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REPORT

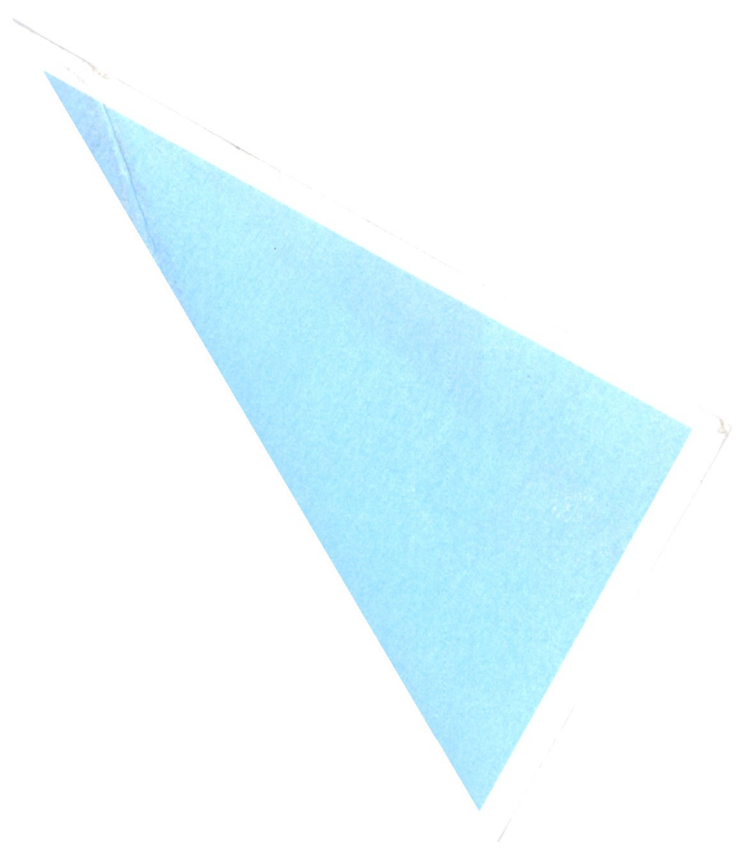
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL RAINBOW COALITION-KENYA

FOR THE YEAR ENDED
30 JUNE 2012



NARC **KENYA**



One Kenya, one Nation, one People

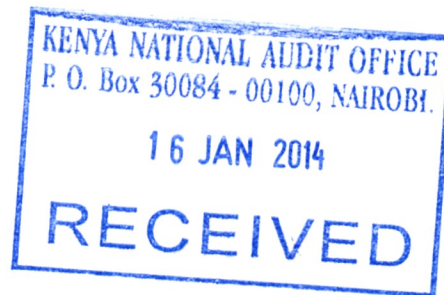
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NAIROBI

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FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30TH JUNE 2012

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NARC KENYA
FINANCIAL REPORT AS AT 30TH JUNE 2012

Introduction

Narc Kenya is a national political Party founded on the democratic principles of unity of purpose in diversity, rule of law, transparency and accountability, equity and equality. The ideology of the party is Social Democracy.

Vision

Narc Kenya's vision is a peaceful, united and prosperous Kenya where we respect, tolerate and uphold the human dignity and human rights of all, a prosperous Kenya fighting poverty and creating equal opportunities for all and a peaceful Kenya build on justice and rule of law hence the call **ONE KENYA, ONE NATION ONE PEOPLE.**

Mission

To create, nurture and sustain a democratic Government and state so as to enhance the political, social and economic welfare, and equal opportunities for all citizens in Kenya based on the principals of liberty, social justice, equality and unity.

Objectives of the Party

- To promote economic, social, political, scientific, cultural, intellectual and spiritual development for all Kenya.
- To provide political leadership that Kenya stable, prosperous, democratic and civilized modern nation within the framework of the rule of law, encouraging pluralistic democracy, regional , ethnic and gender inclusiveness with emphasis on principals of good governance, transparency and accountability in the management of public affairs.
- To build a nation based on the knowledge of God and therefore spiritual and moral values.
- To foster the unity of all people of Kenya and enhance their cultural and other diversity.
- To promote political awareness, participatory and people-centered development in partnership with local communities, civil society, the private sector and Kenya Diaspora and many more.



MANAGEMENT REPORTS

RESPONSIBILITIES OF THE PARTY OFFICIALS

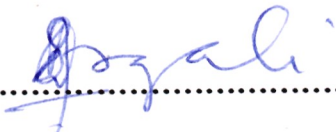
The Political Parties Act, 2011 requires the Party officials to prepare financial statements for each financial year which gives a true and fair view of the state of affairs of the Party as at each end of the fiscal year and other financial operations of the year.

The Act also requires the Party officials to ensure that the Party keeps proper Accounting records which disclose with reasonable accuracy at any time the financial position of the Party. They are also responsible for safeguarding the assets of the Party.

The Party officials accept responsibility for the annual financial statements which have been prepared using the appropriate accounting policies supported by reasonable and prudent judgments and estimates in conformity with International Financial Reporting Standards and in the manner required by the Political Parties Act, 2011.

The Party officials are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Party and of its operating results. The Party officials further accept responsibility for the maintenance of the accounting records, which may be relied upon in the preparation of the financial statements as adequate systems of internal financial control systems for the year ended 30th June 2012.

The party and its activities will remain a going concern for at least the next one year from the date of this statement as nothing came to the attention of the officials that the party will not remain a going concern.

Secretary General.......... Date: 16 JAN 2014.....

NARC KENYA
PARTY INFORMATION

1. Principal activity

Narc Kenya is a registered Political Party

2. Registered office

Narc Kenya House

Woodland Road, Off Lenana Road

3. Officials

Hon. Martha Karua – National Chairperson

Hon. Danson Mungatana – National Secretary General

Cllr. Fatuma Abass – National Treasurer

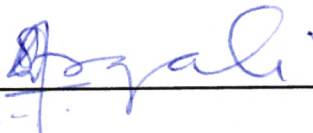
4. Bankers

Cooperative Bank of Kenya

Nairobi Business Centre – Ngong Road

By the order of the Party

Secretary General:



Date:

16 Jan 2014

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-Mail: oag@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL RAINBOW COALITION-KENYA FOR THE YEAR ENDED 30 JUNE 2012

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of National Rainbow Coalition-Kenya set out on pages 5 to 12, which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 8 of the Public Audit Act, 2003 and Section 34 (1) of the Political Parties Act, 2011.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 7 of the Public Audit Act, 2003.

Auditor-General's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Party's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Disclaimer of Opinion

1. Accuracy and Completeness of the Financial Statements

The statement of financial position as at 30 June 2012 reflect balances brought forward in respect of total assets, total liabilities and accumulated fund of Kshs.3,484,809.50, Kshs.1,924,995.40 and Kshs.1,559,813.10 respectively. However, as observed previously the audited financial statement for 2008/2009 financial year were not produced for audit verification and therefore the accuracy and origin of the balances brought forward to 2009/2010, 2010/2011 and 2011/2012 financial years could not be confirmed.

Consequently, the accuracy and completeness of the statement of financial position as at 30 June 2012 could not be confirmed.

2. Undeclared Income

During the year under audit, the National Rainbow Coalition-Kenya did not submit a declaration of its sources of funds to the Registrar of Political Parties as required by the Political Parties Act, 2007 (Revised 2011). As a result, the party was in breach of the Law.

3. Debtors and Prepayments

The statement of financial position reflects debtors and prepayments balance of Kshs.2,046,000 which includes an advance of Kshs.1,420,000 made to the then Secretary General in May 2009. The Party has neither recorded the advance nor are there indications of any efforts made towards its recovery. Further the Party has not made any provisions for bad and doubtful debts.

In the circumstances, the recoverability of the balance of Kshs.1,420,000 could not be ascertained as at 30 June 2012.

4. Unsupported Creditors

The statement of financial position further reflects creditors and accruals balance of Kshs.1,613,993.65 as at 30 June 2012. However, documentary evidence in support of the figure was not availed for audit verification.

In the circumstance, the accuracy and authenticity of the creditors balance of Kshs.1,613,993.65 remain doubtful.

5. Unsupported Expenditure

The statement of comprehensive income for the year ended 30 June 2012 reflects administrative expenses of Kshs.5,845,705.85 which include Kshs.3,002,584 paid as salaries and wages. However, as similarly reported in 2010/2011 the Party did not provide appointment letters for the Party employees as evidence to confirm the propriety of this expenditure.

Further, the Party did not produce documents to indicate that they remitted statutory deductions for 2011/2012 totalling Kshs.337,284. As a result, the propriety of the total expenditure of Kshs.5,845,705.55 could not be ascertained.

6. Unresolved Previous Year Matters

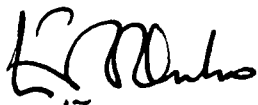
- (i) The statement of financial position as at 30 June 2012 reflect balances brought forward in respect of total assets, total liabilities and accumulated fund of Kshs.5,181,598.00, Kshs.3,062,088 and Kshs.2,119,510.00 respectively. However, the audited financial statements for 2008/2009 were not produced for audit verification and therefore the accuracy and origin of the balances brought forward to 2009/2010 and 2010/2011 could not be confirmed.
- (ii) The statement of financial position further reflect a debtors and prepayments balance of Kshs.2,129,000.00 which include unsecured advance of Kshs.1,700,000.00 made to the Secretary General in May 2009. However, the Party has not recovered the advance and has also not made any provision for bad and doubtful debts.
- (iii) The statement of financial position also reflect creditors and accruals balance of Kshs.1,924,996.00 which has not been supported by relevant documentary evidence.
- (iv) The statement of comprehensive income for the year ended 30 June 2012 reflects income of Kshs.13,504,378.00 which include an amount of Kshs.5,713,933.00 received from Political Parties Fund during the year.
- (v) The statement of comprehensive income reflects Administrative Expenses of Kshs.8,695,885 which include bad debts written off of Kshs.2,350,000. This

relates to the value of Motor Vehicle Registration KAY 141D which was purchased by the Party but registered in the name of the former Executive.

- (vi) Director. The Director did not surrender the vehicle to the Party. As there was no evidence to show that the vehicle belonged to the Party.

Disclaimer of Opinion

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



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

Nairobi

13 January 2016

NARC KENYA

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30TH JUNE 2012

	2012	2011
Income	KSHS	KSHS
Government Grant - Political Parties Fund	6,436,399.30	5,713,933.00
Membership Contributions	5 7,304,960.00	7,795,454.00
Total Income	<u>13,741,359.30</u>	<u>13,509,478.00</u>
Expenses		
Administrative Expenses	6 5,845,705.85	8,695,885.00
Party Visibility and Profiling Expenses	7 6,326,392.00	4,904,807.00
Party Policy and Advocacy Expenses	8 2,154,225.00	468,483.00
Total Expenses	<u>14,326,322.85</u>	<u>14,069,175.00</u>
Surplus/ Deficit for the year	<u>(584,963.55)</u>	<u>(559,697.00)</u>

NARC KENYA

STATEMENT OF FINANCIAL POSITION

AS AT 30TH JUNE 2012

		2012	2011
	NOTE	KSHS	KSHS
Non Current Assets			
Property, Plant and Equipment	2	485,174.70	527,121.00
Current Assets			
Debtors and Prepayments	3	2,046,000.00	2,129,000.00
Cash and Bank Balances	4	<u>(42,331.60)</u>	<u>828,689.50</u>
Total Current Assets		2,003,668.40	2,957,688.50
Current Liabilities			
Creditors and Accruals		<u>1,613,993.65</u>	<u>1,924,995.40</u>
Net current Asset		<u>389,674.75</u>	<u>1,032,693.10</u>
Net Assets		<u>874,849.45</u>	<u>1,559,813.10</u>
 Represented by			
Accumulated Fund		<u>874,849.45</u>	<u>1,559,813.10</u>

The notes attached hereto form part of these accounts.

Approved on the 16 JAN 2014

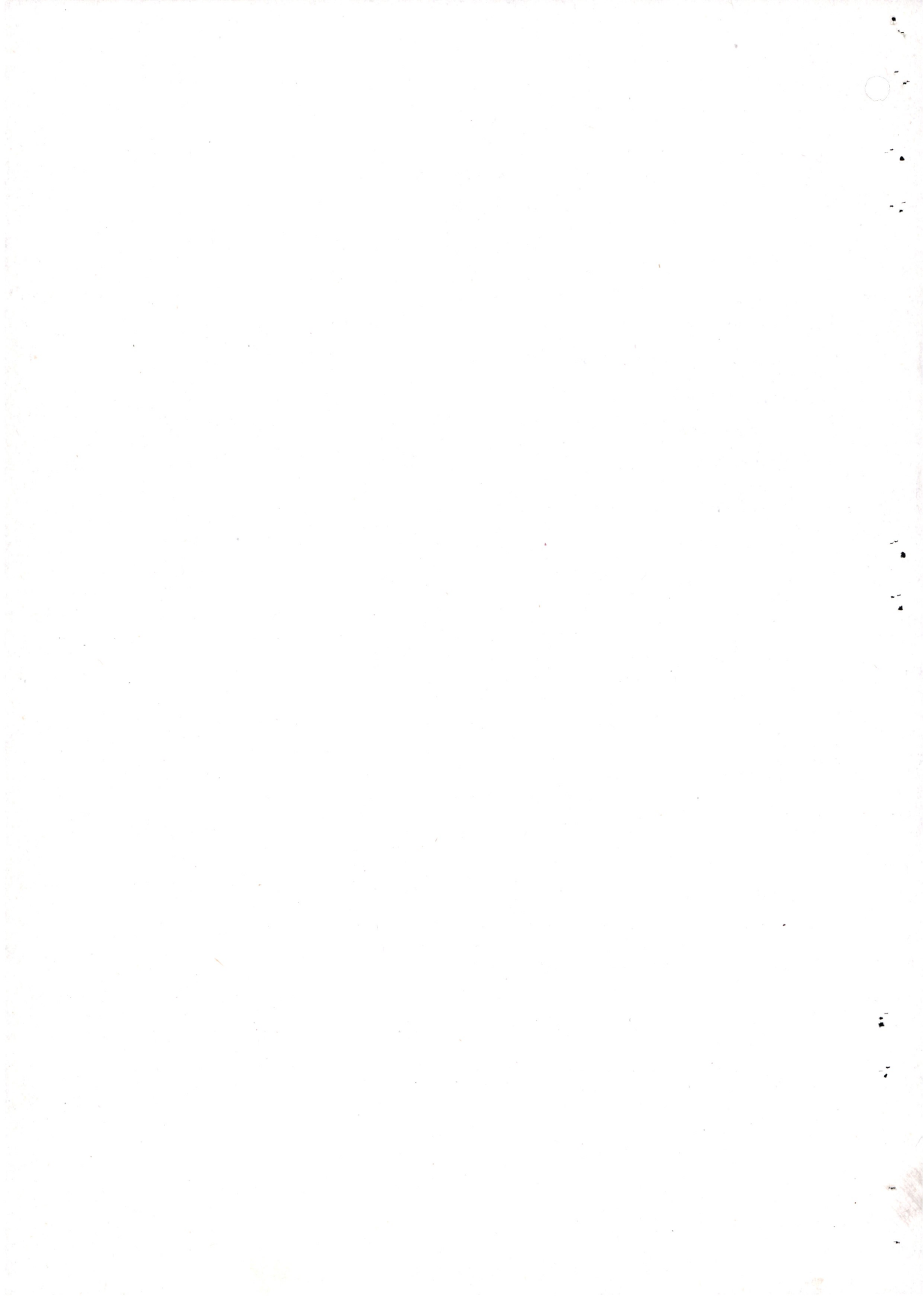
on behalf of the Party by:
Secretary General: *[Signature]*

NARC KENYA

STATEMENT OF CASHFLOWS

AS AT 30TH JUNE 2012

	Kshs	Kshs
	2012	2011
Surplus/ Deficit for the year	(584,963.55)	(559,696.65)
Adjustment for non-cash movement		
Add: Depreciation	111,945.80	116,210.25
Profit on Disposal	(473,017.75)	(5,100.00)
	(473,017.75)	(448,586.40)
Changes in Working Capital		
Increase/ Decrease in creditors	(411,042.25)	(1,137,092.05)
Increase/ Decrease in Debtors	83,000.00	2,344,000.00
	(801,060.00)	758,321.55
Less: Outflows of cash		
Purchase of Scanner		(9,500.00)
Sale of Fixed Asset		17,000.00
Purchase of Photocopier		(120,000.00)
Purchase of Meko		(3,410.00)
Purchase of fixed asset	(70,000.00)	(21,500.00)
Net Cashflow from investing activities	(70,000.00)	(137,410.00)
Cash flows from Financing activities	-	-
Net Increase in cash and cash equivalents	(871,688.50)	620,911.55
Cash and cash equivalent as at 1/07/11	828,688.90	207,777.35
Cash and cash equivalent as at 30/6/12	(42,331.10)	828,688.90



NARC KENYA
STATEMENT OF CHANGES IN EQUITY
AS AT 30TH JUNE 2012

	Kshs	Kshs
	2012	2011
Balance as at 01/07/2011	1,559,813.00	2,119,510.00
Adjustment for provision for Audit 2009-11	(100,000.00)	
Add Surplus(Deficit) for the year	(584,963.55)	(559,697.00)
Balance as at 30.06.2011	874,849.45	1,559,813.00

**NOTES OF THE FINANCIAL STATEMENTS FOR THE
YEAR ENDED 30TH JUNE 2012**

NOTE 1: The accounting policies adopted in the preparation of these accounts are as set below:

(i) Basis of Preparation

The final statements of the Party have been prepared in accordance with the International Financial Standards under the historical cost convention.

(ii) Depreciation

Depreciation is provided for fixed assets on reducing balance method. Full depreciation is granted for any additions while no depreciation is given for any disposals during the year.

The following rates are applicable:

Computers and Accessories 30%

Office Furniture 12.5%

Office Equipment 12.5%

Note 2: Property, Plant and Equipment

	Computers and Accessories Kshs	Office Furniture Kshs	Office Equipment Kshs	Totals Kshs
Cost / Valuation as at 1 July 2011	442,021.85	424,751.00	306,227.60	1,173,500.45
Additions	70,000.00			70,000.00
Cost as at 30th June 2011	512,021.85	424,751.00	306,227.60	1,243,500.45
Depreciation as at 1 st July 2011	298,846.30	206,892.40	140,141.25	645,879.95
Charge for the year	63,952.65	27,232.35	20,760.80	111,945.80
Depreciation as at 30th June 2012	362,798.95	234,124.75	160,902.05	757,825.25
Net book as at 30th June 2012	149,222.90	190,626.25	145,325.55	485,174.70

NOTE 3: Debtors and Prepayments

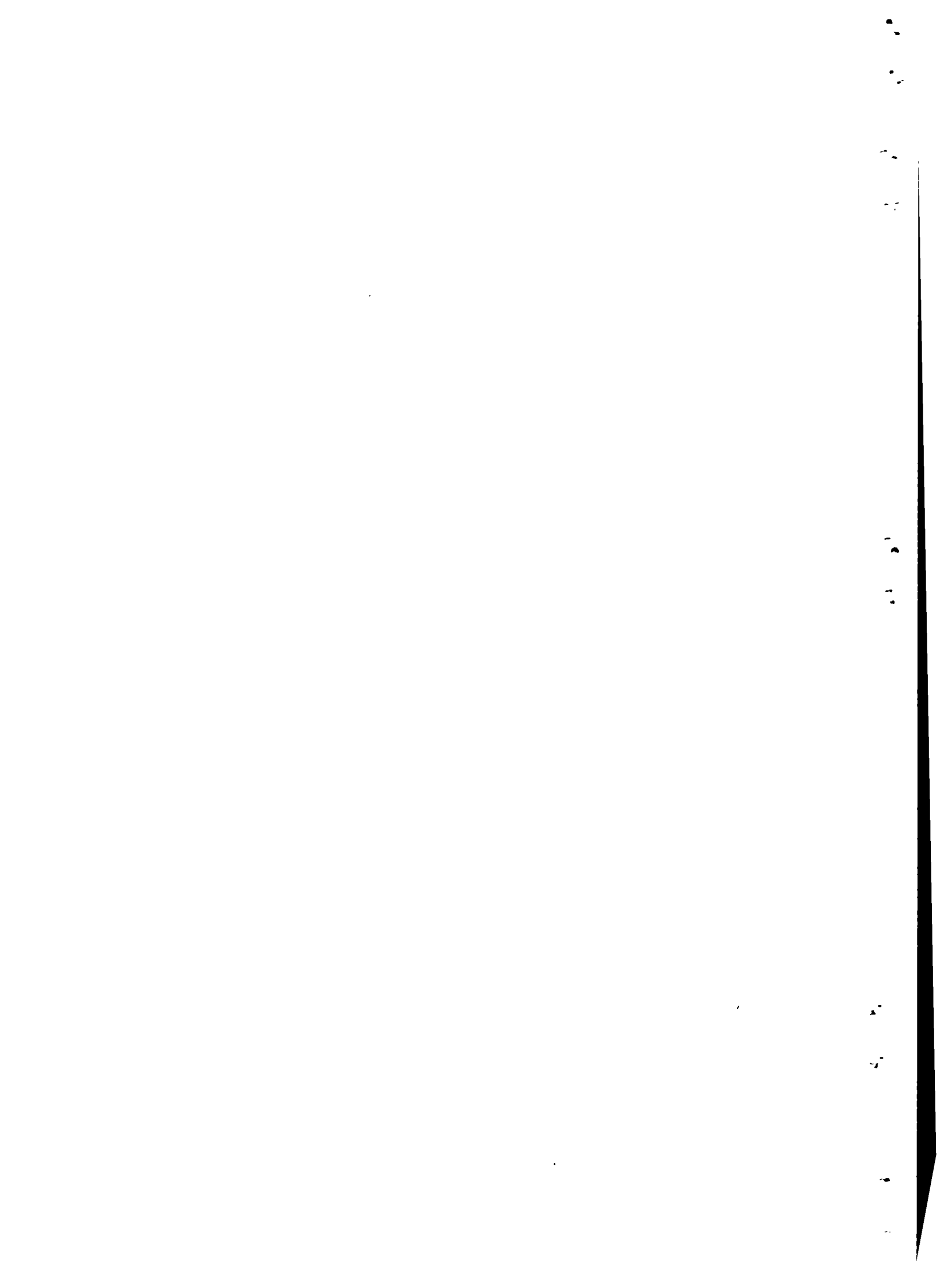
	2012	2011
Debtors	1,435,000.00	1,715,000.00
Prepayments	611,000.00	414,000.00
	<u>2,046,000.00</u>	<u>2,129,000.00</u>

NOTE 4: Cash and Bank**Amount (Kshs)**

Cooperative Bank - 0112001177004	15,408.95	814,975.95
Cooperative Bank - 0112001177002	(63,826.55)	9,448.95
Cooperative Bank - 0112001177000	-	(3,736.40)
Cooperative Bank - 01136005751300	40.00	3,640.00
Petty cash	6,046.00	4,360.00
Total	<u>(42,331.60)</u>	<u>828,688.50</u>

NOTE 5: Members contributions and Donations

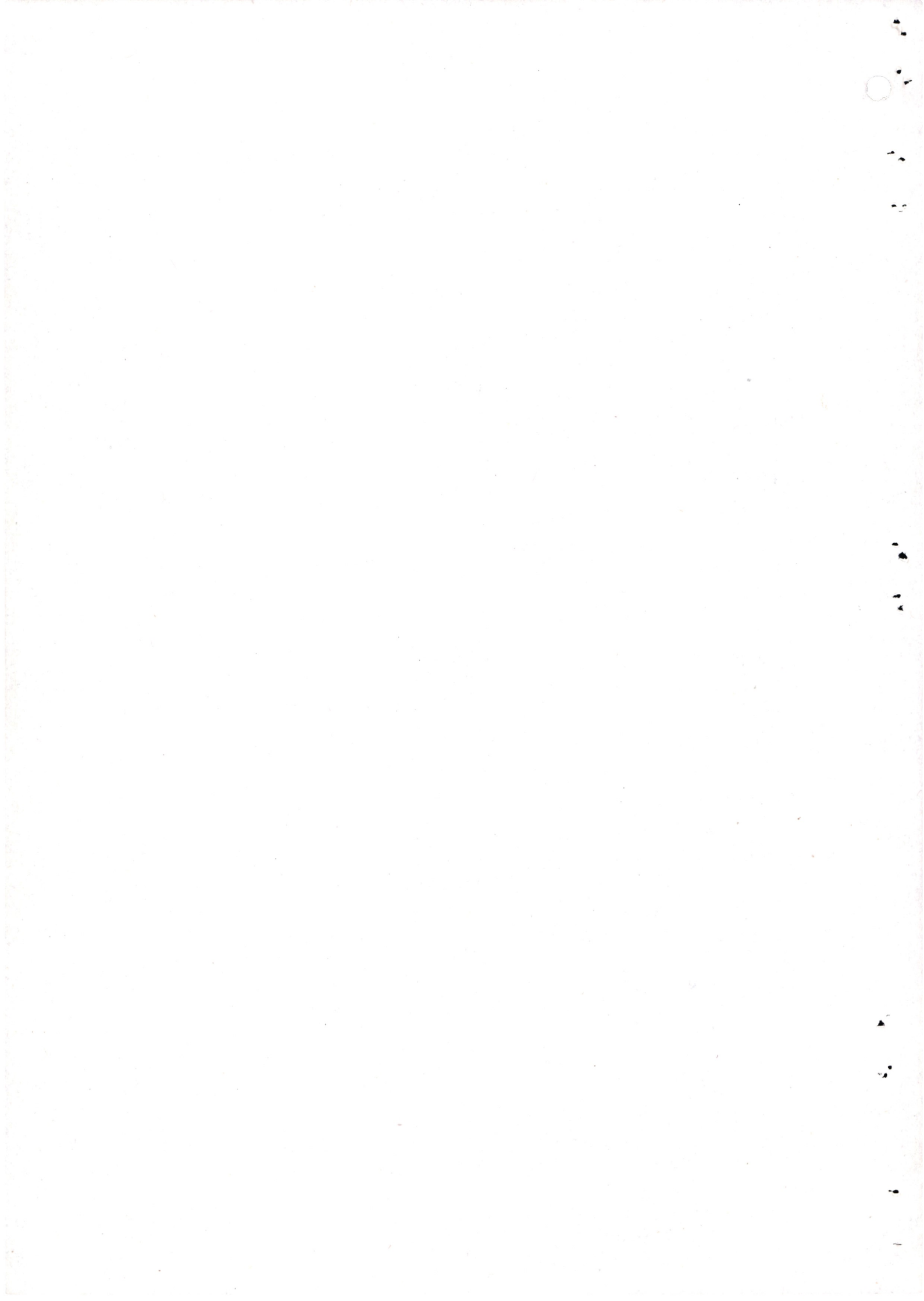
	2012	2011
Income item	Kshs	Kshs
Fundraisings	440,240.00	769,000.00
Miscellaneous Income	703,000.00	2,333,675.00
Membership Dues	3,414,220.00	1,797,870.00
NEC Members	182,500.00	309,000.00
Nomination Fee & Asp.	120,000.00	330,000.00



PG Contribution	2,445,000.00	2,256,000.00
Total	7,304,960.00	7,790,445.00

NOTE 6: Administrative Expenses

	2012	2011
	Kshs	Kshs
Bank Service Charges	31,521.50	33,795.00
Bad Debts w/o	-	2,350,000.00
Provision for Audit Fee	50,000.00	-
Depreciation	111,945.80	116,210.25
Gifts and Donations	-	21,000.00
Office Supplies	337,133.50	384,983.00
Professional Fees	-	60,000.00
Rent	1,440,000.00	1,440,000.00
Repairs	145,550.00	73,487.00
Salaries & Wages	3,002,584.00	2,638,800.000
Stationery	245,348.00	413,119.00
Telephone & Postage	206,100.00	293,540.00
Travel & Entertainment	149,094.00	556,242.00
Utilities	126,429.05	108,708.65
Total	5,845,705.85	8,695,885.10



NOTE 7: Party visibility and profiling Expenses

	2012	2011
Expense	Amount(Kshs)	Amount(Kshs)
Election/ By-elections	612,863.00	879,750.00
Information Technology	12,500.00	206,000.00
Rallies & Programmes	5,701,029.00	<u>4,025,057.00</u>
Total	<u>6,326,392.00</u>	<u>4,904,807.00</u>

Note 8: Party Policy and Advocacy Expenses

	2012	2011
Expense	Amount(Kshs)	(Amount(Kshs)
Branch Expenses	979,125.00	122,000.00
Membership Recruitment	818,600.00	35,000.00
Professional Fee	300,000.00	-
Press & Advertising	56,500.00	311,483.00
Total	<u>2,154,225.00</u>	<u>468,483.00</u>

