REPUBLIC OF KENYA

OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

COMMUNIST PARTY OF KENYA

FOR THE YEAR ENDED 30 JUNE, 2023

COMMUNIST PARTY OF KENYA

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2023

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

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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.

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	**Benedict Wachira**
2.	Secretariat	**Headed by the Secretary General**

(d) Fiduciary Management

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

No.	Designation	Name
1.	Chairperson	**Mwandawiro Mghanga**
2.	Secretary General	**Benedict Wachira**
3.	National Treasurer	**Jacintah Kamau**

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. All 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.

(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

Website: 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.

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

5. Chairman's Statement

I am delighted to present the financial report for **COMMUNIST PARTY OF KENYA** for the year ended 30 June 2023. 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 key activities during the Financial Year under review included the General Elections held in August 2022.

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. `

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MR. MWANDAWIRO MGHANGA

CHAIRMAN

DATE...15/04/2024:........

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 2023.

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. 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.

The Financial Year under review was a unique one, The General Elections (GE) were held in August 2022, and CPK was a major partner in the formation of Kenya Kwanza Coalition together with other parties.

Our party experienced slight decrease in Revenue but a considerable reduction in Expenditure because most of the activities for the August 2022 General Elections were planned and expensed in the Financial Year 2021/2022.

Thank you. `

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MR. BENEDICT WACHIRA

SECRETARY GENERAL

DATE....15| April| 2024.......

7. Statement of Performance against Predetermined Objectives for FY 2022/2023-1

COMMUNIST PARTY OF KENYA has several strategic objectives within the current Strategic Plan for the FY 2022/2023. 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 developed its annual work plans based on the above 5 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 2022/2023 period for its 5 strategic objectives as indicated in the table below Annual Work plan.

COMMUNIST PARTY OF KENYA

WORKPLAN FOR THE 12 MONTHS

JULY 2022- JUNE 2023.

NOTES	RECOMMENDED LEGAL DEFINITIVE USES OF THE FUND	EXPENSES LINE INTERPRETATION	GOVERNMENT FUNDING	EXPECTED PARTY CONTRIBUTION	TOTAL ESTIMATED EXPENSES
1	Not more than 30% of the political party fund to cover administrative expenses of the party i.e 30% of Ksh 627,485	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	188,245	-	**188,245**

		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.	27,905	-	**27,905**
	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	87,250	-	**87,250**
	The organization by the political party of	Training and recruitment, civic education, seminars, retreats, workshops,			

	civic education on democracy and other electoral processes	ec & registrar, party to party cooperation, awareness campaigns, party strategic plan and reviewing party contribution,	23,490	-	**23,490**
3	Not less than 30% of funding to promote special interest groups	Conferences & meetings, workshops, retreats, trainings, seminars, civic education of the PWD, Youth League, Women League and the marginalized	188,244	-	**188,244**
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.	112,351	-	**112,351**
5	**Covering election expenses** of the	Grass root elections-elections material			

	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.	-	-	-
	TOTAL AMOUNTS		**627,485**	**-**	**627,485**

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. `

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MR BENEDICT WACHIRA

SECRETARY GENERAL

DATE…15/04/2024…………

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. 627,485 from the Political Parties Fund based on the results of the August 2022 General Elections out of this amount Ksh 103,561 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 and other party funding for the year 2022/2023, 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 required.

- The party also did not collect any donations from its well-wishers and largely relied on its membership volunteers which could not be quantifiable.

Expenditure Notes

- Total Expenditure for the year amounted to Ksh 634,259, which out of it ksh 7,148 was depreciation amount which is a non-cash amount.
- An amount of Ksh 103,561 was not released by the treasury until the following financial year of 2023/2024, thus some of the planned yearly activities remained undone/unpaid for.
- 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

11. Report of the Central Committee.

The Committee submit their report together with the financial statements for the year ended 30 June 2023, 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 2023 of Sh (6,774) and 2022: (75,173) 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, 2023

BY ORDER OF THE CENTRAL COMMITTEE

MR. BENEDICT WACHIRA

SECRETARY GENERAL

....15| April 2024.............~~2023~~

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 2023 ended on June 30, 2023. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) Safeguarding the assets of the 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, 2023, 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 15|04 2024.

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SECRETARY GENERAL.	**NATIONAL TREASURER.**

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON COMMUNIST PARTY OF KENYA FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.

B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Communist Party of Kenya set out on pages 1 to 31, which comprise of the statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Communist Party of Kenya as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Political Parties Act, 2011 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Lack of a Trial Balance

The financial statements presented for audit were not supported by a trial balance contrary to Paragraph 27 of IPSAS 1, which requires the accurate representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS.

In the circumstances, the balances and amounts reflected in the financial statements could not be confirmed.

2. Inaccuracies in the Financial Statements

2.1 Discrepancies in the Statement of Financial Performance and Notes to Financial Statements

The statement of financial performance reflects general expenses - use of goods and services amounting to Kshs.172,871. However, Note 8 to the financial statement reflects total expenditure of Kshs.168,245 resulting in an unexplained variance of Kshs.4,626. Further, the statement of financial position reflects an accumulated deficit of Kshs.286,252 referenced to Note 16 to financial statements. However, Note 16 to the financial statements provides a detailed breakdown of cash and cash equivalents amounting to Kshs.19,456, resulting in an unexplained variance of Kshs.305,708.

2.2 Unexplained Variance in Transfers from Other Government Entities

The statement of financial performance reflects transfers from other Government entities actual amount of Kshs.627,485, which differed from an amount of Kshs.523,924, reflected in the statement of comparison of budget and actual amounts, resulting in an unexplained variance of Kshs.103,561.

In the circumstances, the accuracy and completeness of the transfers from other Government entities of Kshs.627,485 could not be confirmed.

3. Inaccuracies in Total Net Assets and Liabilities

The statement of financial position reflects total net assets and liabilities of Kshs.106,422 and Kshs.185,848 for financial years 2021/2022 and 2022/2023. Further, the statement reflects Nil reserves and accumulated deficit of Kshs.279,478 and Kshs.286,252 for the two financial years, resulting in unexplained differences of Kshs.385,900 and Kshs.472,100 respectively.

In the circumstances, the accuracy and completeness of the total net assets and liabilities of Kshs.185,848 as at 30 June, 2023 could not be confirmed.

4. Unexplained Variance in Statement of Changes in Net Assets

The statement of changes in net assets reflects negative balance of Kshs.286,252 comprising an accumulated reserve deficit of Kshs.204,305 and an accumulated net deficit of Kshs.81,947, which include net deficit deficit of Kshs.6,774 for 2022/2023. However, the statement of comparison of budget and actual amounts reflects net deficit for the period of Kshs.110,335 resulting in an unexplained difference of Kshs.103,561.

Further, the capital fund was not disclosed in the financial statements indicating how the property plant and equipment were financed.

In the circumstances, the accuracy and completeness of the deficit balance Kshs.286,252 reflected in the statement of changes in net assets could not be confirmed.

5. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.472,100 and as disclosed in Note 19 to the financial statements. However, the trade and other payables were not supported with aging analysis and creditors' register. Further, the supporting schedule provided for the balance lacked critical information such as the date when it was incurred, contacts for third party confirmations while others lacked invoice numbers. In addition, Management did not explain why the bills were not settled in the year they were incurred.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.472,100 as at 30 June, 2023 could not be confirmed.

6. Unsupported Expenditure

The statement of financial performance reflects various expenditure items in respect of general expenses, campaign and elections, special interest groups, party promotion and advocacy and promoting citizen participation all totalling Kshs.619,259 that involved procurements for goods and services. These expenditures involved the procurement of goods and services. However, the expenditure were not supported by advertisement, bid documents, evaluation minutes and appointment letters, professional opinions, awarding and the local purchase order/contract. Further, Management did not provide explanation regarding how the suppliers were identified, the procurement method used and how the contracts were awarded.

In the circumstances, the regularity and completeness of the expenditure totalling Kshs.619,259 incurred on procurement of goods and services for the year ended 30 June, 2023 could not be confirmed.

7. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.19,456, in two bank accounts at a commercial bank. However, Management did not maintain updated cash books and petty cash books for the bank accounts. This was contrary to Regulation 100 of the Public Finance Management (National Government) Regulations, 2015 which requires Accounting Officers to maintain cash books showing receipts and payments as well as other books and registers for proper accounting and reporting.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.19,456 could not be confirmed.

8. Lack of Fixed Assets Register

The statement of financial position reflect property, plant and equipment at cost of Kshs.790,400 and net book value of Kshs.42,831 as disclosed in Note 18 to the financial statements. However, an assets register was not provided for audit. Further, the assets were not labelled with unique identification numbers for tracking.

In the circumstances, the valuation, security and completeness of the property, plant and equipment balance of Kshs.42,831 as at 30 June, 2023 could not be confirmed.

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Communist Party of Kenya Management in accordance with ISSAI 130 on code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final budget on receipts and actual payment on a comparable basis of Kshs.627,485 and Kshs.634,259 respectively resulting in a deficit of Kshs.6,774. However, Management did not provide approved budget and workplans.

Further, the statement of comparison of budget and actual amounts reflects final budget and actual total income of Kshs.627,485 and Kshs.523,924 resulting in an underfunding of Kshs.103,561 or 17% of the budget.

In the circumstances, the under-funding may have affected the planned activities of the Party and impacted negatively on service delivery to the public..

2. Sustainability of Party Operations

The statement of financial performance reflects transfer from other Government entities of Kshs.627,485 and a Nil balance in respect of revenue from public contributions and donations.

In the circumstances, the sustainability of services by the party is highly dependent on Exchequer funding through the Political Parties Fund and may not sustain its services without the support from the Government and suppliers.

3. Unaudited Comparative Balances

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

My opinion is unmodified in respect of these matters.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

1. Late Submission of Financial Statements

The financial statements for the year ended 30 June, 2023 were submitted for audit on 27 October, 2023 contrary to Section 68(2)(k) of the Public Finance Management Act, 2012, which requires an Accounting Officer to prepare and submit the annual financial statements for each financial year to the Auditor-General within three months after the end of the fiscal year.

In the circumstances, Management was in breach of law.

2. Failure to Establish Party Offices

During the year under review, the Party had only established one office at its headquarters located at Wundanyi in Taita Taveta County, contrary to Section 7(f)(iii) of the Political Parties Act, 2011 which requires a political party to be fully registered if it has submitted to the Registrar, the locations and addresses of its branch offices in more than half of the Counties.

In the circumstances, Management was in breach of law.

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Lack of Approved Organization Structure, Human Resource Instruments and Procedures Manuals

During the year under review, the Party did not have an organization structure and approved human resource policy, procedures manuals, staff establishment, scheme of service and salary structure. In addition, there were no finance, procurement, internal audit, and ICT policies as well as strategic plan, budget and procurement plan to guide the Party in its operations.

Further, the human resource policy reviewed was in draft and was not comprehensive as it did not have pay rates, period of engagement, qualifications and other relevant requirements. It was also noted that the Party had not had not engaged a qualified Human Resource Manager as per the Human Resource Management Professionals Act, No.52 of 2012.

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

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 overall governance.

In preparing the financial statements, Management is responsible for assessing the Party's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the Party or to cease its operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Party's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Party to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Party to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.

FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 June, 2024

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

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from other governments entities	6	627,485	0
Public contributions and donations	7	0	475,670
Total Income		**627,485**	**475,670**
Expenses			
General expenses-Use of goods and services	8	172,871	211,233
Employee costs	9	15,000	40,000
Depreciation and amortization expense	10	7,148	8,610
Campaigns and Elections	11	0	35,000
Special Interest Groups	12	188,244	45,000
Party Promotion and advocacy	13	112,351	56,000
Promoting Citizen participation	14	138,645	155,000
Total expenses		**634,259**	**550,843**
Surplus/(deficit) for the period/year		**(6,774)**	**(75,173)**
Remission to National Treasury		**0**	**0**
Net Surplus for the year		**(6,774)**	**(75,173)**

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:

....	....	....
Name: Benedict Wachira	**Name: Jacintah Kamau**	**Name: Mwandawiro Mghang**
Sectretary General	**National Treasurer**	**Chairperson**
Date 15/04/2024	**Date** 15/04/2024	**Date** 15/04/2024.

15 Statement of Financial Position as at 30 June 2023

	Notes	2022-2023	2021-2023
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	15	19,456	22,443
Receivables from Non-Exchange Transactions	17a	123,561	34,000
Total Current Assets		**143,017**	**56,443**
Non-Current Assets			
Property, Plant and Equipment	18	42,831	49,979
Total Non- Current Assets		**42,831**	**49,979**
Total Assets		**185,848**	**106,422**
Liabilities			
Current Liabilities			
Trade and Other Payables	19	472,100	385,900
Total Current Liabilities		**472,100**	**385,900**
Total Non- Current Liabilities		**0**	**0**
Total Liabilities		**472,100**	**385,900**
Net Assets			
Reserves		0	0
Accumulated Surplus	16	(286,252)	(279,478)
Total Net Assets		(286,252)	(279,478)
Total Net Assets and Liabilities		**185,848**	**106,422**

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

………………	………………	………………
Name: Benedict Wachira	**Name: Jacintah Kamau**	**Name:Mwandawiro Mghang**
Sectretary General	**National Treasurer**	**Chairperson**
Date 15/04/2024.	**Date** 15/04/2024	**Date** 15/04/2024.

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

Description	Notes	Reserve	Accumulated reserve	Retained earnings	Net surplus/ Deficit	Capital/ Development Grants/Fund	Total
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, 2021		0	(204,305)	0	0	0	(204,305)
Surplus/ Deficit for the year 2022		0	0	0	(75,173)	0	(75,173)
As at June 30, 2022		0	(204,305)	0	(75,173)	0	(279,478)
As at July 1, 2022		0	(204,305)	0	(75,173)	0	(279,478)
Surplus/ Deficit for the year		0	0	0	(6,774)	0	(6,774)
As at June 30, 2023		0	(204,305)	0	(81,947)	0	(286,252)

………… ……

Name: Benedict Wachira
Secretary General
Date 15/04/2024

……… ……

Name: Jacintah Kamau
National Treasurer
Date 15/04/2024

………… ……..

Name:Mwandawiro Mghang
Chairperson
Date 15/04/2024.

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

		2022-2023	2021-2022
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	627,485	0
Public contributions and donations	7	0	475,670
Total receipts		**627,485**	**475,670**
Payments			
General expenses-Use of goods and services	8	172,871	211,233
Employee cost	9	15,000	40,000
Depreciation and amortization expense	10	7,148	8,610
Campaign and Elections	11	0	35,000
Special Interest Group	12	188,244	45,000
Party promotion and advocacy	13	112,351	56,000
Promotion Citizen participation	14	138,645	155,000
Total payment		**634,259**	**550,843**
Net cash flows from/(used in) operating activities		**(6,774)**	**(75,173)**
Add Back depreciation		**7,148**	**8,610**
Changes in working capital			
Decrease/(Increase) in Receivables		(89,561)	0
(Decrease)/Increase in Payables		86,200	83,400
Cash generated from Operations	21	**(2,987)**	**16,837**
Cash flows from investing activities			
Purchase of PPE and Intangible assets		0	0
Net cash flows from/(used in) investing activities		**0**	**0**
Cash flows from financing activities			
Net cash flows from financing Activities		**0**	**0**
Net increase/(decrease) in cash & Cash equivalents		**(2,987)**	**16,837**
Cash and cash equivalents at 1 July		22,444	5,607
Cash and cash equivalents at 30 June	15	**19,456**	**22,444**

Name: Benedict Wachira	**Name:Jacintah Kamau**	**Name:Mwandawiro Mghang**
Secretary General	**National Treasurer**	**Chairperson**
Date 15/04/2024	**Date** 15/04/2024	**Date** 15/04/2024.

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	B	C=(a+b)	D	e=(c-d)	f=d/c*100
Revenue						
Transfers from Other Governments entities	627,485	0	627,485	523,924	103,561	83%
Public Contributions and Donations	0	0	0	0	0	0%
Total Income	**627,485**	**0**	**627,485**	**523,924**	**103,561**	**83%**
Expenses						
Administration expenses	188,245	0	188,245	187,871	374	99%
Depreciation and amortization	0	0	0	7,148	(7,148)	-
Employee costs	0	0	0	0	0	0%
Campaigns and Elections	0	0	0	0	0	0%
Special Interest group	188,245	0	188,245	188,245	0	100%
Party promotion and advocacy	112,351	0	112,351	112,351	0	100%
Branch coordination and support	27,905	0	27,905	27,905	0	100%
Civic Education	23,490	0	23,490	23,490	0	100%
Conferences and meetings	87,250	0	87,250	87,250	0	100%
Total Expenditure	**627,485**	**0**	**627,485**	**634,259**	**(6,774)**	**100%**
Surplus for the period	**0**	**0**	**0**	**-110,335**	**110,335**	
Capital Expenditure	**0**	**0**	**0**	**0**	**0**	**0**

Budget notes

1. The 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.

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:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2023:** 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. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	**Applicable: 1st January 2023** 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: (a) The nature of such social benefits provided by the Entity.

Standard	Effective date and impact:
	(b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2023:** 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. 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.
Other improvements to IPSAS	***Applicable 1st January 2023*** • *IPSAS 22 Disclosure of Financial Information about the General Government Sector*. Amendments to refer to the latest System of National Accounts (SNA 2008). • *IPSAS 39: Employee Benefits.* Now deletes the term composite social security benefits as it is no longer defined in IPSAS. • **IPSAS 29: Financial instruments: Recognition and Measurement.** Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.

Notes to the Financial Statements (Continued)

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

Standard	Effective date and impact:
IPSAS 43	***Applicable 1st January 2025*** 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. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	***Applicable 1st January 2025*** The Standard requires, 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: 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.

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

Communist Party of Kenya has adopted these new standards as at 1st January, 2023. We will adopt the Standards falling due in 1st 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 2022-2023 was approved by the National Assembly on *29th July 2022*. 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 sectio**n** 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.

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.

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.

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.

Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	2022-2023	2021-2022
	KShs	KShs
Government Political Fund	523,924	0
Accrued transfer owing from Government	103,561	0
Total Transfer from Government entities	**627,485**	**0**

7. Public contributions and donations

Description	2022-2023	2021-2022
	KShs	KShs
Members contribution	0	475,670
Total Public contributions and donations	**0**	**475,670**

8. General Expenses – Use of Goods and Services.

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank charges	10,000	4,633
Security	8,000	4,200
Electricity and Water	9,100	9,200
Postage and delivery	22,900	23,200
Printing and stationery	2,871	50,000
Rent	120,000	120,000
Total Administration Expenses	**168,245**	**211,233**

9. Employee Costs.

Description	2022-2023	2021-2022
	Kshs	Kshs
Salaries and wages	15,000	40,000
Total Employee costs	**15,000**	**40,000**

10. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs	Kshs
Depreciation expense	7,148	8,610
Total depreciation and amortization	**7,148**	**8,610**

Notes to the Financial Statements (Continued)

11. Campaigns and Elections.

Description	2022-2023	2021-2022
	Kshs	Kshs
Party grass root election expenses	0	35,000
Total Campaigns and Elections	**0**	**35,000**

12. Special Interest Groups.

Description	2022-2023	2021-2022
	Kshs	Kshs
SIG PWD meetings	52,000	45,000
SIG Women meetings	54,000	0
SIG Youth meetings	42,244	0
SIG Marginalised	40,000	0
Total amount SIGs	**188,244**	**45,000**

13. Party Promotion and Advocacy.

Description	2022-2023	2021-2022
	Kshs	Kshs
Printing party materials	97,651	21,000
Party Promotion and advert	14,700	35,000
Total Party Promotion and advocacy	**112,351**	**56,000**

14. Promoting citizen participation.

Description	2022-2023	2021-2022
	Kshs	Kshs
Conferences and Delegations		
Central Committee	52,280	30,000
Secretariat Meetings	14,970	0
International Meeting	20,000	0
Branch Coordination and support		
Allowances and stipend	9,000	25,000
Food and Refreshments	5,905	40,000
Travel and Accommodation	13,000	35,000
Civic Education.		
Civic education and retreat	23,490	25,000
Total Promoting citizen participation.	**138,645**	**155,000**

Notes to the Financial Statements (Continued)

15. Cash and Cash Equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Bank Balances	19,050.25	19,626
Cash in Hand	406	2,817
Total Cash And Cash Equivalents	**19,456**	**22,443**

16. Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) **Current Account**			
Consolidated Bank CPK	10011202001040	0.25	19,626
Consolidated Bank GOK	10011202002280	19,050	0
Sub- Total		**19,050.25**	**19,626**
b) **Others(Specify)**			
Cash In Hand CPK		317	2,817
Cash In Hand GOK		89	0
Sub- Total		**406**	**2,817**
Grand Total		**19,456**	**22,443**

17. Receivables from Non Exchange Transactions

(a) Receivables from Non Exchange Transactions (Current)

Description	2022-2023	2021-2022
	Kshs	Kshs
Receivables		
Accrued transfer owing from government	103,561	0
Rent deposit	20,000	34,000
Total Current Receivables	**123,561**	**34,000**

Notes to the Financial Statements (Continued)

18. Property, Plant and Equipment

Cost	Land	Buildings	Motor vehicles	Furniture and fittings	Computers	Other Assets (specify)	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1July 2021	**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**
As at 30th June 2022	**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**
As at 30th June 2023	**0**	**0**	**0**	**436,400**	**354,000**	**0**	**0**	**790,400**
Depreciation And Impairment								
At 1 July 2021	**-**	**0**	**0**	**385,161**	**346,650**	**0**	**0**	**731,811**
Depreciation	-	0	0	6,405	2,205	0	0	**8,610**
Impairment	-	0	0	0	-	0	0	**0**
Transfers/ Adjustments	-	0	0	0	0	0	0	**0**
As At 30th June 2022	**-**	**0**	**0**	**391,566**	**348,855**	**0**	**0**	**740,421**
Depreciation	-	0	0	5,604	1,544	0	0	**7,148**
Disposals	-	0	0	0	-	0	0	**0**
Impairment	-	0	0	0	-	0	0	**0**
Transfer/Adjustment	-	0	0	0	0	0	0	**0**
As at 30th June 2023	**-**	**0**	**0**	**397,170**	**350,399**	**0**	**0**	**747,569**
Net Book Values								
As at 30th June 2022	**-**	**0**	**0**	**44,834**	**5,145**	**0**	**0**	**49,979**
As at 30th June 2023	**-**	**0**	**0**	**39,230**	**3,601**	**0**	**0**	**42,831**

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 30th June 2020). The assets were revalued by professional valuers on this date. These amounts were adopted by the Board o**n** 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	NBV
	Kshs	Kshs	Kshs
Computers And Related Equipment	354,000	350,399	3,601
Office Equipment, Furniture, And Fittings	436,400	397,170	39,230
Total	**790,400**	**747,569**	**42,831**

19. Trade and Other Payables

Description	2022-2023	2021-2022
	Kshs	Kshs
Riverside House – Rent	351,900	385,900
CPK House – Rent	110,000	0
Athena Solutions ltd	10,200	0
Total trade and other payables	**472,100**	**385,900**

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	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Surplus for the year before tax	**(6,774)**	**(75,173)**
Adjusted for:		
Depreciation	7,148	8,610
Working capital adjustments		
Increase in inventory	0	0
Increase in receivables	(89,561)	0
Increase in deferred income	0	0
Increase in payables	86,200	83,400
Increase in payments received in advance	0	0
Net cash flow from operating activities	**(2,987)**	**16,837**

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.

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 form 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.

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)*

...............Q..........

Secretary General

Communist Party of Kenya.

Date:...15/04/2024...

Appendix 2: Transfers from Other Government Entities as at June 30th 2023.

					Where Recorded/recognized				
Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount – KES	Statement of Financial Performance	Capital Fund	Deferred Income	Receivables	Others - must be specific	Total Transfers during the Year
Office of the registrar of political parties	06/03/2023 & 08/03/2023	Recurrent	523,924	627,485	0	0	103,561	0	523,924
Total			**523,924**	**627,485**	**0**	**0**	**103,561**	**0**	**523,924**

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

Communist Party of Kenya wishes to confirm the amounts disbursed as at 30th June 2023 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 30th June 2022 (E)	Differences (F)=(D-E)
1000/15665/2	06/03/2023	261,962	0	0	261,962	0	261,962
1000/5073/2	08/03/2023	261,962	0	0	261,962	0	261,962
Total		**523,924**	**0**	**0**	**523,924**		**523,924**

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

Secretary General:

Name Benedict Wachira, Sign .... a. ....**Date** ..15/04/2024.........