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OF

THE AUDITOR-GENERAL

ON

**OFFICE OF THE REGISTRAR OF
POLITICAL PARTIES MORTGAGE
LOAN SCHEME FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**



ORPP MORTGAGE LOAN SCHEME FUND

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2021

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)



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**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES
MORTGAGE LOAN SCHEME FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

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1. KEY ENTITY INFORMATION

(a) Background information

The Salaries and Remuneration Commission vide Circular No .SRC/ADM/CIR/1/13.III (128) dated 17th November, 2014 granted approval for all Public Service Institutions to establish Staff Mortgage and Car Loan Scheme. In line with this provision, the Office of the Registrar of Political Parties established a Staff Mortgage and Car Loan Scheme. The Office developed the Political Parties (Staff Mortgage and Car Loan Scheme) Regulations, 2017, which were gazetted vide legal notice No. 294 on December 29th, 2017 to guide the implementation of the Scheme.

The Scheme was operationalized in May 2018 and the Staff Mortgage and Car Loan Advisory Committee was established. The committee comprises of seven (7) members and a secretariat appointed by the Registrar and whose responsibilities are to: -

- a) Select competitively the service provider for the administration of the scheme;
- b) Liaise with the service provider to establish a revolving fund for the disbursement of loans;
- c) Supervise day to day running of the Scheme;
- d) Process applications for loans in accordance with the existing terms and conditions of borrowing ;
- e) Forward the successful applications with recommendations to the service provider for approval among others.

Since inception, the Scheme has received Kenya shillings one hundred eighty million eight hundred and ninety nine thousand nine hundred thirty eight (Kshs.180,899,938) through financial years 2017/2018, 2018/2019, 2019/2020 and 2020/2021 from the exchequer.

(b) Principal activities

The objective of the ORPP Mortgage Scheme is to empower ORPP staff to benefit from Government funded loans to access mortgage facilities. It is expected that the scheme will motivate and immensely contribute towards attraction and retention of requisite skills in the Office of the Registrar of Political Parties. The principal activities of the Scheme are to;

The principal activities of the Scheme are to;

- a) Purchase existing residential property;
- b) Purchase land and construct residential property;



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- c) Construct , renovate and improve existing residential property;
- d) Takeover loans on existing mortgages;
- e) Provide equity release;

(c) Fiduciary management

The Staff Mortgage and Car Loan Advisory Committee has a fiduciary responsibility and comprise of the following members:-



S/no.	Name	Designation
1.	Joshua M. Kimulu	Chairperson
2.	Joel Terer	Member
3.	John M. Macharia	Member/ Liaison officer
4.	Anastacia N. Kaberere	Member
5.	Geraldine F. Mukele	Member
6.	Kelvin Mung'asio	Member
7.	Lenard Rotich	Member
8.	Jacqueline Kosgei	Secretary
9.	Alice Gichaga	Secretariat
10.	Elizabeth Wakesho	Secretariat

	<p>Mr. Joshua Kimulu is responsible for effective implementation of prudent financial management strategies, policies, standards and procedures in budget planning and preparation, and resource mobilisation. He holds a Master of Science Degree in International Economics and Business from University of Groningen, the Netherlands, a Bachelor of Arts Degree in Economics from Moi University. He holds a certificate of Certified Public Accountants Part III (CPA K), Strategic Leadership and Senior Management from Kenya School of Government. He also holds a Professional Certificate in International Trade from the University of Adelaide, Australia.</p>
	<p>Mr. Terer is responsible for implementing policies, guidelines and procedure on records management of the Office. He holds Masters in Arts, in Economics and Cooperation from BKD University (India) and Bachelor of Arts-Economics and Sociology from Agra University (India). He has a certificate in Records management from ESAMI, Strategic Leadership development Programme (SLDP) and Senior Management Course (SMC) from Kenya School of Government.</p>

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Assistant Director, Records Management	
 <p>John M. Macharia Assistant Accountant General</p>	<p>John Macharia is responsible for implementing prudent financial management policies, strategies, standards, procedures in accounting in line with Public Financial Management Act (PFM) and other Treasury Circulars. He holds a Bachelor Degree of Commerce in Finance from Masinde Muliro University of Science and Technology. He is a CPA (K) and has a certificate in Strategic Leadership development Programme (SLDP) and a certificate in Senior Management Course (SMC) from Kenya School of Government. He is a member of ICPAK.</p>
 <p>Kelvin Kasaine Mung'asio Senior Supply Chain Management Officer</p>	<p>Mr. Kelvin Kasaine Mung'asio holds a Professional Diploma in Procurement and Supply from the Chartered Institute of Procurement and Supply (CIPS), Bachelor of Commerce and a Masters (MSc.) in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT). He is a licenced procurement practitioner and a member of the Kenya Institute of Supplies Management (KISM) and a member of the Chartered Institute of Procurement and Supply (MCIPS).</p> <p>He is the head of the Supply Chain Department and oversees all the procurement and disposal of assets in accordance to the Public Procurement Act and Regulations. He also ensures effective implementation of supply chain management policies, guidelines and procedures.</p>
 <p>Jacqueline Kosgei Principal Human Resource Management Officer</p>	<p>Jacqueline Kosgei is a seasoned Human Resource professional with over 15 years' experience in management of Human capital in various government Ministries and Agencies Jacqueline has extensive knowledge and skills in end to end recruitment, employee performance management, job evaluation and reward management, training and development, organizational development and formulation of HR policies, procedures and strategies While at the State Department for Public Service, Jacqueline provided extensive technical support to many government institutions in the development and review of their Human Resource Policies, Procedures and strategies Her other skills, include development and implementation of Quality Management System based on ISO .</p> <p>Jacqueline holds a Bachelor' of Arts degree in, Government and Public Administration, Higher National Diploma in HRM, Master of Business Administration (Strategic Management) and has attended various leadership and management courses at the</p>

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	<p>Kenya School of Government. She is a full and active member of the Institute of Human Resource Management (IHMRM)</p>
 <p>Anastacia N. Kaberere Senior Training and Development Officer</p>	<p>Anastacia Kaberere is responsible for planning, coordinating and implementing training and development strategies in line with Training Policy. She holds a Masters degree in Business Administration, Project Management, from Kenyatta University, a Bachelors Degree in Business Administration, Human Resource Management from Kenya Methodist University and a Diploma in Business Management from Kenya Institute of Management (KIM). She has a certificate in Senior Management Course (SMC) from Kenya School of Government, a certificate in Training of Trainers (ToT) from Commonwealth Secretariat and a certificate in Supervisory Skills Management from Kenya School of Government.</p>
 <p>Geraldine Mukele Senior County Monitor</p>	<p>Geraldine Mukele is an Advocate of the High Court of Kenya. She holds a Bachelor of Laws Degree and a Post Graduate Diploma from the Kenya School of Law. She is also a member of the Law Society of Kenya.</p>

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Nairobi, Kenya

Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
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GOP 00100
Nairobi, Kenya

Principal Legal Advisor

The Attorney General
State Law Office
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City Square 00200
Nairobi, Kenya

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2. CHAIRPERSON'S REPORT

It is the desire of many Kenyans to own a home. However, the cost of decent housing is prohibitive and out of reach for many Kenyans. The Political Parties (Staff Mortgage and Car Loan Scheme) provides ORPP staff with an opportunity to acquire/buy/build a home for non-commercial use using a mortgage facility that is affordable and has longer repayment period. The scheme is set up as a revolving fund and is overseen by the Staff Mortgage and Car Loan Advisory Committee in line with the scheme Regulations.

The ORPP mortgage facility is pursuant to the Salaries & Remuneration Commission (SRC) approval for State Officers and other public officers to benefit from Government funded loans.

The National Treasury provided the first budget allocation Kshs.65,000,000 to the Scheme in the FY 2017/18. However, the scheme did not record any disbursement because the Office was laying down statutory and administrative structures to govern the management of the scheme. The scheme received an additional budget of Kshs.75,000,000 Kshs.30,024,938 and 10,875,000 during the FYs 2018/2019 2019/2020 and 2020/2021 respectively.

During the FY 2018/2019, the Office trained the Advisory Committee members and sensitized staff on the Scheme. The Advisory Committee is responsible for processing applications for loans in accordance with the existing terms and conditions for borrowing, forwarding the successful applications with recommendations to the Service Provider for approval among other functions.

In the Financial year 2020/2021, a total of Kenya shillings fifty one million two hundred and four thousand six hundred and forty nine (Kshs.51,204,649) was disbursed. Cumulatively, from 2018 to date a total of Kenya shillings one hundred and nineteen million, two hundred and sixty seven thousand six hundred and forty nine (Kshs.119,267,649) has been disbursed.

The Office of the Registrar of Political Parties (ORPP) appreciates the National Treasury for the allocation of funds to the ORPP Mortgage scheme. This scheme will go a long way in actualizing the vision of affordable housing as envisaged in the Big Four Agenda.

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It is anticipated that the provision of this facility will empower ORPP staff members and motivate and immensely contribute towards attraction and retention of requisite skills in the Office.



Joshua M. Kimulu

Chairperson, Mortgage and Car loan Advisory Committee

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3. MANAGEMENT DISCUSSION AND ANALYSIS

The Political Parties (Staff Mortgage and Car Loan Scheme) provides staff of the Office of the Registrar of Political Parties (ORPP) with an opportunity to buy, build or improve residential property using a mortgage that is affordable. To ensure that the scheme is sustainable, the loanee shall be required to obtain a mortgage protection against fire (insurance) and group life assurance as well as retrenchment.

Since inception, the scheme has received a total of Kenya shillings one hundred eighty million eight hundred and ninety nine thousand nine hundred thirty eight (Kshs.180,899,938) from the National Treasury and has disbursed a total of Kenya shillings one hundred and nineteen million, two hundred and sixty seven thousand six hundred and forty nine (Kshs.119,267,649) cumulatively.

In regards to repayment, the loans are performing. The mortgage loan scheme earned an interest income of Kenya shillings four million two hundred and seventy thousand and one hundred and eighty three (Kshs.4, 270,183) and loan repayment during the year under review totalled Kenya shillings twelve million six hundred and sixty thousand eight hundred and seventy three (Kshs.12,660,873). From the foregoing, it is clear that the fund is growing through the loan repayments and the interest earned by the unutilised balance in the account. As at 30th June 2021, the scheme bank balance stood at Kenya shillings ninety five million and thirteen thousand six hundred twenty five (Kshs. 95,013,625).

It is expected that the scheme will be more active in the subsequent financial periods considering that the uptake of the facility has greatly improved and the in-post members of staff is increasing. In addition it is anticipated that in the financial year 2021-2022, there will be increased uptake because of improved staff sensitization on the benefits accruing from obtaining funds from the scheme instead of other financial institutions whose rate of interest is high and the period allowed for repayment is short.

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4. FORWARD BY ATTORNEY GENERAL

i. Introduction

The Republic of Kenya is a multi-party democratic state founded on the national values and principles of governance (Article 4). The people of Kenya are free to exercise their political and democratic rights through free, fair and credible electoral process. The Constitution provides that every person is equal before the law and has a right to make political choices which include the right to belong and campaign for a political party and candidate of their choice (Article 38).

The Constitution envisages well governed and managed political parties. Articles 91 and 92 of the Constitution recognize political parties as important governance institutions in the promotion of democracy. To operationalize the two Articles the Political Parties Act, 2011 was enacted. The Act established the Office of the Registrar of Political Parties (ORPP) as an independent State office within the meaning of Article 260 of the Constitution of Kenya, 2010.

ii. Summary of Mortgage budget allocation for the year ended 30 June 2021.

During the financial year 2017/2018, the Office of Registrar of Political Parties (ORPP) was allocated a budget of Sixty Five Million Shillings only (Kshs.65,000,000) for staff Mortgage loan. This was in line with the Salaries and Remuneration Commission (SRC) which through Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014 approved the establishment of Car Loan and Mortgage Scheme for State Officers and other Public Officers of Government of Kenya. The circular also authorized Commissions; independent Offices State Corporations among other individual Government Institutions to manage and administer their individual Car Loan and Mortgage Scheme. The circular further, advised the office to make budgetary allocation through the Medium Term Expenditure Framework (MTEF) to operationalize the Car Loan and Mortgage Scheme.

The office sought and was granted authority by the National Treasury through letter Ref. No. AG.3/88/1 Vol. 16/ (40) dated 4th April 2018 to open a bank account with HFC Limited for Staff Mortgage. The funds allocated were transferred to the above account to facilitate disbursements to qualifying applicants.

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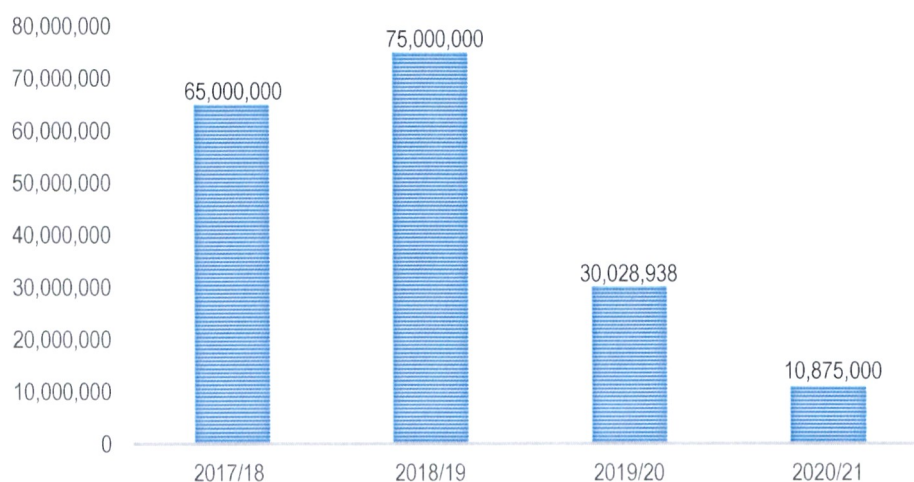
The Scheme received an additional budget of Kshs.75,000,000 Kshs.35,024,938 and 10,875,000 during the FY's 2018/19 2019/20 and 2020/2021 respectively. Table 1 below shows total allocation to Staff Mortgage Scheme:

Table 1: Staff Mortgage allocation

S/No	Financial Year	Amount (Kshs.)
1.	2017/18	65,000,000
2.	2018/19	75,000,000
3.	2019/20	30,028,938
4.	2020/21	10,875,000
Total		180,903,938

Figure 1 below shows cumulative allocated funds to the mortgage scheme in financial years.

FUNDS ALLOCATION OVER YEARS



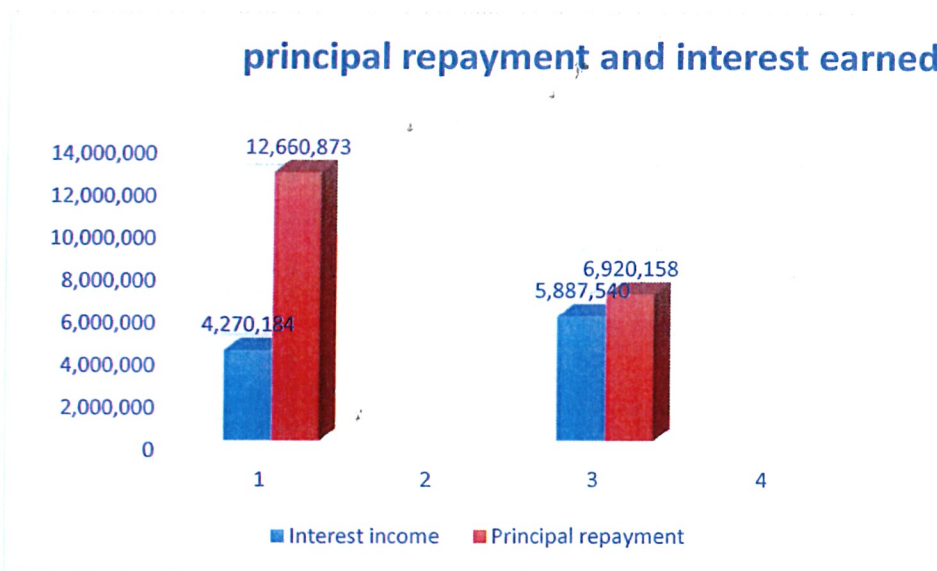
During the year under review, the Staff Mortgage Scheme earned interest totalling Kenya shillings four million two hundred and seventy thousand one hundred and eighty three (Kshs.4, 270,183) and loan repayment during the year under review totalled Kenya shillings twelve million six hundred and sixty thousand eight hundred and seventy three (Kshs.12,660,873).

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Table 2: Interest and Principal repayment

S/No	Item	Amount (Kshs.)	
		2020-2021	2019-2020
1.	Interest income	4,270,184	5,887,540
2.	Principal repayment	12,660,873	6,920,158
Total		16,931,057	12,807,696

Figure 2 below shows comparative growth both interest and loan repayments over the years



During the financial year 2020/2021, a total of Kenya shillings fifty one million two hundred and four thousand six hundred and forty nine (Kshs.51,204,649) was disbursed as mortgage loans to successful applicants. Cumulatively total disbursements to date amounted to Kenya shillings one hundred and nineteen million, two hundred and sixty seven thousand six hundred and forty nine (Kshs.119,267,649). This is an indication of positive acceptance of the scheme by the members of staff.

Table 3: Disbursements

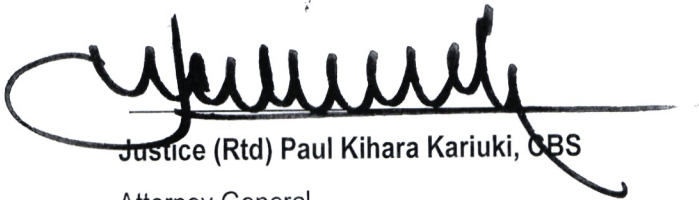
S/No	Item	Amount (Kshs.)	
		2020-2021	2019-2020
1.	Disbursement	51,204,649	50,463,000
	Total	51,204,649	50,463,000

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Table 4 Mortgage loans balance sheet

Particulars	F/Y2020/2021	F/Y 2019/2020
Balance b/f	62,419,453	18,876,611
Mortgage loans disbursed	51,204,649	50,463,000
Repayment	(12,660,873)	(6,920,158)
Balance c/f	101,963,229	62,419,453

It is projected that the Scheme will be more active in the subsequent financial periods given that the uptake of the facility has greatly improved and the inpost member of staff is increasing following recruitment of additional staff.


Justice (Rtd) Paul Kihara Kariuki, CBS
Attorney General

Date 8th November
2021

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5. STATEMENT OF REGISTRAR'S RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Registrar of Political Parties (ORPP) shall prepare financial statements in respect of the office. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Registrar is the Accounting Officer for the Office of the Registrar of Political Parties and is responsible for the preparation and presentation of the financial statements, which give a true and fair view of the state of affairs of the office for and as at the end of the financial year ended on June 30th, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Office (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the office (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Registrar accepts responsibility for the financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Registrar is of the opinion that the financial statements give a true and fair view of the state of transactions during the financial year ended June 30, 2021, and of the financial position as at that date. The Registrar further confirms the completeness of the accounting records maintained for the office, which have been relied upon in the preparation of the financial statements as well as the adequacy of the systems of internal financial control.

The Registrar confirms that the office has complied fully with applicable Government Regulations and the Political Parties Act and that the Office of the Registrar of Political Parties' funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted

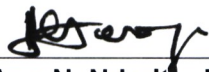
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for. Further, the Registrar confirms that the financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

Nothing has come to the attention of the Registrar to indicate that the entity will not remain a going concern for at least the next twelve months from the date of these statements.

Approval of the financial statements

The office of the Registrar of Political Parties' financial statements were approved and signed by the Registrar on 30.9 2021.



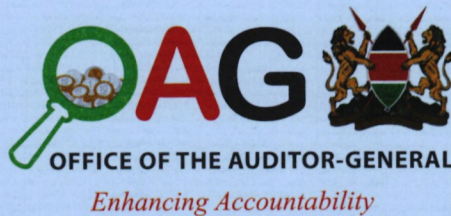
Ann N. Nderitu, MBS
Registrar of Political Parties



John Macharia
Assistant Accountant General
ICPAK M/No. 5474

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REPORT OF THE AUDITOR-GENERAL ON OFFICE OF THE REGISTRAR OF POLITICAL PARTIES MORTGAGE LOAN SCHEME FUND FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Office of the Registrar of Political Parties Mortgage Loan Scheme Fund set out on pages 1 to 10, which comprise of the statement of financial position as at 30 June, 2021, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amount 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 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Registrar of Political Parties Mortgage Loan Scheme Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Office of the Registrar of Political Parties Mortgage Loan Scheme Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Management is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

16 March, 2022

OFFICE OF REGISTRAR OF POLITICAL PARTIES- MORTGAGE LOAN SCHEME FINANCIAL STATEMENTS FOR THE YEAR ENDED 30thJUNE, 2021

I. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020-2021	2019-2020 Restated
		Kshs	Kshs
Receipts			
Revenue from non-exchange transactions			
Transfer from Recurrent account	4 (a)	10,875,000	30,024,938
Total Receipts		10,875,000	30,024,938
Revenue from exchange and non-exchange transactions			
Finance income/ Repayment	5 (a)	4,270,184	5,153,185
Total Receipts		15,145,184	35,178,123
Payments			
Disbursement	5(c)	-	-
Total Payments		-	-
Surplus/Deficit		15,145,184	35,178,123

The interest for the year was Kenya shillings 5, 153, 185 whereas the loan repayment was Kenya shillings 7,658,513. Interest income was added to loan repayment and reported as revenue from non-exchange transactions, which has now been separated, and interest shown separately and repayment reported separately elsewhere in the financial statements.

During the financial year 2019-2020, disbursements were erroneously treated as payments, which was against the provisions governing funds. The same has been corrected and statement of financial position amended in the financial statement.


Ann N. Nderitu, MBS
Registrar of Political Parties


John Macharia
Assistant Accountant General
ICPAK M/No. 5474

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MORTGAGE LOAN SCHEME FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED JUNE 30, 2021**

II. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020-2021	2019-2020 Restated
		Kshs	Kshs
Assets			
Current Assets			
Cash and cash equivalent	7 (a)	95,013,625	118,412,217
Non – Current Assets			
Receivables	6	100,963,229	62,419,453
Total Assets		195,976,854	180,831,670
Liabilities			
Accounts Payables		-	-
Net Assets		195,976,854	180,831,670
Represented By			
Mortgage Revolving Fund		180,831,670	145,653,547
Accumulated surplus		15,145,184	35,178,123
Net Fund Assets		195,976,854	180,831,670

The figure of the accumulated surplus changed from the deficit of Kenya shillings three million seven hundred sixty four thousand seven hundred and nineteen to thirty five million one hundred and seventy eight thousand one hundred and twenty three because of the disbursements which were treated as payments.

Further, the receivables were not incorporated in the financial statements of financial year 2019/2020 but have been adjusted to recognise them as debtors (asset) in the statement of financial position.



Ann N. Nderitu, MBS
Registrar of Political Parties



John Macharia
Assistant Accountant General
ICPAK M/ No: 5474

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III. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Retained earnings	Mortgage revolving fund balance	Total
	Kshs	Kshs	
Balance as at July 1, 2019	145,653,547	-	145,653,547
Surplus for the year	35,178,123	-	35,178,123
Additions during the year	-	-	-
Balance as June 30, 2020	180,831,670	-	180,831,670
Balance as 1, 2020	180,831,670	-	180,831,670
Surplus for the year	15,145,183	-	15,145,183
Additions during the year	-	-	-
Balance as 30, 2021	195,976,854	-	195,976,854

IV. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

		2020-2021	2019-2020 Restated
		Kshs	Kshs
Cash flows from operating activities			
Surplus for the year		15,145,184	35,178,123
Changes in working capital		15,145,184	35,178,123
Cash flows from working capital changes		-	
Increase/decrease in receivables from non- exchange transactions		-	
Cash flows from operating activities			
Mortgage loans advanced	5(c)	(51,204,649)	(50,463,000)
Mortgage loans repayment received	5(b)	12,660,873	7,658,513
Net cash flows from operating activities		(23,398,593)	(7,626,364)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	
Net cash flows used in investing activities		-	
Cash flows from financing activities			
Proceeds from borrowings		-	
Repayment of borrowings			
Increase in deposits			
Net cash flows used in financing activities		-	
Net increase/(decrease)in cash and cash equivalents		(23,398,593)	(7,626,364)
Cash and cash equivalents at 1 July 2020		118,412,217	126,038,581
Cash and cash equivalents at 30 June 2021	7 (a)	95,013,625	118,412,217

OFFICE OF REGISTRAR OF POLITICAL PARTIES- MORTGAGE LOAN SCHEME FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE, 2021

V. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2021

	Original Budget	adjustments	Final Budget	Actual on comparable basis	Performance difference
	2020-2021 Shs	2020-2021 Shs	2020-2021 Shs	2020-2021 Shs	Shs
Revenue					
Transfer to other government entities	14,500,000	3,625,000	10,875,000	10,875,000	
Interest income	-	-	-	4,270,184	
Total income	14,500,000	3,625,000	10,875,000	15,145,184	
Expenses					
Disbursement	-	-	-	-	
Total Expenses					
Surplus for the period	-	-	15,145,184	15,145,184	

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MORTGAGE LOAN SCHEME FINANCIAL STATEMENTS
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I. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Office of the Registrar of Political Parties (ORPP) is established by and derives its authority and accountability from Constitution of Kenya and the Political Parties Act, 2011. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Register and Regulate political parties and Administer Political Parties Fund.

The Salaries and Remuneration Commission (SRC) through Circular Ref. No. SRC/ADM/CIR/1/13 Vol. III (128) dated 17th December 2014 approved the establishment of Car Loan and Mortgage Scheme for State Officers and other Public Officers of Government of Kenya. The circular also authorized Commissions; independent Offices State Corporations among other individual Government Institutions to administer manage and administer their individual Car Loan and Mortgage Scheme. In addition, the Independent government agencies were advised to prepare appropriate Regulations to guide the implementation. In view of the above, the Office of the Registrar of Political Parties (ORPP) gazetted the Political Parties (Staff Mortgage and Car Loan Scheme) Regulations, 2017 on 29th December 2017.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

This is the second year that the financial statements are been prepared on an accrual basis. The financial statements have been prepared on a historical cost basis. The preparation of financial statements is in conformity with International Public Sector Accounting Standards (IPSAS) that allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the Political Parties Fund accounting policies.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Political Parties Fund.

The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been applied consistently.

3. REVENUE RECOGNITION

a. Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of

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comprehensive income over the useful life of the assets that has been acquired using such funds.

b. Budget information

The National Assembly approved the original budget for FY 2020-2021 on June 2020. No subsequent revisions or additional appropriations were made to the approved budget.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

c. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Housing Finance of Kenya.

d. Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

e. Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2021.

f. Significant judgments and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

g. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity

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based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

4. NOTES TO THE FINANCIAL STATEMENTS

a. Transfer From Registrar Of Political parties (Recurrent Vote)

Description	2020-2021	2019-2020
Office of the Registrar of Political Parties		
Transfer	10,875,000	30,024,938
Total	10,875,000	30,024,938

b. Transfer from Office of the Registrar of Political parties.

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income Kshs	Amount deferred under deferred income Kshs	Amount recognised in capital fund.	Total grant income during the year	2020-2021
			Kshs	Kshs	Kshs
Office of the Registrar of Political Parties	10,875,000	-	-	-	10,875,000
Total	10,875,000	-	-	-	10,875,000

5. (a) Cash Generated From Operations

	2020-2021	2019-2020
	Kshs.	Kshs.
Interest	4,270,184	5,153,185
Total	4,270,184	5,153,185

5 (b) Loan Repayments

	2020-2021	2019-2020
	Kshs.	Kshs.
Mortgage repayment	12,660,873	7,658,513
Total	12,660,873	7,658,513

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5. (c) Disbursement

	2020-2021	2019-2020
	Loan advanced	Loan advanced
		Shs
Mortgage Loan advanced	51,204,649	50,463,000
Total mortgage loan amount for the period	51,204,649	50,463,000

6 Mortgage loans balance sheet

Particulars	F/Y2020/2021	F/Y 2019/2020
Balance b/f	62,419,453	19,614,966
Mortgage loans disbursed	51,204,649	50,463,000
Repayment	(12,660,873)	(7,658,513)
Balance c/f	100,963,229	62,419,453

7 (a). Cash and Cash Equivalents

Description	2020-2021	2019-2020
	KShs	KShs
Fixed deposits account	95,013,625	118,412,217
Total cash and cash equivalents	95,013,625	118,412,217

7. (b) Detailed Analysis of the Cash and Cash Equivalents

Financial institution	Account number	2020-2021	2019-2020
		KShs	KShs
a) Current account			
HFC	2327693401	95,013,625	118,412,217
		-	-
Total		95,013,625	118,412,217

8 FINANCIAL RISK MANAGEMENT

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The office's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk.

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The office's financial risk management objectives and policies are detailed below:

i. Credit risk

The office has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the management.

ii. Financial Risk Management

	Total amount Kshs
At 30 June 2021	
Bank balances	95,013,625
Total	95,013,625

The entity has significant concentration of credit risk on amounts due from bank balances. The management sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

iii. Market risk

The management has put in place an internal audit function to assist it in assessing the risk faced by the office on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates, which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

iv. Interest rate risk

Interest rate risk is the risk that the office's financial condition may be adversely affected as a result of changes in interest rate levels. The office's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

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Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The entity analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Other related parties include:

- i) The Government of Kenya;
- ii) The office of the Registrar of Political Parties;
- iii) Housing Finance Corporation.