

REPUBLIC OF KENYA



Enhancing Accountability

 THE NATIONAL ASSEMBLY PAPERS LAID	
REPORT DATE: 25 SEP 2024	DAY. WEDNESDAY
TABLED BY:	DEPUTY MAJORITY LEADER HON. OWEN BATA, MP
CLERK-AT THE TABLE:	JOICE . L.

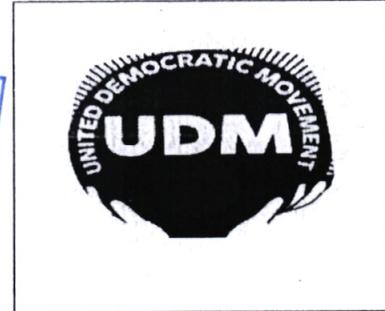
REPORT
OF

THE AUDITOR-GENERAL

ON

UNITED DEMOCRATIC MOVEMENT

**FOR THE YEAR ENDED
30 JUNE, 2023**



UNITED DEMOCRATIC MOVEMENT (UDM)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

**United Democratic Movement
Annual Report and Financial Statements
for the year ended June 30, 2023**

Table of Contents.....		Page
1.	Acronyms, Abbreviations and Glossary of Terms	iii
2.	Key Entity Information and Management.....	iv
3.	National Officials	vi
4.	Key Management Team	vi
5.	Chairman’s Statement	vii
6.	Report of the Secretary General	viii
7.	Corporate Governance Statement.....	ix
8.	Environmental and Sustainability Reporting	xiii
9.	Report of the Directors	xiv
10.	Statement of National Executive Committees’ Responsibilities.....	xv
11.	Report of the Independent Auditor for the Financial Statements of United Democratic Movement	xvii
12.	Statement of Financial Performance for the year ended 30 June 2023	1
15	Statement of Financial Position as at 30 June 2023	2
16.	Statement of Changes in Net Assets for the year ended 30 June 2023	3
17.	Statement of Cash Flows for the year ended 30 June 2023	4
18.	Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023.....	5
19.	Notes to the Financial Statements	6-23

1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

UDM	United Democratic Movement
SG	Secretary General
NEC	National Executive Committee
PPA	Political parties Act, 2011
PPF	Political Parties Fund
MD	Managing Director
ORPP	Office of the Registrar of Political Parties
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
OAG	Office of the Auditor General

B: Glossary of Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organisation

**United Democratic Movement
Annual Report and Financial Statements
for the year ended June 30, 2023**

2. Key Entity Information and Management

(a) Background information

The United Democratic Movement (UDM) was formed in 1999 as a political party after meeting the registration requirements under the newly established Office of the Registrar of Political Parties (ORPP). 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 Entity's day-to-day management is under the following key organs:

No.	Designation	Name
1.	Chairman	Dr. Abdullahi Ali
2.	Secretary General	Hon. Halake Waqo Halake
3.	Organising Secretary	Hon. Abdullahi Bashir Sheikh
4.	National Treasurer	Hon. Abdirizak Hussein Sheikh

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chairman	Dr. Abdullahi Ali
2.	Organising Secretary	Hon. Halake Waqo Halake
3.	Organising Secretary	Hon. Abdullahi Bashir Sheikh
4.	National Treasurer	Hon. Abdirizak Hussein Sheikh

**United Democratic Movement
Annual Report and Financial Statements
for the year ended June 30, 2023**

(e) Entity Headquarters

Lavington Mijikenda Road
P.O Box 5267 – 00200
Nairobi.

(f) Entity Contacts

Telephone: (254) 115907820/110372496
E-mail: info@dmkenya.co.ke
Website: www.udmkenya.co.ke

(g) Entity Bankers

Equity Bank Kenya Limited
P.O. Box 75104-0200
Nairobi.

(h) Independent Auditor

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

(i) Principal Legal Adviser

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

**United Democratic Movement
Annual Report and Financial Statements
for the year ended June 30, 2023**

3. National Officials

Ref	Directors	Details
1.	H.E Hon Ali Ibrahim Roba	Party Leader
2.	Dr. Abdullahi Ali	Chairman
3.	Hon. Halake Waqo Halake	Secretary General
4.	Hon. Qalicha Gufu Wario	National Organising Secretary
5.	Hon. Abdirizak Hussein Sheikh	National Treasurer

4. Key Management Team

	Management	Details
1.	Hon. Halake Waqo Halake	Secretary General
2.	June Jane Atieno	Accountant
3.	Boru Abdihakim Guyo	Parliamentary Liaison & Legal Affairs Officer

5. 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 meeting of our National Executive Committee that is principally to receive amongst other reports the Annual Reports and Financial Statements of our Party.

Today I am delighted to present the Annual Reports and Financial Statements of the first time since establishment.

I am however more impressed than ever with how we have established and managed our branch offices. They are vibrant and operational.

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.



**Dr. Abdullahi Ali
National Chairman**

6. Report of the Secretary General

The year ended June 30, 2023 has been a year that has been no much activities for the party since we were just from electioneering period full of activities. However, the leadership of the party have strategizing on how to improve the party's visibility and relevance into the future.

With guidance from the relevant government agencies and support of our leadership and stakeholders, we continue to confront few challenges the party is facing and carry out membership registration drive in all parts of the country.

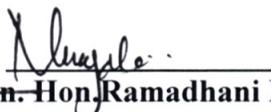
The financial report we present herein accords with the International Public Sector Accounting Standards and captures our core responsibilities that include, but are not limited to:

1. Mobilizing financial and non-financial resources for the Party;
2. Ensuring proper books of accounts 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/grassroots strengthening and empowerment programmes;
5. Organizing the National Governing Council; and
6. Preparations for and participating in by elections especially Banisa Constituency

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 30, 2023.
- ii) Ensured that the books of accounts for the fiscal year ended June 30, 2023 were prepared in time and availed to the Office of 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 widely circulated 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.


Hon. Hon. Ramadhani Masudi
SECRETARY GENERAL

**United Democratic Movement
Annual Report and Financial Statements
for the year ended June 30, 2023**

**UNITED DEMOCRATIC MOVEMENT PARTY
ANNUAL REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30th, 2023**

Statement of performance against predetermined objectives for FY 2022/23

United Democratic Movement party would like to present the Annual Report on the Party's financial performance during the year ended June 30th 2022. As we are all aware, the National Executive Committee is required to prepare Financial Statements for each financial year. They are also responsible for ensuring that the party keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the party and for safeguarding the assets of the party.

The period under the review was an election and campaign year with many challenging activities, however, we have managed within the stipulated timelines to finalize and to table the required reports. The same is a response to the resolutions of the National Executive Committee and the approved work plan for the party during the period under the review. During the year under the review success in Party activities was effectively achieved through financial probity. Existing controls and checks were considered sufficient to provide a reasonable assurance of compliance with the political parties Act and international Accounting Standards.

The increased spending was used for purposes compatible with the political parties Act, 2011 in furtherance of the objectives of the party as highlighted in the financial accounts reports. We report from the onset that nothing has come to our attention to indicate that the party will be insolvent in the next twelve months from the date of this statement. We have the opinion that the financial statements give true and fair view of the state of the financial affair of the party and of its operating results for the period 2022/23.

We therefore forward, the financial statements to the registrar of the political parties and auditor general's office in compliance with the law for their audit. Much of the income and expenditure drivers and variances for the period ended 30th June 2023 as compared to the previous year only attributable to the election nomination income and election expenses

7. Corporate Governance Statement

United Democratic Movement (UDM) 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 United Democratic Movement (UDM) 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. Further, 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 United 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

8. Management Discussion and Analysis.

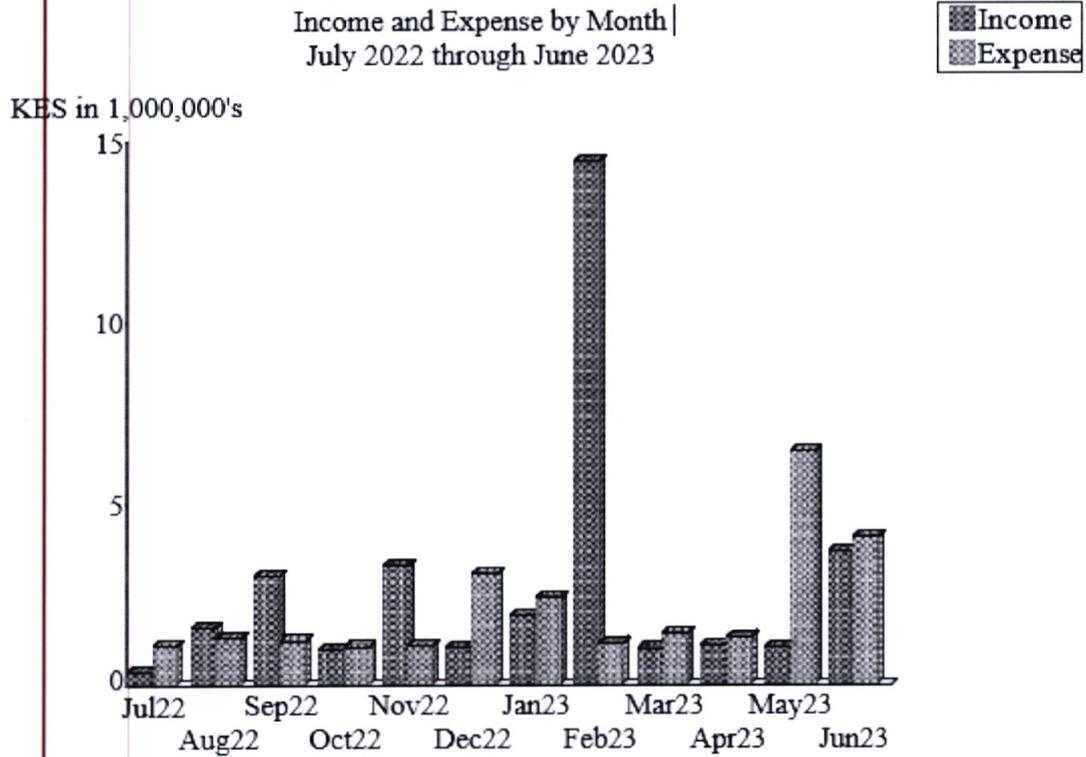
The management financial performance has been very stable from the time it fully became operational. Under the stewardship of the dedicated leaders the political party has been solvent all through being able to carry out all their strategic and operational requirements. Compared to others in the field, the party has remained afloat fulfilling its financial and operational obligations to all its clients. Has been able to account for the amount advanced to the party from all the sources including the exchequer releases. The political party is a going concern.

This being a non-profit making organization its mainly focused on improving governance and enhancing the democratic space in the country. Of importance to note and consider is the social projects being undertaken to increase visibility of the party to the grassroots. These projects are mainly on empowerment of the community especially women and youth through capacity building and training. These stand key and very important for the success of the party both at the national and grassroots levels. The party is looking forward to having more members through several membership drives throughout the country. This will also increase the interest of the community towards the party and therefore making sure that we have more representation going forward in all the elective seats. The organization is therefore preparing to invest heavily into this agenda and follow it up to fruition in the coming years. Suffice to say most of its finances shall be invested in making sure this becomes a reality.

In achieving all this the organization is strictly compliant to statutory requirements by the government of Kenya. Prompt payment of all the levies like NSSF, NHIF, PAYE and the housing levy has been the norm. Preparation of financial reports and ensuring their timely submission to the various bodies as is required by the law is of key consideration. Compliance to audit requirements and responding to issues and when they arise is a religiously obliged.

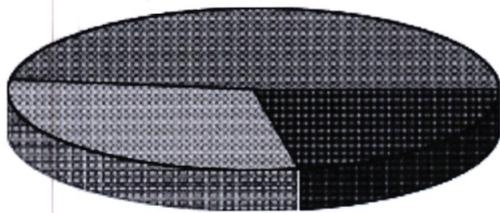
Currently we have no major risks facing the organization and have no material arrears and other financial obligations threatening our existence. The democratic space is expanding and the political environment keeps on changing. The electorate is increasingly becoming aware of their rights and therefore demanding them every now and then. This puts a lot of pressure on the performance of leaders and even pushes them to put more effort in delivering on their mandate. The economy has to respond to this by making sure that resources are available to cater for the ever growing needs of the people. High cost of living through taxation and increased commodity prices have both political and effects to both the leadership and the people on the ground. So the performance of the economy is definitely one to look into if the expectations of the people are to be met. The party is looking forward to an enhanced growth of the economy, increase in the democratic space and an inspired future through the many interventions there implementing.

**United Democratic Movement
Annual Report and Financial Statements
for the year ended June 30, 2023**



**Income Summary
July 2022 through June 2023**

Political Parties Fund	47.95%
Membership Fees	30.09
Grants	21.96
Total	KES33,595,829.00



9. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

At United Democratic Movement(UDM), we recognize the importance of contributing to the well-being of the communities we serve and the nation as a whole. Our commitment to Corporate Social Responsibility (CSR) reflects our dedication to ethical governance, sustainable practices, and social development. We believe that by engaging in responsible and inclusive initiatives, we can play a positive role in shaping a better future for all citizens.

ii) Environmental performance

As stewards of the environment, we recognize the importance of sustainable practices. We will strive to minimize our ecological footprint by implementing environmentally friendly policies and promoting initiatives that address climate change, conservation, and sustainable development.

iii) Corporate Social Responsibility / Community Engagements

We are committed to transparency, accountability, and integrity in all our political activities. We pledge to uphold the highest ethical standards in decision-making, adhering to the principles of good governance. This commitment extends to our party members, elected representatives, and supporters.

We are dedicated to fostering a society that values diversity and inclusion. Our party will work towards policies that promote social equality, eliminate discrimination, and ensure that all citizens, regardless of background, have equal opportunities and access to resources.

We will actively engage with local communities to understand their needs and concerns. Through participatory processes, we aim to involve citizens in shaping policies and initiatives that directly impact their lives. Our party will prioritize community development projects and collaborate with local stakeholders to address pressing issues.

In addition to our political endeavours, we will contribute to the community through philanthropic initiatives and civic projects. This may include supporting education, healthcare, and other social welfare programs that align with our vision for a just and compassionate society.

During political campaigns, we commit to promoting ethical campaign practices. This includes avoiding divisive strategies, disseminating accurate information, and fostering a culture of constructive political discourse. We believe in inspiring civic responsibility and voter education.

As United Democratic Movement (UDM), we view our role not only as political representatives but as responsible stewards of the public trust. By embracing Corporate Social Responsibility, we aim to contribute to the greater good and build a nation that thrives on justice, equality, and sustainable development.

10. Report of the National Executive Council

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the United Democratic Movement's affairs.

i) Principal activities

The principal activities of the United Democratic Movement 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.

ii) Results

The results of the Entity for the year ended June 30, 2023, are set out on page 1

iii) Directors

The National Executive Committee Members who served during the year are shown on page iv. The few that resigned from the national position will be recruited within the shortest time possible.

iv) Auditors

The Auditor-General is responsible for the statutory audit of the United Democratic Movement in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Secretary General


.....

Hon. Hon. Ramadhani Masudi
Secretary General

11. Statement of National Executive Committees' Responsibilities

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

The National Executive Committee members are responsible for the preparation and presentation of United Democratic Movement financial statements, which give a true and fair view of the state of affairs of the United Democratic Movement for and as at the end of the financial year (period) ended on June 30, 2023. 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 United 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 United 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 United Democratic Movement financial statements give a true and fair view of the state of United Democratic Movement transactions during the financial year ended June 30, 2023, and of United Democratic Movement financial position as at that date. National Executive Committee further confirm the completeness of the accounting records maintained for the United Democratic Movement, which have been relied upon in the preparation of United Democratic Movement financial statements as well as the adequacy of the systems of internal financial control.

**United Democratic Movement
Annual Report and Financial Statements
for the year ended June 30, 2023**

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

Approval of the financial statements

The United Democratic Movement's financial statements were approved by the National Executive Committee on 23/04/2024 and signed on its behalf by:

.....

Hon. Ramadhani Masudi
Secretary General

.....

Hon. Abdirizak Hussein Sheikh
National Treasurer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UNITED DEMOCRATIC MOVEMENT FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the United Democratic Movement set out on pages 1 to 22, which comprise of the statement of financial position

as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the United Democratic Movement as at 30 June, 2023, 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 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unsupported Receivables from Non-Exchange Transactions Balance

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.8,985,335 which, as disclosed in Note 13 to the financial statements includes donations from members amounting to Kshs.6,326,440. However, the donations were not supported by a schedule indicating amounts pledged, amounts paid and amounts outstanding by the members.

In the circumstances, the accuracy, completeness and recoverability of the receivables from non-exchange transactions balance of Kshs.6,326,440 could not be confirmed.

2. Unsupported Conference and Delegation Expenses

The statement of financial performance reflects an amount of Kshs.16,491,402 in respect of use of goods and services which, as disclosed in Note 8 to the financial statements, includes an amount of Kshs.5,147,000 in relation to conference and delegation expenses. However, review of records indicate that the expenses includes an amount of Kshs.1,000,000 paid to a firm without supporting records such as tender evaluation and award minutes and procurement plan.

In the circumstances, the accuracy, completeness and regularity of the expenditure on conference and delegation expenses amounting to Kshs.2,000,000 could not be confirmed.

3. Unsupported Expenditure on Travel, Subsistence and Other Allowances

The statement of financial performance, reflects use of goods and services amount of Kshs.16,491,402 which as disclosed in Note 8 to the financial statements includes an amount of Kshs.2,194,439 in respect of travel, subsistence and other allowances. The allowances include an amount of Kshs.1,894,439 paid to a firm for hire of helicopters. However, the respective payment vouchers did not have supporting contracts of hire, certificates of service or proof of payment authenticity.

In the circumstances, the accuracy, completeness and regularity of the travel, subsistence and other allowances of Kshs.1,894,439 could not be confirmed.

4. Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.4,122,154 as disclosed in Note 12 to the financial statements. The balance comprises balances of Kshs.2,193,033 and Kshs.1,928,631 held in two bank accounts and cash in hand of Kshs.490. However, Management did not provide evidence of a board of survey on cash to verify the cash and cash equivalents balance as at 30 June, 2023.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.4,122,154 could not be confirmed.

5. Unsupported Additions to Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.1,969,232 in respect of property, plant and equipment which, as disclosed in Note 14 to the financial statements, includes tools and equipment and furniture and fittings of Kshs.936,765 and Kshs.1,313,786, respectively all totalling Kshs.2,250,551. However, the balance was not supported by detailed schedule, fixed assets register, quotations, opening and evaluation minutes, invoices, delivery notes and inspection reports. Further, the depreciation rate used was not disclosed under the summary of significant accounting policies.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.1,969,232 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the United Democratic Movement 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 qualified opinion.

Emphasis of Matter

1. Unaudited Comparative Balances

I draw your attention to the fact that prior to 2022/2023 financial year, only the financial statements of political parties funded from public funds were being audited pursuant to Article 229(4)(f) of the Constitution of Kenya, which mandates the Auditor-General to audit political parties funded from public funds. Although the financial statements presented for audit reflects comparative balances for the year ended 30 June, 2022, 2022/2023 financial year is considered as the first year of audit and the audit procedures undertaken did not cover the prior year balances.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects revenue budget and actuals on a comparable basis of Kshs.55,000,000 and Kshs.33,595,829 respectively, resulting to under collection of revenue by Kshs.21,404,171 or 39% of the budget. Further, out the estimated funding of Kshs.25,000,000 from Political Parties Fund, only Kshs.16,107,817 or approximately 64% was received.

Similarly, the Party spent a total of Kshs.25,860,988 against an approved budget of Kshs.22,200,000, resulting in an over-expenditure of Kshs.3,660,988 or 16% of the approved budget. The over-expenditure was not supported with approval, minutes and authorization from the Party's Executive Committee or an organ responsible for the policy and budget approval.

The under-funding may have negatively affected the planned activities of the Party.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else 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

1. Late Submission of Financial Statements

The Party's financial statements for year ended 30 June, 2023 were submitted to the Office of the Auditor-General on 06 November, 2023, one (1) month after the statutory deadline of 30 September, 2023. This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, Section 84(3) of the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three (3) months after the end of the fiscal year to which the accounts relate.

In the circumstances, Management was in breach of the law.

2. Failure to Establish Party Offices in at Least 24 Counties

A survey carried out in Counties revealed that the Party had only one office which also serve as the Headquarters in Nairobi out of thirty-nine (39) Counties visited. Although the Party records indicated that it had an operational office at Mandera County, no evidence was provided to support the same. Failure to establish Party offices in at least 24 Counties is contrary to Section 7(f)(iii) of the Political Parties Act, 2011 which requires a political party to be fully registered if it has submitted the locations and addresses of its branch offices in more than half of the Counties.

In the circumstances, Management was in breach of the law.

3. Failure to Deduct and Remit National Health Insurance Fund Contributions

Review of records including bank statements and cash book for June, 2023 revealed no evidence of deduction and remittance of contributions to the National Health Insurance Fund during the year. This is contrary to Section 16(1) of the National Hospital and Insurance Fund Act, 2012 which states that, a person liable to pay a standard contribution under Section 15 shall pay such contribution through monthly deductions from his salary or other remuneration and the employer of such person shall be liable to deduct and to pay the contribution to the Board on behalf of and to the exclusion of that person.

In the circumstances, Management was in breach of the law.

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 THE 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of an Audit Committee

During the year under review, the Party did not have an audit committee, contrary to Section 73(5) of the Public Finance Management Act, 2012 which states that every

National Government entity shall establish an internal auditing committee whose composition and functions are to be prescribed by the regulations.

In the circumstances, the effectiveness of internal controls and risk management could not be confirmed.

2. Weaknesses in Safeguarding Assets

The statement of financial position and, as disclosed in Note 14 to the financial statements, reflects property, plant and equipment net book balance of Kshs.1,969,232. However, Management did not provide an approved assets register, showing the serial numbers, values of the assets, dates of purchase, depreciation rates, locations and conditions of the assets. Further, the assets were not tagged with unique identifiers.

In the circumstances, the assets of the Party are susceptible to loss or misuse.

3. Lack of Approved Management Policies

Review of employees' remuneration details revealed that there was no payroll system in place to manage payments for staff volunteers' allowances. Further, several policy documents including Finance Procedures manual, Procurement policy, Internal Audit policy, Strategic plan and ICT policy have not been approved.

In the circumstances, failure to have policy and procedure manuals negatively affects the effective management controls and governance of the Party operations.

4. Failure to Acknowledge Receipt of Revenue

The statement of financial performance and, as disclosed in Notes 6 and 7 to the financial statements, reflects transfers from other Government entities and donations from members of Kshs.16,107,817 and Kshs.17,488,012, respectively all totalling Kshs.33,595,829. However, the collection of revenue from public contributions and donations was not receipted.

In the circumstances, the effectiveness of internal controls on management of revenue could not be confirmed.

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the 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 Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the United Democratic Movement 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 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 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.



FCPA Nancy Gathungu, SBS
AUDITOR-GENERAL

Nairobi

26 June, 2024

**United Democratic Movement
Annual Report and Financial Statements
for the year ended June 30, 2023.**

13. Statement of Financial Performance for the year ended 30 June 2023

	Notes	2023 Kshs	2022 Kshs
Revenue from non-exchange transactions			
Transfers from Other Governments entities	6	16,107,817	-
Donations from Members	7	17,488,012	56,146,538
Total revenue		33,595,829	56,146,538
Expenses			
Use of goods and services	8	16,491,402	35,893,787
Employee costs	9	9,027,797	13,245,635
Depreciation expense	10	281,319	250,061
Repairs and maintenance	11	60,470	4,430,350
Total expenses		25,860,988	53,819,833
Net Surplus for the year		7,734,841	2,326,705

The notes set out on pages 6 to 23 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the National Executive Committee by:



.....
Name: *Ramadhan Masudi*
Accounting Officer

Date: 23/04/2024

.....
Name: *Alinoor Mohamed*
Head of Finance
ICPAK M/No: 2270

Date: 23/04/2024

.....
Name: *ABDULLAH ALI*
Chairman of the Board

Date: 23/04/2024

ASUS 99A 85

**United Democratic Movement
Annual Report and Financial Statements
for the year ended June 30, 2023.**

15 Statement of Financial Position as at 30 June 2023

	Notes	2023 Kshs	2022 Kshs
Assets			
Current Assets			
Cash and Cash equivalents	12	4,122,154	76,154
Receivables from Non-Exchange Transactions	13	8,985,335	-
Total Current Assets		13,107,489	76,154
Non-Current Assets			
Property, Plant and Equipment	14	1,969,232	2,250,551
Total Non- Current Assets		1,969,232	2,250,551
Total Assets		15,076,721	2,326,705
Liabilities			
Current Liabilities			
Trade and Other Payables	16	5,015,175	-
Total Current Liabilities		5,015,175	-
Total Liabilities		5,015,175	-
Net Assets		10,061,546	2,326,705
Accumulated Surplus		8,092,314	2,326,705
Capital fund		1,969,232	-
Total Net Assets		10,061,546	2,326,705
Total Net Assets and Liabilities		15,076,721	2,326,705

The financial statements set out on pages 1 to 23 were signed on behalf of the National Executive Committee by:

Masudi

Name **Ramadhani Masudi**
Accounting Officer

Date: 23/04/2024



Name **Alinoor Mohamed**
Head of Finance

ICPAK M/No: 2270

Date: 23/04/2024

Abdullahi Ali

Name **ABDULLAHI ALI**
Chairman of the Board

Date: 23/04/2024

**United Democratic Movement
Annual Report and Financial Statements
for the year ended June 30, 2023.**

Statement of Changes in Net Assets for the year ended 30 June 2023

Description	Accumulated Surplus Kshs	Capital fund Kshs	Total Kshs
At July 1, 2022	2,326,705	-	2,326,705
Surplus /deficit for the year	7,734,841		7,734,841
Transfer of depreciation/amortisation from capital fund to retained earnings	281,319	(281,319)	-
Being correction of depreciation/amortisation from previous period	250,061	(250,061)	-
Capital Expenditure expended in the first year	(2,500,612)	2,500,612	-
At 30th June 2023	8,092,314	1,969,232	10,061,546

**United Democratic Movement
Annual Report and Financial Statements
for the year ended June 30, 2023.**

17. Statement of Cash Flows for the year ended 30 June 2023

		2023	2022
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from Other Governments entities	6	13,448,922	-
Donations from Members	7	11,161,572	56,146,538
Total receipts		24,610,494	56,146,538
Payments			
Use of goods and services	8	(11,476,227)	(35,893,787)
Employee costs	9	(9,027,797)	(13,245,635)
Repairs and maintenance	11	(60,470)	(4,430,350)
Total payments		(20,564,494)	(53,569,772)
Net cash flows from operating activities		4,046,000	2,576,766
Cash flows from investing activities			
Purchase of PPE	14	-	(2,500,612)
Net cash flows (used in) investing activities		-	(2,500,612)
Net increase in cash & Cash equivalents		4,046,000	76,154
Cash and cash equivalents at 1 July 2022		76,154	-
Cash and cash equivalents at 30 June 2023	12	4,122,154	76,154

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers from Other Governments entities	25,000,000	-	25,000,000	16,107,817	8,892,183	64%
Donations from Members	30,000,000	-	30,000,000	17,488,012	12,511,988	58%
Total Income	55,000,000	-	55,000,000	33,595,829	21,404,171	61%
Expenses						
Use of Goods and Services	13,900,000	-	13,900,000	16,491,402	(2,591,402)	119%
Employee costs	8,300,000	-	8,300,000	9,027,797	(727,797)	109%
Repairs and Maintenance	-	-	-	60,470	(60,470)	100%
Depreciation	-	-	-	281,319	(281,319)	100%
Total Expenditure	22,200,000	-	22,200,000	25,860,988	(3,660,988)	116%
(Deficit)/Surplus for the period	32,800,000	-	32,800,000	7,734,841	17,743,183	24%

Budget Note

Variance Analysis

- a) We could not accurately predict the remittances from RPP as they we had never received any funds from them.
- b) Budgeted was based on list of elected and nominated party members some who did not honour their subscriptions.
- c) Being an election year, there was increased political activities leading to more use of goods and services.

19. Notes to the Financial Statements

1. General Information

United Democratic Movement (UDM) was formed by and derives its authority and accountability from Political Parties Act. United Democratic Movement (UDM) is wholly domiciled in Kenya. United Democratic Movement (UDM)'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 United Democratic Movement (UDM)'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 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the United Democratic Movement (UDM). The financial statements have been prepared in accordance with the PFM Act and Political Parties Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i.* New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness, and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p>

**United Democratic Movement
Annual Reports and Financial Statements
for the year ended June 30, 2023.**

Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position, and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • IPSAS 22 Disclosure of Financial Information about the General Government Sector. Amendments to refer to the latest System of National Accounts (SNA 2008). • IPSAS 39: Employee Benefits. Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

Notes to the Financial Statements (Continued)

- ii.* **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.**

Standard	Effective date and impact:
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

- iii.* **Early adoption of standards**

The Entity did not early – adopt any new or amended standards during the financial year

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees

United Democratic Movement (UDM) recognizes revenues from member's fees, when the event occurs, and the asset recognition criteria are met. 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 United Democratic Movement (UDM) and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

The party didn't engage in any exchange transactions under the period of audit.

b) Budget information

United Democratic Movement (UDM)'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. 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.

c) Property, plant and equipment

All property, 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.

a) Financial assets

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

b) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

d) Provisions

Provisions are recognized when United Democratic Movement (UDM) 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 United Democratic Movement (UDM) 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.

e) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

f) Related Parties

United Democratic Movement (UDM) 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 United Democratic Movement (UDM), or vice versa. Members of key management are regarded as related parties and comprise National Executive committee, Secretary general, National Treasurer and the Organizing Secretary.

g) 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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

h) Comparative figures

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

i) 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, 2023.

5) Significant Judgments and Sources of Estimation Uncertainty

The preparation of United Democratic Movement (UDM)'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.

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.

**United Democratic Movement
Annual Reports and Financial Statements
for the year ended June 30, 2023.**

Notes to the Financial Statements (Continued)

6) Transfers from Other Government entities

Description	2023	2022
	KShs	KShs
Transfers from Other Governments entities		
Political Parties Fund - Received	13,448,922	-
Political Parties Fund - Receivable	2,658,895	-
Total Transfers from Other Governments entities	16,107,817	-

7) Public Contributions and Donations

Description	2023	2022
	Kshs	Kshs
Donations from members	17,488,012	56,146,538
Total Donations from members	17,488,012	56,146,538

8) Use of Goods and Services

Description	2023	2022
	Kshs	Kshs
Electricity and water	85,000	195,000
Professional Services	500,000	200,000
Subscriptions	70,000	-
Campaign expenses	2,120,000	18,638,945
Conferences and Delegations	5,147,000	1,886,300
Fuel and Oil	80,000	24,495
Licenses and Permits	42,500	42,500
Telephone, Postage and Internet	109,000	124,000
Printing and Stationery	43,300	143,397
Rent expenses	5,400,000	8,268,000
Security Costs	60,000	129,000
Travel, Subsistence & Other Allowances	2,194,439	100,000
Bank charges	131,790	41,250
Other General Expenses	456,436	546,900
Legal & Secretariat services	-	605,000
Fines and penalties	51,937	-
Nomination funds	-	4,949,000

**United Democratic Movement
Annual Reports and Financial Statements
for the year ended June 30, 2023.**

Description	2023	2022
	Kshs	Kshs
Total use of goods and services	16,491,402	35,893,787

9) Employee Costs

Description	2023	2022
	Kshs	Kshs
Salaries and wages	8,750,677	13,223,375
Staff welfare	250,000	-
NSSF Employer Contribution	27,120	-
Medical expenses	-	22,260
Employee costs	9,027,797	13,245,635

10) Depreciation Expense

Description	2023	2022
	Kshs	Kshs
Property, plant and equipment	281,319	250,061
Total depreciation and amortization	281,319	250,061

11) Repairs and Maintenance

Description	2023	2022
	Kshs	Kshs
Property and equipment	60,470	4,430,350
Total Repairs and Maintenance	60,470	4,430,350

12) Cash and Cash Equivalents

Description	2023	2022
	Kshs	Kshs
Current Account	4,121,664	76,154
Cash on hand and in transit	490	-
Total Cash And Cash Equivalents	4,122,154	76,154

United Democratic Movement
Annual Reports and Financial Statements
for the year ended June 30, 2023.

Notes to the Financial Statements (Continued)

12 b) Detailed Analysis of the Cash and Cash Equivalents

Detailed Analysis of the Cash and Cash Equivalents			
a) Current Account			
Equity Bank	0840281360388	2,193,033	76,154
Equity Bank	0840283673557	1,928,631	-
Sub- Total		4,121,664	76,154
b) Others (Specify)			
Cash In Hand		490	-
Sub- Total		490	-
Grand Total		4,122,154	76,154

13) Receivables from Non-Exchange Transactions

Receivables from Non-Exchange Transactions			
Transfers from Other Governments entities (Political Parties Fund)		2,658,895	-
Donations from Members		6,326,440	-
Total receivables from non- exchange transactions		8,985,335	-
Ageing Analysis- Receivables from non-exchange transactions	2023	% of	2022
	Kshs	the	Kshs
		total	
Less than 1 year	8,985,335	100%	-
Total	8,985,335	100%	-

Notes to the Financial Statements (Continued)

14) Property, Plant and Equipment

	Tools and Equipment Kshs		
As At 1 July 2022	936,765	1,313,786	2,250,551
Additions	-	-	-
As at 30 th June 2023	936,765	1,313,786	2,250,551
Depreciation			
At 1 July 2022	-	-	-
Depreciation	117,096	164,223	281,319
As At 30 th 2023	117,096	164,223	281,319
Net Book Values			
As at 30 th June 2023	819,669	1,149,563	1,969,232

14 (b) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

Description	Cost Kshs	Depreciation	
Tools and Equipment	936,765	(117,096)	819,669
Furniture, and Fittings	1,313,786	(164,223)	1,149,563
Total	2,250,551	281,319	1,969,232

The party did not have fully depreciated assets.

15) Intangible Assets

The party did not have intangible assets during the year

**United Democratic Movement
Annual Reports and Financial Statements
for the year ended June 30, 2023.**

Notes to the Financial Statements (Continued)

16) Trade and Other Payables

Description	2023 Kshs	2022 Kshs		
Trade payables	1,337,245			
Other payables	3,677,930			
Total trade and other payables	5,015,175			
		% of the 2022	2022	% of the
Ageing analysis: (Trade and other payables)	2023 Kshs	Total	Kshs	Total
Under one year	5,015,175	100%	-	-
Total	5,015,175	100%	-	-

17) Cash Generated from Operations

Description	2023 Kshs	2022 Kshs
Surplus for the year before tax	7,734,841	2,326,705
Adjusted for:		
Depreciation	281,319	250,061
Working capital adjustments		
Increase in receivables	(8,985,335)	-
Increase in payables	5,015,175	-
Net cash flow from operating activities	4,046,000	2,576,766

**United Democratic Movement
Annual Reports and Financial Statements
for the year ended June 30, 2023.**

Notes to the Financial Statements (Continued)

18) Financial Risk Management

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The Entity's financial risk management objectives and policies are detailed below:

Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the Entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
As at 30th June 2023	13,107,489	13,107,489	-	-
Receivables from non-exchange transactions	8,985,335	8,985,335	-	-
Bank balances	4,122,154	4,122,154	-	-
Total	13,107,489	13,107,489	-	-
As at 30 June 2022	76,154	76,154	-	-
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	76,154	76,154	-	-
Total	76,154	76,154	-	-

**United Democratic Movement
Annual Reports and Financial Statements
for the year ended June 30, 2023.**

Notes to the Financial Statements (Continued)

i) Capital Risk Management

The objective of the Entity's capital risk management is to safeguard the Entity's ability to continue as a going concern. The Entity capital structure comprises of the following funds:

Description	2023	2022
	Kshs	Kshs
Retained Earnings	8,092,314	2,326,705
Capital Funds	1,969,232	-
Total Funds	10,061,546	2,326,705
Less: Cash and Bank Balances	(4,122,154)	(76,154)
Net Debt/(Excess Cash And Cash Equivalent)	5,939,392	2,250,551
Gearing	144%	3%

19) Related Party Disclosures

Nature of related party relationships

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

Other related parties include:

- i) National executive committee.
- ii) Registrar of political funds
- iii) Key management.

**United Democratic Movement
Annual Reports and Financial Statements
for the year ended June 30, 2023.**

Notes to the Financial Statements (Continued)

Description	2023	2022
	Kshs	Kshs
Transactions with related parties		
a) Grants /transfers from the government		
Transfers from Other Governments entities	16,107,817	-
Donations from Members	17,488,012	-
Total	33,595,829	-
b) Expenses incurred on behalf of related party		
Payments of salaries and wages for employees	9,027,797	13,245,635
Payments for goods and services	16,491,402	35,893,787
Total	25,519,199	49,139,422

20) Events after the Reporting Period

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

21) Ultimate and Holding Entity

The Entity is a political party under the Ministry of registrar of political parties. Its owned by the members who are headed by the party leader.

22) Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

**United Democratic Movement
Annual Reports and Financial Statements
for the year ended June 30, 2023.**

Notes to the Financial Statements (Continued)

Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

The party has no outstanding audit issues as it is the first year of audit from the Office of the Auditor General.



.....
Secretary General

Date:23/04/2024

**United Democratic Movement
Annual Reports and Financial Statements
for the year ended June 30, 2023.**

Appendix I: Transfers from Other Governments entities

Name of the MDA Transferring the funds	Date received as per bank statement	Nature:	Total Amount - Ksh	Where recognised		
				Statement of Financial Performance	Receivables	Total Transfers during the Year
Political parties Fund	17/2/2023	Recurrent	6,724,461	6,724,461		6,724,461
Political parties Fund	17/2/2023	Recurrent	6,724,461	6,724,461		6,724,461
Political parties Fund	5/7/2023	Recurrent	2,658,895	2,658,895	2,658,895	2,658,895
Total			16,107,817	16,107,817	2,658,895	16,107,817

**United Democratic Movement
Annual Reports and Financial Statements
for the year ended June 30, 2023.**

Appendix II- Inter-Entity Confirmation Letter

United Democratic Movement

The secretary general wishes to confirm the amounts disbursed to you as at 30th June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Entity]

Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (KShs) as at 30th June (Current FY)				Total (D)=(A+B+C)	Amount Received by UDM Party (KShs) as at 30 th June (Previous FY) (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)				
	17/02/2023	6,724,461	-	-	6,724,461	NIL	6,724,461	
	17/02/2023	6,724,461	-	-	6,724,461	NIL	6,724,461	
	05/07/2023	2,658,895	-	-	2,658,895	NIL	2,658,895	
Total		<u>16,107,817</u>			<u>16,107,817</u>		<u>16,107,817</u>	

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Entity:

Name Abnour Mohamed
Sign Abnour Date 22/04/2024