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# REPORT

OF

**THE AUDITOR-GENERAL**

ON

**SIAYA COUNTY ALCOHOLIC DRINKS  
CONTROL FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





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**COUNTY GOVERNMENT OF SIAYA  
SIAYA COUNTY ALCOHOLIC DRINKS CONTROL FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
30<sup>TH</sup> JUNE 2019**

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



*Siaya County Alcoholic Drinks Control Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019.**

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## **1. KEY ENTITY INFORMATION AND MANAGEMENT**

### **a) Background information**

Siaya County was established by The Constitution of Kenya 2010 and is divided into six sub counties namely Alego Usonga, Ugenya, Gem, Rarieda, Bondo and Ugunja.

The County provides services to its residents including those from devolved functions.

His Excellency the Governor Cornel Rasanga Amoth heads the County and is responsible for general Administration, Policy and Strategic direction of the County. This he does with the support of the Executive Committee as per the Constitution. These funds are created by the County Executive Committee Member for Finance and Planning.

Siaya County Alcoholic Drinks Control Act 2016 was operationalized in 2017. The fund is domiciled in Enterprise and Industrial Development Department situated at the Siaya County Headquarters, Siaya Town.

Its activities involve inspection of liquor vendors' premises for compliance, licensing, enforcement and conducting committee meetings to approve vendors' application. These committees are headed by Sub County Administrators chairmen of these committees.

Its activities include:

1. Normal committee meetings for administration and planning purposes.
2. Committee meetings for vetting of applicants to consider them for approval.
3. Inspection of premises to ensure compliance before issuance of licenses and during operations.
4. Enforcement/crackdown to ensure adherence to the laws and regulations
5. Sensitization and awareness creation to inform the public and other stakeholders on the activities of the directorate and involve public participation principles. All stakeholders are involved including NACADA.

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Other activities include prevention and control of alcohol and drug abuse and setting up of rehabilitation centers.

Once the applications are approved, the vendors are invoiced and the amount due to the County is deposited in KCB bank Account Number 1206483431 Siaya branch and a license is then issued.

These activities were previously done by NACADA and were later transferred to the County.

**b) Principal Activities**

The main activities of this fund are licensing and regulation, sale, distribution, consumption and outdoor advertising of Alcoholic Drinks.

Other activities include control and management of use of alcoholic drinks, drug abuse and the promotion of research, treatment and rehabilitation of persons dependent on alcoholic drinks.

**c) Key Management**

Ref	Position	Name
1	CECM	Mr. Jaoko Oburu
2	Chief Officer	Mr. Christopher Owang
3	Fund Administrator/Director	Mr. Christopher Owang
4	Fund Accountant	Mrs. Ruth Agot

**d) Fiduciary Oversight Arrangements**

*Fiduciary oversight is carried out by County Treasury Head of Accounting services and Internal Audit unit.*

Ref	Position	Name
1	Directorate Internal Audit	Jemimah Olunga
2	Head of Accounting Services	CPA. Geoffrey Ochieng
3		

**e) Registered Offices**

P.O. Box 803-40600

Trade building

Siaya, Kenya

**f) Fund Contacts**

Telephone: (254)-0722785687

E-mail: [mondayjohns@yahoo.com](mailto:mondayjohns@yahoo.com)

Website: [Siayacounty.go.ke](http://Siayacounty.go.ke)

**g) Fund Bankers**

Kenya Commercial Bank,

Siaya, Kenya.

**h) Independent Auditors**

Auditor General,

Kenya National Audit Office,

Anniversary Towers, University Way



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P.O. Box 30084

GPO 00100

Nairobi, Kenya

**i) Principal Legal Adviser**

The County Attorney





Governor's Annex Building

P.O. Box 803-40600,

Siaya, Kenya.


**Siaya County Alcoholic Drinks Control Fund  
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**2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE (or any other corporate governance body for the Fund)**

Ref	Passport-size Photo	Name	Position	Qualifications/ Experience
1		Mr. Jaoko Oburu	CECM-Enterprise	Hold a Bachelor's Degree. Possess vast experience in civil service.
2		Mr. Christopher Owang	Chief Officer-Enterprise <i>(Responsible department)</i>	Hold a Bachelor's Degree. Possess vast experience in civil service.
3		Mr. Cleopas Ombogo	Chief Officer-Finance	Hold a Bachelor Degree, CPAK, Vast experience in Public Financial Management
4		Mrs. Ruth Agot	Fund Accountant	CPA. Has served as Senior Accountant for over 10 years, Holds a Bachelors degree in Business Administration with IT and an MBA

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5		Mr. Christopher Owang'	Fund Manager/ Administrator	Hold a Bachelor's Degree. Possess vast experience in civil service and administration.
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**3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S  
PREDETERMINED OBJECTIVES**

**Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each County Government entity Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

Below we provide the progress on attaining the stated objectives of the Siaya County Alcoholic Drinks Control Fund for the period ended 30<sup>th</sup> June 2019 plan:

<b>ACTIVITY</b>	<b>DETAILS</b>	<b>REMARKS</b>
Requisition of Accountable Documents	Still being requisitioned from the Central stores.	
Preparation of Financial Reports	Fund accountant has complied to improve our accountability efforts.	Compliance with SCADCA, Art 7(3).
Partnership with NACADA	Very effective especially on policy issues.	
Sensitization. Awareness Creation and Publicity	A continues exercise that must be enhanced.	A vehicle for the Directorate is needed.
Enforcement/Inspection Activities Conducted	Planned and random enforcement including a special one from the Headquarters by the Directorate.	Island and beaches inspection is a challenge.

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Review of Liquor Act (in progress) & other policy documents	Basically on the operations of busaa production and sale.	KEBS standards are not easy to adhere to in busaa production thus not easy to regulate.
Mapping	Identification of outlets in terms of location and contacts very critical as we go digital in this area.	A tool is being polished to help us adopt this exercise in 2020.
Rehabilitation Program	Identification of a site and construction of the centre is a necessity. Meanwhile a pilot program targeting vulnerable chang'a traders is in the offing.	NACADA is ready to equip such a centre if completed. Economic empowerment is necessary to change lives.

Signed: \_\_\_\_\_



Mr. Christopher Owang'- Fund Administrator/ Director

**4. MANAGEMENT TEAM**

<b>Name</b>	<b>Designation</b>	<b>Responsibility</b>
1. Mr. Jaoko Oburu	CECM	Overall oversight
2. Mr. Christopher Owang	Chief Officer	Accounting officer
3. Mr. Christopher Owang'	Fund Administrator/ Director	Overall supervision and Administration of the fund
4. Mrs. Ruth Agot	Fund Accountant	Maintains proper books of accounts and records in relation to the fund.



**5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT**

It's my pleasure to present the annual report of Siaya County Alcoholic Drinks Control Fund which as created by the Siaya County Alcoholic Drinks Control Act 2016. The fund was created primarily to provide for licensing of alcoholic drinks by County Government pursuant to Part II of the Fourth Schedule of the Constitution so as to control the production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation for persons dependent on alcoholic drinks.

There is established in the County the Alcoholic Drinks Control Directorate charged with the responsibility of managing day to day operation of the Fund. The directorate is headed by a Director who is the Fund Administrator.

The Directorate has put measures to enforce compliance to the Act through regular enforcement and public education.

Moving forward we intend to mobilise resources to ensure establishment of treatment and rehabilitation facilities. Also of importance is enhancement of our revenue collection mechanisms to meet set targets.

Signed: \_\_\_\_\_

Hon. Richard Mungla

***CEC- Enterprise and Industrial Development.***

**6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR**

There is established in the County the Alcoholic Drinks Control Directorate charged with the responsibility of managing day to day operation of the Fund. The directorate is headed by a Director who is the Fund Administrator.

Collection of liquor revenues is done at the Sub-Counties, who in turn submit returns to the Directorate on monthly basis for clearance and recording

The Financial Statement for 2018/2019 covers the period February 2018 to June 2019. During the period under review we collected a total of Kshs. 11,746,152 against actual expenditure of Kshs. 7,830,896 resulting to a surplus of Kshs. 3,915,256.

The Directorate has put measures to enforce compliance to the Act through regular enforcement and public education.

The County carried out training/ induction of stakeholders and public education to Siaya residents. Moving forward we intend to mobilise resources to ensure establishment of treatment and rehabilitation facilities. Also of concern is enhancement of our revenue collection mechanisms to meet set targets.

Signed: \_\_\_\_\_

CHRISTOPHER OWANG

**Fund Administrator**

## **7. CORPORATE GOVERNANCE STATEMENT**

The Act provides for the establishment of the following committees;

- i. Sub-County Alcoholic Drinks Regulation Committee
- ii. County Alcoholic Regulation Administrative Review Committee and
- iii. County Enforcement Committee

The Sub-County Alcoholic Drinks Regulation Committee is operational and is the body that does the vetting of applications for liquor licensing. The County Enforcement Committee is responsible for ensuring compliance to the Act by liquor Vendors and the public.

The County is yet to establish Alcoholic Regulation Administrative Review Committee.

Meanwhile no application has been made that require to be reviewed. The Sub-County Alcoholic Drinks Regulation Committee has been able to handle all applications before it.

Regular trainings and inductions are being carried out. The committees also met as scheduled.

**8. MANAGEMENT DISCUSSION AND ANALYSIS**

*a. on the operational and financial performance of the Fund/Board during the period,*

*The Directorate collected a total of Kshs. 11,746,152 and incurred an expenditure amounting to Kshs. 7,830,896 resulting to a surplus of Kshs. 3,915,256*

*b. entity's key projects or investments decision implemented or ongoing,*

*There were no projects carried out.*

*c. Fund's compliance with statutory requirements.*

*The funds management has always endeavour to comply with statutory requirements.*

*d. major risks facing the Fund, material arrears in statutory and other financial obligations,  
and*

*e. The monies collected from liquor license are not adequate to fund the Directorate programmes.*



## **9. REPORT OF THE FUND ADMINISTRATION COMMITTEE**

The fund management team submit their report together with the un-audited financial statements for the year ended June 30, 2019, which show the state of the Fund affairs.

### **10.1 Principal activities**

The principal activities of the Fund is for meeting the capital and recurrent expenditure relating to carrying out the functions of the Directorate and assisting in the operation of the Sub- County Committees.

### **10.2 Performance**

The performance of the Fund for the year ended June 30, 2019, are set out on page 22-28

### **10.3 Fund Management team**

The fund Management team who served during the year are shown on page (10).

### **10.4 Auditors**

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

Sign:

Name: \_\_\_\_\_

*Fund Administration Committee*

Date: \_\_\_\_\_

## **10. STATEMENT OF MANAGEMENT'S ADMINISTRATION RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 and the Siaya County Alcoholic Drinks Control Act under which the fund is regulated, requires the Fund Administrator/ Director to prepare, sign and transmit to the Auditor-General in respect of each financial year and within three (3) months after the end thereof, a statement of the accounts relating to the fund in accordance with Public Audit Act, 2003. The fund administrator shall cause to be kept proper books of account and other books and records in relation to the fund which disclose with reasonable accuracy the financial position of the fund. The financial statements have been prepared in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Fund Administrator is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. 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 fund; (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 fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

**Siaya County Alcoholic Drinks Control Fund  
Reports and Financial Statements  
For the year ended June 30, 2019.**

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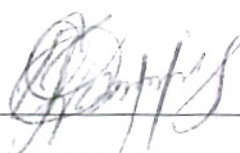
The Fund Administrator accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Siaya County Alcoholic Drinks Control Act, 2016. The Fund Administrator is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

**Approval of the financial statements**

The Fund's financial statements were approved by the management team on 16/09/2019 and signed on its behalf by:

  
\_\_\_\_\_  
CHRISTOPHER OWANG'

**Fund Administrator**



# REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke  
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**HEADQUARTERS**  
Anniversary Towers  
Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON SIAYA COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Qualified Opinion**

I have audited the accompanying financial statements of the Siaya County Alcoholic Drinks Control Fund set out on pages 19 to 55, which comprise of the statement of financial position as at 30 June, 2019 and the statement of financial performance, statement of changes in equity, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information 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 Siaya County Alcoholic Drinks Control Fund as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Siaya County Alcoholic Drinks Fund Control Act, 2016.

#### **Basis for Qualified Opinion**

##### **1. Inaccuracy in Cash and Cash Equivalents**

The statement of financial position reflects cash and cash equivalent balance of Kshs.3,915,256 as disclosed in Note 10 to the financial statements. It was noted that the bank reconciliation statement includes Kshs.116,080 being receipts in the bank statement not yet recorded in the cash book and bank charges of Kshs.9,289 that had not been posted to the cash book.

In the circumstances, the accuracy and ownership of the cash and cash equivalents balance of Kshs.3,915,256 could not be confirmed.

##### **2. Unsupported Fund Administration Expenses**

The statement of financial performance reflects fund administration expenses amount of Kshs.7,070,800 as disclosed in Note 6 to the financial statements. However, the amount was not supported with ledgers, schedules, payment vouchers or other relevant



documents. Further administration fees were 35% of the approved budget of Kshs.20,125,000. This was contrary to Regulation 197(1)d of the Public Finance Management (County Governments) Regulations, 2015 which states that the administration costs of the Fund shall be a maximum of three (3%) percent of the approved budget of the Fund.

In the circumstances, the accuracy, completeness and regularity of fund administration expenses of Kshs.7,070,800 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Siaya County Alcoholic Drinks Control Fund 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.

### **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.

### **Other Matter**

### **Budgetary Control and Performance**

The summary statement of appropriation reflects final receipts budget and actual on comparable basis of Kshs.20,215,000 and Kshs.11,746,152 respectively, resulting in an under-funding of Kshs.8,378,848 or 42% of the budget. Similarly, the Fund spent an amount of Kshs.7,830,896 out of the approved expenditure budget of Kshs.20,215,000, resulting in an under expenditure of Kshs.12,294,104 or 61% of the budget. In addition, the approved budget was not provided for audit verification.

The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, 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 for the year ended 30 June, 2019 were submitted and received by the office of the Auditor-General on 10 February, 2022, being two (2) years, three (3) months and 10 days after the statutory deadline of 30 September, 2019. This was contrary to Section 164(4) of the Public Finance Management Act, 2012 which that within three months after the end of each financial year, the accounting officer for an entity shall (a) submit the entity's financial statements to the Auditor-General.

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

### **2. Failure to Establish Treatment and Rehabilitation Facilities**

The Fund Management Committee had not established treatment and rehabilitation facilities for persons' dependent on alcoholic drinks. Further, the Fund Management Committee had not provided a budget for the establishment of the treatment and rehabilitation facilities. This was contrary to section 5 (a) of the Siaya County Alcoholic Drinks Control Fund Act, 2016 which states that the directorate shall in collaboration with other relevant county and national government agencies establish treatment and rehabilitation facilities and programs for persons dependent on alcoholic drinks in each sub-county.

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 overall governance were not effective.

### **Basis for Conclusion**

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 effective 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 control, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund 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 Fund'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 overall 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the 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 Fund'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 Fund 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.



I communicate with the 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

06 September, 2022

**12. FINANCIAL STATEMENTS**

**13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2019.**

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	
Transfers from the County Government	2	-	
Fines, penalties and other levies	3	11,746,152	
		<b>11,746,152</b>	
<b>Revenue from exchange transactions</b>			
Interest income	4	-	
Other income	5	-	
		-	
<b>Total revenue</b>		<b>11,746,152</b>	
<b>Expenses</b>			
Fund administration expenses	6	7,070,800	
General expenses	7	757,080	
Finance costs	8	3,016	
Transfer to CRF	22	-	
NACADA	22	-	
<b>Total expenses</b>		<b>7,830,896</b>	
<b>Other gains/losses</b>			
Gain/loss on disposal of assets		-	
<b>Surplus/(deficit) for the period</b>		<b>3,915,256</b>	

The notes set out on pages 43 to 54 form an integral part of these Financial Statements.

*Siaya County Alcoholic Drinks Control Fund*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019.**

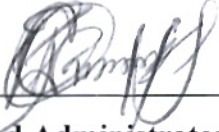
**13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	10	3,915,256	
Current portion of long- term receivables from exchange transactions	11	-	
Receivables from Non- exchange transactions	12	-	
Prepayments	13	-	
Inventories	14	-	
		3,915,256	
<b>Non-current assets</b>			
Long term receivables from exchange transactions	11	-	
Property, plant and equipment	15	-	
Intangible assets	16	-	
		-	
<b>Total assets</b>		<b>3,915,256</b>	
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	-	
Provisions	18	-	
Current portion of borrowings	19	-	
Employee benefit obligations	20	-	
		-	
<b>Non-current liabilities</b>			
Long term portion of borrowings	19	-	
Non-current employee benefit obligation	20	-	
<b>Total liabilities</b>		<b>-</b>	
<b>Net assets</b>		<b>3,915,256</b>	
Revolving Fund		-	
Reserves		-	
Accumulated surplus		3,915,256	
<b>Total net assets and liabilities</b>		<b>3,915,256</b>	

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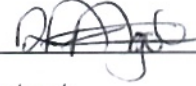
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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 16/09/2019 and signed by:



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**Fund Administrator**  
**CHRISTOPHER OWANG'**



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**Fund Accountant**  
**RUTH AGOT**



**13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2018</b>	-	-	-	-
Surplus/(deficit) for the period	-	-	3,915,256	3,915,256
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	-	-	3,915,256	3,915,256

**(Provide details on the nature and purpose of reserves)**

*Xxx\*: Where its explicit in the Fund Regulations that interest earned should form part of the revolving fund, then this interest should be included in the statement of changes in net assets under this section and not part of interest income in the statement of financial performance.*

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**13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2018/2019	2017/2018
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	
Transfers from the County Government		-	
Interest received		-	
Receipts from other operating activities	3	11,746,152	
<b>Total Receipts</b>		<b>11,746,152</b>	
<b>Payments</b>			
Fund administration expenses	6	7,070,800	
General expenses	7	757,080	
Finance cost	8	3,016	
Transfer to CRF	22	-	
NACADA	22	-	
<b>Total Payments</b>		<b>7,830,896</b>	
<b>Net cash flows from operating activities</b>		<b>3,915,256</b>	
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	
Proceeds from sale of property, plant and equipment		-	
Proceeds from loan principal repayments		-	
Loan disbursements paid out		-	
<b>Net cash flows used in investing activities</b>		<b>-</b>	
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	
Additional borrowings		-	
Repayment of borrowings		-	
<b>Net cash flows used in financing activities</b>		<b>-</b>	

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	Note	2018/2019	2017/2018
		KShs	KShs
<b>Net increase/(decrease) in cash and cash equivalents</b>		3,915,256	
Cash and cash equivalents at 1 JULY 2018	10	-	
<b>Cash and cash equivalents at 30 JUNE 2019</b>	<b>10</b>	<b>3,915,256</b>	

*(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)*



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**13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2019	2019	2019	2019	2019
Revenue	Kshs	Kshs	Kshs	Kshs	
Public contributions and donations	-	-	-	-	
Transfers from County Govt.					
Interest income	xxx	-	xxx	xxx	
Other income	20,125,000	-	20,125,000	11,746,152	58.37
<b>Total income</b>	-	-	<b>20,125,000</b>	<b>11,746,152</b>	
Expenses					
Fund administration expenses	-	-	-	7,070,800	
General expenses	2,719,740	-	2,719,740	757,080	27.8
Finance cost	-	-	-	3,016	
Transfer to CRF	-	-	-	-	
NACADA	-	-	-	-	
<b>Total expenditure</b>	2,719,740	-	2,719,740	<b>7,830,896</b>	287.9
<b>Surplus for the period</b>	-	-	-	<b>(3,915,256)</b>	

**Budget notes**

- This was the initial year. Inspection and enforcement teams had not been set up. Registration and Invoicing of liquor venders will be carried out to form the basis of revenue estimates. The budget was executed as per proposed estimates for the fund in which case there is no over expenditure.*

### **13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **1. Statement of compliance and basis of preparation**

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

## **2. 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 entity and can be measured reliably.

### **ii) Revenue from exchange transactions**

#### ***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.

## **3. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on 30<sup>th</sup> June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The Fund recorded no appropriations in the FY 2018/2019 budget following the governing body's approval.

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.



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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.

**4. 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.

**2. 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.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. Financial instruments**

**a) Financial assets**

**Initial recognition and measurement**

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

**Held-to-maturity**

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

**Impairment of financial assets**

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

***b) Financial liabilities***

**Initial recognition and measurement**

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

**Loans and borrowing**

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

**4. 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.



**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

**5. 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.

**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.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**6. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

**7. 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.

**8. 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.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

**9. 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.

**10. 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.

**11. 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/Trustee, the Fund Managers and Fund Accountant.



**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**12. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank which is subject to insignificant risk of changes in value. Bank account balances include amount held at the commercial banks at the end of the financial year.

**13. Comparative figures**

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

**14. Events after the reporting period**

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

**15. Ultimate and Holding Entity**

The Siaya County Alcoholic Drinks control Fund is established by Siaya County Alcoholic Drinks control Act 2016 under the Department of Enterprise & Industrial Development. The Fund is wholly owned by the County Government of Siaya.

**16. Currency**

The financial statements are presented in Kenya Shillings (Kshs).

## **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **17. 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: e.g

#### **a) 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.

#### **b) Useful lives and residual values**

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

- i) The condition of the asset based on the assessment of experts employed by the Entity
- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset
- v) Changes in the market in relation to the asset

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) 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 xxx.

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)*

**18. Financial risk management**

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

**a) Credit risk**

The Fund 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.



**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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:

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2019</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

*(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)*

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxx.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**b) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has 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. The table below represents cash flows payable by the Fund 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.

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
<b>At 30 June 2019</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2018</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**c) Market risk**

The board 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 Fund'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 manner in which it manages and measures the risk.

**d) Foreign currency risk**

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate.



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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		Other currencies	Total
	KShs	KShs	KShs
<b>At 30 June 2019</b>			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables			
<b>Liabilities</b>			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

*The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.*

**Foreign currency sensitivity analysis**

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
<b>2019</b>			
Euro	10%	-	-
USD	10%	-	-
<b>2018</b>			
Euro	10%	-	-
USD	10%	-	-

**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**e) 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 Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

**Management of interest rate risk**

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

**Sensitivity analysis**

The Fund 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 of KShs xxx (2020: KShs xxx ). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2019 – KShs xxx)

**f) Capital risk management**

The objective of the Fund's capital risk management is to safeguard the Fund's ability to continue as a going concern. The entity capital structure comprises of the following funds:

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**SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

	2018/2019	2017/2018
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
<b>Total funds</b>	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	xx%	xx%



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**13. NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

Description	2018/2019	2017/2018
	KShs	KShs
Donation from development partners	-	
Contributions from the public	-	
<b>Total</b>	-	

(Provide brief explanation for this revenue)

**2. Transfers from County Government**

Description	2018/2019	2017/2018
	KShs	KShs
Transfers from County Govt. – operations	-	
Payments by County on behalf of the entity	-	
<b>Total</b>	-	

**3. Fines, penalties and other levies**

Description	2018/2019	2017/2018
	KShs	KShs
Late payment penalties	-	
Fines	-	
Levies	-	
Licences	-	
Other levies	11,746,152	
<b>Total</b>	<b>11,746,152</b>	

(Other levies refers to revenue from application and liquor licences fees payable by Liquor vendors.)

**4. Interest income**

Description	2018/2019	2017/2018
	KShs	KShs
Interest income from Mortgage loans	-	
Interest income from car loans	-	
Interest income from investments	-	
Interest income on bank deposits	-	
<b>Total interest income</b>	-	

(Provide brief explanation for this revenue)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. Other income**

Description	2018/2019	2017/2018
	KShs	KShs
Insurance recoveries	-	
Income from sale of tender documents	-	
Miscellaneous income (specify)	-	
<b>Total other income</b>	-	

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

**6. Fund administration expenses**

Description	2018/2019	2017/2018
	KShs	KShs
Staff costs (Note 6a)	7,070,800	
Loan processing costs	-	
Professional services costs	-	
Administration fees	-	
<b>Total</b>	<b>7,070,800</b>	

**6A. Staff costs**

Description	2018/2019	2017/2018
	KShs	KShs
Salaries and wages	-	
Staff gratuity	-	
Staff training expenses	-	
Social security contribution	-	
Other staff costs	-	
<b>Total</b>	-	

*N/B The total amount under staff costs has been included in note 6 as part of Fund Administration Expenses chiefly because most funds do not have separate employee but rather the cost would relate to allowances drawn in line fund administration.*

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**7. General expenses**

Description	2018/2019	2017/2018
	KShs	KShs
Consumables	-	
Electricity and water expenses	-	
Fuel and oil costs	101,220	
Insurance costs	-	
Postage	-	
Printing and stationery	163,890	
Rental costs	-	
Security costs	-	
Telecommunication	-	
Bank Charges	-	
Hospitality	369,870	
Depreciation and amortization costs	-	
Other expenses	122,100	
<b>Total</b>	<b>757,080</b>	

**8. Finance costs**

Description	2018/2019	2017/2018
	KShs	KShs
Interest on Bank overdrafts	-	
Interest on loans from banks	-	
Bank charges	3,016	
<b>Total</b>	<b>3,016</b>	

**9. Gain/(loss) on disposal of assets**

Description	2018/2019	2017/2018
	KShs	KShs
Property, plant and equipment	-	
Intangible assets	-	
<b>Total</b>	<b>-</b>	



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**10. Cash and cash equivalents**

Description	2018/2019	2017/2018
	KShs	KShs
Xxx Car loan account	-	
Xxx County mortgage account	-	
Fixed deposits account	-	
On – call deposits	-	
Current account	3,915,256	
Others	-	
<b>Total cash and cash equivalents</b>	<b>3,915,256</b>	

*(The amount should agree with the closing and opening balances as included in the statement of cash flows)*

Detailed analysis of the cash and cash equivalents are as follows:

Financial institution	Account number	2018/2019	2017/2018
		KShs	KShs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank		-	
Equity Bank, etc		-	
<b>Sub- total</b>		-	
<b>b) On - call deposits</b>			
Kenya Commercial bank		-	
Equity Bank - etc		-	
<b>Sub- total</b>		-	
<b>c) Current account</b>			
Kenya Commercial bank		3,915,256	
Bank B		-	
<b>Sub- total</b>		-	
<b>d) Others(specify)</b>			
Cash in transit		-	
Cash in hand		-	
Mobile Money		-	
<b>Sub- total</b>		-	
<b>Grand total</b>		<b>3,915,256</b>	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**11. Receivables from exchange transactions**

Description	2018/2019	2017/2018
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable	-	
Current loan repayments due	-	
Other exchange debtors	-	
Less: impairment allowance	-	
<b>Total Current receivables</b>		
<b>Non-Current receivables</b>		
Long term loan repayments due	-	
<b>Total Non- current receivables</b>	-	
<b>Total receivables from exchange transactions</b>	-	

**Additional disclosure on interest receivable**

Description	2018/2019	2017/2018
	KShs	KShs
<b>Interest receivable</b>		
Interest receivable from current portion of long-term loans of previous years	-	
Accrued interest receivable from of long-term loans of previous years	-	
Interest receivable from current portion of long-term loans issued in the current year	-	
<b>Current loan repayments due</b>	-	
Current portion of long-term loans from previous years	-	
Accrued principal from long-terms loans from previous periods	-	
Current portion of long-term loans issued in the current year	-	

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**12. Receivables from Non-Exchange transaction**

Description	2018/2019	2017/2018
	KShs	KShs
Transfer from County Executive	-	
Transfer from XXXX Fund	-	
<b>Total receivables from non-exchange transactions</b>	-	

**13. Prepayments**

Description	2018/2019	2017/2018
	KShs	KShs
Prepaid rent	-	
Prepaid insurance	-	
Prepaid electricity costs	-	
Other prepayments(specify)	-	
<b>Total</b>	-	

**14. Inventories**

Description	2018/2019	2017/2018
	KShs	KShs
Consumable stores	-	
Spare parts and meters	-	
Catering	-	
Other inventories(specify)	-	
<b>Total inventories at the lower of cost and net realizable value</b>	-	



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**15. Property, plant and equipment**

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KShs	KShs	KShs	KShs	KShs
<b>Cost</b>					
At 1 <sup>st</sup> July 2018	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	-
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2018	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
<b>At 30<sup>th</sup> June 2019</b>	-	-	-	-	-
<b>Net book values</b>					
At 30 <sup>th</sup> June 2019	-	-	-	-	-

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**16. Intangible assets-software**

Description	2018/2019	2017/2018
	KShs	KShs
<b>Cost</b>		
At beginning of the year	-	
Additions	-	
At end of the year	-	
<b>Amortization and impairment</b>		
At beginning of the year	-	
Amortization	-	
At end of the year	-	
Impairment loss	-	
At end of the year	-	
<b>NBV</b>	-	

**17. Trade and other payables from exchange transactions**

Description	2018/2019	2017/2018
	KShs	KShs
Trade payables	-	
Refundable deposits	-	
Accrued expenses	-	
Other payables	-	
<b>Total trade and other payables</b>	-	

**18. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year (1.07.2018)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
<b>Balance at the end of the year (30.06.2019)</b>	-	-	-	-

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**19. Borrowings**

Description	2018/2019	2017/2018
	KShs	KShs
<b>Balance at beginning of the period</b>	-	
External borrowings during the year	-	
Domestic borrowings during the year	-	
Repayments of external borrowings during the period	-	
Repayments of domestic borrowings during the period	-	
<b>Balance at end of the period</b>	-	

The table below shows the classification of borrowings into external and domestic borrowings:

	2018/2019	2017/2018
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'xxx organisation'	-	
Sterling Pound denominated loan from 'yyy organisation'	-	
Euro denominated loan from zzz organisation'	-	
<b>Domestic Borrowings</b>	-	
Kenya Shilling loan from KCB	-	
Kenya Shilling loan from Barclays Bank	-	
Kenya Shilling loan from Consolidated Bank	-	
Borrowings from other government institutions	-	
<b>Total balance at end of the year</b>	-	

The table below shows the classification of borrowings long-term and current borrowings:

Description	2018/2019	2017/2018
	KShs	KShs
Short term borrowings(current portion)	-	
Long term borrowings	-	
<b>Total</b>	-	

*(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)*



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
<b>Total employee benefits obligation</b>	-	-	-	-

21. Cash generated from operations

	2018/2019	2017/2018
	KShs	KShs
<b>Surplus/ (deficit) for the year before tax</b>	3,918,272	
<b>Adjusted for:</b>		
Depreciation	-	
Amortisation	-	
Gains/ losses on disposal of assets	-	
Interest income	-	
Finance cost	(3,016)	
<b>Working Capital adjustments</b>		
Increase in inventory	-	
Increase in receivables	-	
Increase in payables	-	
<b>Net cash flow from operating activities</b>	3,915,256	

*(The total of this statement should tie to the cash flow section on net cash flows from operating activities)*

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**22. Related party balances**

**a) Nature of related party relationships**

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) County Assembly;
- d) Key management;
- e) Board of Trustees; etc

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**b) Related party transactions**

	2018/2019	2017/2018
	KShs	KShs
Transfers from related parties'	-	
Transfers to related parties	-	
Transfer to NACADA	-	
Transfer to County Revenue Fund (CRF)	-	

**c) Key management remuneration**

	2018/2019	2017/2018
	KShs	KShs
Board of Trustees	-	
Key Management Compensation	-	
<b>Total</b>	-	

**d) Due from related parties**

	2018/2019	2017/2018
	KShs	KShs
Due from parent Ministry	-	
Due from County Government	-	
Due from County Assembly	-	
<b>Total</b>	-	

**e) Due to related parties**

	2018/2019	2017/2018
	KShs	KShs
Due to parent Ministry	-	
Due to County Government	-	
Due to Key management personnel	-	
Due to County Assembly	-	
<b>Total</b>	-	

**23. Contingent assets and contingent liabilities**

	2018/2019	2017/2018
	KShs	KShs
Contingent liabilities		
Court case xxx against the Fund	-	
Bank guarantees	-	
<b>Total</b>	-	

*(Give details)*



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**14. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S  
 RECOMMENDATIONS**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

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:**

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury.

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**15. APPENDIX I: INTER-ENTITY TRANSFERS**

ENTITY NAME:				
Break down of Transfers from the County Executive of xxx County Government				
FY 2018/2019				
a.	Recurrent Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		<b>Total</b>	-	
b.	Development Grants	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		<b>Total</b>	-	
c.	Direct Payments	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		<b>Total</b>	-	

The above amounts have been communicated to and reconciled with the parent Ministry.

Fund Accountant  
 Siaya County Alcoholic Drinks Control Fund

Sign 

Head of County Treasury at  
 Siaya County

Sign 

