

REPUBLIC OF KENYA



*Enhancing Accountability*

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 05 JUN 2025

DAY.

**REPORT**

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BY:

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OF KENYA  
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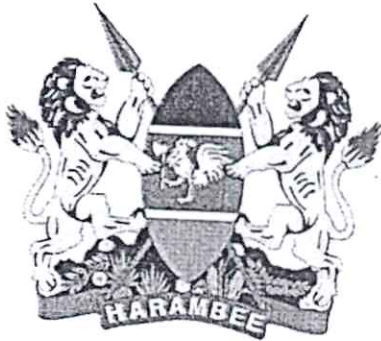
**OF**

**THE AUDITOR-GENERAL**

**ON**

**COMMUNIST PARTY OF KENYA**

**FOR THE YEAR ENDED  
30 JUNE, 2024**



OFFICE OF THE AUDITOR GENERAL  
P.O. BOX 1543, MOMBASA  
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*COMMUNIST PARTY OF KENYA*

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2024**

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

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

| <b>Table of Contents.....</b>  | <b>Page</b> |
|--|-------------|
| 1 Acronyms, Abbreviations and Glossary of Terms.....   | iii         |
| 2. Key Party Information and Management.....   | iv          |
| 3 Central Committee.....   | vii         |
| 4. Key Management Team.....  | vii         |
| 5. Chairman's Statement.....   | viii        |
| 6. Report of the Secretary General. ....   | ix          |
| 7. Statement of Performance against Predetermined Objectives for FY 2023/2024-1 ..           | x           |
| 8. Corporate Governance Statement.....   | xv          |
| 9 Management Discussion and Analysis.....  | xvi         |
| 10 Environmental and Sustainability Reporting ..   | xvii        |
| 11 Report of the Central Committee. ....   | xviii       |
| 12. Statement of the Central Committees Responsibilities. ....                               | xix         |
| 13. Report of the Independent Auditor for the Communist Party of Kenya ..                    | xx          |
| 14. Statement of Financial Performance for the year ended 30 June 2024 .....                 | 1           |
| 15 Statement of Financial Position as at 30 June 2024 .....                                  | 2           |
| 16. Statement of Changes in Net Assets for the year ended 30 June 2024.....                  | 3           |
| 17. Statement of Cash Flows for the year ended 30 June 2024.....                             | 4           |
| 18 Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024..... | 5           |
| 19 Notes to the Financial Statements .....   | 6           |
| 20 Appendices.....   | 31          |

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

**1. Acronyms, Abbreviations and Glossary of Terms**

**A: Acronyms and Abbreviations**

|       |  |
|-------|--|
| MP    | Member of Parliament                               |
| MCA   | Member of County Assembly                          |
| CBK   | Central Bank of Kenya                              |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards   |
| NT    | National Treasury                                  |
| OCOB  | Office of the Controller of Budget                 |
| OAG   | Office of the Auditor General                      |
| OSHA  | Occupational Safety and Health Act of 2007         |
| PFM   | Public Finance Management                          |
| PPE   | Property Plant & Equipment                         |
| PSASB | Public Sector Accounting Standards Board           |
| SAGAs | Semi-Autonomous Government Agencies                |
| CPK   | Communist Party of Kenya.                          |
| WB    | World Bank   |
| CBK   | Central Bank of Kenya                              |
| HR    | Human Resource                                     |
| SG    | Secretary General                                  |
| CC    | Central Committee                                  |
| FY    | Financial Year                                     |
| PPLC  | Political Parties Liaison Committee                |
| RPP   | Registrar of Political Parties                     |

**B: Glossary of Terms**

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

**Comparative Year-** Means the prior period.

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

**2. Key Party Information and Management**

**(a) Background information**

Communist Party of Kenya is domiciled in Kenya and is a registered political party in accordance with the constitution of Kenya and Political Parties Act of 2011. The party was registered in the year 1992 as the Social Democratic Party- SDP and changed its name to Communist party of Kenya- CPK in the year 2019. The Central Committee is responsible for the general policy and strategic direction of the party.

**(b) Principal Activities**

The party is committed to uniting all Kenyans irrespective of their ethnic groups, class, gender and age to work for an alternative society away from the present unjust system; towards a society that realises the freedoms, human rights and development of all.

**(c) Key Management**

Communist Party of Kenya day-to-day management is under the following key organs:

| No. | Designation       | Name                            |
|-----|-------------------|---------------------------------|
| 1.  | Secretary General | <b>Benedict Wachira</b>         |
| 2.  | Secretariat       | Headed by the Secretary General |

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2024 and who had direct fiduciary responsibility were:

| No. | Designation        | Name                      |
|-----|--------------------|---------------------------|
| 1.  | Chairperson        | <b>Mwandawiro Mghanga</b> |
| 2.  | Secretary General  | <b>Benedict Wachira</b>   |
| 3.  | National Treasurer | <b>Jacintah Kamau</b>     |

**Key Party Information and Management (continued)**

**(e) Fiduciary Oversight Arrangements**

**National congress.**

This is the highest decision making organ of the party. All decisions made must be ratified by the National congress which meets once in five years and also has special sittings when needed

**Central Committee**

This is the second highest decision making organ of the party where all party decisions are deliberated before implementation. Some decisions made by central committee must also be ratified by the National congress after deliberations. Also the Central Committee is responsible and oversees party corporate governance among other finance and audit activities. The Central Committee is headed by the Chairman and the Secretary General.

**Disciplinary Committee.**

This is a committee which helps to deal with all the indiscipline of the party. For instance all members who are supposed to pay for membership but don't pay they are summoned by the disciplinary committee.

**County Committees.**

This is entrusted to take care of the county affairs and their chairman reports on behalf of the committee to the central committee on the same. This helps to deal effectively with issues on the ground.

**Party Cells.**

These are basic organs of the party that are responsible for recruitment, ideological trainings, and local organisation in the party.

**Political Bureau.**

This is entrusted with reviewing party documents, approving party policy documents, giving ideological direction of the party, running the party ideology school among other related functions as directed by the central committee. Its members include secretary for ideology, publicity secretary and other designations that may be necessary of up to a maximum of thirteen persons including the party chairperson and secretary General.

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

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**(f) Entity Headquarters**

P.O. Box 4403-00100,  
GPO, Nairobi, Kenya  
Communist Party of Kenya House  
Plot off Wundanyi Town,  
Wundanyi, Taita Taveta

**(g) Entity Contacts**

Telephone (254) 0721 158 008  
E-mail: [communistpartyofkenya@gmail.com](mailto:communistpartyofkenya@gmail.com)  
Website: [www.cpk.ke](http://www.cpk.ke)

**(h) Entity Bankers**

Consolidated Bank of Kenya Limited  
Koinange Branch  
P.O. Box 51133  
City Square 00200  
**NAIROBI, KENYA.**

**(i) Independent Auditor**

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

**(j) Principal Legal Adviser**

Kevin Arende Oriri  
Advocate of the High Court  
P.O. Box 7474  
GPO 00100  
Nairobi, Kenya

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

**3. Central Committee.**

| Ref | Officials          | Details                       |
|-----|--------------------|-------------------------------|
| 1.  | Mwandawiro Mghanga | National Chairperson          |
| 2.  | Gitahi Ngunyi      | Deputy Chairperson            |
| 3.  | Benedict Wachira   | Secretary General             |
| 4.  | Jacintah Kamau     | National Treasurer            |
| 5.  | Nicholas Mutemi    | National Organising Secretary |

**4. Key Management Team**

| Ref | Officials          | Details                         |
|-----|--------------------|---------------------------------|
| 1.  | Mwandawiro Mghanga | National Chairperson            |
| 2.  | Gitahi Ngunyi      | Deputy Chairperson              |
| 3.  | Benedict Wachira   | Secretary General               |
| 4.  | Jacintah Kamau     | National Treasurer              |
| 6.  | Secretariat        | Headed by the Secretary General |

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

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**5. Chairman's Statement**

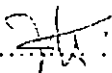
I am delighted to present the financial report for **COMMUNIST PARTY OF KENYA** for the year ended 30 June 2024. I would like to congratulate the members of **COMMUNIST PARTY OF KENYA** without whom it would not have been possible for us to achieve the results for the year under view.

As the Chairman, I appreciate the work done by the party members, officials of the party as well as our partners.

The biggest challenge we still face as a party is lack of enough funds to run our operations. The funds from the exchequer are minimal, far from the legal amounts that we deserve. The party needs to devise ways of fundraising for sustainability.

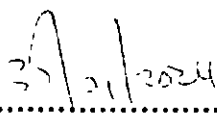
Going forward, we have embarked on very aggressive membership recruitment drive to increase our numbers across the Country. Our aim is to make inroads in areas where we do not have a presence, as we spread the message of socialism to all the oppressed and exploited

Thank you

.....  


**MR. MWANDAWIRO MGHANGA**

**CHAIRMAN**

DATE.....  


*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

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**6. Report of the Secretary General.**

As mentioned above, we are delighted to present the financial report for **COMMUNIST PARTY OF KENYA** for the year ended 30 June 2024.

Collective responsibility from the National Congress, Central committee (CC) and the Secretariat made it possible for us to achieve the results posted for the Financial Year under review.

I appreciate the support accorded to me by my fellow party members and I thank them for their invaluable support. Without them it would not have been possible to hold our National congress where several issues were deliberated and ratified by the members of the party.

We also want to take this opportunity to thank the Government of Kenya, specifically the Registrar of Political Parties for their invaluable support in ensuring that Political Parties operate in a level playing field that guarantees fairness for all electorates.

Our party experienced slight decrease in Revenue but a considerable reduction in Expenditure because besides the merger resources we get from government, our membership contribution remained suspended due to hard economic times experienced in the country and across the world making it impossible for our members to support the party as it is required.

Thank you`

*B.*

.....  
**MR. BENEDICT WACHIRA**

**SECRETARY GENERAL**

DATE..... 30/09/24.....

*COMMUNIST PARTY OF KENYA*  
Annual Report and Financial Statements  
For the year ended June 30, 2024.

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**7. Statement of Performance against Predetermined Objectives for FY 2023/2024-1**

COMMUNIST PARTY OF KENYA has several strategic objectives within the current Strategic Plan for the FY 2023/2024. These strategic objectives are as follows:

1. To sensitize, educate, recruit and mobilize people to understand and practice the ideals and tenets of communism.
2. To work towards a classless society, by overcoming all forms of exploitation and oppression of person by person, based on Marxist-Leninist ideology.
3. To work towards people's power, by actively participating in, and identifying with the people's struggle.
4. To instil the idea of internationalism, and fight oppression anywhere in the world.
5. To spearhead solidarity and friendship with Socialist countries and Parties in Africa and the world.
6. To work towards successful integration and unity of the East African Community. To accelerate and work towards the unification of the African people and the African States.
7. To fight for the defeat of the relics colonialism, neo-colonialism and dictatorship in all their manifestation.
8. To struggle against the illegitimate debt burden imposed on the country through unequal power, trade and other relations with imperialist countries.
9. To struggle to defeat imperialism and its local stooges in Kenya and the World.
10. To participate in national elections in order to win political power in our national circumstances and to build popular, democratic and progressive spaces.
11. To form or enter into alliances with other political parties, organisations and other social formations in Kenya, East African Community, Africa and the World for a common purpose that is consistent with this Constitution and the Party Manifesto.
12. To struggle for a balanced industrial, agricultural and developmental trajectory which also takes into consideration the environmental interests.
13. To fight neo-liberalism and capitalism and provide alternative economic and development policies based on socialism applied creatively in the material and historical conditions of Kenya.
14. To consolidate, defend and further the democratic gains won by the struggle of Kenyans hitherto, including the Constitution of Kenya.
15. To build a socialist state and society in Kenya, and ultimately a communist society.

**COMMUNIST PARTY OF KENYA**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

COMMUNIST PARTY OF KENYA developed its annual work plans based on the above strategic objectives. Assessment of the party's performance against its annual work plan is done on a quarterly basis. The party achieved its performance targets set for the FY 2023/2024 period for its strategic objectives as indicated in the table below Annual Work plan.

**COMMUNIST PARTY OF KENYA**  
**WORKPLAN FOR THE 12 MONTHS**  
**JULY 2023- JUNE 2024.**

| NOT<br>ES | RECOMMENDED<br>LEGAL DEFINITIVE<br>USES OF THE<br>FUND   | EXPENSES LINE<br>INTERPRETATION   | GOVERNMENT<br>FUNDING | EXPECTED<br>PARTY<br>CONTRIBUTION | TOTAL<br>ESTIMATED<br>EXPENSES |
|-----------|--|---|-----------------------|-----------------------------------|--------------------------------|
| 1         | Not more than 30% of the political party fund to cover administrative expenses of the party i.e 30% of Ksh 573,522 | Rent & rates, financial cost and banking, cleaning and sanitation, telephone and communication, stationery, printing, transport, staff cost, wear & tear, hire and rentals, newspaper & publications, clubs and memberships, professional fees, Licences and permit, repairs and maintenance, utilities, medical cover, motor | 153,700               | -                                 | 153,700                        |

*COMMUNIST PARTY OF KENYA*  
 Annual Report and Financial Statements  
 For the year ended June 30, 2024.

|   |   |   |         |   |         |
|---|---|---|---------|---|---------|
|   |   | Running expenses, postage and delivery, software, office security.  |         |   |         |
|   |   |   |         |   |         |
| 2 | Promoting Active Participation by citizen in Political life and civic education through the following |   |         |   |         |
|   | Ensuring continuous vital link between the people and organs of the state                             | Branch establishments and coordination, county offices overheads, communication, recruitment and membership, statutory requirements and Auditing of branch office holders.                                      | -       | - | -       |
|   | Promoting active participation by individual citizens in political life                               | Conferences and meeting, NEC,PG & GPG,NGC,SDC, Secretariat, Ad Hoc Meetings and other related party organs, benevolence & emergencies Training and recruitment, civic education, seminars, retreats, workshops, | 199,633 | - | 199,633 |
|   | The organization by the political party of  |   |         |   |         |

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

|   |  |  |         |   |                |
|---|--|--|---------|---|----------------|
|   | civic education on democracy and other electoral processes               | ec & registrar, party to party cooperation, awareness campaigns, party strategic plan and reviewing party contribution,  | -       | - | -              |
| 3 | Not less than 30% of funding to promote <b>special interest groups</b>   | Conferences & meetings, workshops, retreats, trainings, seminars, civic education of the PWD, Youth League, Women League and the marginalized  | 172,093 | - | <b>172,093</b> |
| 4 | Bringing the party's influence to bear on the shaping of public Opinion. | All media & publicity policy & strategy, opinion articles intelligence and media monitoring, billboards, website, alternative media, advertising, literature and Publications and party manifesto /constitution/fundraising and R/Mob. | 48,096  | - | <b>48,096</b>  |
| 5 | <b>Covering election expenses of the</b>                                 | Grass root elections- elections material   |         |   |                |

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

|  |   |  |                |          |                |
|--|---|--|----------------|----------|----------------|
|  | political party and broadcasting of the policies of the political party | expenses, National election board expenses, campaign promotional items, media & publicity, personnel and hires, command centres and offices hires for NEB, training of elections officials and nominations for by election, opinion polls, all media, Petitions, legal fees. | -              | -        | -              |
|  |   |  |                |          |                |
|  | <b>TOTAL AMOUNTS</b>  |  | <b>573,522</b> | <b>-</b> | <b>573,522</b> |

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

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**8. Corporate Governance Statement**

As a party, we continue to inculcate Corporate Governance in all our operations. CPK is accountable to its membership and all its stake holders.

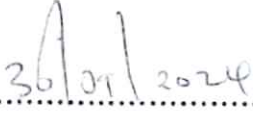
The Central Committee of the **COMMUNIST PARTY OF KENYA** is responsible for the Governance of the party and is accountable to the members for ensuring that the party complies with the law and the highest standards of business ethics and corporate Governance. Accordingly, the party officials' attach very high importance to the generally accepted corporate governance practice.

The Party has defined procedures and financial controls that ensures proper reporting of financial reports according to the International Public Sector Accounting Standards (IPSAS). The party will continue to focus its attention on maintaining the highest standards of Corporate Governance and Business ethics in its operations.

Thank you. '



.....  
**MR BENEDICT WACHIRA**  
**SECRETARY GENERAL**

**DATE**.....  .....

## **9. Management Discussion and Analysis**

As a party, our ambition is to establish a country where there is reduced inequality, and to work towards a classless society in Kenya and beyond.

Our party was established by Kenyans whose vision was to change the entrenched socio-economic inequalities, bad governance, corruption, negative ethnicity and to tackle the growing poverty and marginalization of communities and disadvantaged groups. We intend to guard these virtues jealously in order to create a just society.

One aspect we want to focus on is to ensure that our activities as a Political Party impact positively on the livelihoods of Kenyans. Social responsibility if well managed can be used to improve living standards in our communities.

Our intention is:

- i. Work with all willing Kenyans to fight oppressions and exploitation of person by person and class by class.
- ii. Work with other local and international organisations and political parties to ensure that the objectives are met.

-Below are some of the management highlights:

### **Income Analysis**

- The party was allocated Ksh. 573,522 from the Political Parties Fund based on the results of the August 2022 General Elections out of this amount Ksh 141,908 was not received during the year. However there was a major budget cut from the government, which affected most of our activities as we had to re plan again to fit the cut balance amount.
- The Party registered a major reduction in revenue generated from Elected Members for the year 2023/2024, where there is a tendency of elected members being reluctant to pay party dues once they are elected.
- The Party waived for its members, payment of party membership fees due to hard economic times faced in Kenya and beyond. Therefore the party did not collect any amount as it would be.
- The party also did not collect any donations from its well-wishers and largely relied on its membership volunteers which could not be quantifiable.

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

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**Expenditure Notes**

- Total Expenditure for the year amounted to Ksh 503,944, which out of it ksh 5,984 was depreciation amount which is a non-cash amount.
- An amount of Ksh 141,908 was not released by the treasury until the following financial year of 2024/2025, thus some of the planned yearly activities remained undone/unpaid for
- An amount of Ksh 120,200 were lifted activities from last year's budget which amounts was received during this year. This is so because government delayed the amounts until this year.
- Activities anticipated to be funded by the party collections accrued since there was no collection of party funds from its members and other sources during the year.

**10. Environmental and Sustainability Reporting**

As a party, the biggest challenge we face is lack of enough funds to run our operations smoothly. The Government through the Registrar of Political Parties should put in place plans to allocate enough resources from the Political Parties Fund (PPF) to enable Political Parties manage their affairs better. Most of the below activities were a struggle to maintain because of the above as explained.

- i) *Sustainability strategy and profile*
- ii) *Environmental performance*
- iii) *Employee welfare*

*Corporate Social Responsibility / Community Engagements*

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

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**11. Report of the Central Committee.**

The Committee submit their report together with the financial statements for the year ended 30 June 2024, which disclose the state of affairs of the party.

**1. Registration**

The Party is domiciled in Kenya and was registered in 1992 (as the social Democratic Party - SDP) in accordance with the constitution of Kenya and Political Parties Act of 2011. It changed its name to Communist Party of Kenya- CPK in the year 2019. The address of the registered office is set out on page vi.

**2. Principal Activities**

The party is committed to uniting all Kenyans irrespective of their ethnic groups, class, gender and age to work for an alternative society away from the present unjust capitalist system; towards a society that realises the freedoms, human rights and development of all.

**3. Results and Member Fund**

The Surplus/deficit for the year is attributable to members, for the year ending June 2024 of Sh 69,578 and 2023: (6,774) has been transferred to Members accumulated fund.

**4. Central Committee Members**

The Officials who held office during the year to the date of this report are listed as above on page vii.

**5. Auditors**

The Auditor General is responsible for the statutory audit of the Communist Party of Kenya in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the CPK for the year ended June 30, 2024

**BY ORDER OF THE CENTRAL COMMITTEE**

  
**MR. BENEDICT WACHIRA**

**SECRETARY GENERAL**

  
.....2024

*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

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**12. Statement of the Central Committees Responsibilities.**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the Communist party of Kenya –CPK is responsible for the preparation and presentation of the entity’s financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year 2024 ended on June 30, 2024. 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 entity; (v) Selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.


The Accounting Officer in charge of the CPK accepts responsibility for the entity’s financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the CPK’s financial statements give a true and fair view of the state of entity’s transactions during the financial year ended June 30, 2024, and of the entity’s financial position as at that date. The Accounting Officer in charge of the CPK further confirms the completeness of the accounting records maintained for the CPK, which have been relied upon in the preparation of the entity’s financial statements as well as the adequacy of the systems of internal financial control. The Accounting Officer in charge of the CPK confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity’s funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity’s financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

CPK’s financial statements were approved and signed by the Accounting Officer on 30/06 2024.

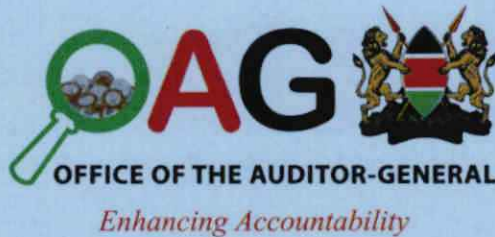
  
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**SECRETARY GENERAL.**

  
.....

**NATIONAL TREASURER.**

# REPUBLIC OF KENYA



Telephone: +254-(20) 3214000  
Email: 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 COMMUNIST PARTY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2024

---

### PREAMBLE

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

- A. Report on 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 the 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 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Disclaimer of Opinion is issued when the Auditor-General is unable to obtain sufficient appropriate audit evidence to form an opinion on the financial statements. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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

#### Disclaimer of Opinion

I have audited the accompanying financial statements of Communist Party of Kenya set out on pages 1 to 31, which comprise the statement of financial position as at

30 June, 2024, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

### **Basis for Disclaimer of Opinion**

#### **1. Inaccuracies in Presentation and Disclosure in the Annual Report and Financial Statements**

Review of the annual report and financial statements revealed the following:

- i. Page VII to the financial statements discloses names and details of central committee and key management team. However, they exclude date of birth, key qualifications, work experience of committee and members passport size photos.
- ii. Page 21 to the financial statements indicates that, there are no events subsequent to the financial year ended June 30, 2023 instead of 2024.
- iii. Page X to the financial statements indicates that strategic plan of the party is for FY2023/2024 instead of a five (5) year period. The strategic plan was also not provided for verification.
- iv. Under adoption of new and revised standards on page 7 to the financial statements indicates that new and amended standards relates to the year ended 30 June 2023 instead of 30 June, 2024.
- v. Page 28 and page 30 to the financial statements does not disclose the financial risk management and liquidity risk management.
- vi. Note 17a and Note 19 to the financial statements does not disclose the ageing analysis of receivables and payables respectively.
- vii. Appendix I (progress on follow up of auditor recommendations), the management did not state the status of issues reported in the previous year (2022/23).
- viii. Page XVII to the financial statements indicates the political party received Kshs.120,200 relating to last's year budget (FY 2022/23). However, this amount has not been disclosed in the statement of comparison of budget and actual.
- ix. Page XVII to the financial statements indicates the political party received an amount of Kshs.120,200 which relates to last's year budget (FY 2022/23) which differs with the reported balance (accrued transfers owing from government) of Kshs.103,561 in Note 17 (a) resulting to unexplained variance of Kshs.16,639.

- x. The statement of financial position reflects a credit reserves balance of Kshs. 69,578 while the statement of changes in net assets, reflects a debit reserves balance of Kshs.12,369 resulting to unexplained variance of Kshs.81,947. In addition, the statement of financial position reflects accumulated deficit of Kshs.286,252 while the statement of changes in net assets reflects accumulated deficit of Kshs 204,305 resulting to unexplained variance of Kshs.81,947.

In the circumstances, the accuracy and completeness of the presentation and disclosures in the annual report and financial statements could not be confirmed.

## **2. Undisclosed Income from Membership Fees**

The statement of financial performance reflects Kshs Nil income from public contributions and donations for the year ended 30 June, 2024. The Party Constitution provides that registered party members pay membership fee and a monthly fee at rates to be determined by the central committee. However, Management did not provide a register of party members and a schedule of income realised from party membership fees for audit verification.

In the circumstances, the accuracy of the Kshs.Nil income from public contributions and donations could not be confirmed.

## **3. Unsupported Expenditure**

The statement of financial performance reflects total expenditure amount of Kshs.503,944 as disclosed in Notes 8, 10, 12,13 and 14 to the financial statements. However, Management did not provide ledgers, payment vouchers, bank statements to support the expenditure

In the circumstances, the accuracy and validity of the expenditure totalling Kshs.503,944 could not be confirmed.

## **4. Unsupported Cash and Cash Equivalents Balance**

The statement of financial position reflects cash and cash equivalents balance of Kshs.6,471 as disclosed in Note 16 to the financial statements. However, Management did to provide cash books, bank statements, bank reconciliation statement's, certificate of balances, board of survey report to support the balance.

In the circumstances, the accuracy and existence of the reported cash and cash equivalent balance of Kshs.6,471 could not be confirmed.

## **5. Unsupported and Long Outstanding Trade and Other Payables Balance**

The statement of financial position reflects trade and other payables balance of Kshs 421,900 which relates to unpaid office rent arrears as disclosed in Note 19 to the financial statements. However, Management did not provide lease agreements to support office rent arrears. In addition, the rent arrears in respect of Riverside House amount of Kshs 351,900 remained outstanding since the financial year 2022-2023. This was contrary to Regulation 42(1)(a) of the Public Finance Management (National

Government) Regulations, 2015 which states that debt service payments shall be a first charge in the subsequent budget period.

In the circumstances, the accuracy and validity of the reported trade and other payables balance of Kshs.421,900 could not be confirmed.

## **6. Budgetary Controls and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis amount of Kshs.573,522 and Kshs.431,614 respectively resulting to an under-collection of Kshs.141,908 or 25% of the budget. Similarly, the entity spent an amount of Kshs.427,960 against actual receipts of Kshs.431,614 resulting to an under-expenditure amount of Kshs.3,654 or 0.85% of the actual receipts.

The under-collection may have negatively impacted on the planned activities of the Party which affected service delivery to the public.

## **REPORT ON THE LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES**

### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## **REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient and appropriate audit evidence to provide a basis for my audit conclusion.

## **Responsibilities of Management and National Executive Council**

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 controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the political party's ability to continue as a going concern, disclosing, as applicable, matters

related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The National Executive Council is responsible for overseeing the political 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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, SBS  
AUDITOR-GENERAL

Nairobi

31 December, 2024

**COMMUNIST PARTY OF KENYA**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

**14. Statement of Financial Performance for the year ended 30 June 2024**

|   | Notes | 2023-2024      | 2022-2023      |
|---|-------|----------------|----------------|
|   |       | Kshs           | Kshs           |
| <b>Revenue from non-exchange transactions</b> |       |                |                |
| Transfers from other governments entities     | 6     | 573,522        | 627,485        |
| Public contributions and donations            | 7     | 0              | 0              |
| <b>Total Income</b>                           |       | <b>573,522</b> | <b>627,485</b> |
| <b>Expenses</b>                               |       |                |                |
| General expenses-Use of goods and services    | 8     | 144,171        | 172,871        |
| Employee costs                                | 9     | 0              | 15,000         |
| Depreciation and amortization expense         | 10    | 5984           | 7,148          |
| Campaigns and Elections                       | 11    | 0              | 0              |
| Special Interest Groups                       | 12    | 172,093        | 188,244        |
| Party Promotion and advocacy                  | 13    | 48,096         | 112,351        |
| Promoting Citizen participation               | 14    | 133,600        | 138,645        |
| <b>Total expenses</b>                         |       | <b>503,944</b> | <b>634,259</b> |
| <b>Surplus/(deficit) for the period/year</b>  |       | <b>69,578</b>  | <b>(6,774)</b> |
| Remission to National Treasury                |       | 0              | 0              |
| <b>Net Surplus for the year</b>               |       | <b>69,578</b>  | <b>(6,774)</b> |

The notes set out on pages 6 to 30 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Central Committee by:

..... *B* .....

**Name: Benedict Wachira**

**Secretary General**

*30/09/2024*

**Date**

..... *J Kamau* .....

**Name: Jacintah Kamau**

**National Treasurer**

*30/09/2024*

**Date**

..... *M Mghang* .....

**Name: Mwandawiro Mghang**

**Chairperson**

*30/09/2024*


**Date**

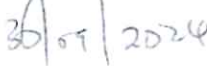
*COMMUNIST PARTY OF KENYA*  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**


**15 Statement of Financial Position as at 30 June 2024**

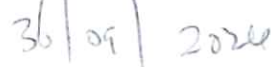
|  | Notes   | 2023-2024        | 2022-2023        |
|--|---------|------------------|------------------|
|  |         | Kshs             | Kshs             |
| <b>Assets</b>                              |         |                  |                  |
| <b>Current Assets</b>                      |         |                  |                  |
| Cash and Cash equivalents                  | 15      | 6,471            | 19,456           |
| Receivables from Non-Exchange Transactions | 17a     | 161,908          | 123,561          |
| <b>Total Current Assets</b>                |         | <b>168,379</b>   | <b>143,017</b>   |
| <b>Non-Current Assets</b>                  |         |                  |                  |
| Property, Plant and Equipment              | 18      | 36,847           | 42,831           |
| <b>Total Non- Current Assets</b>           |         | <b>36,847</b>    | <b>42,831</b>    |
| <b>TOTAL ASSETS.</b>                       |         | <b>205,226</b>   | <b>185,848</b>   |
| <b>Liabilities</b>                         |         |                  |                  |
| <b>Current Liabilities</b>                 |         |                  |                  |
| Trade and Other Payables                   | 19      | 421,900          | 472,100          |
| <b>Total Current Liabilities</b>           |         | <b>421,900</b>   | <b>472,100</b>   |
| Non- current liabilities                   |         | <b>0</b>         | <b>0</b>         |
| <b>Total Non- Current Liabilities</b>      |         | <b>0</b>         | <b>0</b>         |
| <b>TOTAL LIABILITIES</b>                   |         | <b>421,900</b>   | <b>472,100</b>   |
| <b>NET ASSETS</b>                          |         |                  |                  |
| Reserves                                   |         | 69,578           | (6,774)          |
| Accumulated Surplus                        |         | (286,252)        | (279,478)        |
| Capital fund                               |         | 0                | 0                |
| <b>Total Net Assets</b>                    | Note 16 | <b>(216,674)</b> | <b>(286,252)</b> |
| <b>TOTAL NET ASSETS AND LIABILITIES</b>    |         | <b>205,226</b>   | <b>185,848</b>   |


The financial statements set out on pages 1 to 5 were signed on behalf of the Central Committee by:

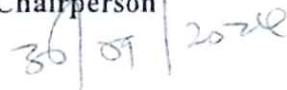
.....  .....

**Name: Benedict Wachira**  
**Secretary General**  
  
**Date**

.....  .....

**Name: Jacintah Kamau**  
**National Treasurer**  
  
**Date**

.....  .....

**Name: Mwandawiro Mghang**  
**Chairperson**  
  
**Date**

COMMUNIST PARTY OF KENYA  
Annual Report and Financial Statements  
For the year ended June 30, 2024.

16. Statement of Changes in Net Assets for the year ended 30 June 2024

| Description  | Notes | Reserve  | Accumul<br>ated<br>reserve | Retain<br>ed<br>earnin<br>gs | Net<br>surpl<br>us/<br>Defici<br>t | Capi<br>tal/<br>Deve<br>lopment<br>Grants/Fu<br>nd | Total     |
|--|-------|----------|----------------------------|------------------------------|------------------------------------|--|-----------|
|  |       | Kshs     | Kshs                       | Kshs                         | Kshs                               | Kshs   | Kshs      |
| As at July 1, 2022   |       | (75,173) | (204,305)                  | -                            | -                                  | -  | (279,478) |
| Surplus/ Deficit for the year  |       | (6,774)  | -                          | -                            | -                                  | -  | (75,173)  |
| Capitalization asset   |       | -        | -                          | -                            | -                                  | -  | -         |
| Transfer of<br>depreciation/amortisation from<br>capital fund to retained earnings |       | -        | -                          | -                            | -                                  | -  | -         |
| As at June 30, 2023  |       | (81,947) | (204,305)                  | -                            | -                                  | -  | (286,252) |
| As at July 1, 2023   |       | (81,947) | (204,305)                  | -                            | -                                  | -  | (286,252) |
| Surplus/ Deficit for the year  |       | 69,578   | -                          | -                            | -                                  | -  | 69,578    |
| Capitalization asset   |       | -        | -                          | -                            | -                                  | -  | -         |
| Transfer of<br>depreciation/amortisation from<br>capital fund to retained earnings |       | -        | -                          | -                            | -                                  | -  | -         |
| As at June 30, 2024  |       | 12,369   | (204,305)                  | -                            | -                                  | -  | (216,674) |

..... *Benedict Wachira* .....

Name: Benedict Wachira  
Secretary General

*30/09/2024*  
Date

..... *Jacintah Kamau* .....

Name: Jacintah Kamau  
National Treasurer

*30/09/2024*  
Date

..... *Mwandawiro Mghang* .....

Name: Mwandawiro Mghang  
Chairperson

*30/09/2024*  
Date

**COMMUNIST PARTY OF KENYA**  
**Annual Report and Financial Statements**  
**For the year ended June 30, 2024.**

**17. Statement of Cash Flows for the year ended 30 June 2024**

|   | Notes | 2023-2024       | 2022-2023      |
|---|-------|-----------------|----------------|
|   |       | Kshs            | Kshs           |
| <b>Cash flows from operating activities</b>                   |       |                 |                |
| <b>Receipts</b>   |       |                 |                |
| Transfers from other governments entities                     | 6     | 573,522         | 627,485        |
| Public contributions and donations                            | 7     | 0               | 0              |
| <b>Total receipts</b>   |       | <b>573,522</b>  | <b>627,485</b> |
| <b>Payments</b>   |       |                 |                |
| General expenses-Use of goods and services                    | 8     | 144,171         | 172,871        |
| Employee cost   | 9     | 0               | 15,000         |
| Depreciation and amortization expense                         | 10    | 5,984           | 7,148          |
| Campaign and Elections  | 11    | 0               | 0              |
| Special Interest Group  | 12    | 172,093         | 188,244        |
| Party promotion and advocacy                                  | 13    | 48,096          | 112,351        |
| Promotion Citizen participation                               | 14    | 133,600         | 138,645        |
| <b>Total payment</b>  |       | <b>503,944</b>  | <b>634,259</b> |
| <b>Net cash flows from/(used in) operating activities</b>     |       | <b>69,578</b>   | <b>(6,774)</b> |
| <b>Add Back depreciation</b>                                  |       | <b>5,984</b>    | <b>7,148</b>   |
| <b>Changes in working capital</b>                             |       |                 |                |
| Decrease/(Increase) in Receivables                            |       | (38,347)        | (89,561)       |
| (Decrease)/Increase in Payables                               |       | (50,200)        | 86,200         |
| <b>Cash generated from Operations</b>                         | 21    | <b>(12,985)</b> | <b>(2,987)</b> |
| <b>Cash flows from investing activities</b>                   |       |                 |                |
| Purchase of PPE and Intangible assets                         |       | 0               | 0              |
| <b>Net cash flows from/(used in) investing activities</b>     |       | <b>0</b>        | <b>0</b>       |
| <b>Cash flows from financing activities</b>                   |       |                 |                |
| <b>Net cash flows from financing Activities</b>               |       | <b>0</b>        | <b>0</b>       |
| <b>Net increase/(decrease) in cash &amp; Cash equivalents</b> |       | <b>(12,985)</b> | <b>(2,987)</b> |
| Cash and cash equivalents at 1 July                           |       | 19,456          | 22,444         |
| <b>Cash and cash equivalents at 30 June</b>                   | 15    | <b>6,471</b>    | <b>19,456</b>  |

..... *Benedict Wachira* .....  
**Name: Benedict Wachira**  
**Secretary General**

*30/09/2024*  
**Date**

..... *Jacintah Kamau* .....  
**Name: Jacintah Kamau**  
**National Treasurer**

*30/09/2024*  
**Date**

..... *Mwandawiro Mghang* .....  
**Name: Mwandawiro Mghang**  
**Chairperson**

*30/09/2024*  
**Date**

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024

|   | 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        |
| <b>Revenue</b>                            |                 |             |                |                            |                        |                  |
| Transfers from Other Governments entities | 573,522         | 0           | 573,522        | 431,614                    | 141,908                | 75%              |
| Public Contributions and Donations        | 0               | 0           | 0              | 0                          | 0                      | 0%               |
| <b>Total Income</b>                       | <b>573,522</b>  | <b>0</b>    | <b>573,522</b> | <b>431,614</b>             | <b>141,908</b>         | <b>75%</b>       |
| <b>Expenses</b>                           |                 |             |                |                            |                        |                  |
| Administration expenses                   | 153,700         | 0           | 153,700        | 74,171                     | 79,529                 | 99%              |
| Campaigns and Elections                   | 0               | 0           | 0              | 0                          | 0                      | 0%               |
| Special Interest group                    | 172,093         | 0           | 172,093        | 172,093                    | 0                      | 100%             |
| Party promotion and advocacy              | 48,096          | 0           | 48,096         | 48,096                     | 0                      | 100%             |
| Branch coordination and support           | 0               | 0           | 0              | 0                          | 0                      | 0%               |
| Civic Education                           | 0               | 0           | 0              | 0                          | 0                      | 0%               |
| Conferences and meetings                  | 199,633         | 0           | 199,633        | 133,600                    | 66,033                 | 67%              |
| <b>Total Expenditure</b>                  | <b>573,522</b>  | <b>0</b>    | <b>573,522</b> | <b>427,960</b>             | <b>145,562</b>         | <b>75%</b>       |
| <b>Surplus for the period</b>             | <b>0</b>        | <b>0</b>    | <b>0</b>       | <b>3,654</b>               | <b>(3,654)</b>         |                  |
| <b>Capital Expenditure</b>                | <b>0</b>        | <b>0</b>    | <b>0</b>       | <b>0</b>                   | <b>0</b>               | <b>0</b>         |

Budget notes

1. Government failed to release all amounts on time thus some activities budgeted didn't happen, while others were accrued due to lack of funds.

**19. Notes to the Financial Statements**

**1. General Information**

Communist Party of Kenya is established by and derives its authority and accountability from Political parties Act of 2011. The party is registered and domiciled in Kenya. The party is committed to uniting all Kenyans irrespective of their ethnic groups, class, gender and age to work for an alternative society away from the present unjust system; towards a society that realises the freedoms, human rights and development of all.

**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 *CPK* accounting policies. The areas involving a higher degree of judgment 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 *CPK*. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and Political Party Act 2011, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

**COMMUNIST PARTY OF KENYA**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2024.**

**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><b>IPSAS 41:</b><br/>Financial Instruments</p> | <p><b>Applicable: 1<sup>st</sup> January 2023:</b></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"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul> |
| <p><b>IPSAS 42:</b><br/>Social Benefits</p>       | <p><b>Applicable: 1<sup>st</sup> January 2023</b></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> <p>(a) The nature of such social benefits provided by the Entity.</p>   |

COMMUNIST PARTY OF KENYA  
Annual Reports and Financial Statements  
For the year ended June 30, 2024.

| Standard  | Effective date and impact:  |
|---|---|
|   | <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><b>Applicable: 1st January 2023:</b></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><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement.</b> Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>  |

COMMUNIST PARTY OF KENYA  
Annual Reports and Financial Statements  
For the year ended June 30, 2024.

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><i>Applicable 1<sup>st</sup> January 2025</i></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 cash flows 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:<br>Non- Current<br>Assets Held<br>for Sale and<br>Discontinued<br>Operations | <p><i>Applicable 1<sup>st</sup> January 2025</i></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*

Communist Party of Kenya has adopted these new standards as at 1<sup>st</sup> January, 2023.

We will adopt the Standards falling due in 1<sup>st</sup> January 2025.

Notes to the Financial Statements (Continued)

4. Summary of Significant Accounting Policies

- a) Revenue recognition
  - i) Revenue from non-exchange transactions

**Fees, taxes and fines**

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

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the *CPK* 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

**Rendering of services**

The *CPK* recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**Sale of goods**

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the CPK's right to receive payments is established.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

**b) Budget information**

The original budget for the Current FY 2023-2024 was approved by the National Assembly on 29<sup>th</sup> July 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget.

The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

c) Taxes

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the CPK operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses.

Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax (Continued)

Liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable CPK and the same taxation authority.

Sales tax

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

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an 5 year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.(entity to amend appropriately based on the model adopted)* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

e) **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) **Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the CPK. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The CPK also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the CPK will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the CPK. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

**b) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**c) Research and development costs**

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

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

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

**d) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (Amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

**a) Financial assets**

**Classification of financial assets**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

**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. Interest income from these financial assets is included in finance income using the effective interest rate method.

**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 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.

**Impairment**

The CPK assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out.

**b) Financial liabilities**

**Classification**

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

**e) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the CPK.

**f) Provisions**

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

**g) 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.

**h) Contingent liabilities**

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

*COMMUNIST PARTY OF KENYA*  
Annual Reports and Financial Statements  
For the year ended June 30, 2024.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

**i) Contingent assets**

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

**j) Nature and purpose of reserves**

The CPK creates and maintains reserves in terms of specific requirements.

**k) Changes in accounting policies and estimates**

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

**l) Employee benefits**

**Retirement benefit plans**

The CPK provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which a CPK pays fixed contributions into a separate CPK (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**m) Foreign currency transactions**

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

*COMMUNIST PARTY OF KENYA*  
Annual Reports and Financial Statements  
For the year ended June 30, 2024.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

n) **Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

o) **Related parties**

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

p) **Service concession arrangements**

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

q) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

q) **Comparative figures**

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

*COMMUNIST PARTY OF KENYA*  
Annual Reports and Financial Statements  
For the year ended June 30, 2024.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

r) 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.

Notes to the Financial Statements (Continued)

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the CPK's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

**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 CPK based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual value**

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

- a) The condition of the asset based on the assessment of experts employed by the CPK.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

*COMMUNIST PARTY OF KENYA*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2024.**

Notes to the Financial Statements (Continued)

**6. Transfers from Other Government entities**

| Description                                    | 2023-2024      | 2022-2023      |
|--|----------------|----------------|
|  | KShs           | KShs           |
| Government Political Fund                      | 431,614        | 523,924        |
| Accrued transfer owing from Government         | 141,908        | 103,561        |
| <b>Total Transfer from Government entities</b> | <b>573,522</b> | <b>627,485</b> |

**7. Public contributions and donations**

| Description                                     | 2023-2024 | 2022-2023 |
|---|-----------|-----------|
|   | KShs      | KShs      |
| Members contribution                            | 0         | 0         |
| <b>Total Public contributions and donations</b> | <b>0</b>  | <b>0</b>  |

**8. General Expenses – Use of Goods and Services.**

| Description                          | 2023-2024      | 2022-2023      |
|--------------------------------------|----------------|----------------|
|                                      | Kshs           | Kshs           |
| Bank charges                         | 5571           | 10,000         |
| Security                             | 0              | 8,000          |
| Electricity and Water                | 9,100          | 9,100          |
| Postage and delivery                 | 9,500          | 22,900         |
| Printing and stationery              | 0              | 2,871          |
| Rent                                 | 120,000        | 120,000        |
| <b>Total Administration Expenses</b> | <b>144,171</b> | <b>172,871</b> |

**9. Employee Costs.**

| Description                 | 2023-2024 | 2022-2023     |
|-----------------------------|-----------|---------------|
|                             | Kshs      | Kshs          |
| Salaries and wages          | 0         | 15,000        |
| <b>Total Employee costs</b> | <b>0</b>  | <b>15,000</b> |

**10. Depreciation and Amortization Expense**

| Description                                | 2023-2024    | 2022-2023    |
|--|--------------|--------------|
|  | Kshs         | Kshs         |
| Depreciation expense                       | 5,984        | 7,148        |
| <b>Total depreciation and amortization</b> | <b>5,984</b> | <b>7,148</b> |

*COMMUNIST PARTY OF KENYA*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2024.**

**Notes to the Financial Statements (Continued)**

**11. Campaigns and Elections.**

| Description                          | 2023-2024 | 2022-2023 |
|--------------------------------------|-----------|-----------|
|                                      | Kshs      | Kshs      |
| Party grass root election expenses   | 0         | 0         |
| <b>Total Campaigns and Elections</b> | <b>0</b>  | <b>0</b>  |

**12. Special Interest Groups.**

| Description              | 2023-2024      | 2022-2023      |
|--------------------------|----------------|----------------|
|                          | Kshs           | Kshs           |
| SIG PWD meetings         | 40,000         | 52,000         |
| SIG Women meetings       | 46,046         | 54,000         |
| SIG Youth meetings       | 46,046         | 42,244         |
| SIG Marginalised         | 40,000         | 40,000         |
| <b>Total amount SIGs</b> | <b>172,093</b> | <b>188,244</b> |

**13. Party Promotion and Advocacy.**

| Description                                 | 2023-2024     | 2022-2023      |
|---|---------------|----------------|
|   | Kshs          | Kshs           |
| Printing party materials and advertisements | 48,096        | 97,651         |
| Party Promotion and advert                  | 0             | 14,700         |
| <b>Total Party Promotion and advocacy</b>   | <b>48,096</b> | <b>112,351</b> |

**14. Promoting citizen participation.**

| Description                                   | 2023-2024      | 2022-2023      |
|---|----------------|----------------|
|   | Kshs           | Kshs           |
| Conferences and Delegations                   |                |                |
| Central Committee                             | 0              | 52,280         |
| Secretariat Meetings                          | 0              | 14,970         |
| International Meeting                         | 0              | 20,000         |
| National Congress                             | 133,600        | 0              |
| Branch Coordination and support               |                |                |
| Allowances and stipend                        | 0              | 9,000          |
| Food and Refreshments                         | 0              | 5,905          |
| Travel and Accommodation                      | 0              | 13,000         |
| Civic Education.                              |                |                |
| Civic education and retreat                   | 0              | 23,490         |
| <b>Total Promoting citizen participation.</b> | <b>133,600</b> | <b>138,645</b> |

*COMMUNIST PARTY OF KENYA*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2024.**

Notes to the Financial Statements (Continued)

**15. Cash and Cash Equivalents**

| Description                            | 2023-2024       | 2022-2023        |
|--|-----------------|------------------|
|  | Kshs            | Kshs             |
| Bank Balances                          | 3654.25         | 19,050.25        |
| Cash in Hand                           | 2,817           | 406              |
| <b>Total Cash And Cash Equivalents</b> | <b>6,471.25</b> | <b>19,456.25</b> |

**16. Detailed Analysis of the Cash and Cash Equivalents**

| Financial Institution     | Account number | 2023-2024       | 2022-2023        |
|---------------------------|----------------|-----------------|------------------|
|                           |                | Kshs            | Kshs             |
| <b>a) Current Account</b> |                |                 |                  |
| Consolidated Bank CPK     | 10011202001040 | 0.25            | 0.25             |
| Consolidated Bank GOK     | 10011202002280 | 3,654           | 19,050           |
| <b>Sub- Total</b>         |                | <b>3,654.25</b> | <b>19,050.25</b> |
| <b>b) Others(Specify)</b> |                |                 |                  |
| Cash In Hand CPK          |                | 2,817           | 317              |
| Cash In Hand GOK          |                | 0               | 89               |
| <b>Sub- Total</b>         |                | <b>2,817</b>    | <b>406</b>       |
| <b>Grand Total</b>        |                | <b>6,471.25</b> | <b>19,456.25</b> |

**17. Receivables from Non Exchange Transactions**

**(a) Receivables from Non Exchange Transactions (Current)**

| Description                            | 2023-2024      | 2022-2023      |
|--|----------------|----------------|
|  | Kshs           | Kshs           |
| Receivables                            |                |                |
| Accrued transfer owing from government | 141,908        | 103,561        |
| Rent deposit                           | 20,000         | 20,000         |
| <b>Total Current Receivables</b>       | <b>161,908</b> | <b>123,561</b> |

**COMMUNIST PARTY OF KENYA**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2024.**

**Notes to the Financial Statements (Continued)**

**18. Property, Plant and Equipment**

| Cost                                   | Land<br>Kshs | Buildings<br>Kshs | Motor<br>vehicles<br>Kshs | Furniture<br>and fittings<br>Kshs | Computers<br>Kshs | Other<br>Assets<br>(specify)<br>Kshs | Capital<br>Work in<br>progress<br>Kshs | Total<br>Kshs |
|--|--------------|-------------------|---------------------------|-----------------------------------|-------------------|--------------------------------------|--|---------------|
| <b>As At July 2022</b>                 | 0            | 0                 | 0                         | 436,400                           | 354,000           | 0                                    | 0                                      | 790,400       |
| Additions                              | 0            | 0                 | 0                         | 0                                 | -                 | 0                                    | 0                                      | 0             |
| Disposals                              | 0            | 0                 | 0                         | 0                                 | -                 | 0                                    | 0                                      | 0             |
| Transfers/Adjustments                  | 0            | 0                 | 0                         | 0                                 | -                 | 0                                    | 0                                      | 0             |
| <b>As at 30<sup>th</sup> June 2023</b> | 0            | 0                 | 0                         | 436,400                           | 354,000           | 0                                    | 0                                      | 790,400       |
| Additions                              | 0            | 0                 | 0                         | 0                                 | 0                 | 0                                    | 0                                      | 0             |
| Disposals                              | 0            | 0                 | 0                         | 0                                 | 0                 | 0                                    | 0                                      | 0             |
| Transfer/Adjustments                   | 0            | 0                 | 0                         | 0                                 | 0                 | 0                                    | 0                                      | 0             |
| <b>As at 30<sup>th</sup> June 2024</b> | 0            | 0                 | 0                         | 436,400                           | 354,000           | 0                                    | 0                                      | 790,400       |
| <b>Depreciation And Impairment</b>     |              |                   |                           |                                   |                   |                                      |  |               |
| <b>At 1 July 2022</b>                  | -            | 0                 | 0                         | 391,566                           | 348,855           | 0                                    | 0                                      | 740,421       |
| Depreciation                           | -            | 0                 | 0                         | 5,604                             | 1,544             | 0                                    | 0                                      | 7,148         |
| Impairment                             | -            | 0                 | 0                         | 0                                 | -                 | 0                                    | 0                                      | 0             |
| Transfers/ Adjustments                 | -            | 0                 | 0                         | 0                                 | 0                 | 0                                    | 0                                      | 0             |
| <b>As At 30<sup>th</sup> June 2023</b> | -            | 0                 | 0                         | 397,170                           | 350,399           | 0                                    | 0                                      | 747,569       |
| Depreciation                           | -            | 0                 | 0                         | 4,904                             | 1,080             | 0                                    | 0                                      | 5,984         |
| Disposals                              | -            | 0                 | 0                         | 0                                 | -                 | 0                                    | 0                                      | 0             |
| Impairment                             | -            | 0                 | 0                         | 0                                 | -                 | 0                                    | 0                                      | 0             |
| Transfer/Adjustment                    | -            | 0                 | 0                         | 0                                 | 0                 | 0                                    | 0                                      | 0             |
| <b>As at 30<sup>th</sup> June 2024</b> | -            | 0                 | 0                         | 402,074                           | 351,479           | 0                                    | 0                                      | 753,553       |
| <b>Net Book Values</b>                 |              |                   |                           |                                   |                   |                                      |  |               |
| <b>As at 30<sup>th</sup> June 2023</b> | -            | 0                 | 0                         | 39,230                            | 3,601             | 0                                    | 0                                      | 42,831        |
| <b>As at 30<sup>th</sup> June 2024</b> | -            | 0                 | 0                         | 34,326                            | 2,521             | 0                                    | 0                                      | 36,847        |

*COMMUNIST PARTY OF KENYA*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2024.**

**Notes to the Financial Statements (Continued)**

**(a) Valuation**

Land and buildings/ Equipment (be specific) were valued by professional valuers from the government in line with the National Assets and Liabilities Management Policy and Guidelines (issued 30<sup>th</sup> June 2020). The assets were revalued by professional valuers on this date. These amounts were adopted by the Board on with concurrence from the National Treasury.

All categories of PPE are initially recorded at cost, and are stated at historical cost less accumulated depreciation. Depreciation is charged on a reducing balance basis over the estimated useful life of the asset. The rates of depreciation used are for Computers 30% and for Office equipment, furniture and fittings 12.5%.

Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the party and the cost can be measured reliably. All revenue repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

**(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           | Accumulated Depreciation | NSV           |
|---|----------------|--------------------------|---------------|
|   | Kshs           | Kshs                     | Kshs          |
| Computers And Related Equipment           | 354,000        | 351,479                  | 2,521         |
| Office Equipment, Furniture, And Fittings | 436,400        | 402,074                  | 34,326        |
| <b>Total</b>                              | <b>790,400</b> | <b>753,553</b>           | <b>36,847</b> |

**19. Trade and Other Payables**

| Description                           | 2023-2024      | 2022-2023      |
|---------------------------------------|----------------|----------------|
|                                       | Kshs           | Kshs           |
| Riverside House – Rent                | 351,900        | 351,900        |
| CPK House – Rent                      | 70,000         | 110,000        |
| Athena Solutions ltd                  | 0              | 10,200         |
| <b>Total trade and other payables</b> | <b>421,900</b> | <b>472,100</b> |

*COMMUNIST PARTY OF KENYA*  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2024.**

**Notes to the Financial Statements (Continued)**

**20. Employee Benefit Obligations**

**Retirement benefit Asset/ Liability**

The party has not yet enrolled to any retirement benefit scheme for its members due to lack of enough funds.

**21. Cash Generated from Operations.**

| Description                                    | 2023-2024       | 2022-2023      |
|--|-----------------|----------------|
|  | Kshs            | Kshs           |
| Surplus for the year before tax                | 69,578          | (6,774)        |
| Adjusted for:                                  |                 |                |
| Depreciation                                   | 5,984           | 7,148          |
| Working capital adjustments                    |                 |                |
| Increase in inventory                          | 0               | 0              |
| Increase in receivables                        | (38,347)        | (89,561)       |
| Increase in deferred income                    | 0               | 0              |
| Increase in payables                           | (50,200)        | 86,200         |
| Increase in payments received in advance       | 0               | 0              |
| <b>Net cash flow from operating activities</b> | <b>(12,985)</b> | <b>(2,987)</b> |

**22. 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:

**i) Credit risk**

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

Notes to the Financial Statements (Continued).

**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:

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the Entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Entity has significant concentration of credit risk on amounts due from. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Entity's directors, who have built an appropriate liquidity risk management framework for the management of the CPK's short, medium and long-term funding and liquidity management requirements. The CPK manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the CPK under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**iii) Market risk**

The CPK has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the way it manages and measures the risk.

*COMMUNIST PARTY OF KENYA*  
Annual Reports and Financial Statements  
For the year ended June 30, 2024.

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Notes to the Financial Statements (Continued)

a) **Foreign currency risk**

The CPK has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The CPK manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

b) **Interest rate risk**

Interest rate risk is the risk that the CPK's financial condition may be adversely affected as a result of changes in interest rate levels. The Entity's interest rate risk arises from bank deposits. This exposes the Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity's deposits.

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**Sensitivity analysis**

The CPK analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

**Fair value of financial assets and liabilities**

a) **Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the CPK's market assumptions. These two types of inputs have created the following fair value hierarchy:

Notes to the Financial Statements (Continued)

**Financial Risk Management**

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Entity* considers relevant and observable market prices in its valuations where possible.

- **Financial Risk Management**

- The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:
- There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.
- iv) **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.

**23. Events after the Reporting Period**

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

**24. Currency**

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

COMMUNIST PARTY OF KENYA  
Annual Reports and Financial Statements  
For the year ended June 30, 2024.

20. 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) |
|--|-----------------------------------|---------------------|-----------------------------------|--|
|  |                                   |                     |                                   |  |
|  |                                   |                     |                                   |  |
|  |                                   |                     |                                   |  |

..... *a.* .....

Secretary General

Communist Party of Kenya.





Date: *30/01/2024*

Appendix 2: Transfers from Other Government Entities as at June 30<sup>th</sup> 2024.

| Name of the MDA/Don or Transferring the funds | Date received as per bank statement   | Nature: Recurrent / Development / Others | Total Amount - KES | Statement of Financial Performance | Where Recorded/recognized |                 |                |                           | Total Transfers during the Year |
|---|---------------------------------------|--|--------------------|------------------------------------|---------------------------|-----------------|----------------|---------------------------|---------------------------------|
|   |                                       |  |                    |                                    | Capital Fund              | Deferred Income | Receivables    | Others - must be specific |                                 |
| Office of the registrar of political parties  | <u>31/10/2023</u> & <u>30/01/2024</u> | Recurrent                                | 431,614            | 573,522                            | 0                         | 0               | 141,908        | 0                         | 431,614                         |
| <b>Total</b>                                  |                                       |  | <b>523,924</b>     | <b>627,485</b>                     | <b>0</b>                  | <b>0</b>        | <b>103,561</b> | <b>0</b>                  | <b>523,924</b>                  |

*COMMUNIST PARTY OF KENYA*  
Annual Reports and Financial Statements  
For the year ended June 30, 2024.

Appendix 3: Transfer Confirmation Letter from office of the registrar of political parties.

|   |   |
|---|---|
| <br>REPUBLIC OF KENYA  | <br>OFFICE OF THE REGISTRAR<br>OF POLITICAL PARTIES<br>ORPP<br>Administering Political Parties |
| Telephone: +254(0)204022000<br>Mobile: 0772281357<br>Email: <a href="mailto:info@orpp.or.ke">info@orpp.or.ke</a><br>Website: <a href="http://www.orpp.or.ke">www.orpp.or.ke</a><br>When replying please quote   | Lion Place, 1 <sup>st</sup> & 4 <sup>th</sup> Floor<br>Off Waiyaki Way<br>P.O. Box 1131-00605<br>Sarit Centre, Nairobi.   |
| Ref: RPP/FRP/032/4 (28)   | Date: 18 <sup>th</sup> June, 2024   |
| Secretary General<br>Communist Party of Kenya (CPK)<br>P.O. Box 4403 - 00100<br>NAIROBI   |   |
| Dear Sir,   |   |
| <b>RE: REVIEW OF THE POLITICAL PARTIES FUND (PPF) ALLOCATION FOR THE FY 2023/24</b>   |   |
| Reference is made to letter Ref. No. RPP/FRP/032/4 (22) dated 18 <sup>th</sup> December, 2023 which this Office had informed you of your reviewed PPF allocation for the FY2023/24.   |   |
| This is to inform you that the Political Parties Fund budget has been reviewed during Supplementary Estimates No. 2 of FY2023/24 from the earlier communicated budget allocation of Kshs. 608,300,000 to Kshs. 808,300,000 hence an additional Kshs. 200,000,000. |   |
| Owing to the above, your party allocation of the PPF for the FY2023/24 has been revised from the earlier communicated amount of Kshs. 431,614 to a revised amount of Kshs. 573,522.   |   |
| Based on the revised allocation and taking into consideration that Kshs. 431,614 has already been disbursed to your party, the balance of Kshs. 141,908 will be disbursed once received from the National Treasury.   |   |
| You'll be required to acknowledge in writing receipt of the funds in line with Regulation 10 (2) of the Political Parties (Funding) Regulations 2019.   |   |
| Yours faithfully,   |   |
|    |   |
| Ann N. Nderitu, CBS<br>Registrar of Political Parties/CEO   |   |
| <hr/>   |   |
|  ORPPKenya   | <a href="http://www.orpp.or.ke">www.orpp.or.ke</a> IX/XX  |

**COMMUNIST PARTY OF KENYA**  
**Annual Reports and Financial Statements**  
**For the year ended June 30, 2024.**

Communist Party of Kenya wishes to confirm the amounts disbursed as at 30<sup>th</sup> June 2024 as indicated in the table below.

| Amounts Disbursed by Office of the registrar of political parties as at 30th June 2023 – Ksh. |                |                |                 |                       |                   |   |                       |
|---|----------------|----------------|-----------------|-----------------------|-------------------|---|-----------------------|
| Reference Number  | Date Disbursed | Recurrent (A)  | Development (B) | Inter-Ministerial (C) | Total (D)=(A+B+C) | Amount Received by CPK as at 30 <sup>th</sup> June 2023 (E) | Differences (F)=(D-E) |
| 1000/3565/2   | 31/10/2023     | 261,696.50     | 0               | 0                     | 261,696.50        | 0   | 261,696.50            |
| 1000/3766/2   | 30/01/2024     | 169,917.50     | 0               | 0                     | 169,917.50        | 0   | 169,917.50            |
| <b>Total</b>  |                | <b>431,614</b> | <b>0</b>        | <b>0</b>              | <b>431,614</b>    |   | <b>431,614</b>        |

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

Secretary General:

Name Benedict Wachira, Sign ..... *B* ..... Date 30/09/2024