activities</b>                              |              |                       |                       |
| Additions to property and equipments                     |              | -                     | (121,000)             |
| <b>Cash generated/(utilized) by investing activities</b> |              | <b>-</b>              | <b>(121,000)</b>      |
| (Decrease)/Increase in cash and cash equivalents         |              | (885)                 | (130)                 |
| Movement in cash and cash equivalents                    |              |                       |                       |
| At start of year                                         | 4            | 1,957                 | 2,087                 |
| (Decrease)/increase in cash and cash equivalents         |              | (885)                 | (130)                 |
| <b>At end of year</b>                                    | <b>4</b>     | <b>1,072</b>          | <b>1,957</b>          |



## SIGNIFICANT ACCOUNTING POLICIES

### 1. General information

The New Democrats is a political party in Kenya established under the political parties Act. The principal goal of the party is to influence the process of governance in the Republic of Kenya and to promote and advance the civil, political, economic and cultural welfare of all Kenyans.

### 2. Summary of Significant Accounting Policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### a) Basis of accounting

The financial statements are prepared in accordance and comply with International Financial Reporting Standards (IFRS). The measurement basis is the historical cost basis, except where otherwise stated in the accounting policies.

#### b) Revenue recognition

Income comprises of receipts from the Political Parties Fund, donations and members contributions.

#### c) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate. A provision for impairment is recognized in the income and expenditure account in the year when the recovery of the amount due as per original terms is doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at effective interest rate.

Receivables not collectable are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

#### d) Property, equipment and depreciation

The assets are stated at cost less accumulated depreciation. Depreciation is calculated on a reducing balance basis at annual rates estimated to write - off, the cost of the assets over the estimated useful lives of the assets concerned.

The rates used per annum are:-

|                           |       |
|---------------------------|-------|
| Furniture and fittings    | 12.5% |
| Computers and accessories | 30.0% |

The normal policy is to provide for depreciation for the full year on additions during the year and depreciation is not provided when the assets are disposed.

e) Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, deposits held at call with banks and investments in money market instruments net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in the current liabilities.

f) Impairment of assets

The management assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the carrying amount of the asset is written down to its recoverable amount.

g) Employees

The party employs casuals on a part time basis. There are currently no permanent employees of the party.

h) Comparatives

Where necessary, comparative figures have been adjusted to conform with the changes in the presentation in the current year.



**Notes to the financial statements-(continued)**

|                                                                                                       | As at 30 June                |                                 |              |
|-------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------|--------------|
|                                                                                                       | 2012                         | 2011                            |              |
|                                                                                                       | K.shs                        | K.shs                           |              |
| <b>2 General fund</b>                                                                                 |                              |                                 |              |
| As at 1st July 2011                                                                                   | 35,043                       | 189,587                         |              |
| Net (deficit)/surplus                                                                                 | 132,094                      | (154,544)                       |              |
| As at 30 June 2012                                                                                    | 167,137                      | 35,043                          |              |
| <b>3 Property and equipment</b>                                                                       | <b>Computer &amp; access</b> | <b>Furniture &amp; fittings</b> | <b>Total</b> |
|                                                                                                       | <b>KShs</b>                  | <b>KShs</b>                     | <b>KShs</b>  |
| Year ended 30 June 2011                                                                               |                              |                                 |              |
| Opening net book amount                                                                               | -                            | 87,500                          | 87,500       |
| Additions                                                                                             | 26,000                       | 95,000                          | 121,000      |
| Depreciation charge                                                                                   | (7,800)                      | (22,813)                        | (30,613)     |
| Closing book amount                                                                                   | 18,200                       | 159,688                         | 177,888      |
| At 1st July 2011                                                                                      |                              |                                 |              |
| Cost                                                                                                  | 26,000                       | 195,000                         | 221,000      |
| Accumulated depreciation                                                                              | (7,800)                      | (35,313)                        | (43,113)     |
| Net book amount                                                                                       | 18,200                       | 159,688                         | 177,888      |
| Year ended 30 June 2012                                                                               |                              |                                 |              |
| Opening net book amount                                                                               | 18,200                       | 159,688                         | 177,888      |
| Additions                                                                                             | -                            | -                               | -            |
| Depreciation charge                                                                                   | (5,460)                      | (19,961)                        | (25,421)     |
| Closing book amount                                                                                   | 12,740                       | 139,726                         | 152,466      |
| At 30 June 2012                                                                                       |                              |                                 |              |
| Cost                                                                                                  | 26,000                       | 195,000                         | 221,000      |
| Accumulated depreciation                                                                              | (13,260)                     | (55,273)                        | (68,533)     |
| Net book amount                                                                                       | 12,740                       | 139,726                         | 152,466      |
| <b>4 Cash and cash equivalents</b>                                                                    |                              |                                 |              |
| Bank balances                                                                                         | 1,051                        | 1,931                           |              |
| Cash balances                                                                                         | 21                           | 26                              |              |
|                                                                                                       | 1,072                        | 1,957                           |              |
| for the purpose of cash flow statement, the year end cash and cash equivalents comprise the following |                              |                                 |              |
| Cash and bank balances as above                                                                       | 1,072                        | 1,957                           |              |
| <b>5 Receivables</b>                                                                                  |                              |                                 |              |
| Margaret Ndungu-(rent deposit)                                                                        | 60,000                       | 60,000                          |              |
| <b>Total receivables</b>                                                                              | 60,000                       | 60,000                          |              |

In the opinion of the national party officials, the carrying amounts of the current portion of receivables approximate to their fair value.



**Notes to the financial statements-(continued)**

|                                                                                                                                          | As at 30 June    |                |
|------------------------------------------------------------------------------------------------------------------------------------------|------------------|----------------|
|                                                                                                                                          | 2012             | 2011           |
|                                                                                                                                          | K.shs            | K.shs          |
| <b>6 Payables</b>                                                                                                                        |                  |                |
| Margaret Ndungu-(rent accrued)                                                                                                           | -                | 120,000        |
| Accrued salaries                                                                                                                         | -                | 50,000         |
| Accrued consultancy fees                                                                                                                 | 46,400           | 34,800         |
| <b>Total payables</b>                                                                                                                    | <u>46,400</u>    | <u>204,800</u> |
| In the opinion of the national party officials, the carrying amounts of the current portion of payables approximate to their fair value. |                  |                |
| <b>7 Revenue</b>                                                                                                                         |                  |                |
| Political parties fund                                                                                                                   | <u>1,014,455</u> | <u>812,364</u> |
| <b>8 Other income</b>                                                                                                                    |                  |                |
| Voluntary contributions                                                                                                                  | 5,330,645        | -              |
| <b>Total other income</b>                                                                                                                | <u>5,330,645</u> | <u>-</u>       |
| <b>9 Administrative &amp; other expenses</b>                                                                                             |                  |                |
| Salaries                                                                                                                                 | 543,000          | 123,000        |
| Rent                                                                                                                                     | 672,000          | 310,000        |
| Travelling & accomodation                                                                                                                | 382,500          | 78,000         |
| Stationery & printing charges                                                                                                            | 505,000          | 285,000        |
| Office expenses                                                                                                                          | 201,550          | 97,800         |
| Advertisements                                                                                                                           | 30,000           | 36,192         |
| Publicity & advocacy expenses                                                                                                            | 3,780,000        | -              |
| Bank charges                                                                                                                             | 6,035            | 6,303          |
| Repairs & maintenance                                                                                                                    | 67,500           | -              |
| Depreciation charge                                                                                                                      | 25,421           | 30,613         |
| <b>Total administrative &amp; other costs</b>                                                                                            | <u>6,213,006</u> | <u>966,908</u> |
| <b>10 Reporting currency</b>                                                                                                             |                  |                |

These financial statements are presented in kenya shillings(kshs).

