

REPUBLIC OF KENYA



Enhancing Accountability

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REPORT

THE NATIONAL ASSEMBLY
PAPERS I AID

DATE: 15 SEP 2024

DAY:

Wednesday

OF

TABLED
BY:

Hon. Owen Baya, MP
Deputy Majority Party

CLERK-AT
THE-TABLE:

Finlay Muriuki

THE AUDITOR-GENERAL

ON

**UNITED PARTY OF
INDEPENDENT ALLIANCE (UPIA)**

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



Revised 30th June 2023



UNITED PARTY OF INDEPENDENT ALLIANCE (UPIA)

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)

United Party of Independent Alliance (UPIA)
Annual Report and Financial Statements
For the year ended June 30, 2023

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

CEO	Chief Executive Officer
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
NEC	National Executive Council

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.

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2. Key Party Information and Management

(a) Background information

United Party Independent Alliance (UPIA) is a political party in accordance with Political Parties Act, 2011 with registration number 046.

(b) Principal Activities

UPIA is a political party actively engaged in political campaigns across the country, regions, conducting rallies, town hall meetings, and door-to-door outreach to connect with the electorate.

Key Management

The *UPIA Party* day-to-day management is under the following key organs:

No.	Designation	Name
1.	Chairman	Dr Nuh Abdi
2.	Chief Executive officer	Sadick Doufa
3.	Treasurer	Hibo Bishar

(c) 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.	Chief Executive officer	Sadick Doufa
2.	National Treasurer	Hibo Bishar

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Key Party Information and Management (continued)

(d) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

- Audit and Risk Committee- None
- Finance committee - None
- Parliamentary Oversight Committees - None
- Development partner - None
- Other oversight arrangements – None

(e) Party Headquarters

Gem Lane, off Mander Road, Kileleshwa, Nairobi
P.O BOX 51851-00100
Nairobi

(f) Party Contacts

Telephone: (254)793027836

E-mail: info@UPIAparty.com

Website: www.UPIAparty.com

(g) Party Bankers

Kenya Commercial Kenya Limited
Lavington Branch
Nairobi

Equity Bank Kenya Limited
Marsabit Branch

(h) Independent Auditor

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

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(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

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3. The Board of Management








Ref	Management/Party Leadership	Details
1.	 <p>Dr. Nuh Nassir Abdi National Chairperson</p>	<p>Dr. Nuh Nassir Abdi Date of Birth: 27/01/1979 -Bachelor of Veterinary Medicine (BVM) -2007-2013 member of Parliament – Bura Constituency -Served in:- Departmental committee on Health as Vice Chairperson Select Committee on standing orders Powers and privileges Committee Select Committee on Constituency fund - 2013-2017 Speaker Tana River County Assembly</p>
2.	 <p>Dr. Mohamed Dahir Duale National Secretary General</p>	<p>Dr. Mohamed Dahir Duale Date of Birth: 13/7/1962 Bachelor of medicine & surgery (MBChB) Master's in Public health at the University of Leeds UK 2013-2022 member of parliament – Dadaab Constituency Served in:- -Departmental Committee on Health -Constitutional implementation oversight Committee -2001-2006 World Health organization - National Surveillance officer - 1999-2000 Ministry of Health – Provincial medical officer of Health- North Eastern province</p>
3.	 <p>Hibo Bishar National Treasurer</p>	<p>Hibo Bishar Date of Birth: 29/11/1986 Ms. Bishar is a climate change adaptation professional with vast experience in humanitarian and development work. She is a programs development consultant and has developed and delivered projects in various sectors including climate change adaptation, community empowerment, gender and women empowerment, conservation of water towers advocacy, protection, education and community health. She holds a Bachelor's Degree in Environmental Science and a</p>

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		<p>Master of Science Degree in Climate Change Adaptation. She has previously served as a chairperson of audit and risk management committee, member of Human Resources & corporate affairs as well as technical and strategy committees of the board of Kenya water towers.</p>
4.	 <p>Sadick Doufa Chief Executive Officer</p>	<p>Sadick Doufa Date of Birth: 12/06/1988 Holds a BA Accounting & Law from the University of South Wales United Kingdom. Sadick has over 10 years' experience in management, having served as a managing director in several companies and board member.</p>
5.	 <p>CS Jael Okoth Secretary</p>	<p>CS Jael Okoth Date of Birth: 1977 -Bachelor's Degree in Business administration & Management ICPSK- A Members of Institute of Certified Secretaries (Ics) Member No. R/CPSB/3583 -Registered Practitioner – Practising Certificate P/CPSB/1480 -Governance Auditors' Accreditation Certificate No. ICS/00360 – Institute of Certified Secretaries. -14 Years' experience in Company secretarial matters – Private and Public Sector</p>

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4. Key Management Team

	Management	Details
1.	 Dr. Nuh Nassir Abdi	National Chairperson
2.	 Dr. Mohamed Dahir Duale	National Secretary General
3.	 Hibo Bishar	National Treasurer
4.	 Joseph Kanguchu	National Organizing Secretary
5.	 Katra Salat Ahmed Noor	National Women Leader
6.	 Edwin Ndeda	National Special Interest Group Leader
7.	 Ibrahim Fatuma Nur	Ag. National Youth Leader

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8.	 Sadick Doufa	Chief Executive Officer
9.	 CSJael Adhiambo Okoth	Secretary

5. Chairman's Statement

The Auditor General

Dear Madam,

Subject: Brief Annual Overview and Future Outlook

I am delighted to present a succinct overview of UPIA Party's accomplishments, challenges, and prospective initiatives. Positioned as a Tier Two political Party, our noteworthy achievements are particularly commendable, given the inherent challenges faced by a recently established party. The audited year coincided with an election, and while our primary focus centred on securing votes for our nominated leaders, we acknowledge that there may have been some shortcomings in establishing our organizational framework to the requisite standards, having been launched in 2021.

Throughout the audited period, our dynamic political campaigns successfully engaged and expanded our support base. Notably, our party fielded candidates in at least 24 counties, resulting in the election and nomination of leaders in no fewer than 8 counties. This considerable accomplishment can be attributed to our highly effective communication strategy, which has elevated our political standing within the arena.

Financial constraints emerged as a formidable impediment, particularly during and after the election period. The heightened expectations for financial support from our leaders, coupled with the simultaneous need to sustain day-to-day party operations, presented a considerable challenge for the secretariat. However, with resilience and strategic acumen, we successfully navigated these obstacles.

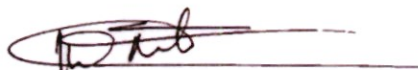
Looking ahead, UPIA Party is unwavering in its commitment to implementing comprehensive financial sustainability measures. This entails engaging in diverse fundraising strategies and optimizing budgetary allocations. Concurrently, we are dedicated to fortifying internal controls, ensuring transparency through robust compliance protocols. Moreover, the party is poised to enhance coordination and communication through carefully crafted capacity-building initiatives, while actively seeking mutually beneficial partnerships in strategic collaborations.

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In conclusion, our challenges are viewed as catalysts for growth. With a concerted and collaborative effort, UPIA Party is positioned for a future characterized by success and positive impact.

Thank you for your commitment and support.

Sincerely,



**Dr Nuh Nassir
National Chairman
United Party of Independent Alliance**

6. Report of the Chief Executive Officer

Subject: Annual audit report and organizational overview

I am pleased to present the Annual Audit Report and Organizational Overview for UPIA Party for the fiscal year ending 30th June 2023. This report aims to provide a detailed account of key activities, successes, challenges, and the future outlook of the organization based on the recent audit exercise.

1. Executive Summary:

The audit exercise covered various aspects of UPIA Party's operations, finances, and compliance with regulatory requirements. The findings and insights derived from the audit process will serve as a valuable tool for organizational improvement and strategic planning.

2. Key activities During the Year:

a. Political Campaigns and Outreach:

UPIA Party actively engaged in political campaigns across various regions, conducting rallies, town hall meetings, and door-to-door outreach to connect with the electorate.

b. Membership Drive:

The organization successfully executed a comprehensive membership drive, resulting in a notable increase in registered party members.

c. Policy Development:

UPIA Party invested in the formulation and refinement of policies, addressing critical issues and outlining the party's vision for the future.

3. Successes Consolidated:

a. Increased Membership Base:

The successful membership drive led to a significant expansion of the party's support base.

b. Effective Campaign Strategies:

UPIA Party implemented effective campaign strategies, garnering increased public attention and support.

c. Policy Advocacy:

The organization made strides in advocating for policies aligned with its core principles, contributing to a positive perception among potential voters.

4. Challenges Being Faced:

a. Financial Constraints:

The party faced financial challenges due to increased campaign expenses and economic uncertainties.

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b. Regulatory Compliance:

Ensuring compliance with evolving regulatory requirements presented challenges, necessitating ongoing attention to legal and governance frameworks.

c. Internal Coordination:

Coordinating activities and communication among various party units posed challenges, impacting operational efficiency.

5. Future Outlook and Way Forward:

a. Financial Sustainability:

Implementing measures to enhance financial sustainability through diversified fundraising and cost optimization.

b. Enhanced Compliance Protocols:

Strengthening internal controls and compliance protocols to ensure adherence to regulatory requirements.

c. Capacity Building:

Investing in capacity-building initiatives for party members and leadership to improve coordination and efficiency.

d. Strategic Partnerships:

Exploring strategic partnerships with like-minded organizations to leverage resources and expertise for mutual benefit.

e. Innovation and Adaptation:

Embracing innovative approaches and adapting to changing political landscapes to stay relevant and impactful.

In conclusion, the audit exercise provided valuable insights into UPIA Party's performance and areas for improvement. By addressing challenges and building on successes, the organization can position itself for sustained growth and influence in the political arena.

Thank you for your attention to this report, and I remain at your disposal for any further clarification or discussion.

Sincerely



**Sadick Doufa
Chief Executive Officer**

7. Corporate Governance Statement

This Corporate Governance Framework serves as a guide to ensure UPIA Party operates with transparency, accountability, and integrity. Regular reviews and updates will be conducted to align with evolving governance best practices and legal requirements.

Decision-Making Organ: National Executive Council (NEC) is the main Decision-making organ that is in charge of the overall direction of the party, its decision are ratified through the National Governing Council and National Delegates Council.

1. Frequency of Meetings:

The NEC shall convene quarterly for regular meetings to review and guide the party's strategic direction. Four NEC meetings shall be held annually, with additional special sessions as deemed necessary.

2. Attendance Records:

Attendance records for each NEC meeting shall be diligently maintained, documenting the presence or absence of members. Members failing to attend more than two consecutive meetings without valid reasons may be subject to review and appropriate action.

3. Succession Plan:

A comprehensive succession plan has been established to ensure a smooth transition of leadership within the NEC. The plan includes the identification and mentoring of potential successors, preparing them for leadership roles within the party.

4. Existence of NEC Charter:

A detailed National Executive Council Charter shall be established, outlining the roles, responsibilities, and decision-making processes of the NEC. The charter will be reviewed periodically to ensure its relevance and effectiveness.

5. Appointment and Removal Process of NEC Members:

Members of the NEC are appointed based on merit, experience, and commitment to the party's values. Removal of NEC members will follow a transparent process, involving a vote by the council and adherence to the party's constitution.

6. Roles and Functions of the NEC:

- Setting the party's strategic direction and policies.
- Oversight of financial matters and adherence to regulatory requirements.
- Appointment and evaluation of key executives.
- Ensuring compliance with the party's constitution and ethical standards.

7. Induction, Training, and Development:

All NEC members shall undergo a comprehensive induction program upon appointment.

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Regular training and development sessions will be organized to enhance leadership skills, governance knowledge, and understanding of party policies.

8. Board and Member Performance:

An annual performance review of the NEC and individual members will be conducted to assess their effectiveness and contributions. Performance assessments will inform decisions on potential leadership changes and improvements to governance practices.

9. Conflict of Interest:

Members of the NEC shall disclose any potential conflict of interest promptly. Conflicts of interest will be managed transparently, with members abstaining from decisions where conflicts exist.

10. NEC Remuneration:

A transparent remuneration policy has been established, ensuring fair compensation for NEC members based on their roles and responsibilities. The NEC are entitled to a seating allowance and transport reimbursement. Remuneration details will be disclosed in the party's annual reports.

11. Ethics and Conduct:

NEC members are expected to adhere to a code of conduct that upholds the party's values, integrity, and ethical standards. Violations of the code may result in disciplinary actions, including removal from the NEC.

12. Governance Audit:

A governance audit will be conducted periodically to assess the effectiveness of governance structures and processes. Recommendations from the audit will inform improvements to strengthen the party's governance framework.

8. Management Discussion and Analysis

Overview:

The management of UPIA is pleased to present this comprehensive discussion and analysis of the party's performance, operations, and outlook. This MD&A aims to provide stakeholders with a deeper understanding of the party's strategic direction, financial performance, and key initiatives during the reporting period.

Strategic Focus:

During the period under review, UPIA continued to focus on strengthening its position as a formidable political force committed to the principles of independence, inclusivity, and effective governance. Our strategies centered on expanding membership, engaging communities, and advocating for policies aligned with our core values.

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Key Highlights:

Membership Growth:

UPIA experienced notable success in expanding its membership base, reaching to electorate and Successful Campaigns.

Dynamic political campaigns were conducted, engaging communities and contributing to increased public awareness and support for UPIA.

Election Results:

UPIA fielded candidates in 24 counties, resulting in the election and nomination of leaders in 8 counties.

Financial Management:

Despite financial constraints, UPIA successfully managed its resources to support both election activities and day-to-day operations.

Financial Performance:

Income Sources:

UPIA's primary sources of income included membership dues, fundraising events, and contributions from supporters.

Expenditure:

Expenditures were primarily allocated to campaign activities, party operations, and administrative costs.

Financial Sustainability Measures:

The party is actively exploring diverse fundraising strategies and optimizing budgetary allocations to ensure long-term financial sustainability.

Challenges and Mitigation:

Financial Constraints:

The party faced challenges in meeting the financial demands of both election activities and sustaining daily operations.

Mitigation: UPIA implemented strategic financial management practices, ensuring prudent use of resources and seeking alternative funding avenues.

Operational Coordination:

Internal coordination challenges impacted operational efficiency.

Mitigation: UPIA is investing in capacity-building initiatives to enhance internal communication and coordination.

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Future Outlook:

Strategic Collaborations:

UPIA is actively pursuing strategic partnerships with like-minded organizations to leverage collective resources and expertise.

Policy Advocacy:

The party remains committed to advocating for policies aligned with its core values, addressing the concerns of its constituents.

Innovation and Adaptation:

Embracing innovation and adapting to the changing political landscape are key strategies to remain relevant and impactful.

Conclusion:

Despite challenges, UPIA's commitment to its principles, coupled with strategic planning and effective management, positions the party for sustained growth and impact. The management remains dedicated to transparency, accountability, and serving the best interests of its members and the communities it represents.

This Management Discussion and Analysis reflects our commitment to open communication and accountability. We look forward to continued support and collaboration as we work towards a future marked by success and positive change.

9. Report of the Management

The Management submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the *UPIA Party* affairs.

i) Principal activities

United Party Independent Alliance (UPIA) is a political party in accordance with Political Parties Act, 2011 with registration number 046.

ii) Results

The results of the Party for the year ended June 30, 2023, are set out on page on the statement of financial performance.

iii) Management

The members of the Board of Management who served during the year are shown above.

**United Party of Independent Alliance (UPIA)
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iv) Auditors

The Auditor-General is responsible for the statutory audit of the UPIA Party in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



.....

**Mohamed Dahir Duale
National Secretary General**

10. Statement of Management Responsibilities

Section 81 of the Public Finance Management Act, 2012, require the Management to prepare financial statements in respect of that Party, which give a true and fair view of the state of affairs of the Party at the end of the financial year/period and the operating results of the Party for that year/period. The Management are also required to ensure that the Party keeps proper accounting records which disclose with reasonable accuracy the financial position of the Party. The Management are also responsible for safeguarding the assets of the Party.

The Management are responsible for the preparation and presentation of the UPIA Party financial statements, which give a true and fair view of the state of affairs of the Party for and as at the end of the financial year (period) 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 Party; (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 Party; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Management accept responsibility for the UPIA Party financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Management are of the opinion that the UPIA Party financial statements give a true and fair view of the state of UPIA Party transactions during the financial year ended June 30, 2023, and of the UPIA Party financial position as at that date. The Management further confirms the completeness of the accounting records maintained for the Party, which have been relied upon in the preparation of the UPIA Party financial statements as well as the adequacy of the systems of internal financial control.


In preparing the financial statements, the Management have assessed the UPIA Party ability to continue as a going concern.

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

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Approval of the financial statements

The UPIA Party financial statements were approved by the Board on 22nd day of August 2023 and signed on its behalf by:



.....

Dr. Nuh Nassir
Chairperson of the Board/Council



.....

Mohamed Dahir Duale
Accounting Officer

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON UNITED PARTY OF INDEPENDENT ALLIANCE (UPIA) 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 United Party of Independent Alliance (UPIA) set out on pages 1 to 25, which comprise of the statement of financial position, as at 30 June, 2023, and statement of financial of performance, statement

of changes in net assets and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 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 United Party of Independent Alliance (UPIA) 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 Public Finance Management Act, 2012 and the Political Parties Act, 2011.

Basis for Qualified Opinion

1. Variances Between the Balances in the Financial Statements and the Ledgers

Review of the financial statements revealed variances between the balances in the financial statements and the ledgers on two items as summarized in the table below;

Item	Financial Statements Balance (Kshs.)	Ledger Balance (Kshs.)	Variance (Kshs.)
Membership and Registration	2,270,249	0	2,270,249
Use of Goods and Services - Postage, Internet and Telephone	6,000	5,000	1,000

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Unsupported Cash and Cash Equivalents

The statement of financial position reflects a cash and cash equivalents balance of Kshs.1,658,145 as disclosed in Note 13 to the financial statements. However, the bank reconciliation statement as at 30 June, 2023 was not provided for audit verification.

Further, review of various cash books revealed transactions that could not be verified due to a lack of sufficient support documentation as summarized below: -

Type	Date	Details	Amount (Kshs.)
General Journal	19 July, 2022	Members Fund	270,986
General Journal	30 June, 2023	Rent Deposit	200,000
Cheque	24 April, 2023	Petty Cash	990,000
Cheque	29 April, 2023	Electoral Expenses	990,000
Cheque	31 May, 2023	Capacity Building and Outreach	1,267,675
General Journal	30 June, 2023	Rent Deposit	(404,464)

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.1,658,145 could not be confirmed.

3. Inaccuracy of Property, Plant and Equipment

The statement of financial position reflects property, plant and equipment; and leasehold improvement net book value of Kshs.1,793,790 as disclosed in Note 14 to the financial statements. However, scrutiny of the assets register revealed a current value of total assets balance of Kshs.1,859,550 resulting in a variance of Kshs.65,760 and which has not been reconciled.

In the circumstances, the accuracy and completeness of property, plant and equipment and its depreciation could not be confirmed.

4. Unsupported Member Contribution

The statement of financial performance reflects a total revenue balance of Kshs.6,754,305. Included in this amount is Kshs.2,270,249 relating to membership and registration. However, scrutiny of the documents provided revealed that revenue earned during the year from elected members amounted to Kshs.2,145,000. This revenue was made up of eleven (11) months' contributions totalling Kshs.220,000 from the speaker, Kshs.330,000 from the Members of Parliament and Kshs.1,595,000 from the Members of County Assemblies all totalling Kshs.2,145,000 resulting to an unexplained variance of Kshs.125,249.

In the circumstances, the accuracy and completeness of the member contributions balance of Kshs.2,270,249 could not be confirmed.

5. Unsupported Expenditure on Special Interest Group/Civic Education

The statement of financial performance reflects total expenses balance of Kshs.5,962,356. Included in this balance was the use of goods and services amount of Kshs.4,743,149 which further included a balance of Kshs.2,311,608 relating to Special Interest Groups/Civic Education. Included in the amount of Kshs.2,311,608, was an amount of Kshs.670,408 that was not supported with an approved requisition, committee report, a professional opinion, letter of award, Local Purchase Orders (LPOs), delivery note, inspection and acceptance committee report, an authorized and approved voucher for the hire of facilities and equipment as well as merchandise procured by the entity.

In the circumstances, the accuracy, occurrence and completeness of the expenditure on special interest groups balance of Kshs.2,311,608 could not be confirmed.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the United Party of Independent Alliance (UPIA) Management in accordance with ISSAI 130 on the 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. Unaudited Comparative Balances

I draw your attention to the fact that prior to the 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 reflect comparative balances for the year ended 30 June, 2022, the 2022/2023 financial year is considered as the first year of audit hence the audit procedures undertaken did not cover the prior year balances.

2. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.7,922,800 and Kshs.6,754,305 respectively resulting to an underfunding of Kshs.1,169,495 or 15% of the budget. However, the Party expended Kshs.5,962,356 against actual receipts of Kshs.6,754,305 resulting to an under-utilisation of Kshs.791,949 or 12% of the budget.

The underfunding and under-utilisation affected the planned activities of the Party and may have impacted negatively on delivery of its mandate.

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. Failure to Tag/Label the Assets

The statement of financial position reflects property, plant and equipment of Kshs.1,793,790 as disclosed in Note 14 to the financial statements. However, the assets were not tagged with unique identifiers as provided in Part IV(i) C - Section 77(7) of The National Treasury Guidelines on Asset and Liability Management in the Public Sector, 2020 which provides that all assets purchased shall be identified/tagged upon

receipt from suppliers and, before they are issued out to user departments and the tag number of each asset to be included in the asset register

In the circumstances, the existence of an alternative mechanism to safeguard Party's assets could not be ascertained.

2. Failure to Establish Adequate Party Offices

During the year under review, thirty-eight (38) Counties were visited and it was noted that the Party had only one (1) office and this excluded nine (9) Counties which were not visited. However, this is contrary to Section (7)(f)(iii) of the Political Parties Act, 2011 which states 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

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 control, 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 control, risk management and 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 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 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

24 June, 2024

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

	Notes	18 Months June 2023	2021
		Kshs	Kshs
Revenue from non-exchange transactions			
Transfers from Political Parties Fund	6	4,484,056	-
Membership fees and subscription	7	2,270,249	722,366
Total revenue		6,754,305	722,366
Expenses			
Use of goods and services	8	4,743,149	436,760
Employee costs	9	668,150	-
Depreciation expense	10	541,890	412,320
Repairs and maintenance	11	2,300	-
Finance costs	12	6,867	2,185
Total expenses		5,962,356	851,265
Surplus/ (deficit) before tax		791,949	(128,899)
Taxation		-	-
Net Surplus /(deficit)for the year		<u>791,949</u>	<u>(128,899)</u>

The notes set out on pages 19 to 23 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Management by:



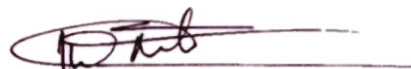
.....
Mohamed Dahir Duale
Accounting Officer

Date

Zachary Odongo

.....
Zachary Odongo
Head of Finance
ICPAK M/No: 12581

Date



.....
Abdi Nuh Nassir
Chairman of the Board

Date

United Party of Independent Alliance (UPIA)
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12. Statement of Financial Position as at 30 June 2023

	Notes	18 Months Period to 30 June 2023	2021
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	13	1,658,145	271,106
Rent deposit	15	200,000	164,200
Total Current Assets		1,858,145	435,306
Non-Current Assets			
Property and Equipment	14	1,793,790	2,314,680
Total Non- Current Assets		1,793,790	2,314,680
Total Assets		3,651,935	2,749,986
Liabilities			
Current Liabilities			
Current provision	16	140,000	30,000
Total Current Liabilities		140,000	30,000
Non-Current Liabilities			
Member's fund		3,511,935	2,719,986
Total Non- Current Liabilities		-	-
Total Liabilities		3,651,935	2,749,986
Total Net Assets and Liabilities		3,651,935	2,749,986

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

by: 

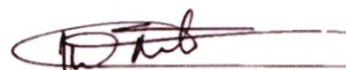
.....
Mohamed Dahir Duale
Accounting Officer

16/02/2024

Zachary Odongo

.....
Zachary Odongo
Head of Finance
ICPAK No: 12581

16/02/2024



.....
Abdi Nuh Nassir
Chairman of the Board

16/02/2024

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

Description	Members Funds	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, 2021	2,848,885	-	-	-	2,848,885
Deficit for the year	(128,899)	-	-	-	(128,899)
As at June 30, 2022	2,719,986	-	-	-	2,719,986
As at July 1, 2022	2,719,986	-	-	-	2,719,986
Surplus for the year	791,949	-	-	-	791,949
As at June 30, 2023	3,511,935	-	-	-	3,511,935

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

	Notes	18 Months Period to	2021
		30 June 2023	Kshs
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers from other governments entities	6	4,484,056	-
Members contributions and donations	7	2,270,249	722,366
Total receipts		6,754,305	722,366
Payments			
Use of goods and services	8	(4,743,149)	(851,265)
Employee costs	9	(668,150)	-
Repairs and maintenance	11	(2,300)	-
Finance costs	12	(6,867)	-
Total payments		(5,420,466)	851,265
Net cash flows from/(used in) operating activities		1,333,839	(128,899)
Cash flows (used)/ generated from operation			
Rent deposit	15	(35,800)	(164,200)
Accruals - payable	16	110,000	30,000
Cash from operations		74,200	(134,200)
Cash flows from investing activities			
Purchase of equipment	14	(21,000)	193,685
Net cash flows from/(used in) investing activities		(21,000)	40,000
Cash flows from financing activities			
Proceeds from borrowings		-	-
Net cash flows from financing Activities		-	-
Net increase/(decrease) in cash & Cash equivalents	13	1,387,039	271,106
Cash and cash equivalents at 1 July	13	271,106	-
Cash and cash equivalents at 30 June	13	1,658,145	271,106

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15. 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	8,968,111	(3,505,311)	5,462,800	4,484,056	978,744	82%
Members Contributions and Donations	2,460,000	-	2,460,000	2,270,249	189,751	92%
Total Income	11,428,111	(3,505,311)	7,922,800	6,754,305	1,168,495	85%
Expenses						
Use of Goods and Services	8,728,111	(1,505,311)	7,222,800	4,743,149	2,479,651	66%
Employee costs	2,700,000	(2,000,000)	700,000	668,150	31,850	95%
Depreciation expense	-	-	-	541,890	-	-
Repairs	-	-	-	2,300	-	-
Finance cost	-	-	-	6,867	-	-
Total Expenditure	11,428,111	(3,505,311)	7,922,800	5,962,356	2,511,501	-
Surplus for the year	-	-	-	791,949	-	-

Budget notes

There amount received from PPF was 82% of the budget, the amount requested was not fully given.

16. Notes to the Financial Statements

1. General Information

United Party Independent Alliance (UPIA) is a political party in accordance with Political Parties Act, 2011 with registration number 046.

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 *UPIA Party* 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 *Party*. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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 UPIA Party 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

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Standard	Effective date and impact:
	<p>the asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> • 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 UPIA Party risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>None</p>
<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 Party 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> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Party. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the UPIA Party financial performance, financial position and cash flows. <p>No Impact</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> 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.

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Standard	Effective date and impact:
	<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>
Other improvements to IPSAS	<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>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of a Party.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>

Notes to the Financial Statements (Continued)

iii. Early adoption of standards

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

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

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 *Party* 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 Party recognizes revenue from members' contribution and 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.

b) Budget information

The original budget for the Current FY was approved by the National Assembly. 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 Party upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Party recorded additional appropriations of xxx on the 2023 budget following the governing body's approval.

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Summary of Significant Accounting Policies (Continued)

Budget information

The *UPIA Party* 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 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 *Party* 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

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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 organisation and the same taxation authority.

d) Property and equipment

All property 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 Party 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.

e) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Party. 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 Party 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 Party will obtain ownership of the asset by the end of the lease

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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 *Party*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

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 Party 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 Party and a financial liability or equity instrument of another Party. At initial recognition, the Party 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 Party 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 UPIA Party 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 a Party 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 Party 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.

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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.

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.

b) Financial liabilities

Classification

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

f) 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 *Party*.

g) Provisions

Provisions are recognized when the *Party* 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 *Party* 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

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certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

h) 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 Party 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 Party will incur in fulfilling the present obligations represented by the liability.

i) Contingent liabilities

The Party 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.

j) Contingent assets

The Party 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 Party 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.

k) Changes in accounting policies and estimates

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

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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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

n) Related parties

The *Party* regards a related party as a person or a Party 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 Management, the CEO and senior managers*.

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.

o) Comparative figures

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

p) 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 *UPIA Party* 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 Party 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 Party. 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 Party.
- 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.

(Include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).

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Notes to the Financial Statements (Continued)

6. Transfers from Other Government entities

Description	18 Months to 30 June 2023	2021
	Kshs	Kshs
Unconditional Grants		
Amount received for PPF	4,484,056	-
Total Unconditional Grants	4,484,056	-
Conditional Grants amortised/ transferred to revenue		
Housing Development Grant	-	-
Total Government Grants And Subsidies	4,484,056	-

7. Members Contributions and Donations

Description	18 Months to 30 June 2023	2021
	Kshs	Kshs
Members Contributions to the party	2,270,249	722,306
Total Transfers from members	2,270,249	722,306
Reconciliation Of Contributions and Donations		
Balance Unspent at Beginning of The Year	-	-
Current Year Receipts	2,270,249	722,306
Conditions To Be Met - Remain Liabilities	-	-
Total contribution for the year	2,270,249	722,306

8. Use of Goods and Services

Description	18 Months to 30 June 2023	2021
	Kshs	Kshs
Accounting fees	90,000	120,000
Audit Fees	50,000	30,000
Conferences ,Delegations ,Special interest groups/ Civic Education	2,311,608	286,760
Cleaning and sanitation	20,000	-
Staff refreshment	25,141	-
Telephone, postage and Internet	6,000	-
Office expenses	44,630	-

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Description	18 Months to 30 June 2023	2021
	Kshs	Kshs
Printing and stationery	44,770	-
Rent expenses	2,151,000	-
Total	4,743,149	436,760

9. Employee Costs

Description	18 Months to 30 June 2023	2021
	Kshs	Kshs
Salaries and wages	668,150	-
Employee costs	668,150	-

10. Depreciation and Amortization Expense

Description	18 Months to 30 June 2023	2021
	Kshs	Kshs
Property and equipment	541,890	412,320
Total depreciation and amortization	541,890	412,320

11. Repairs and Maintenance

Description	18 Months to 30 June 2023	2021
	Kshs	Kshs
Property and equipment	2,300	-
Total Repairs and Maintenance	2,300	-

12. Finance Costs

Description	18 Months to 30 June 2023	2021
	Kshs	Kshs
Bank charges	6,867	2,185
Total finance costs	6,867	2,185

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13. Cash and Cash Equivalents

Description	18 Months to 30 June 2023	2021
	Kshs	Kshs
Current Account	1,242,613	271,106
Others – Work pay	415,532	-
Total Cash and Cash Equivalents	1,658,145	271,106

Detailed Analysis of the Cash and Cash Equivalents

Financial Institution	18 Months to 30 June 2023	2021
	Kshs	Kshs
a) Current Account		
Kenya Commercial Bank Limited	80,199	-
Equity Bank Limited	1,162,414	-
Sub- Total		
b) Others(Specify)		
Mobile Money Accounts	415,532	-
Sub- Total		
Grand Total	1,658,145	-

14. Property and Equipment

Cost	Furniture and fittings	Computers	Total
	Kshs	Kshs	Kshs
As At 1st July 2021	2,227,000	500,000	2,727,000
Additions	-	21,000	21,000
As at 30th June 2023	2,227,000	521,000	2,748,000
Depreciation			
At 1st July 2021	287,320	125,000	412,320
Depreciation	363,690	178,200	541,890
As At 30th June 2023	651,010	303,200	954,210
Net Book Values			
As at 30th June 2023	1,575,990	217,800	1,793,790
As at 30th June 2021	1,939,680	375,000	2,314,680

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Notes to the Financial Statements (Continued)

15. Refundable Deposits and Prepayments from Customers

Description	18 Months to 30 June 2023	2021
	Kshs	Kshs
Rent deposit	200,000	164,200
Total deposits	200,000	164,000

16. Current Provisions/ Accruals

Description	18 Months to 30 June 2023	Total
	Kshs	Kshs
Balance b/f		-
Accounting fees	90,000	90,000
Audit fees	50,000	50,000
Total provisions year end	140,000	140,000

17. Financial Risk Management

The UPIA Party activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The UPIA Party 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 Party 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 UPIA Party financial risk management objectives and policies are detailed below:

i) Credit risk

The Party 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 Management. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the UPIA Party management based on prior experience and their assessment of the current economic environment.

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Financial Risk Management

The carrying amount of financial assets recorded in the financial statements representing the UPIA Party maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount	Fully performing
	Kshs	Kshs
As at 30th June 2023		
Rent deposit	200,000	200,000
Bank balances	1,658,144	1,658,144
Total	1,858,144	1,858,144
As at 30 June 2021		
Rent deposit	164,200	164,200
Bank balances	271,106	271,106
Total	435,306	435,306

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Notes to the Financial Statements (Continued)

Financial Risk Management

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 Party has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The Party has no significant concentration of credit risk on amounts due from rent deposit. The board of Management sets the UPIA Party 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 UPIA Party Management, who have built an appropriate liquidity risk management framework for the management of the UPIA Party short, medium and long-term funding and liquidity management requirements. The Party manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Party 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.

Description	Less than 1 month	Total
	Kshs	Kshs
As at 30th June 2023		
Accounting and audit fees	140,000	140,000
Total	140,000	140,000
As at 30th June 2021		
Accounting and audit fees	30,000	30,000
Total	30,000	30,000

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Notes to the Financial Statements (Continued)

Financial Risk Management

iii) Market risk

The *Party* has put in place an internal audit function to assist it in assessing the risk faced by the Party 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 UPIA Party 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 UPIA Party 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 UPIA Party exposure to market risks or the way it manages and measures the risk.

18. Events after the Reporting Period

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

19. Currency

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

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17. 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)
Noted on the management				

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 Party 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.



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Chief Executive officer

Date: 16/02/2024