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REPORT

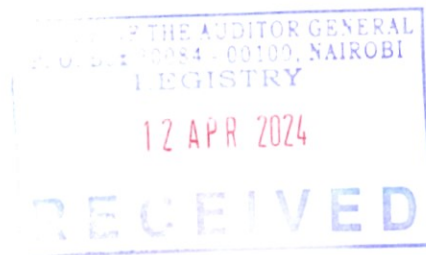
OF

THE AUDITOR-GENERAL

ON

KENYA NATIONAL CONGRESS

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



Revised 30th June 2023



**KENYA NATIONAL CONGRESS (KNC)
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)**

**Kenya National Congress (KNC) party
Annual Report and Financial Statements
for the year ended June 30, 2023.**

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Kenya National Congress (KNC) Party
Annual Report and Financial Statements
for the year ended June 30, 2023.

1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

KNC	Kenya National Congress (KNC) Party
SG	Secretary General
ORPP	Office of Registrar of Political Party
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
OAG	Office of the Auditor General
PPF	Political Party Fund
PFM	Public Financial Management

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.

Kenya National Congress (KNC) Party
Annual Report and Financial Statements
for the year ended June 30, 2023.

2. Key Entity Information and Management

(a) Background information

The KNC was established in 2008. Kenya National Congress (KNC) Party is domiciled in Kenya.

(b) Principal Activities

Kenya National Congress (KNC) Party Mission is to transform Kenya from poor governance and Poverty into Democratic Prosperous, Socially Just and Equitable Society, through Progressive Economic, Political, Social Policies and Programs.

(c) Key Management

The *Entity's* day-to-day management is under the following key organs:

No.	Designation	Name
1.	National Chairman	John Otee Imoite
2.	Secretary General	Benjamin Abuga Gisore
3.	Treasurer	Harima Khaliye

(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.	National Chairman	John Otee Imoite
2.	Secretary General	Benjamin Abuga Gisore
3.	Treasurer	Harima Khaliye
4.	Director of Youth & SIGs	Millicent Wambugu
5.	Women league leader	Lilian Gor

Key Entity Information and Management (continued)

(e) Entity Headquarters

Tyme Arcade

2nd Floor, Room 208

Ongata Rongai.

(f) Entity Contacts

Telephone: 0711677640

E-mail: info@kncparty.or.ke

Website: www.kncparty.or.ke

(g) Entity Bankers

1. Equity Bank

Mama Ngina branch,

Nairobi.

Kenya National Congress (KNC) Party
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Key Entity Information and Management (continued)

(h) Independent Auditor




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

(i) Principal Legal Adviser

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

Kenya National Congress (KNC) Party
Annual Report and Financial Statements
for the year ended June 30, 2023.

3. Key Management Team

	Management	Details
1.	 Name: John Otee Imoite	National Chairman
2.	 Name: Benjamin Gisore	Secretary General
3.	 Name: Harima Khaliye	National Treasurer

4. Chairman's Statement

In accordance with the Political Parties Act 2011, the Kenya National Congress (KNC) party has prepared and circulated its financial statements for the financial year ending 30th June 2023. These statements, prepared in conformity with International Public Sector Accounting Standards, provide a true and fair reflection of the party's financial affairs and operating results.

The Kenya National Congress (KNC) Party confirms the completeness of its accounting records and the adequacy of its internal financial control systems, which have been relied upon in the preparation of these financial statements. The party is committed to transparency and accountability in its financial reporting and welcomes any inquiries from the general public regarding these statements.

Kenya National Congress (KNC) Party
Annual Report and Financial Statements
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5. Report of the Chief Executive Officer

As per Political Parties Act 2011, political parties are required to prepare financial statements for prepare and circulate to the general public.

Attached herewith please find Kenya National Congress (KNC) Party Financial statements which is true and fair reflection of financial affairs and operating results of the party as at the end of the financial year ending 30th June 2023.

This financial statement has been prepared in conformity with International Public Sector Accounting Standards. The party confirms the completeness of the Accounting records maintained for the party which, has been relied upon in the preparation of the Party Financial statements as well as adequacy of the systems of internal financial control.

Kenya National Congress (KNC) Party
Annual Report and Financial Statements
for the year ended June 30, 2023.

6. Report of the National Executive Committee (NEC)

The National executive Committee submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the KNC Party

i) Principal activities

The principle activities of the entity are derived from the political parties Act 2011 is to promote active political participation by citizens with general view of assuring national values and principles enshrined in the constitution of Kenya.

ii) Results

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

iii) Surplus remission

KNC did not make surplus during the accounting year.

iv) Auditors

The Auditor General is responsible for the statutory audit of the Kenya National Congress (KNC) Party in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the Kenya National Congress (KNC) Party for the year/period ended June 30, 2023.

By Order of the National Executive Committee


..... 2023

Secretary General



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

Kenya National Congress has 6 strategic pillars/ themes/issues and objectives within the current Strategic Plan for the FY 2022/2023. These strategic pillars/ themes/ issues are as follows:

Pillar /theme/issue 1: Establish and train Branch Disability League

Pillar/theme/issue 2: Train KNC Branch Women and youth league

Pillar /theme/issue 3: Carry out member recruitment drives

Pillar/theme/issue 4: Support Special interest officials in branch activities

Pillar /theme/issue 5: Update Membership Register

Pillar/theme/issue 6: Administration costs

KNC develops its annual work plans based on the above 6 pillars/Themes/Issues. Assessment of the Board's performance against its annual work plan is done on a quarterly basis.

8. Corporate Governance Statement

For the fiscal year ended 30th June 2023, the Kenya National Congress (KNC) diligently adhered to its governance obligations, as mandated by regulatory frameworks and internal policies. This encompassed convening five Board meetings, with a recorded attendance of ten members. The KNC has established a robust governance framework, underpinned by a comprehensive Board charter, ensuring clarity in roles, responsibilities, and processes for appointment and removal of directors. The Board, entrusted with strategic direction and oversight, is supported by a structured succession plan for leadership continuity. Additionally, the KNC places a premium on Board member induction, training, and ongoing development to enhance effectiveness. Regular performance evaluations, along with policies addressing conflicts of interest and codes of conduct, underscore the KNC's commitment to ethical governance. Remuneration for Board members is determined through established criteria and is subject to stakeholder approval. Furthermore, governance audits are conducted periodically to ensure adherence to standards and identify areas for enhancement, exemplifying the KNC's dedication to transparency and accountability.

9. Management Discussion and Analysis

The management report for the Kenya National Congress (KNC) over the last three to five years showcases a consistent trajectory of financial growth and positive operational trends. Notable projects and strategic investments, such as Establish and train Branch Disability League, membership recruitment, updating membership register have been effectively executed, bolstering the organization's mission and impact. Maintaining compliance with statutory requirements remains a cornerstone of KNC's operations, with diligent oversight ensuring adherence to legal and regulatory frameworks. Concurrently, proactive risk management practices, visualized through a pie chart, underscore the organization's commitment to mitigating potential challenges. Moreover, the absence of material arrears in financial obligations attests to the KNC's sound financial management practices and fiscal responsibility.

Additionally, the report offers a comprehensive review of the broader economic landscape and the sector within which the KNC operates, elucidating key trends, challenges, and opportunities. Looking forward, strategic initiatives outlined in the report, coupled with future developments detailed in tables, signal the KNC's readiness for sustained growth and relevance. By leveraging tables, graphs, and descriptive tools throughout, the management report ensures stakeholders grasp the KNC's performance, compliance efforts, and strategic vision with clarity and transparency.

10. Environmental and Sustainability Reporting

i) *Sustainability strategy and profile*

The top management, led by the accounting officer, underscores the Kenya National Congress's commitment to sustainability efforts, recognizing their integral role in organizational resilience and long-term viability. Amidst evolving political and macroeconomic landscapes, the KNC remains cognizant of sustainability priorities, aligning strategies with broad trends to address emerging challenges effectively. Drawing upon international best practices, the KNC benchmarks its sustainability initiatives to ensure alignment with global standards and to foster continuous improvement. Noteworthy achievements, such as [list achievements], underscore the organization's dedication to sustainability principles, while failures serve as valuable learning opportunities, guiding future endeavours towards greater impact and effectiveness. Through a holistic approach that integrates sustainability considerations into decision-making processes, the KNC endeavours to navigate complexities, drive positive change, and advance its mission in service to the Kenyan people. This emphasis on sustainability, informed by broader political and macroeconomic trends, international best practices, and a reflective stance on achievements and failures, underscores the Kenya National Congress's commitment to responsible governance and enduring impact.

ii) *Environmental performance*

The Kenya National Congress (KNC) has established a robust environmental policy aimed at minimizing its ecological footprint and promoting sustainability throughout its operations. This policy encompasses energy efficiency, waste reduction, biodiversity conservation, and the mitigation of environmental impact. Evidence of the policy's implementation includes clear objectives, regular audits, and employee training initiatives. Successes include significant reductions in carbon emissions and waste sent to landfills, alongside partnerships to protect biodiversity. However, challenges remain in fully integrating environmental considerations into procurement processes due to resource constraints. Despite this, KNC actively engages in waste management and product sustainability efforts, continually evaluating and improving its practices. Furthermore, KNC's CSR activities, including charitable giving, Corporate Social Investment, and community engagement events, have yielded tangible benefits to society, such as improved education and healthcare access, enhanced environmental stewardship, and strengthened community resilience.

Kenya National Congress (KNC) Party
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11. Statement of National Executive Committee's Responsibilities

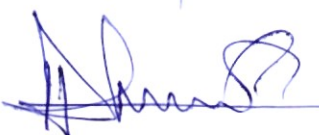
Section 81 of the PFM Act 2012 require the NEC to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Party as at the end of the financial year and of the operating results of the Party for that year. It also requires the NEC to ensure that the Party keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the party.

The NEC accept responsibility for the financial statements, which have been prepared using appropriate accounting policies supported by reasonable prudent judgements and estimates, in conformity with the International public Sector Reporting Standards and in the manner required by the PFM Act 2012. The NEC are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Company and of its operating results. NEC further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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

Approval of the financial statements

The *Kenya National Congress (KNC) Party* financial statements were approved by the NEC on 06/30 2023 and signed on its behalf by:


Secretary General
06/30.....2023


National Chairman
06/30.....2023

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON KENYA NATIONAL CONGRESS 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, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Kenya National Congress set out on pages 1 to 35, which comprise of the statement of financial position as at

30 June, 2023 and the statement of financial of performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Unsupported Revenue from Non-Exchange Transactions

The statement of financial performance reflects revenue from non-exchange transaction amount of Kshs.5,678,536. However, the amount was not supported with ledgers, cashbooks and bank statements.

In the circumstances, the accuracy and completeness of the revenue from non-exchange transaction amount of Kshs.5,678,536 could not be ascertained.

2. Unexplained Variance in Expenditure

The statement of financial performance reflects total expenses amounting to Kshs.5,454,147 while the ledgers reflects a balance of Kshs.1,183,000 resulting in an unexplained variance of Kshs.4,271,147. Further, the expenditure was not supported with payment vouchers and the respective supporting documents such as receipts and invoices.

In the circumstances, the accuracy and completeness of the total expenses of Kshs.5,454,147 could not be confirmed.

3. Unsupported Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of Kshs.432,800 as disclosed in Note 15 to the financial statements. However, the balance was not supported with schedules, ledgers, tenancy lease agreements and debtor aging analysis.

In the circumstances, the accuracy and completeness of the receivables from exchange transaction balance of Kshs.432,800 could not be confirmed.

4. Unsupported Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents balance of Kshs.16,161 as disclosed in Note 13 to the financial statements. However, the balance

was not supported with cashbook and board of survey certificate. Further, review of bank confirmation certificates revealed a bank account with a balance of Kshs.27,897 which was not disclosed in the financial statements.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.16,161 could not be confirmed.

5. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables balance of Kshs.347,000 as disclosed in Note 17 to the financial statements. Included in the balance is accountancy fees of Kshs.12,000 and accrued rent of Kshs.335,000 which were not supported with schedules, ledgers and aging analysis.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.347,000 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya National Congress 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

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 not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness

and effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Late Submission of Financial Statements

The financial statements were submitted on 22 January, 2024 which is later than the expected submission date of 30 September, 2023 by approximately three and a half months. This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

2. Failure to Open Party Branch Offices

During the year under review, physical verification revealed that the Party has only four (4) branch offices. This was contrary to Section 7(f)(iii) of the Political Parties Act, 2011 which state that a political party shall be qualified to be fully registered if it has submitted to the Registrar the location and addresses of the branch offices of the political party, which shall be in more than half of the Counties.

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

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

REPORT ON 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 matter described in the Basis for Conclusion on effectiveness of internal controls, risk management and governance, 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

Weak Internal Controls

Review of documents and observation revealed that there was no functional internal audit unit, audit committee and risk management policy.

In the circumstances, the effectiveness of internal controls and risk management 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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Party's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the Party or cease 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 control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of 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 continue to cease to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Party to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

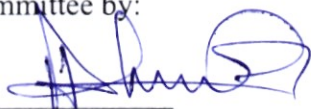
27 June, 2024


Kenya National Congress (KNC) Party (KNC)
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for the year ended June 30, 2023.

13. 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	1,109,977	
Public contributions and donations	7	4,568,559	4,075,263
Total revenue		5,678,536	4,075,263
Expenses			
Use of goods and services	8	4,263,498	2,588,769
Employee costs	9	965,880	1,037,848
Depreciation and amortization expense	10	107,304	204,870
Repairs and maintenance	12	113,869	82,963
Finance Costs	11	3,596	12,562
Total expenses		5,454,147	3,927,012
Surplus/ (deficit) before tax		224,389	167,156
Surplus/(deficit) for the period/year		224,389	167,156
Net Surplus for the year		224,389	167,156

The Financial Statement set out on this page was signed on behalf of the National Executive Committee by:


 Secretary General
 Date..... 06/30/23


 National Treasurer
 Date..... 06/30/23


 National Chairman
 Date..... 06/30/23

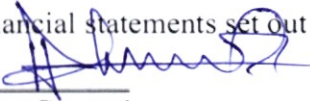


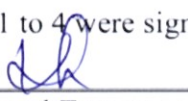
Kenya National Congress (KNC) Party (KNC)
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for the year ended June 30, 2023.

15 Statement of Financial Position as at 30 June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	13	16,161	72,407
Receivables from Exchange Transactions	15	432,800	432,800
Total Current Assets		448,961	505,207
Non-Current Assets			
Property, Plant and Equipment	16	968,540	773,744
Total Non- Current Assets		968,540	773,744
Total Assets		1,417,501	1,278,951
Liabilities			
Current Liabilities			
Trade and Other Payables	17	347,000	450,000
Total Current Liabilities		347,000	450,000
Non-Current Liabilities			
Borrowings		-	-
Total Non- Current Liabilities		-	-
Total Liabilities		347,000	450,000
NET Assets			
Accumulated Surplus Reserves		1,070,501	828,952
Total Net Assets		1,070,501	828,952
Total Net Assets and Liabilities		1,471,501	1,278,952

The financial statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:


Secretary General

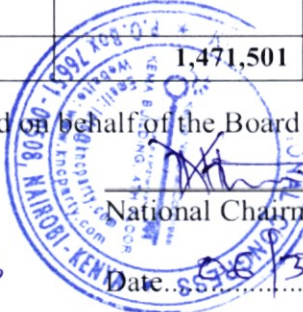

National Treasurer


National Chairman

Date..... 06/30/23

Date..... 06/30/23

Date..... 06/30/23



Kenya National Congress (KNC) Party (KNC)
Annual Report and Financial Statements
for the year ended June 30, 2023.

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

Description	notes	Reserve	Fair value adjustment reserve	Accumulated Reserves	Net Surplus / Deficit	Capital/ Development Grants/Fund	Total
		Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at June 30, 2021		-	-	-	678,956	-	678,956
Surplus/ Deficit for the year		-	-	-	167,156	-	167,156
As at June 30, 2022		-	-	-	846,112	-	846,112
Surplus/ Deficit for the year		-	-	-	224,389	-	224,389
As at June 30, 2023		-	-	-	1,070,501	-	1,070,501

Kenya National Congress (KNC) Party (KNC)
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17. Statement of Cash Flows for the year ended 30 June 2023

	Notes	2022-2023	2021-2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	1,109,977	-
Public contributions and donations	7	4,568,559	4,075,263
Total receipts		5,678,536	4,075,263
Payments			
Use of goods and services	8	4,263,498	2,588,769
Employee costs	9	965,880	1,037,848
Depreciation and amortization expense	10	107,304	204,870
Repairs and maintenance	12	113,869	82,963
Finance Costs	11	3,596	12,562
Total payments		5,454,147	3,927,012
Net cash flows from/(used in) operating activities		224,389	167,156
Adjusted for			
Depreciation Written back	10	107,304	139,945
Total cash flow from operating activities		331,693	307,101
Cash flows from investing activities			
Purchase of PPE and Intangible assets	16	(205,300)	-
Net cash flows from/(used in) investing activities		(205,300)	-
Cash flows from financing activities			
Repayment of borrowings		-	(258,635)
Increase/(Decrease) in Payables	17	(103,000)	-
Decrease / (Increase) in Receivables	15	-	-
Net cash flows from financing Activities		(103,000)	(258,635)
Net increase/(decrease) in cash & Cash equivalents		23,393	48,466
Cash and cash equivalents at 1 July	14	(7,232)	55,698
Cash and cash equivalents at 30 June	13	16,161	(7,232)

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						
Public Contributions and Donations	4,000,000		4,000,000	4,568,559	-568,559	114%
Government grants and subsidies	1,890,000		1,890,000	1,109,977	780,023	59%
Total Income	5,890,000	0	5,890,000	5,678,536	211,464	
Expenses						
Use of Goods and Services	4,000,000		4,000,000	4,263,498	-263,498	107%
Employee costs	1,000,000		1,000,000	965,880	34,120	97%
Depreciation	150,000		150,000	107,304	42,696	72%
Repairs and Maintenance	200,000		200,000	113,869	86,131	57%
Finance Costs	15,000		15,000	3,596	11,404	24%
Total Expenditure	5,365,000	0	5,365,000	5,454,147	-89,147	
Surplus for the period	525,000	0	525,000	224,389	300,611	

Budget notes

1. 2022 General Elections
2. Government reduced allocation.

19. Notes to the Financial Statements

1. General Information

Kenya National Congress (KNC) Party is established by and derives its authority and accountability from the Constitution and the Political Parties Act 2011. The Party is wholly Kenyan and is domiciled in Kenya. The Party's principal activity is to strive to establish a Government of Kenya based on democratic and good governance and constitutional principles of a pluralistic democracy whilst promoting rule of law.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *Entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Entity*. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

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

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

Standard	Effective date and impact:
	<p>(a) The nature of such social benefits provided by the Entity.</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> 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.

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

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

iii. *Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

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 *Entity* 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 *Entity* and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 *Entity*.

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 Entity'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 was approved by the National Assembly on xxx. 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. Accordingly, the Entity recorded additional appropriations of xxx on the 2023 budget following the governing body's approval.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Budget information (continued)

The *Entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

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 *Entity* 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 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 *Entity* and the same taxation authority.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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 xx-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.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *Entity*. 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 *Entity* 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 *Entity* 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 *Entity*. 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)

g) 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.

h) Research and development costs

The *Entity* expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the *Entity* 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) 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 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 cashflows 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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

j) 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.
- 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 *Entity*.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Provisions

Provisions are recognized when the *Entity* 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 *Entity* 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.

l) Contingent liabilities

The Entity 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.

m) Contingent assets

The Entity 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

n) Nature and purpose of reserves

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

o) Changes in accounting policies and estimates

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

p) Employee benefits

Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Entity pays fixed contributions into a separate Entity (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.

q) 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)

r) 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.

s) Related parties

The *Entity* 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 *Entity*, or vice versa. Members of key management are regarded as related parties and comprise *the directors, the CEO and senior managers*.

t) Service concession arrangements

The *Entity* 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 *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

u) 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.

v) Comparative figures

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

w) 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)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the *Entity'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 Entity 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 Entity.
- 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
Unconditional Grants		
Government Political Fund	1,109,977	-
Total Unconditional Grants	1,109,977	-

7. Public Contributions and Donations

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Members Donations	4,568,559	4,075,263
Total Transfers and Sponsorships	4,568,559	4,075,263

Notes to the Financial Statements (Continued)

8. Use of Goods and Services

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Electricity & Water	72,327	67,680
Admin Fees	75,290	182,764
Consulting Fees	40,000	18,000
Legal Expenses	33,950	18,000
Printing and Stationery	86,508	102,961
Rent expenses	1,310,560	1,270,012
Party rebranding & launching	260,330	112,500
Branch training & Support	560,811	232,014
Regional trainings and conference	451,338	-
Centre for Multiparty democracy	442,970	70,000
Security	313,619	167,200
Mobilization	296,005	107,010
Telecommunication	79,205	71,940
Travel, Subsistence & Other Allowances*	240,585	136,585
	4,263,498	2,556,666

9. Employee Costs

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Salaries and wages	965,880	1,037,848
Employee costs	965,880	1,037,848

10. Depreciation and Amortization Expense

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Property, plant and equipment	107,304	204,870
Investment property carried at cost	-	-
Total depreciation and amortization	107,304	204,870

11. Finance Costs

Description	2022-2023	2021-2022
	KShs	KShs
Bank Charges	3,596	12,562
Total finance costs	3,596	12,562

Notes to the Financial Statements (Continued)

12. Repairs and Maintenance

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Property and equipment	53,398	33,508
Equipment and Machinery	26,548	14,956
Furniture and Fittings	33,923	34,499
Total Repairs and Maintenance	113,869	82,963

Notes to the Financial Statements (Continued)

13. Cash and Cash Equivalents

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Bank Balances	4,977	26,310
Cash on hand and in transit	11,184	17,160
Total Cash And Cash Equivalents	16,161	43,470

14. Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	Account number	2022 - 2023	2021 - 2022
		Kshs	Kshs
a) Current Account			
Co-op Bank			
Equity Bank (PF)		4,977	26,310
Sub- Total		4,977	26,310
b) Cash on hand			
Cash on Hand		11,184	17,160
Sub- Total		11,184	17,160
Grand Total		16,161	43,470

15. Receivables from Exchange Transactions

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Receivables		
Refundable Deposit	432,800	432,800
Total Current Receivables	432,800	432,800

Notes to the Financial Statements (Continued)

16. Property, Plant and Equipment

	Furniture and fittings	Computers	Office Equipment	Capital Work in progress	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
Cost					
At 30 th June 2021	2,319,873	565,160	410,995	-	3,296,028
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
At 30 th June 2022	2,319,873	565,160	410,995	-	3,296,028
Additions	160,300	45,000	-	-	205,300
Disposals	-	-	-	-	-
At 30 th June 2023	2,480,173	610,160	410,995	-	3,502,128
Depreciation and impairment					
At 30 th June 2021	(1,574,411)	(416,715)	(230,288)	-	(2,221,414)
Depreciation	(126,774)	(63,754)	(14,342)	-	(204,870)
Disposals	-	-	-	-	-
At 30 th June 2022	(1,701,185)	(480,469)	(244,630)	-	(2,426,284)
Depreciation	(77,336)	(21,173)	(8,796)	-	(107,304)
Disposals	-	-	-	-	-
At 30 th June 2023	(1,778,521)	(501,642)	(253,426)	-	(2,533,588)
Net book values					
At 30 th June 2022	618,688	84,691	70,365	-	773,744
At 30 th June 2023	701,652	108,518	158,369	-	968,540

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Notes to the Financial Statements (Continued)

17. Trade and Other Payables from Exchange transactions

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Trade payables	12,000	115,000
Accrued Rent	335,000	335,000
Total trade and other payables	347,000	450,000

Notes to the Financial Statements (Continued)

18. Cash Generated from Operations

Description	2022 - 2023	2021 - 2022
	Kshs	Kshs
Surplus for the year before tax	224,389	167,156
Adjusted for:		
Depreciation	107,304	139,945
Working capital adjustments		
Purchase of assets	(205,300)	-
Increase in receivables	.	-
Increase in payables	(103,000)	(258,635)
Net cash flow from operating activities	23,393	48,466

19. 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.

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:

Notes to the Financial Statements (Continued)

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.

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 Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

iii) Market risk

Kenya National Congress (KNC) Party 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 Party'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.

iv) Interest rate risk

Interest rate risk is the risk that the Entity'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.

Notes to the Financial Statements (Continued)

Sensitivity analysis

The Entity 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. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase.

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 *Entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- 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.

Notes to the Financial Statements (Continued)

20. Events after the Reporting Period

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

21. Currency

The financial statements are presented in Kenya Shillings (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)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your Entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

.....
 National Treasurer

KENYA NATIONAL CONGRESS (KNC) PARTY

