



*Paper to  
By the leader of  
majority party  
Hon. Adam Dini*

**KENYA NATIONAL AUDIT OFFICE**

*on mesh  
11/2/2015*



**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NEW DEMOCRATS**

**FOR THE YEAR ENDED  
30 JUNE 2011**





## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NEW DEMOCRATS FOR THE YEAR ENDED 30 JUNE 2011

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of New Democrats set out on pages 4 to 11, which comprise the statement of financial position as at June 2011, and the statement of comprehensive income, statement of changes in revenue reserves 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.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation 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 audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards on Auditing. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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. Inaccuracies in the Financial Statements

The following inaccuracies were noted in the financial statements for the year ended 30 June 2011.

Financial Statements	Notes to the financial statements
Note 6 reflects Income-Kshs 812,364	Note 6 reflects - Payables balances of Kshs.204,800
Note 7 reflects Other Income balance of Nil	Note 7 reflects - Revenue figure of Kshs.812,364
Note 8 reflects Administrative and other costs figure of - Kshs.966,908.	Note 8 reflect - Other Income. Nil
Note 9 not reflected	Note 9 reflects administrative and other expenses figure of Kshs.966,908
Note 5 reflects payables balance of Kshs.204,800	Note 5 is omitted
Note 1 reflects revenue reserves figure of Kshs.35,043	Note 1 indicates significant accounting policies

### 2. Unsupported Expenditure

The statement of comprehensive income reflects administrative expenses of Kshs.966,908 which includes unsupported expenditure of Kshs.724,303 incurred on various expenditure items as shown:-

Staff salaries	Kshs.123,000	- No payroll records availed
Office Rent	Kshs.310,000	- No Lease Agreement availed
Printing expenses	Kshs.285,000	- From Dec.2009 to June 2011
Bank charges	<u>Kshs. 6,303</u>	- No supporting evidence availed
<b>Total</b>	<b><u>Ksh. 724,303</u></b>	

Further, office rent for July to September 2009 amounting to Kshs.100,000 has been omitted from the financial statements. Consequently, it has not been possible to confirm the propriety of the unsupported expenditure totalling Kshs.724,303 as at 30 June 2011.

### 3. Unresolved Prior Year Matters

The following prior year matters remained unresolved as at 30 June 2011.

### **3.1. Disclosure of Income**

As reported in 2009/2010, the statement of comprehensive income for the year ended 30 June 2010 reflects total income of Kshs.812,361 which includes an amount of Kshs.6,000 received from members. However, there was no evidence that the Party submitted a declaration of the sources of its funds to the Registrar of Political Parties as required under Section 10 (1) of the Political Parties (Funding) Regulations, 2009.

Consequently, the accuracy and completeness of the income received by the Party during the year under review could not be confirmed as at 30 June 2010. The party was therefore in breach of the law.

### **3.2. Irregular Expenditure**


As previously reported, the statement of comprehensive income for the year ended 30 June 2010 reflects Kshs.812,361 received from the Political Parties Fund out of which Kshs.637,524 was incurred on administrative expenses during the year. The expenditure of Kshs.637,524 represents 78% of the money received from the Political Parties Fund contrary to the provisions of Section 30(1) (f) of the Political Parties Act, 2007 which requires that not more than 25% of the moneys allocated to a registered Political Party from the Political Parties Fund may be used for administrative expenses of the Party.

## **4. Property, Plant and Equipment**

Property, plant and equipment balance of Kshs.177,887 as at 30 June 2011 includes a balance of Kshs.78,750 in respect of 2009/2010 financial year which has been wrongly reflected as Kshs.87,500 in these financial statements and for which no documentary evidence has been provided for confirmation of the purchase and existence of the assets. Consequently, the ownership, value and existence of property, plant and equipment valued at Kshs.177,887 as at 30 June 2011 could not be confirmed.

### **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**

**23 October 2015**

PARLIAMENTARY OFFICE  
1100 UNIVERSITY AVENUE  
19 JAN 2012  
RECEIVED



**ANNUAL REPORT & UNAUDITED  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2011**



**NEW DEMOCRATS**



*New Democrats*

*Financial statements*

*For the year ended 30 June 2011*

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**CONTENTS**

	<b>PAGE</b>
Party information	1
Report of the party officials	2
Statement of national party officials' responsibilities	3
Financial statements:	
Statement of comprehensive income	4
Statement of financial position	5
Statement of changes in revenue reserves	6
Statement of cash flows	7
Notes to the financial statements	8-9

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CN<sup>o</sup> 0028

r.4(3)

## Certificate of Full Registration

I hereby certify that *New Democrats*

has this day been fully registered as a Political Party under the Political Parties Act, 2007.

Dated this *31<sup>st</sup>* day of *December*, 2008

  
REGISTRAR OF POLITICAL PARTIES

PP. N<sup>o</sup> 00028

**PARTY INFORMATION**

**PARTY OFFICIALS**

- : **Party leader**  
David Sudi
- : **Secretary General**  
Frederick Muthangya
- : **Chairman**  
Daniel K. Musembi
- : **Treasurer**  
Daniel K. Dii

**PARTY REGISTERED OFFICES  
AND PHYSICAL LOCATION**

- : Tom Mboya Avenue
- : Tudor Estate
- : P.O. Box 43428-80100
- : Mombasa, Kenya.

**PRINCIPAL BANKERS**

- : National Bank of Kenya Limited
  - : Mombasa.
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Financial Statements

For the year ended 30 June 2011

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**Report of the party officials**

The party officials submit their report with unaudited financial statements for the year ended 30 June 2011, which disclose the state of affairs of the party.

PRINCIPAL ACTIVITIES

The goal of the party is to influence the process of governance in the Republic of Kenya and to promote and advance the civil, political, economic, social and cultural welfare of all Kenyans.

By order of National Executive Council

  
\_\_\_\_\_  
Mombasa

SECRETARY GENERAL

 2012.

Financial Statements

For the year ended 30 June 2011

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**Statement of party officials responsibilities**

The political parties act requires the party officials to prepare financial statements which give a true and fair view of the state of affairs of the party as at the end of the financial year and of its operating results for that year. It also requires that the executive committee ensures that the party maintains proper accounting records which disclose, with reasonable accuracy, the financial position of the party.

The party officials accept the responsibility for the financial statements which have been prepared using appropriate accounting policies supported by reasonable, prudent judgements and estimates And also in conformity with International Financial Reporting Standards and the requirements of the Political Parties Act. The party officials are of the opinion that the financial statements give a true and fair view of the state the financial affairs of the party as at 30 June 2011 and of its operating results for the year then ended.

The party officials further accept responsibility for the maintenance of the accounting records which have been relied upon in the preparation of the financial statements, as well as on the adequacy of the systems of internal financial controls.

Nothing has come to the attention of the National Executive Council to indicate that the Party will not remain a going concern for at least the next twelve months from the date of this statement.

This statement is approved by the National Governing Council and is signed on on their behalf by:-

  
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PARTY LEADER

18<sup>th</sup> Jan .....2012

  
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SECRETARY GENERAL

18<sup>th</sup> Jan .....2012

## Financial statements

For the year ended 30 June 2011

**Statement of comprehensive income**

	Note	As at 30 June	
		2011	2010
		K.shs	K.shs
Income	6	812,364	812,361
Other income	7	-	6,000
<b>Total income</b>		<b>812,364</b>	<b>818,361</b>
Administrative & other costs	8	(966,908)	(628,774)
<b>(Deficit)/Surplus for the year</b>		<b>(154,544)</b>	<b>189,587</b>

## Financial statements

For the year ended 30 June 2011

Statement of financial position	Notes	As at 30 June	
		2011 K.shs	2010 K.shs
<b>CAPITAL EMPLOYED</b>			
Revenue reserves	1	35,043	189,587
Total equity & non-current liabilities		<b>35,043</b>	<b>189,587</b>
<b>REPRESENTED BY:-</b>			
<b>Non- current assets</b>			
Property and equipment	2	177,887	87,500
		177,887	87,500
<b>Current assets</b>			
Cash and cash equivalents	3	1,957	2,087
Receivables	4	60,000	100,000
		61,957	102,087
<b>Current liabilities</b>			
Payables	5	204,800	-
		204,800	-
<b>Net current assets/(liabilities)</b>		<b>(142,843)</b>	<b>102,087</b>
		<b>35,043</b>	<b>189,587</b>

The financial statements on pages 4 to 7 were approved for issue by the party officials on 4<sup>th</sup> Jan 2011 and were signed by:-



PARTY LEADER



SECRETARY GENERAL

**Statement of changes in revenue reserves**

<b>Year ended 30 June 2011</b>	<b>Total revenue reserves</b>
	<b>K.shs</b>
As at 1st July 2010	189,587
Net profit/(loss) for the year	<u>(154,544)</u>
At 30 June 2011	<u><u>35,043</u></u>

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<b>Year ended 30 June 2010</b>	<b>Total</b>
	<b>K.shs</b>
At start	-
Net surplus/(deficit) for the year	<u>189,587</u>
At 30 June 2010	<u><u>189,587</u></u>

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<b>Statement of cash flows</b>	<b>As at 30 June</b>	
	<b>2011 K.shs</b>	<b>2010 K.shs</b>
<b>Operating activities</b>		
(Deficit)/surplus for the year	(154,544)	189,587
Adjustments for:-		
Depreciation	30,614	12,500
<b>Changes in working capital</b>		
(Increase)/decrease in trade and other receivables	40,000	(100,000)
(Increase)/decrease in trade and other receivables	204,800	-
	<b>120,870</b>	<b>102,087</b>
Additions to property, plant and equipments	(121,000)	(100,000)
<b>Cash generated/(utilized) by investing activities</b>	<b>(121,000)</b>	<b>(100,000)</b>
(Decrease)/Increase in cash and cash equivalents	(131)	2,087
Movement in cash and cash equivalents		
At start of year	3	2,087
(Decrease) increase in cash and cash equivalents		(131)
<b>At end of year</b>	<b>3</b>	<b>1,957</b>

## Financial statements

For the year ended 30 June 2011

**Notes to the financial statements**

	As at 30 June		
	2011	2010	
	K.shs	K.shs	
<b>1 Revenue reserves</b>			
As at start	189,587	-	
Net(deficit)/surplus	(154,544)	189,587	
As at 30 June 2011	<u>35,043</u>	<u>189,587</u>	
<b>2 Property and equipment</b>	<b>Computer &amp; access</b>	<b>Furniture &amp; fittings</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
Year ended 30 June 2010			
Opening net book amount	-	-	-
Additions	-	100,000	100,000
Depreciation charge	-	(12,500)	(12,500)
Closing book amount	-	87,500	87,500
At 1st July 2010			
Cost	-	100,000	100,000
Accumulated depreciation	-	(12,500)	(12,500)
Net book amount	-	87,500	87,500
Year ended 30 June 2011			
Opening net book amount	-	87,500	87,500
Additions	26,000	95,000	121,000
Depreciation charge	(7,800)	(22,814)	(30,614)
Closing book amount	18,200	159,687	177,887
At 30 June 2011			
Cost	26,000	195,000	221,000
Accumulated depreciation	(7,800)	(35,314)	(43,114)
Net book amount	18,200	159,687	177,887
<b>3 Cash and cash equivalents</b>			
Bank balances	1,931	2,061	
Cash balances	26	26	
	<u>1,957</u>	<u>2,087</u>	
for the purpose of cash flow statement, the year end cash and cash equivalents comprise the following			
Cash and bank balances as above	<u>1,957</u>	<u>2,087</u>	
<b>4 Receivables</b>			
Deposits & prepayments	60,000	100,000	
<b>Total receivables</b>	<u>60,000</u>	<u>100,000</u>	

In the opinion of the national party officials, the carrying amounts of the current portion of deposits & prepayments approximate to their fair value.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of accounting

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS), and have been prepared under the historical cost convention.

Adoption of new and revised International Financial Reporting Standards (IFRS).

In 2007 new and revised standards and interpretations became effective for the first time and have been adopted by the party where relevant to its operations. This only resulted in changes in presentation and disclosures as follows:

*IFRS 7 Financial Instruments: Disclosures*

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the party's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results, comparative information has been revised where needed.

*IAS 1 Presentation of Financial Statements*

This amendment requires the party to make new disclosures to enable users of the financial statements to evaluate the party's objectives, policies and processes for managing capital. These new disclosures are shown in note 1 (I)

The following amendment to an existing standard will be mandatory for the party's accounting periods beginning on or after 1 January 2008, but which the party has not earlier adopted:

IFRIC 11 – Group and Treasury Share Transactions – from 1 January 2008

IFRIC 12 – Service Concession Arrangements – from 1 January 2008

IFRS 8 – Operating segments – from 1 January 2009

IAS 23 – Borrowing costs (revised) – from 1 January 2009.

1.2 Revenue recognition

Revenue represents the fair value of the consideration received or receivable and is stated net of adjustments.

1.3 Trade receivables

Receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest rate. A provision for impairment is recognized in the profit and loss account in the year when the recovery of the amount due as per original terms is doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at effective interest rate.

Receivables not collectable are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit and loss account in the year of recovery.

#### 1.4 Property, equipment and depreciation

The assets are stated at cost less accumulated depreciation. Depreciation is calculated on a reducing balance basis at annual rates estimated to write - off, the cost of the assets over the estimated useful lives of the assets concerned.

The rates used per annum are:-

Furniture and fittings	12.5%
Computers and accessories	30.0%

The normal policy is to provide for depreciation for the full year on additions during the year and depreciation is not provided when the assets are disposed.

#### 1.5 Cash and cash equivalents

For the purpose of cash flow statement, cash and cash equivalents comprise of cash in hand, deposits held at call with banks and investments in money market instruments net of bank overdrafts. In the balance sheet, bank overdrafts are included in borrowings in the current liabilities.

#### 1.6 Impairment of assets

The management assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, the carrying amount of the asset is written down to its recoverable amount.

#### 1.7 Employees

The party employs casuals on a part time basis. There are currently no permanent employees of the party.

#### 1.8 Comparatives

Where necessary, comparative figures have been adjusted to conform with the changes in the presentation in the current year and particularly to conform with the International Financial Reporting Standards (IFRS).

**Notes to the financial statements-(continued)**

	As at 30 June	
	2011	2010
	K.shs	K.shs
<b>6 Payables</b>		
Margaret Ndungu-(rent accrued)	120,000	-
Accrued salaries	50,000	-
Accrued consultancy fees	34,800	-
<b>Total payables</b>	<u>204,800</u>	<u>-</u>
In the opinion of the national party officials, the carrying amounts of the current portion of payables approximate to their fair value.		
<b>7 Revenue</b>		
Political parties fund	<u>812,364</u>	<u>812,361</u>
<b>8 Other income</b>		
Voluntary contributions from party officials		
Daniel K. Musembi-(opening of party's bank account)	-	6,000
<b>Total other income</b>	<u>-</u>	<u>6,000</u>
<b>9 Administrative &amp; other expenses</b>		
Salaries	123,000	60,000
Rent	310,000	140,000
Travelling & accomodation	78,000	100,000
Stationery, printing & photocopying	285,000	974
Office expenses	92,800	310,000
Advertisements	36,192	-
Computer expenses	5,000	-
Bank charges	6,303	5,300
Depreciation charge	30,613	12,500
<b>Total administrative &amp; other costs</b>	<u>966,908</u>	<u>628,774</u>
<b>10 Reporting currency</b>		
These financial statements are presented in kenya shillings(kshs).		