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REPORT

OF

THE AUDITOR-GENERAL

ON

ORANGE DEMOCRATIC MOVEMENT PARTY

**FOR THE YEAR ENDED
30 JUNE, 2020**





(ORANGE DEMOCRATIC MOVEMENT)

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Orange Democratic Movement was formed in 2007 as a political party after meeting the registration requirements under the newly established Registrar of Political Parties office. The National Executive Committee is responsible for the general policy and strategic direction of the Party.

(b) Principal Activities

The organization's principal activity is to strive to establish a Government of Kenya based on democratic and good governance and constitutional principles of a pluralistic democracy whilst promoting rule of law.

(c) Key Management

The *Orange Democratic Movement* day-to-day management is under the following key organs:

- Secretary General ;
- Executive Director
- Finance & Administration Director
- Other Directors and Managers
- Legal officers and Accountants

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chairman	Hon. John Mbadi
2.	Secretary General	Hon. Edwin Sifuna
3.	Organizing secretary	Hon. Abdikadir Aden
4.	Executive Director	Mr. Oduor Ong'wen
5.	National Treasurer	Hon. Timothy Bosire

(e) Fiduciary Oversight Arrangements

- *Audit and finance committee activities*

The audit committee helps the National Executive Committee with corporate governance. It is a creation of the National Executive Committee of the party. Its membership is comprised of the Treasurer and two deputies, the chairperson of the Finance & Resource Mobilization and the chairperson of the Strategic Planning Committee. The primary role of the audit committee is to assist the National Executive Committee with its corporate governance oversight responsibilities in ensuring that:

- **External Auditing** processes are carried out independently by the Auditor General without interference so as to guarantee the integrity of the party's financial statements,
- **Regulatory and Legal** requirements of the government inclusive of the Orange Democratic Movement code of conduct are in total compliance at all levels of the government.
- **Risk management** to assure that the allocation of the party's resources are optimized and conforms to the party's goals and objectives.

However from time to time, the audit committee may be called upon to address specific issues that fall outside of its primary role by the National Executive Committee.

Risk Management Policy

Effective risk management begins with the understanding, by everyone in the organization, that the effort is important, and that everyone is expected to uphold that effort. Orange Democratic Movement is subject to certain risks that affect our ability to operate, serve our clients, and protect assets. These include risks to employees and volunteers, liability to others, and risks to property.

Controlling these risks through a formal program is necessary for the well-being of the organization and everyone in it. The jobs and services the party provides the safety of the workplace and other benefits all depend to an extent on our ability to control risks. Management has the ultimate responsibility to control risks. Control includes making decisions regarding which risks are acceptable and how to address those that are not. Those decisions can be made only with the participation of the entire workforce, because each of us understands the risks of his or her own tasks better than anyone else in the organization. Each is responsible for reporting any unsafe conditions they see. Also, each is encouraged to suggest ways in which we can operate more safely.

We are committed to the careful consideration of everyone's suggestions, and to taking appropriate action to address risks. Accidents and other situations involving loss or near-loss will be investigated as part of the effort to manage risks. Every employee's and volunteer's performance is evaluated, in part, according to how he or she complies with this policy.

Purpose

The purpose of this policy is to ensure that risks to Orange Democratic Movement are identified, analyzed, and managed so that they are maintained at acceptable levels. Risks to the confidentiality, integrity, and availability of both party information and assets are considered.

ODM Risk Management Mission Statement

The Orange Democratic Movement has a moral and legal duty to its membership, employees, and to party assets. We continue to meet our duty by ensuring that risk management plays an integral part in sound governance at both a strategic and operational level.

The National Executive Committee of the party will support the risk management efforts through setting policy and providing broad guidance on goals and objectives. However,

risk management is an active process that requires cooperation by all directors, employees, and—where appropriate—the larger party membership. To that end, the National Executive Committee accepts that it must take a leadership role in seeing that appropriate measures are undertaken.

ODM Risk Management Goals Statement

The National Executive Committee authorizes the establishment of a Risk Management Committee, which shall consist of Five members, the party treasurer, a member trained on fire and emergency, a member trained on public works management, and two NEC Members (to be selected by the National Executive Committee for five-year terms). The Committee shall be chaired by the party treasurer, and its responsibilities shall be:

- Identifying and assessing risks
- Selecting and implementing risk control and financing measures
- Periodically reviewing risk management efforts and reporting to the National Executive Committee

These activities shall be undertaken in the service of the risk management mission statement, and to that end risk management practices are undertaken to reduce the cost of risk to Orange Democratic Movement and to maximize benefits of opportunities that the membership may encounter.

Effective risk management begins with the understanding, by everyone in the organization, that the effort is important, and that everyone is expected to uphold that effort.

Orange Democratic Movement is subject to certain risks that affect our ability to operate, serve our clients, and protect assets. These include risks to employees and volunteers, liability to others, and risks to property.

Controlling these risks through a formal program is necessary for the well-being of the organization and everyone in it. The jobs and services the party provides the safety of the workplace and other benefits all depend to an extent on our ability to control risks.

Management has the ultimate responsibility to control risks. Control includes making decisions regarding which risks are acceptable and how to address those that are not. Those decisions can be made only with the participation of the entire workforce, because each of us understands the risks of his or her own tasks better than anyone else in the organization. Each is responsible for reporting any unsafe conditions they see. Also, each is encouraged to suggest ways in which we can operate more safely. We are committed to the careful consideration of everyone's suggestions, and to taking appropriate action to address risks.

Accidents and other situations involving loss or near-loss will be investigated as part of the effort to manage risks. Every employee's and volunteer's performance will be evaluated, in part, according to how he or she complies with this policy.

This Risk Policy document has received the following review and approvals from ODM Management:

KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

(f) Entity Headquarters

Chungwa House
Loyangalani Drive, Lavington Area
P.O. Box 42422 - 00100
Nairobi

(g) Entity Contacts

Telephone: (254) 020-2053481
E-mail: info@odm.co.ke
Website: www.odm.co.ke

(h) Entity Bankers

KCB Bank Kenya Ltd
Lavington Branch
Nairobi.

(i) Independent Auditors

Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

(j) Principal Legal Adviser

Makori & Karimi Advocates
Nellion Place, Block B 1stFloor Suite 2
Rhapta Road, Westlands Nairobi
P.O. Box 45053
City Square 00100
Nairobi, Kenya

NATIONAL OFFICIALS

1. Rt. Hon. Raila Amolo Odinga	Party Leader
2. Hon. CPA John Mbadi	Chairman
3. Hon. Edwin Sifuna	Secretary General
4. Hon. Abdikadir Aden	National Organizing Secretary
5. Hon. Timothy Bosire	National Treasurer
6. Mr. Oduor Ong'wen	Executive Director

MANAGEMENT TEAM

1. Hon. Edwin Sifuna	Secretary General
2. Mr. Oduor Ong'wen	Executive Director
3. Joshua Kawino	Director, Finance & Administration
4. CPA Charles Memba	Senior Accountant
5. Anthony Muturi	Parliamentary Liaison & Legal Affairs Officer
6. Rosemary Kariuki	Director, Membership & Recruitment
7. Philip Etale	Communication Manager
8. Benson Musungu	Youth Co-ordinator

I. CHAIRMAN'S STATEMENT

Your Excellencies, members of the National Executive Committee, Party members, ladies and gentlemen. Allow me to welcome all of you to this 13th meeting of our National Executive Committee that is principally to receive amongst other reports the Annual Reports and Financial Statements of our Party.

Today we have settled in our newly acquired premise. We expect to settle fully the Loan by October 2021. I am however more impressed than ever with how we have established and managed our Branch Offices. They are vibrant and operational. The Party has continued straight and true on the path of delivering on our mandate and strategy through the Building Bridges Initiative (BBI) via the Sensitization Campaigns. Our Party Leader remained steadfast via BBI in executing straight on our key strategic pillars of peaceful cohesion, fighting against corruption, fighting poverty and striving for electoral justice in our future electoral undertakings.

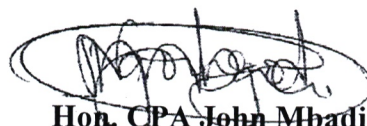
We have delivered key operational targets and have achieved a solid financial performance despite the Covid -19 Pandemic and political uncertainties that somehow hampered the BBI tempo. Pursuant to the Political Parties Act 2011 and despite the pandemic we are happy to present the annual Financial Statements in respect of our Party which in our view presents a fair view of the state of affairs as at 30th June 2020. With your approval, the accounts will be forwarded to Registrar of Political Parties and the Auditor General as required under Public Management Act 2012 Section 81 before 30th September 2020.

Parliament has approved Kshs 200 million for payment towards the settlement of the Court Award as contained on page 41 of 57 of the certificate on approval of Estimates of Expenditure for Financial Year 2020/2021. This will go along away to help us with cashflow management in the ensuing year.

Sadly during the year we lost Hon. Nampaso, Hon. Kassenge and Hon. MCA Anastacia Wakesho, and two members of Parliament namely the late Hon. Kenneth Okoth and Hon. Dori Suleiman. These unfortunate deaths and court petitions occasioned by-elections.

We thank our Party Governors who undertook various party conferences on behalf of the Party during the year. Likewise we thank our MCAs, Senators and MPs who have continued to remit their dues to the Party as required under our rules.

The Party vision remains our future. God bless all of us


Hon. CPA John Mbadi
National Chairman

II. REPORT OF THE CHIEF EXECUTIVE OFFICER

The year ended June 30th 2020 has been a unique one with unprecedented challenges. Not least of these challenges was the COVID-19 pandemic, which disrupted our programmatic activities in the last quarter of the FY 2019/2020. With guidance from the relevant government agencies and support of our leadership and stakeholders, we continue to confront the attendant challenges.

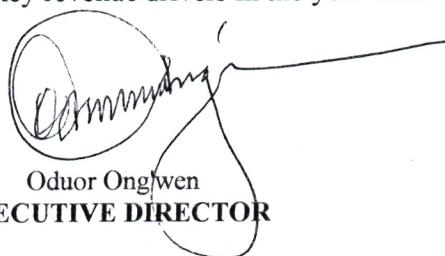
The financial report we present herein accords with the International Public Sector Accounting Standards and captures our core responsibilities that include, but are not limited to:

1. Mobilising financial and non-financial resources for the Party;
2. Ensuring the books are kept and duly audited;
3. Continuing to develop principles of stewardship, financial discipline, ethics and best practices to guide the Party in matters of fiscal planning and management;
4. Conducting advocacy, national outreach and branch strengthening and empowerment programmes;
5. Organizing the National Governing Council; and
6. Preparations for and participating in by elections.

Pursuant to the Political Parties Act 2011 and Section 35 of the Public Audit Act 2015 requirements, the Party was able to accomplish the following in a timely manner:

- (i) Prepared work programme, time-action work plans and the annual budget, the implementation of which culminated in the financial report and accounts for the Financial Year ended June 30th 2020.
- (ii) Ensured that the books of accounts for the fiscal year ended June 30th 2020 were prepared in time and availed to the Auditor General. In fulfilment of our obligations under Section 29(1) of the Political Parties Act 2011. The relevant income and expenditure summary will be extracted and published in the local daily newspapers with national circulation namely *Daily Nation* and *The Standard*. Specifically the Act demands of a political party to, within three months of its financial year, publish the sources of its fund stating:
 - a. The amount of money received from the Political Parties Fund;
 - b. The amount of money received from its members and supporters; and
 - c. The amounts and sources of donations given to the party.

Like in the preceding financial year, revenue from the Political Parties Fund, regular contributions from our elected leaders, membership fees and other donations and receipts from our members and supporters were the key revenue drivers in the year under review.



Oduor Ongwen
EXECUTIVE DIRECTOR

CORPORATE GOVERNANCE STATEMENT

Orange Democratic Movement is committed to operating in accordance with best practice in political integrity and ethics and maintaining the highest standards of financial reporting and corporate governance. The National Executive Committee is delighted to report that the party has, throughout the year, complied with the provisions set out in the Code on Corporate Governance and equally applied the main principles of the Code.

Corporate governance for the Orange Democratic Movement has gone a long way to define how the party conducts its affairs in line with the objects for which it was founded. It has given the party its structure, which contains all set of rules that governs the ethical operating procedures and processes of the party by ensuring that we conform to the Kenyan Statutory requirements and the best practices in line the Political Parties Act 2011 in all political activities. Likewise it has ensured the best interests of the public and party members are jealously protected. Responsibility for corporate governance is vested with the National Executive Committee of the Orange Democratic Movement.

Much of the details are contained in the attached party Constitution which contains the following

- | | |
|--|-----------------------------|
| • Identity, Vision and Mission | Aims, objectives and Values |
| • Membership, Rights and Duties | National Officials |
| • Party Organs | Committees |
| • Stewardship | Dissolutions |
| • Coalitions, Dispute Settlement and Amendment | |
| • General Provisions | |

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Our ambition is to gradually but visibly, establishes a prosperous, industrized and modern nation in which citizens enjoy social, economic and democratic rights, and live in dignity. We envisage that our people will exploit their full potential. The sporting concerts and events will ensure that there is a continuous link between the people and the party organs – This program arises from a desire to ensure our contribution to society goes beyond purely political campaigns. Citizens have a duty to interact in a responsible way from a social and environmental perspective. In this context, one of the questions ODM aims to answer is: how do our activities improve living standards in our communities? In addition, it makes political sense in the long-term. When managed well this social responsibility can also facilitate achievement of strategically important goals for the party:

- Involvement in project work that tackles real challenges in our communities is a way through which we can increase **staff engagement**, member's loyalty and **pride**.
- Through collaboration in projects we can improve the **dynamism of relationships** with our members and competitors
- As a consequence of positive outcomes from our Corporate social activity, we can enhance ODM's **reputation** among key stakeholders nationally

REPORT OF THE NATIONAL EXECUTIVE COMMITTEE

The National Executive committee submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Orange Democratic Movement affairs.

Principal activities

The organization's principal activity is to strive to establish a Government of Kenya based on democratic and good governance and constitutional principles of a pluralistic democracy whilst promoting rule of law.

Results

The results of the entity for the year ended June 30, 2020 are set out on page 1-24

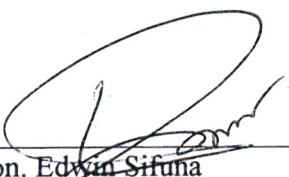
Directors

The National Executive Committee Members who served during the year are shown on page (vi)

Auditors

The Auditor General is responsible for the statutory audit of the Orange Democratic Movement in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Orange Democratic Movement for the year/period ended June 30, 2020.

By Order of the National Executive Committee



Hon. Edwin Sifuna
Secretary General
Nairobi
Date: 25/09/2020

STATEMENT OF NATIONAL EXECUTIVE COMMITTEE'S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 require the National Executive Committee to prepare financial statements in respect of that Orange Democratic Movement, which give a true and fair view of the state of affairs of the Orange Democratic Movement at the end of every financial year/period and the operating results of the Orange Democratic Movement for each particular year/period. The National Executive Committee members are also required to ensure that the Orange Democratic Movement keeps proper accounting records which disclose with reasonable accuracy the financial position of the Orange Democratic Movement. The National Executive Committee members are also responsible for safeguarding the assets of the Orange Democratic Movement.

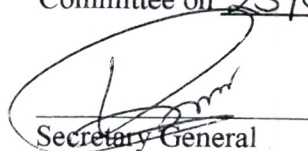
The National Executive Committee members are responsible for the preparation and presentation of Orange Democratic Movement financial statements, which give a true and fair view of the state of affairs of the Orange Democratic Movement for and as at the end of the financial year (period) ended on June 30, 2020. 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 Orange Democratic Movement; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

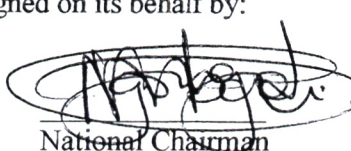
The National Executive Committee members accept responsibility for Orange Democratic Movement financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012-). The National Executive Committee members are of the opinion that Orange Democratic Movement financial statements give a true and fair view of the state of Orange Democratic Movement transactions during the financial year ended June 30, 2020, and of Orange Democratic Movement financial position as at that date. National Executive Committee further confirm the completeness of the accounting records maintained for the Orange Democratic Movement, which have been relied upon in the preparation of Orange Democratic Movement financial statements as well as the adequacy of the systems of internal financial control.

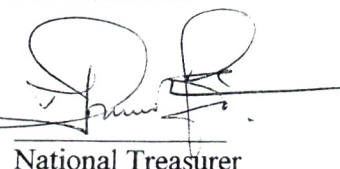
Nothing has come to the attention of the Directors to indicate that the Orange Democratic Movement will not remain solvent for at least the next twelve months from the date of this statement.

Approval of the financial statements

Orange Democratic Movement financial statements were approved by National Executive Committee on 25/09/2020 and signed on its behalf by:


Secretary General


National Chairman


National Treasurer

REPUBLIC OF KENYA

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Enhancing Accountability

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P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ORANGE DEMOCRATIC MOVEMENT PARTY FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Orange Democratic Movement Party set out on pages 1 to 24, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, the statement of cash flows and the statement of comparison of budget and actual amounts 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 Orange Democratic Movement Party as at 30 June, 2020, 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 Political Parties Act, 2011 (Revised 2016) and 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 Orange Democratic Movement Party 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.

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.1,410,666,897 and Kshs.333,374,611 respectively resulting in under collection of Kshs.1,077,292,287 or 76% of the budget. Similarly, the Orange Democratic Movement Party spent a total of Kshs.367,460,802 against an approved budget of Kshs.1,410,666,897 resulting to an under-expenditure of Kshs.1,043,206,485 or 74% of the budget. The revenue shortfall was largely attributed to non-receipt of expected Government funding estimated at Kshs.1,240,244,327 (being 0.3% National revenue apportioned with reference to total number of votes secured by each Political Party). The Party actual receipts from the Government during the year under review amounted to Kshs.263,466,421. The under collection of revenue and the under-expenditure affected the planned activities of the Party such as the planned grass root elections which were not conducted.

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 overall 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 effective processes and systems of internal controls, risk management and overall 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Party's ability to continue to sustain 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 Party 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.

Those charged with governance are responsible for overseeing Party's financial reporting process, reviewing the effectiveness of how the entity 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 overall 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 Party'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 Political Party'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 Party to cease to continue 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 Party 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

07 July, 2021

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2020

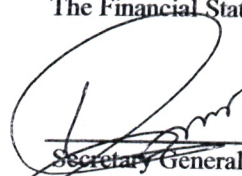
	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Public contributions and donations	5	64,712,221	77,292,409
Transfers from other governments – gifts and services-in-kind	6	263,466,421	112,255,637
Accrued Transfers Owing from Government	6	1,240,244,327	6,476,391,298
		1,568,422,969	6,665,939,344
Revenue from exchange transactions			
Other income	7	5,195,969	1,213,799
Total revenue		1,573,618,938	6,667,153,143
Expenses			
Employee costs	8	64,660,925	59,403,203
Depreciation and amortization expense	9	6,564,506	1,320,898
Repairs and maintenance	10	716,224	188,750
General expenses	11	231,023,803	153,681,143
Finance costs	12	344,092	278,045
Rent Paid		792,167	1,900,000
Total expenses		304,101,717	216,772,039
Other gains/(losses)			
Surplus before tax		1,269,517,221	6,450,381,104
Surplus/(deficit) for the period/year		-	-
Net Surplus for the year		1,269,517,221	6,450,381,104
Attributable to:			
Surplus/(deficit) attributable to minority interest		-	-
Surplus attributable to owners of the controlling entity		-	-
		1,269,517,221	6,450,381,104

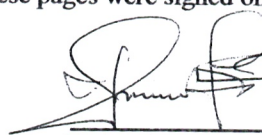
The notes set out on this page up to page 27 form an integral part of these Financial Statements

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020**

	Notes	2019-2020 KShs	2018-2019 KShs
Assets			
Current assets			
Cash and cash equivalents	13	40,447,436	8,629,794
Receivables from exchange transactions	15	30,802,285	61,843,225
Accrued receivable from Government	15	7,625,909,103	6,476,391,298
Inventories	16	8,039,888	8,039,888
		7,705,198,712	6,554,904,205
Non-current assets			
Property, plant and equipment	17	242,784,206	185,990,015
		242,784,206	185,990,015
Total assets		7,947,982,918	6,740,894,220
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	18	108,644,315	171,072,841
		108,644,315	171,072,841
Non-current liabilities			
Total liabilities		108,644,315	171,072,841
Net assets		7,839,338,603	6,569,821,379
Reserves		2,356,176	2,356,176
Accumulated surplus		7,836,982,427	6,567,465,203
Total net assets and liabilities		7,839,338,603	6,569,821,379

The Financial Statements set out on these pages were signed on behalf of the National Executive Committee by:


Secretary General
Name: Hon. Edwin Sifuna
Date: 25/09/2020


National Treasurer
Name: Hon. Timothy Bosire
Date: 25/09/2020


National Chairman
Name: Hon. CPA John Mbadi
Date: 25/09/2020

**STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020**

	Ordinary share capital	Reserves	Fair value adjustment reserve	Accumulated Reserves	Net Surplus /Deficit	Capital/ Development Grants/Fund	Total
At July 1, 2018	-	2,356,176	-	(3,638,482)	120,722,582	-	119,440,276
Revaluation gain	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	6,450,381,104	-	6,450,381,104
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
At June 30, 2019	-	2,356,176	-	(3,638,482)	6,571,103,686	-	6,569,821,380
At July 1, 2019	-	2,356,176	-	(3,638,482)	6,571,103,686	-	6,569,821,380
Revaluation gain	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	1,269,517,223	-	1,269,517,223
Transfer of depreciation/amortisation from capital fund to retained earnings	-	-	-	-	-	-	-
At June 30, 2020	-	2,356,176	-	(3,638,482)	7,840,620,909	-	7,839,338,603

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020**

		2019-2020	2018-2019
		Kshs	Kshs
Cash flows from operating activities :-			
Net Surplus for the Year		1,269,517,220	6,450,381,104
Adjusted for :			
Depreciation Written back		6,564,506	1,320,898
		1,276,081,726	6,451,702,002
Working capital changes			
(Increase) /Decrease in payables		(62,428,526)	165,707,071
Decrease/(Increase) in receivables	15	(1,118,476,865)	(6,440,217,728)
Cash generated from operations		(1,180,905,391)	(6,274,510,657)
Net cash flows from operating activities		95,176,335	177,191,345
Cash flows from investing activities			
Purchase of Assets		(26,286,420)	-
Purchase of Land and Buildings		(37,072,275)	(179,612,000)
Net cash used in investing activities		(63,358,695)	(179,612,000)
Net increase/(Decrease)in cash and cash equivalent in the year		31,817,640	(2,420,655)
Cash and cash equivalents at 1 JULY 2019	13	8,629,794	11,050,449
Cash and cash equivalents at 30 JUNE 2020	14	40,447,434	8,629,794

**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30 JUNE 2020**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Over/Under
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	%
Public contributions and donations	166,116,570	-	166,116,570	64,712,221	101,404,349	39%
Government grants and subsidies	1,240,244,327	-	1,240,244,327	263,466,421	976,777,906	21%
Other income	4,306,000	-	4,306,000	5,195,969	(889,968)	121%
Total income	1,410,666,897	-	1,410,666,897	333,374,611	1,077,292,287	24%
Expenses						
Compensation of employees	64,661,044	-	64,661,044	64,660,925	119	100%
Depreciation	6,600,000	-	6,600,000	6,564,506	35,494	99%
Finance cost	500,000	-	500,000	344,092	155,908	69%
Capex Costs	297,956,252	-	297,956,252	63,358,695	234,597,557	21%
Rent Paid	790,000	-	790,000	792,167	(2,167)	100%
Repairs	500,000	-	500,000	716,224	(216,224)	143%
Other payments	1,039,659,601	-	1,039,659,601	231,023,803	808,635,798	22%
Total expenditure	1,410,666,897	-	1,410,666,897	367,460,802	1,043,206,485	26%
Surplus for the period	-	-	-	(34,085,802)	34,085,802	

Budget notes

1. Under IPSAS 24.14 the variances in the highlighted yellow are attributed to the postponement of the Party's Grassroot Election and the 3rd and 4th quarter and the impact of Covid-19 containment measures on Party Programmes.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Orange Democratic Movement was formed by and derives its authority and accountability from Political Parties Act. The entity is wholly domiciled in Kenya. The entity's principal activity is to strive to establish a Government of Kenya based on democratic and good governance and constitutional principles of a pluralistic democracy whilst promoting rule of law.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note pages.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Orange Democratic Movement*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. Early adoption of standards

The Party did not early – adopt any new or amended standards in year 2020.

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

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

ii) Revenue from exchange transactions

Rendering of services

The Party recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

b) Budget information

The original budget for FY 2018-2019 was approved by the National Assembly in June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Party recorded additional appropriations of 90,726,393 on the 2018-2019 budget following the governing body's approval.

The Party'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.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section page 3 of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a 30-year period.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Land, Property, plant and equipment

We have added the transaction costs and improvement on our newly acquired premise to the original land purchase value. We have also included the monthly interest on loan facility to the land value. Other properties, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f) Research and development costs

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale
- Its intention to complete and its ability to use or sell the asset
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset
- The ability to measure reliably the expenditure during development.

g) Impairment of financial assets (Continued)

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

h) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or an entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

i) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i) Inventories (Continued)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Entity does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent assets

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Changes in accounting policies and estimates

The Party recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

l) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

m) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

n) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Related parties

The Entity regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

p) Service concession arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

q) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

r) Comparative figures

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

s) 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, 2020.

**t) 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: e.g

U) 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 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

V) Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY (Continued)

w) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

5 PUBLIC CONTRIBUTIONS AND DONATIONS

Description	2019-2020	2018-2019
	Kshs	Kshs
Governors Contribution	7,800,000	15,300,000
Deputy Governors Contribution	4,680,000	8,580,000
MPs and senators Contribution	21,427,500	25,000,000
Members Contribution	7,881,341	13,334,999
MCAs Contribution	22,923,380	15,077,410
Total Contributions	64,712,221	77,292,409

These include monthly Party subscriptions by Governors, Deputy Governors, Senators, Members of Parliament, and Women Representative Members of County Assemblies and Members contribution to support Party activities.

6 TRANSFERS FROM OTHER GOVERNMENTS

Description	2019-2020	2018-2019
	Kshs	Kshs
Unconditional grants		
Government Political Fund	263,466,421	112,255,637
Accrued transfers Owing from Government	1,240,244,327	6,476,391,298
Total government grants	1,503,710,748	6,588,646,935

Funds Transferred from the political Parties Fund through the Registrar of Political Parties for the financial year 2019/2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. OTHER INCOME

Description	2019-2020	2018-2019
	Kshs	Kshs
Life Membership Fees	1,776,980	851,799
Nomination Fees	2,450,000	340,000
Tender Purchase	20,000	22,000
Waste Disposal	15,000	-
Assets Disposals	933,989	-
Total other income	5,195,969	1,213,799

Other income from life membership, nomination, and tender purchase

8. EMPLOYEE COSTS

	2019-2020	2018-2019
	Kshs	Kshs
Salaries and wages	60,720,026	59,403,203
Staff Medical	-	-
Staff provident Fund	3,894,699	-
Social Contributions	46,200	-
Employee costs	64,660,925	59,403,203

9. DEPRECIATION AND AMORTIZATION EXPENSE

Description	2019-2020	2018-2019
	Kshs	Kshs
Property, plant and equipment	6,564,506	1,320,898
Total depreciation and amortization	6,564,506	1,320,898

10. REPAIRS AND MAINTENANCE

Description	2019-2020	2018-2019
	Kshs	Kshs
Property-Leasehold	462,626	79,500
Equipment and machinery	253,598	109,250
Total repairs and maintenance	716,224	188,750

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. GENERAL EXPENSES(Use of Goods and services)

Description	2019-2020	2018-2019
	Kshs	Kshs
Advertising	658,278	370,000
Legal and profession fees	22,129,000	270,000
Audit fees	150,000	-
Electricity (Utilities)	1,735,494	70,421
Insurance –Staff Medical	4,418,096	3,811,770
Communication and Internet	2,228,159	520,178
Branch Training –Coordination and support	27,407,653	2,957,000
Campaign Expenses	49,074,029	14,940,390
Civic Education Expenses	32,305,000	712,000
Regional Conferences	17,340,816	10,536,170
Party Policy and advocacy	52,536,617	11,584,036
Legal Expenses	10,466,360	4,996,588
NSSF Employer liability	46,200	49,000
Staff Welfare	220,217	183,883
Postage and delivery	167,030	135,270
Office stationary	165,530	478,654
Printing and reproduction	493,540	300,000
Newspapers and publication	93,600	109,080
Bad debts	(6,362,500)	60,057,000
Travel and accommodation	3,559,245	4,657,507
Security Costs	1,586,216	1,150,040
Transportation and Motor Expenses	4,951,464	2,468,642
Cleaning and janitorial	300,000	-
Staff Skills Development	-	110,800
Clubs and membership	206,760	96,150
Fines and Penalties	84,500	100,000
Employer Provident Fund Liability	3,894,698	33,016,564
Deed Registration	975,000	-
Service Charge	192,800	-
Total general expenses	231,023,803	153,681,143

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. FINANCE COSTS

Description	2019-2020	2018-2019
	Kshs	Kshs
Bank Charges	344,092	278,045
Total finance costs	344,092	278,045

13. CASH AND CASH EQUIVALENTS

Description	2019-2020	2018-2019
	Kshs	Kshs
Bank Balances	40,069,796	8,550,037
Cash on hand and in transit	377,639	79,757
Total cash and cash equivalents	40,447,435	8,629,794

14. DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

Financial institution	Account number	2019-2020	2018-2019
		Kshs	Kshs
a) Current account			
Cooperative Bank of Kenya(MA)	01120006511100	4,859,136	146,951
Cooperative Bank of Kenya(FR)	01120006511101	430,118	106,541
Cooperative Bank of Kenya(PF)	01120198448800	184,473	82,805
Sidian Bank	010360200262	6,600	11,580
Equity Bank	0810278633379	8,800	8,800
KCB Bank (MA)	1257184989	35,005	97,940
KCB Bank (FR)	1257184717	81,002	97,940
KCB Bank (PF)	1255338423	34,464,662	7,997,480
Sub- total		40,069,796	8,550,037
b) Cash-on-hand and in transit			
Cash in hand		31,000	29,283
cash holding		69,931	40,381
MPesa		273,925	7,310
Pay bill		2,783	2,783
Sub- total		377,639	79,757
Grand total		40,447,435	8,629,794

15. RECEIVABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs	Kshs
Current receivables		
Other Debtors(VAT receivable)	-	3,288,166
Staff Advances	921,329	1,018,998
Outstanding Members Contributions	17,450,744	23,782,615
Bad debts	(8,368,000)	
Newspaper Deposit	-	28,762,092
Prepaid Legal Fees	2,000,000	2,000,000
Prepaid Medical Staff /Motor Insurance	2,888,838	2,991,354
Prepaid Digital Registration	309,374	-
Lien Deposit	15,600,000	-
Total receivables	30,802,285	61,843,225
Accrued transfers owing from Government	7,625,909,103	6,476,391,298
Totals Receivables	7,656,711,388	6,538,234,523
Less Newspaper Investments	-	(28,762,092)
Total Receivables 30-6-2020	7,656,711,388	6,509,472,431

16. INVENTORIES

Description	2019-2020	2018-2019
	Kshs	Kshs
Membership Cards	8,039,888	8,039,888
Total inventories at the lower of cost and net realizable value	8,039,888	8,039,888

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17. PROPERTY, PLANT AND EQUIPMENT

	Land & Buildings	Temporary Leasehold Structure	Computers & Printers	Office Equipment	Furniture and Fittings	Motor Vehicles			Total
Cost		Shs	Shs	Shs	Shs	Shs	Shs	Shs	Shs
At 1 st July 2018	-	1,379,506	6,150,138	6,129,554	5,487,680	11,425,690	-	-	30,572,568
Additions	179,612,000	-	-	-	-	-	-	-	179,612,000
At 30 th June 2019	179,612,000	1,379,506	6,150,138	6,129,554	5,487,680	11,425,690	-	-	210,184,568
Additions	37,072,275	-	389,700	1,914,300	4,659,533	19,322,889			63,358,697
Disposals	-	-	-	-	-	(11,425,690)	-	-	(11,425,690)
At 30 th June 2020	216,684,275	1,379,506	6,539,838	8,043,854	10,147,213	19,322,889			262,117,575
Depreciation and impairment									
At 30 July 2018	-	1,379,506	4,897,300	2,684,242	3,583,115	10,329,491	-	-	22,873,654
Depreciation	-	-	375,851	432,926	238,070	274,051	-	-	1,320,898
At 30 th June 2019	-	1,379,506	5,273,151	3,117,168	3,821,185	10,603,542	-	-	24,194,552
Depreciation	-	-	380,006	615,836	378,253	5,190,411			6,564,506
Disposals	-	-	-	-	-	(11,425,690)	-	-	(10,809,078)
At 30 th June 2020	-	1,379,506	5,653,157	3,733,004	4,199,438	4,368,263			19,333,369
Net book values							-	-	
At 30 th June 2020	216,684,275	-	886,681	4,310,850	5,947,775	14,954,626	-	-	242,784,206
At 30 th June 2019	179,612,000	-	876,986	3,012,386	1,666,495	822,148	-	-	185,990,015

18. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

Description	2019-2020	2018-2019
	Kshs	Kshs
National Hospital Insurance Fund	-	30,200
Gillys Security \$Investigations	-	750,000
Hon .Rt Raila A. Odinga		2,436,000
Auditor General	180,000	180,000
Kenya Revenue Authority	-	2,590,712
Alcaprint Ventures	5,000,000	-
National Social Security Fund	-	8,000
Moses Oteko	20,000	-
Charles Mogaka Memba	30,000	-
Britam Life Assurance	-	33,016,564
Executive Africa Travels and Tours	-	780,465
KCB Bank Kenya Ltd	83,394,315	120,000,000
Lamarene Enterprises	-	22,000
Masaa Distributors	-	7,200
J.M.Rioba \$ Rioba Co .Advocates	-	2,742,000
Mash Park Hotel	-	88,900
Norman Magaya	-	200,000
Soweto \$ Co Advocates	20,000,000	-
ODM NEC Members	-	89,000
Robert Bett	20,000	20,000
Hon Timothy Bosire	-	100,000
Ultimate Engineering Ltd	-	8,000,000
Wananchi Group Ltd	-	11,800
Total trade and other payables	108,644,315	171,072,841

19. CASH GENERATED FROM OPERATIONS

	2019-2020	2018-2019
	Kshs	Kshs
Surplus for the year before tax	1,269,517,220	6,450,381,104
Adjusted for:		
Depreciation	6,564,506	1,320,898
Finance cost		
Working Capital adjustments		
Purchase of assets (Land and buildings/Motor Vehicles)	(63,358,695)	(179,612,000)
Increase in receivables	(62,428,526)	165,707,071
Increase in payables	(1,118,476,865)	(6,440,217,728)
Increase in payments received in advance	-	-
Net cash flow from operating activities	31,817,640	(2,420,655)

20. EVENTS AFTER THE REPORTING PERIOD

There were no material adjusting and non- adjusting events after the reporting period.

21. Currency

The financial statements are presented in Kenya Shillings (Kshs).

APPENDIX 1: 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 (<i>Name and designation</i>)	Status: (<i>Resolved / Not Resolved</i>)	Timeframe: (<i>Put a date when you expect the issue to be resolved</i>)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Director General/C.E.O/M.D (enter title of head of entity)

Chairman of the Board

Date.....