

REPUBLIC OF KENYA



Paper laid on the
Table of the House by
the Hon. Aden Duale, MP
Leader of Majority Party
On Wednesday, 18/2/2015
(Afternoon sitting)

R&K
18/2/2015

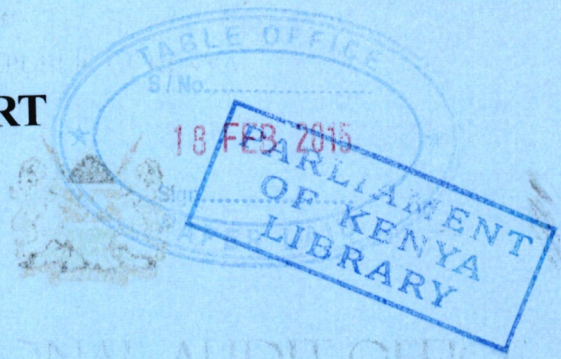


KENYA NATIONAL AUDIT OFFICE

REPORT

OF

THE AUDITOR-GENERAL



ON

**THE FINANCIAL STATEMENTS OF
OFFICE OF THE REGISTRAR OF
POLITICAL PARTIES**

**FOR THE YEAR ENDED
30 JUNE 2014**

REPUBLIC OF KENYA

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NAIROBI

KENYA NATIONAL AUDIT OFFICE

REPORT OF THE AUDITOR-GENERAL ON OFFICE OF THE REGISTRAR OF POLITICAL PARTIES FOR THE YEAR ENDED 30 JUNE 2014

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Office of the Registrar of Political Parties (Vote R126) set out on pages 8 to 19, which comprise the statement of assets as at 30 June 2014, and the statement of receipts and payments, statement of cash flow, summary statement of appropriation: recurrent and development combined, summary statement of appropriation: recurrent and summary statement of provisioning 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. 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.

Management's Responsibility for the Financial Statements

The Registrar of Political Parties is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) 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 Registrar is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Sections 4 of the Public Audit Act, 2003.

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, 2003. The audit was conducted in accordance with International Standards on Auditing (ISAs). 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 Office'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.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

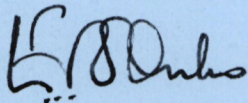
Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Office of the Registrar of Political Parties as at 30 June 2014, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Political Parties Act, 2011.

Other Matters

I draw your attention to the following matters:

- (i) As reported in 2012/2013, the Registrar of Political Parties has no functional internal audit unit and audit committee as required by the International Standard for the Professional Practice of Internal Auditing to assure effective controls.
- (ii) Similarly as reported in 2012/2013, the office has no functional Risk Management and Information Technology Policies and Procedures.



Edward R. O. Ouko, CBS
AUDITOR-GENERAL

Nairobi

8 January 2015



Office of the Registrar of Political Parties

ANNUAL REPORT

AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30th, 2014

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**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30TH, 2014 (KSHS)**

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Office of the Registrar of Political Parties (ORPP) is established by the Political Parties Act, 2011 as a body corporate with perpetual succession and a seal. It is an independent State Office within the meaning of Article 260 of the Constitution. Prior to the enactment of the Act, the ORPP was a directorate within the Independent Electoral and Boundaries Commission (IEBC). The new Act operationalized Articles 91 and 92 of the Constitution that affirm and recognize political parties as important governance institutions in the promotion of democracy. Political parties are a link between state institutions and local grass root organizations.

The Registrar of Political Parties is the Accounting Officer and is responsible for day to day operation of the office.

(b) Key Management

The office is headed by a Registrar of Political Parties, deputized by three Assistant Registrars with four directorates. The directorates are; Registration and Regulation; Financial Management; Planning, Research, Information and Communication; and Human Resource Management and Administration as approved by Directorate of Public Service Management.

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2014 and who had direct fiduciary responsibility were:

No.	Name	Designation
1.	Lucy Kamunye Ndungu	Registrar of Political Parties
2.	Joel Nyagwoka Onchwati	Principal Finance Officer
3.	Dinah Anyango Liech	Assistant Director Human Resource
4.	Juliet Wanjiku Murimi	Manager Political Parties
5.	John Mwai Macharia	Chief Accountant
6.	Veronicah Ndinda Muasya	Chief Internal Auditor
7.	Joseph Kanja Kariuki	Senior Economist
8.	John Okumu Tako	Senior Supplies Chain Management Assistant

(d) Fiduciary Oversight Arrangements

The following are some of the oversight authorities that are in place in the Office of the Registrar of Political Parties;

- Budget Implementation Committee;
- Tender Committee;
- Procurement Committee;
- Inspection and Acceptance Committee;
- Administrative and Training Committee;
- Legal Standards and Compliance Committee; and
- Audit Committee;

(e) Entity Headquarters

Lion Place 1st floor, off Waiyaki Way

(f) Contacts

P.O. Box 1131 – 00606
Nairobi, Kenya Telephone: (254) (0)4272000
E-mail: rpp@iebc.or.ke
Website: www.iebc.ke

(g) Banker

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya.

(i) Principal Legal Adviser

The Attorney General
State Law Office
Harambee Avenue
P.O. Box 40112
City Square 00200
Nairobi, Kenya.

H Attorney General's Report

1.0 Introduction

This Office recognizes the contribution of the Office of the Registrar of Political Parties (ORPP) in managing the legal and administrative matters pertaining to the registration and regulation of political parties. The ORPP is a key pillar for sustainable and democratic political parties in the country. The cooperation manifested by Governance, Justice, Law and Order sector (GJLOS), political parties and other stakeholders has enabled the country to become a multi-party state as envisaged by the Constitution Article 4(2). *"The Republic of Kenya shall be a multi-party democratic State founded on the national values and principles of governance referred to in Article 10"*.

1.1 Budget Performance

During the financial year 2013/2014, ORPP was allocated a budget of Kshs.329 million. In the same year, The National Treasury rationalized the budget for all MDAs in the 1st supplementary budget. There was therefore a reduction of the budget by Kshs.5 million to Kshs.324 million.

This budget was utilized as follows:

Item	Amount (Kshs. Millions)
• Personal Emoluments	54
• Other Operating Expenses	54
• Political Parties Fund	205

The actual expenditure for the financial year was Kshs. 313 million representing 96% budget utilization. The 4% was unspent due to late approval of the 2nd supplementary budget.

2.0 Key Achievements

In the year under review, the ORPP implemented its key programs with the following achievements:-

2.1 Partitioning of the Office

The ORPP is situated at 1st floor, Lion Place, Waiyaki Way, Westlands. During the 2013/2014 financial year, the office space was partitioned for optimal utilization. The ORPP is fully operational with a staffing level of 43 officers.

2.2 Capacity Building for the Staff

The Office of the Registrar of Political Parties sponsored capacity building programs for its staff in various fields. Within the financial year 2013/2014 the following staff training and development were undertaken:-

- Masters degree in Communication and Journalism, a part-time programme at the Nairobi University.
- Masters in Political Science, Nairobi University, part time program.
- BRIDGE Professional Enhancement Course in Elections
- Senior Management Course for senior managers at the Kenya School of Government.
- Public Relations and Customer Care at the Kenya School of Government, a one week group training program.

- Diploma in Management, a one year part time program, at KIM
- One month Executive Program for Executive Assistant, ESAMI program.

2.3 Strengthening the Management of Political Parties

The ORPP with other stakeholders offered technical support to political parties to develop their strategic plans using *Strategic Planning for Political Parties; a Practical Tool*. The ORPP also conducted training of accountants and the executives of political parties on the financial management of government funds for effective utilisation of Political Parties Fund. It carried out Monitoring and Evaluation of political parties using tailor made tool to establish compliance with the Political Parties Act.

2.4 Development of Administrative Guidelines

The following administrative guidelines and manuals were developed:-

- The abridged version of Political Parties Act in a nutshell
- The Political Parties Manual
- A Guide to Political Parties Registration
- Guide to mergers and Coalitions

2.5 Public Sensitization on the Political Parties Act, 2011

The ORPP prepared information and education materials on the enforcement of the Political Parties Act, 2011. These include; promotional and educational materials, brochures, posters and banners. The materials were disseminated to political parties and the general public.

2.6 Maintenance of updated Database for Political Parties

Every political party is mandated to keep various records in their party offices and these records are maintained in the database of ORPP for members, officials, symbols and physical address of all political parties.

2.7 Political Parties Liaison Committee (PPLC)

The ORPP provided logistical support to the PPLC whose principle function is to provide a platform for dialogue between Independent Electoral and Boundaries Commission (IEBC), RPP and political parties. PPLC as a key stakeholder collaborated with ORPP to develop regulations and guidelines to support the implementation of the Political Parties Act, 2011. The following regulations have been drafted and are at the final stage of publication; Political Parties (Political Parties Liaison Committee) Regulations; Political Parties (Registration) Regulations and Political Parties (Funding) Regulations.

3.0 Emerging Issues

The five percent (5%) threshold provided for qualification for allocation of Political Parties Fund has created uneven playing field since only three (3) political parties out of 59 fully registered political parties qualify for funding. This has resulted to court petitions.

The roles of PPLC in the current political situation require additional funding to ensure that the PPLC achieves its mandate.

4.0 Challenges

4.1 Political Parties Fund

Section 24 of the Political Parties Act, 2011 stipulates that the Political Parties Fund shall receive “such funds not less than zero point three per cent of the revenue collected by the national government as may be provided by Parliament”. In the 2013/2014 financial year, the Fund was allocated Kenya shilling two hundred and five million and two hundred thousand (205.2 million) which was below the amount provided for in the Act.

4.2 Staffing level

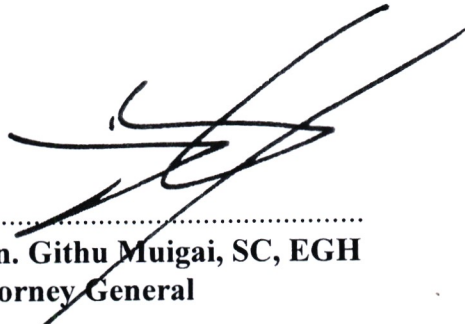
The Office of the Registrar of Political Parties requires an optimal staff capacity to effectively discharge its mandate. This is yet to be achieved since the office has not devolved its functions to the counties

4.3 Lack of Adequate Resources

Political parties lack capacity to implement their role as envisaged by the Constitution due lack of adequate resources.

5.0 Way Forward

- To address the optimal staff requirement, the Office requires an authority to fill vacancies in the approved establishment.
- The Political Parties Fund which is provided for by the Political Parties Act,2011 should be drawn directly from the consolidated fund and not from the GJLOs Sector budget ceiling.



.....
Hon. Githu Muigai, SC, EGH
Attorney General

Date.....

III STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the accounting officer for Office of the Registrar of Political Parties shall prepare financial statements in respect of that the accounting unit. 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 of Political Parties is in charge of 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 30, 2014. 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 entity; (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 of the Registrar of Political Parties; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Registrar of Political Parties accepts responsibility for the financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS) and relevant legal framework of the Government of Kenya. 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, 2014, 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 entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted 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.

Approval of the financial statements

The Office of the Registrar of Political Parties' financial statements were approved and signed by the Registrar on 29/9/ 2014.


Lucy K. Ndungu, EBS
Registrar of Political Parties


John Macharia
Chief Accountant

IV REPORT OF THE INDEPENDENT AUDITORS ON THE REGISTRAR OF POLITICAL PARTIES

We have audited the accompanying (consolidated) financial statements of Office of the Registrar of Political Parties for the year ended June 30, 2014, which comprise: (i) a statement of receipts and payments; (ii) a statement of financial assets and liabilities; (iii) a statement of comparative budget and actual amounts; (iv) a statement of pending bills as at June 30, 2014; and (v) a summary of significant accounting policies and other explanatory information.

Responsibility for the Financial Statements

The Registrar of Political Parties is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (IPSAS). This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 depended on our professional 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, we considered the internal controls relevant to the company's preparation and fair presentation of the financial statements in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Office of the Registrar of Political Parties as at June 30, 2014, and its receipts and payments, as well as cash flows for the year then ended in accordance with International Public Sector Accounting Standards.

Auditor General


Date

I. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2013-2014 Kshs	2012-2013 Kshs
RECEIPTS			
Exchequer releases	1	320,000,000	351,000,000
TOTAL RECEIPTS		320,000,000	351,000,000
PAYMENTS			
Compensation of Employees	2	54,962,404	47,238,657
Use of goods and services	3	41,586,248	40,198,656
Other grants and transfers	4	205,200,000	236,292,589
Acquisition of Assets	5	12,210,010	17,888,962
TOTAL PAYMENTS		313,958,662	341,618,864
SURPLUS		6,041,338	9,381,136

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Office of the Registrar of Political Parties financial statements were approved on 29/9/ 2014 and signed by:



Lucy K. Ndungu, EBS
 Registrar of Political Parties


John Macharia
 Chief Accountant

II. STATEMENT OF ASSETS

	Note	2013-2014 Kshs	2012-2013 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	6A	5,309,610	9,381,136
Cash Balances	6B	19,437	-
Outstanding Balances From Fund Account	6C	707,200	-
TOTAL FINANCIAL ASSETS		6,036,247	9,381,136
REPRESENTED BY			
Fund balance b/fwd		-	-
Surplus/Deficit for the year		6,041,338	9,381,136
Adjustments	7	(5091)	-
NET FINANCIAL POSITION		6,036,247	9,381,136

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Office of the Registrar of Political Parties financial statements were approved on 29/9/ 2014 and signed by:


Lucy K. Ndungu, EBS
 Registrar of Political Parties


John Macharia
 Chief Accountant

III. STATEMENT OF CASHFLOW

Receipts for operating income

Exchequer Releases	1	320,000,000	351,000,000
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Payments for operating expenses

Compensation of Employees	2	(54,962,404)	(47,238,657)
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Use of goods and services	3	(41,586,248)	(40,198,656)
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Other grants and transfers	4	(205,200,000)	(236,292,589)
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Adjusted for:

Outstanding amount from fund account	6C	(707,200)	
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Adjustments during the year	7	(5,091)	-
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Net cash flow from operating activities

<u>17,539,057</u>	<u>27,270,098</u>
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CASHFLOW FROM INVESTING ACTIVITIES

Acquisition of Assets	5	(12,210,010)	(17,888,962)
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Net cash flows from Investing Activities

<u>(12,210,010)</u>	<u>(17,888,962)</u>
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CASHFLOW FROM BORROWING ACTIVITIES

NET INCREASE IN CASH AND CASH

EQUIVALENT	5,329,047	9,381,136
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Cash and cash equivalent at BEGINNING of the year	-	-
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Cash and cash equivalent at END of the year	<u>5,329,047</u>	<u>9,381,136</u>
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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Office of the Registrar of Political Parties financial statements were approved on 29/9/ 2014 and signed by:


Lucy K. Ndungu, EBS
Registrar of Political Parties


John Macharia
Chief Accountant


**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30TH, 2014 (KSHS)**

IV. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS						
Exchequer releases	324,726,897	-	324,726,897	320,000,000	-	-
TOTAL	324,726,897	-	324,726,897	320,000,000	-	-
PAYMENTS						
Compensation of Employees	60,005,000	(5000,000)	55,005,000	54,962,404	(42,596)	100%
Use of goods and services	63,702,897	(12,776,000)	50,926,897.00	41,586,248.00	(9,340,649)	82%
Other grants and transfers	205,200,000		205,200,000	205,200,000	-	100%
Acquisition of Assets	819,000	12,776,000	13,595,000	12,210,010	(1,384,990)	90%
TOTALS	329,726,897	5000,000	324,726,897	313,958,662	10,768,235	97%

The Office of the Registrar of Political Parties financial statements were approved on 32/9/ 2014 and signed by:


Lucy K. Ndungu, EBS
Registrar of Political Parties



John Macharia
Chief Accountant

V. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
RECEIPTS						
Exchequer releases	324,726,897	-	324,726,897	320,000,000		324,726,897
Other Receipts						
TOTAL	324,726,897	-	324,726,897	320,000,000		324,726,897
PAYMENTS						
Compensation of Employees	60,005,000	(5,000,000)	55,005,000	54,962,404	42,596.00	100%
Use of goods and services	63,702,897	(12,776,000)	50,926,897	41,586,248	9,340,649.00	82%
Other grants and transfers	205,200,000	-	205,200,000	-	205,200,000	0%
Acquisition of Assets	819,000	12,776,000	13,595,000	12,210,010.00	1,384,990.00	90%
TOTALS	329,726,897	(5,000,000)	324,726,897	313,958,662	10,768,235	97%

The Office of the Registrar of Political Parties financial statements were approved on 25/9/ 2014 and signed by:


Lucy K. Ndungu, EBS
Registrar of Political Parties


John Macharia
Chief Accountant

**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES
 REPORTS AND FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30TH, 2014 (KSHS)**

VI. SUMMARY STATEMENT OF PROVISIONINGS

- Details of General Accounts On Vote

	2013 - 2014	2012 - 2013
	Kshs	Kshs
GAV Provisioning account balance	10,768,235	38,673,723
Total	10,768,235.00	38,673,723.00

- Details of Exchequer Account

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Exchequer Provisioning account balance	4,726,897.00	-
Total	4,726,897.00	-



Lucy K. Ndungu, EBS
 Registrar of Political Parties



John Macharia
 Chief Accountant

**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30TH, 2014 (KSHS)**

VII. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

1. Statement of compliance and basis of preparation

The financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) with particular emphasis on Cash Basis Financial Reporting under the Cash Basis of Accounting. The financial statements comply with and conform to the form of presentation prescribed by the Public Sector Accounting Standards Board of Kenya.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the Office of the Registrar of Political Parties and all values are rounded to the nearest one Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements have been prepared on the cash basis following the Government's standard chart of accounts. The cash basis of accounting recognises transactions and events only when cash is received or paid by the Office of the Registrar of Political Parties.

2. Recognition of revenue and expenses

The Office of the Registrar of Political Parties recognises all revenues from the various sources when the event occurs and the related cash has actually been received by the Office of the Registrar of Political Parties. In addition, the Office of the Registrar of Political Parties recognises all expenses when the event occurs and the related cash has actually been paid out by the Office of the Registrar of Political Parties.

3. In-kind contributions

In-kind contributions are donations that are made to the Office of the Registrar of Political Parties in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Office of the Registrar of Political Parties includes such value in the statement of receipts and payments both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

4. 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 Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial

statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

5. Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Office of the Registrar of Political Parties at the end of the year. When the pending bills are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

6. Budget

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The Office of the Registrar of Political Parties's budget was approved as required by Law and as detailed in the Government of Kenya Budget Printed Estimates. A high-level assessment of the Office of the Registrar of Political Parties's actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

7. Comparative figures

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

8. 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, 2014.

VIII. NOTES TO THE FINANCIAL STATEMENTS

1 EXCHQUER RELEASES

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Total Exchequer Releases for quarter 1	140,000,000	176,000,000
Total Exchequer Releases for quarter 2	20,000,000	-
Total Exchequer Releases for quarter 3	130,000,000	140,000,000
Total Exchequer Releases for quarter 4	30,000,000	35,000,000
Total	320,000,000	351,000,000

2 COMPENSATION OF EMPLOYEES

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Basic salaries of permanent employees	32,459,828	23,651,374
Basic wages of temporary employees	-	2,898,000
Personal allowances paid as part of salary	21,356,712	20,630,083
Pension and other social security contributions	577,600	59,200
Compulsory national social security schemes	568,264	-
Total	54,962,404	47,238,657

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 USE OF GOODS AND SERVICES

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Utilities, supplies and services	1,294,252	-
Communication, supplies and services	1,432,480	599,000
Domestic travel and subsistence	7,302,053	10,335,065
Foreign travel and subsistence	4,349,742	1,175,676
Printing, advertising and information supplies & services	2,906,661	4,761,818
	10,885,33	
Rentals of produced assets	2	3,537,986
Training expenses	3,480,671	7,136,143
Hospitality supplies and services	1,576,529	3,118,853
Office and general supplies and services	2,854,615	1,979,742
Other operating expenses	4,176,288	5,962,990
Routine maintenance – vehicles and other transport equipment	827,625	1,591,383
Routine maintenance – other assets	500,000	
Total	41,586,248	40,198,656

4 OTHER GRANTS AND OTHER PAYMENTS

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Other current transfers, grants	205,200,000	236,292,589
Total	205,200,000	236,292,589

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5 ACQUISITION OF ASSETS

<u>Non Financial Assets</u>	2013 - 2014 Kshs	2012 - 2013 Kshs
Refurbishment of Buildings	2,469,660	-
Purchase of Office Furniture and General Equipment	9,740,350	17,888,962
Total	12,210,010	17,888,962

6A: BANK ACCOUNTS

Name of Bank, Account No.	2013 - 2014 Kshs	2012 - 2013 Kshs
Central Bank of Kenya-A/C NO .1000181206	5,309,610	9,381,135
Total	5,309,610	9,381,135

6B: CASH IN HAND

	2013 - 2014 Kshs	2012 - 2013 Kshs
Headquarters	19,437	-
Total	19,437	-

6C: OUTSTANDING TRANSFERS FROM FUND ACCOUNT

Name of Bank, Account No. & currency	2013 - 2014 Kshs	2012 - 2013 Kshs
Political Fund a/c 1000181842	707,200	-
Total	707,200	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7 ADJUSTMENTS

	2013 - 2014	2012 - 2013
	Kshs	Kshs
Adjustments during the year	5,091	
Total	5,091	-

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8 PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS


The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
(a)	Risk Management Policy	During this financial year, the office has incorporated risk management policy in its work plan and has set up the relevant committees to oversee the implementation.	Internal Auditor- Veronica Muasya	Internal audit function established and an Audit Committee in place to advise on risk management	Twelve months
b)	No risk management policy in place during the year under review	During this financial year, the office has incorporated risk management policy in its work plan and has set up the relevant committees to ensure a risk assessment is undertaken.	Internal Auditor- Veronica Muasya	On going	Six months
c)	No documented and specific controls for identified risks and no identification of the responsible personnel	Management has put in place necessary controls and identified responsible officers to oversee the implementation	Internal Auditor- Veronica Muasya	Ongoing	Continuous
d)	No existing internal audit function	An internal audit function and an audit committee have been established.	Internal Auditor- Veronica Muasya	Resolved	Already in place

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
e)	No IT strategy committee at the board level hence IT governance is not adequately addressed	ORPP IT policies, strategy and database were centrally managed by the IEBC and could not be separated until finalization of all by-elections. The office is now in the process of finalizing its data delinkage from IEBC.	ICT department- Leonard Rotich	On going	Ongoing
f)	No approved IT strategic plan which may lead to IT goals not contributing to strategic objectives	ORPP has now developed its strategic plan and incorporated Strategies on IT management in line with the Kenya ICT Authority requirements.	ICT department- Leonard Rotich	Ongoing	Ongoing
g)	No approved IT security policy	ORPP has now developed its strategic plan and incorporated Strategies on IT security management in line with the Kenya ICT Authority requirements.	ICT department- Leonard Rotich	On going	Ongoing
i)	No formal documented disaster recovery plan	ORPP data is interlinked to both the IEBC and the National Treasury databases which have back up. The office has set up a committee on safety, environment and disaster management to formulate a disaster recovery plan.	Dinah Liech- Human Resource department ICT L. Rotich.	On going	On going
j)	No formal, documented and tested emergency procedure in place	The office has set up a committee on safety, environment and disaster management to formulate security and emergency	Dinah Liech- Human Resource department	On going	On going

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue	Status:	Timeframe:
k)	No training programme to build IT capacity	procedures. ORPP has a budget for IT personnel capacity building	Dinah Liech- Human Resource department	On going	Ongoing


Lucy K. Ndungu, EBS
 Registrar of Political Parties


John Macharia
 Chief Accountant

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ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Outstanding Balance 2013 Kshs	Outstanding Balance 2012 Kshs
Supply of goods		
1. Rentokil Initial	170,404	
2. Milken Terprice	96,000	
3. Dure enterprises		188,000
Total	266,404	188,000

**OFFICE OF THE REGISTRAR OF POLITICAL PARTIES
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ANNEX 4 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Current Cost (Kshs) 2013/14	Historical Cost (Kshs) 2012/13
Office equipment, furniture and fittings	1,825,010	-
Other Machinery and Equipment	7,915,340	-
Total	9,740,350	-

VOTE R126 REGISTRAR OF POLITICAL PARTIES										
RECURRENT Appropriation Accounts on Summary Item by Sub head - FOR THE PERIOD FROM JUL-13 TO JUN-14										
Head	Sub Head	ITEM	TITLE AND DETAILS	Original Kes	Add/Less Supplementary Kes	Approved Estimates Kes	Actual Expenditure Kes	Over		Under Kes
								Kes	Kes	
'0002			Registrar of Political Parties							
	'01		Headquarters							
		2110100	Basic Salaries - Permanent Employees	35,779,828	-3,320,000	32,459,828	32,459,828	0	0	0
		2110300	Personal Allowances paid as part of Salary	23,036,712	-1,680,000	21,356,712	21,356,712	0	0	0
		2120100	Employer Contributions to Compulsory National Social Security Schemes	1,188,460	0	1,188,460	1,145,864	0	0	42,596
		2210100	Utilities, Supplies and Services	2,730,000	0	2,730,000	1,294,252	0	0	1,435,748
		2210200	Communication, Supplies and Services	1,674,175	1,000,000	2,674,175	1,432,480	0	0	1,241,695
		2210300	Domestic Travel and Subsistence, and Other Transportation Costs	6,962,680	550,000	7,512,680	7,302,053	0	0	210,627
		2210400	Foreign Travel and Subsistence, and Other Transportation Costs	5,968,118	-1,050,000	4,918,118	4,349,742	0	0	568,376
		2210500	Printing, Advertising and Information Supplies and Services	2,570,624	434,000	3,004,624	2,906,661	0	0	97,963
		2210600	Rentals of Produced Assets	18,205,880	-6,460,000	11,745,880	11,278,650	0	0	467,230
		2210700	Training Expenses (including capacity building)	4,165,650	0	4,165,650	3,480,671	0	0	684,979
		2210800	Hospitality Supplies and Services	1,083,600	500,000	1,583,600	1,576,529	0	0	7,071
		2210900	Insurance Costs	8,240,320	-7,550,000	690,320	0	0	0	690,320
		2211100	Office and General Supplies and Services	2,544,000	2,600,000	5,144,000	2,854,615	0	0	2,289,385
		2211200	Fuel Oil and Lubricants	1,837,850	-500,000	1,337,850	1,330,550	0	0	7,300
		2211300	Other Operating Expenses	4,770,000	-1,000,000	3,770,000	2,452,420	0	0	1,317,580
		2220100	Routine Maintenance - Vehicles and Other Transport Equipmt.	2,450,000	-1,300,000	1,150,000	827,625	0	0	322,375
		2220200	Routine Maintenance - Other Assets	500,000	0	500,000	500,000	0	0	0
		3110300	Refurbishment of Buildings	0	2,469,660	2,469,660	2,469,660	0	0	0
		3111000	Purch. of Office Furn. & General Eqpt.	0	2,500,000	2,500,000	1,825,010	0	0	674,990

VOTE R126 REGISTRAR OF POLITICAL PARTIES									
RECURRENT Appropriation Accounts on Summary Item by Sub head - FOR THE PERIOD FROM JUL-13 TO JUN-14									
Head	Sub Head	ITEM	TITLE AND DETAILS	Original Kes	Add/Less Supplementary Kes	Approved Estimates Kes	Actual Expenditure Kes	Over Kes	Under Kes
		3111100	Purch. of Specialised Plant, Equipment & Mach.	819,000	7,806,340	8,625,340	7,915,340	0	710,000
			GROSS EXPENDITURE	124,526,897	-5,000,000	119,526,897	108,758,662	0	10,768,235
			Net Expenditure Sub Head 000201	124,526,897	-5,000,000	119,526,897	108,758,662	0	10,768,235
	'02		Political Parties Fund						
		2630100	Current grants to Govt. Agencies and other levels of Govt.	205,200,000	0	205,200,000	205,200,000	0	0
			GROSS EXPENDITURE	205,200,000	0	205,200,000	205,200,000	0	0
			Net Expenditure Sub Head 000202	205,200,000	0	205,200,000	205,200,000	0	0
			Net Expenditure Head 000200	329,726,897	-5,000,000	324,726,897	313,958,662	0	10,768,235
			Total	329,726,897	-5,000,000	324,726,897	313,958,662	0	10,768,235

VOTE R126 REGISTRAR OF POLITICAL PARTIES

RECURRENT APPROPRIATION ACCOUNT SUMMARY - FOR THE PERIOD FROM JUL-13 TO JUN-14

ADMINISTRATIVE		Approved Estimates	Actual Expenditure
		KShs	KShs
126000200	GROSS EXPENDITURE		
	Registrar of Political Parties	324,726,897.00	313,958,661.60
	Gross Total Expenditure	324,726,897	313,958,661.60
			Surplus of Gross Estimates Over Expenditure Kshs
			10,768,235.40
	Appropriation in Aid	0.00	0.00
	NET TOTAL VOTE R126 REGISTRAR OF POLITICAL PARTIES	324,726,897.00	313,958,661.60
			Net Surplus to be surrendered to Exchequer Kshs
			10,768,235.40

