

REPUBLIC OF KENYA



*Enhancing Accountability*

# REPORT

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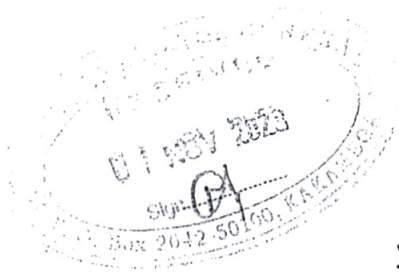
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**THE AUDITOR-GENERAL**

ON

**BUSIA COUNTY ALCOHOLIC  
DRINKS CONTROL FUND**

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



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**BUSIA COUNTY ALCOHOLIC DRINKS CONTROL FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2023**

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

***Busia County Alcoholic Drinks Control Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**Annual Report and Financial Statements for the year ended June 30, 2023**

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**1. Acronyms and Glossary of Terms**

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
CECM	County Executive Committee Member
FY	Financial Year
CRF	County Revenue Fund

b) **Glossary of Terms**

Fiduciary Management; The key management personnel who had financial responsibility

**Busia County Alcoholic Drinks Control Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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**2. Key Fund Information and Management**

**a) Background information**

Busia County Alcoholic Drinks Control Fund is established by Busia County assembly and county executive committee and derives its authority and accountability from Busia County Alcoholic Drinks Control Act (2014). The Fund is wholly owned by the County Government of Busia and is domiciled in Kenya.

The fund's objective is to provide alcoholic drinks licenses by the County Government pursuant to Part II of the fourth Schedule of the constitution so as to control the production, sale, distribution, promotion & use of alcoholic drinks & the promotion of research, treatment & rehabilitation for person's dependent on alcoholic drinks.

**b) Principal Activities**

The Fund's principal activity of the Fund is to regulate and control the use of alcoholic drinks through issuing alcoholic licenses.

**c) County Alcoholic Drinks Regulation Administrative Review Committee**

SN	Name	Position
1	Mr. Saviour Panyako	Chief Officer - Sports, Culture & Social Services (Chairperson)
2	Mr. Kipchumba Ruto	County Commissioner
3	Mr. Willis Peter Ekesa	Fund Administrator –Alcoholic Drinks Control Fund
4	Mr. Innocent Omboko	County Attorney
5	Mr. Joseph Oprong	County public health officer
6	Mr. Benard Odhiambo	County physical planner
7	Mr. Peter Wesonga Malala	Member
8	Mrs. Florence Barasa Opamo	Member
9	Mr. Ibrahim Aura Aramadhani	Member

**Busia County Alcoholic Drinks Control Fund**  
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**Key Fund and Management (Continued)**

**d) Key Management team**

Ref	Name	Position
1	Mr. Paul Olunga	CECM- Sports, Culture & Social Services
2	Mr. Gibson Wafula	Chief Officer Finance
3	Mr. Saviour Panyako	County Chief Officer - Sports, Culture & Social Services
4	Mr. Willis Peter Ekesa	Fund Administrator –Alcoholic Drinks Control Fund

**e) Fiduciary Oversight Arrangements**

SN	Position	Name
1	Directorate Internal Audit	CPA Zadok K. Koech
2	County Assembly of Busia	
3	NACADA	Western Region Coordinator

**f) Registered Offices**

County Government of Busia

Busia County Alcoholic Drinks Control Fund

P.O BOX PRIVATE BAG

50400, Busia –Kenya

**g) Fund Contacts**

Telephone: (254) 726272485

Email: [ekesapeter@gmail.com](mailto:ekesapeter@gmail.com).

***Busia County Alcoholic Drinks Control Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**h) Fund Bankers**

Kenya Commercial Bank  
Busia Branch  
P.O. BOX 27 - 50400,  
Busia –Kenya

**i) Independent Auditors**

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

**j) Principal Legal Adviser**





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

**k) County Attorney**

Office of County Attorney  
P.O BOX Private Bag  
Busia (K)

**Busia County Alcoholic Drinks Control Fund  
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**3. County Alcoholic Drinks Regulation Administrative Review Committee**

	Name	Details of qualifications and experience
1	 <p>Mr. Panyako Saviour. Chief Officer: Sports, Culture and Social Services.</p>	<p>Mr. Panyako Saviour holds Bachelor of Science degree in Biotechnology 2nd Class Honours Upper division from Kenyatta University. He served over three years in banking and 10 years in private agribusiness sector targeting targeting small holder farmers and vulnerable persons. He is the Chair County Administrative Alcoholic Drinks Control Regulation Review Committee</p>
2	 <p>Mr. Kipchumba Ruto County Commissioner</p>	<p>Holder of Bachelor's Degree in Social Science. Has experience of over 2 years in public administration.</p>
3	 <p>Mr. Willis Peter Ekesa Ag. Director, Alcoholic Drinks Control Fund</p>	<p>Mr. Willis holds a Bachelor Of Arts University of Nairobi, Diploma in Social Work (GTI). He has served over 28 years of experience in the Government institution in department of social services. He is currently serving as Acting Director of Alcoholic Drinks and Drugs control.</p>
4	 <p>Mr. Innocent Omboko County Attorney</p>	<p>Bachelors of Law with over 10 years of experience</p>






**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

5	Mr. Joseph Oprong County public health officer	Master's Degree in Public Health with over 20 years of work experiences
6	Mr. Benard Odhiambo County physical planner	Bachelors of Science in Engineering with over 10 years experiences
7	Mr. Peter Wesonga Malala Member	Holder of Diploma in Social Work
8	Mrs. Florence Barasa Opamo Member	Diploma in ECDE
9	Mr. Ibrahim Aura Aramadhani Member	He has Certificate in Primary Education.

**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**4. Management Team**

	Name	Details of qualifications and experience
1	 Mr. Gibson Wafula Chief Officer Finance.	<p>Mr Gibson Wafula holds a Master’s Degree in Business Administration-Finance at University of Nairobi, Bachelor of Commerce at Strathmore University and Certified Public Accounts of Kenya (CPA (K)). He also hold Diploma in Project Management (KIM).</p> <p>He is a member of the Institute Certified Public Accountants of Kenya, with over 10 years’ experience in Administration, Financial Management and Auditing.</p> <p>Prior to joining the County Government of Busia, he served as Assistant Director Internal Audit County Assembly of Busia.</p>
2	 Mr. Paul Olunga County Executive Member Sports, Culture and Social Services.	<p>Mr. Paul Olunga Hold Master Degree in Leadership Administration and Management Mt. Kenya University. He has worked as School head teacher 14yrs, KNUT representative 9yrs.</p>
3	 Mr. Panyako Saviour. Chief Officer: Sports, Culture and Social Services.	<p>Mr. Panyako Saviour holds Bachelor of Science degree in Biotechnology 2nd Class Honours Upper division from Kenyatta University. He served over three years in banking and 10 years in private agribusiness sector targeting targeting small holder farmers and vulnerable persons. He is the Chair County Administrative Alcoholic Drinks Control Regulation Review Committee</p>

*Busia County Alcoholic Drinks Control Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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4



Mr. Willis Peter Ekesa  
Ag. Director, Alcoholic  
Drinks Control Fund

Mr. Willis holds a Bachelor Of Arts University of Nairobi, Diploma in Social Work (GTI). He has served over 28 years of experience in the Government institution in department of social services. He is currently serving as Acting Director of Alcoholic Drinks and Drugs control.

**Busia County Alcoholic Drinks Control Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

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**5. County Alcoholic Drinks Regulation Administrative Review Committee Chairperson's Report**

Busia County Alcoholic Drinks Control Directorate was established by Busia County Assembly through The Busia County Alcoholic Drinks Control Act, 2014 Section 4(1). The directorate is domiciled in the department of Sport, Culture and Social Services.

The object and purpose of the Busia County Alcoholic Drinks Control Directorate is to provide licensing of alcoholic drinks by the county government, so as to control the production, sale, distribution, promotion and use of alcoholic drink and promotion of research treatment and rehabilitation for persons dependent on alcoholic drinks.

The Fund main source of revenue during the FY 2022/2023 was Liquor Licensing and application fee. During the FY 2022/2023, The Fund realized a total of Ksh. 4,054,500.00 from Liquor License and application fee against budgeted amount of Ksh. 4,868,000.00. The fund didn't receive sum of money Kshs. 1,484,000.00 appropriated by Busia County Assembly.

The county government of Busia with coordination of enforcement officers to undertake elaborate public education and awareness campaign aimed at sensitizing the community about the dangers of alcohol and drugs abuse.



MR. SAVIOUR PANYAKO

CHAIRPERSON, COUNTY ALCOHOLIC DRINKS REGULATION ADMINISTRATIVE REVIEW  
COMMITTEE

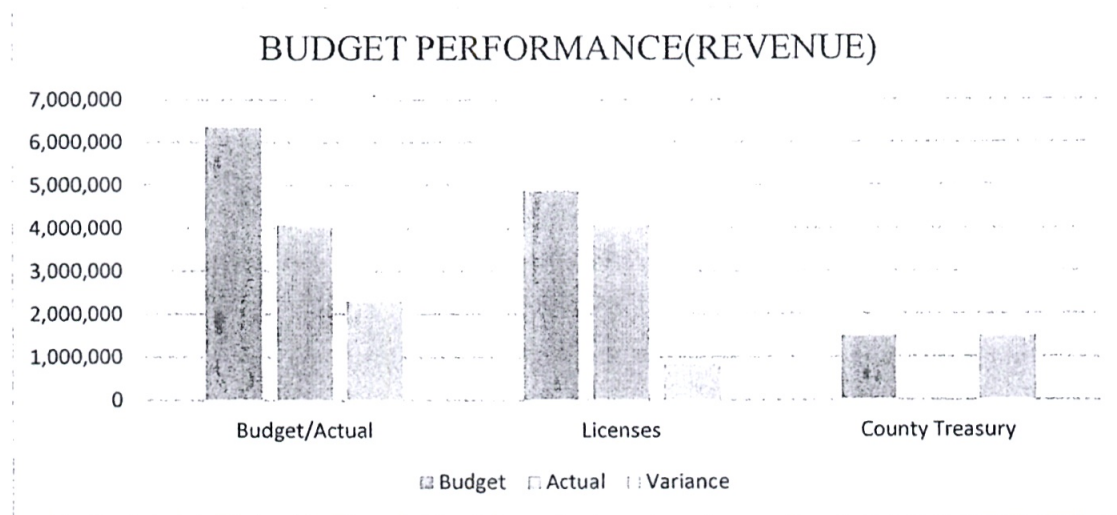
**Busia County Alcoholic Drinks Control Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

**6. Report of The Fund Administrator**

Busia County Alcoholic Drinks Control Directorate was established by Busia County Assembly through The Busia County Alcoholic Drinks Control Act, 2014 Section 4 (1). The Directorate is domiciled within Sports Culture and Social Services Department of County Government of Busia. Busia County Alcoholic Drinks Fund is administered by Director as stipulated in the Busia County Alcoholic Drinks Control Act, 2014 Section 7(1).

The object and purpose of the Busia County Alcoholic Drinks Control Directorate is to provide licensing of alcoholic drinks by the county government, so as to control the production, sale, distribution, promotion and use of alcoholic drink and promotion of research treatment and rehabilitation for persons dependent on alcoholic drinks. In exercising this regulatory duties directorate collaborate with Sub-county Alcoholic drinks control regulation committee whose key mandate is to issue licenses to liquor businesses and coordinate enforcement of the Act within their sub-counties. The committee constitutes of members seven members, chaired by sub county administrator.

The Busia County Alcoholic Drinks Fund main sources of revenue are Liquor Licensing and fund appropriated by the Busia County Assembly. During the FY 2022/2023, the Fund had budget to receive Kshs. 6,352,000.00 comprising of Ksh. 4,868,000.00 from Alcoholic Drinks Licenses and The Busia County Assembly had appropriated sum of Kshs. 1,484,000.00. However, the Fund realized a total of Ksh. 4,054,500.00 from Liquor License and application fee against budgeted amount of Ksh. 4,868,000.00 from Alcoholic Drinks Licenses and the Fund had not been received appropriated fund from the County treasury during the financial year for the period ended 30<sup>th</sup> June 2023.



***Busia County Alcoholic Drinks Control Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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The Fund anticipates to increase its revenue generation as a way of controlling alcoholic drinks production within the county. The directorate is mandated to do regulatory work which is to ensure that only licensed business people are the only ones allowed to sell alcohol. In exercising this power the directorate coordinate with both National police and enforcement officers deployed by the County Government of Busia so as to enforce the Act and ensure compliance. This will reduce alcoholic consumption and ensure that only licensed premises carry out the business.


During the period under review the Directorate carried out various programs in coordination with the Sub County Alcoholic Regulation Committee. The inspection of alcoholic Liquor premises were carried out during the year as part process of issuing out the licenses for those who meets the standards. In the whole county total of 260 premises were inspected out of this 231 premises were licensed.

The challenges faced in execution of directorate programmes includes; Underfunding, the amount that is allocated to directorate is inadequate to carry out the planned programmes. It makes it difficult to have sub county committee meeting atleast every quarter as required by the Act. The Directorate does not have its own vehicle, it depends on other departmental vehicle which make it difficult to implement its programmes.

The treatment and rehabilitation centre is still under construction hence making it difficult to assist those persons affected with alcoholism and drug abuse. The project was initiated in the BUSIA-CIDP 2018-2022 implementation agency is the County Government of Busia.

The county government of Busia with coordination of enforcement officers to undertake elaborate public education and awareness campaign aimed at sensitizing the community about the dangers of alcohol and drugs abuse.

The Fund Administrator should sign the Fund Administrator report.

  
..... 15 SEP 2023 .....

Name: **WILSON M. MUKURIA**  
Sign: \_\_\_\_\_

**Fund Administrator**

## **7. Statement of Performance Against the County Fund'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 Fund Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government Fund's performance against predetermined objectives.

The key development objectives of the Fund as per the County Integrated Development Plan (CIDP) 2018-2022 are to:

- a) Establish Treatment and Rehabilitation facilities and programmes Provide quality physical infrastructure in the County
- b) Provide for licenses of alcoholic drinks and control alcohol and drug usage in the county.
- c) Create public awareness and outreach programmes and Provide for citizen participation
- d) Carry out research directly or in collaboration with other institutions.
- e) Provide for citizen participation

**Busia County Alcoholic Drinks Control Fund**  
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**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Infrastructural Development	To establish treatment and rehabilitation facilities and programmes.	Constructed treatment and rehabilitation centre	One treatment and rehabilitation centres under construction	No allocation in FY 2022/2023
Licensing of alcoholic drinks	To provide for licenses of alcoholic drinks	Controlled production, sale, promotion and use of alcoholic drinks.  Collected licensing and application revenue.  -Controlled usage of drugs	No. of liquor premises licensed	In the FY 2022/2023, the directorate licensed 231 liquor premises.
Public awareness campaign and outreach programme	To create public awareness and outreach programmes	Reduced risk of excessive alcohol consumption  Reduced negative health, social and economic impact on communities	No. of awareness campaigns carried out  - Reduced no. of alcohol and drug abuse victims.	In the FY 2022/2023 we carried out two awareness campaigns on alcohol and drug abuse.



*Busia County Alcoholic Drinks Control Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Research Information and Education	To carry out research directly or in collaboration with other institutions	Obtained statistical figures on usage of alcohol and drug abuse and related effects within the community.	No. of research report established (one).	In the FY 2022/2023 we carried out one research on drug abuse and alcohol consumption
Citizen Participation	To provide for citizen participation	Citizen input are taken into consideration.	No. of citizen participation forums	In the FY 2022/2023 We managed to carry out citizen participations exercise.

*Busia County Alcoholic Drinks Control Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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	institutions	effects within the community.		abuse and alcohol consumption
Citizen Participation	To provide for citizen participation	Citizen input are taken into consideration.	No. of citizen participation forums	In the FY 2022/2023 We managed to carry out citizen participations exercise.

## **8. Corporate Governance Statement**

The Directorate of Alcoholic Drinks Control is managed and administered under the department of Sports, Culture and Social Services. The directorate has three committees which ensure effective and efficient running of the Funds' programme, these includes; Sub County alcoholic drinks control regulation committee, Enforcement committee and County Alcoholic Drinks Regulations Administrative Review Committee. The director coordinates facilitation of all these committees.

During the period under review the management change was experienced through exit of CECM Sport, Culture and Social services Dr. Manyasi and Chief Officer Mr. Odundo. Acting Chief Finance Mr Mulaku this position were taken by current CECM. Sport, Culture and Social services Mr. Olunga, Chief Officer Mr. Panyako and Chief Finance Mr. Wafula.

The Director coordinates the activities of the Sub County Alcoholic Drinks Control Regulation Committee by facilitating them with the requisite fund to ensure smooth running of the fund. The committee do inspection and vetting the liquor premises before issuing the license to enhance the compliance of the act. The sub county committee are entitled to allowances during the meeting. This committee consists of seven members and other co-opted members who are allowed to sit in the meetings as per section 9(4).

During the period under review the sub county alcoholic drinks control regulation committee had four meetings in each sub county to deliberate on inspection, vetting, licensing and enforcement of the liquor premises. The meetings were attended by the members in respective sub county.

The sub county alcoholic drinks control regulation committee co-ordinates the enforcement process within their respective sub county. This ensures the compliance of the Busia County Alcoholic drinks control act, 2014. The enforcement committee inspect the premises to ensure that they are in compliant with the Act.

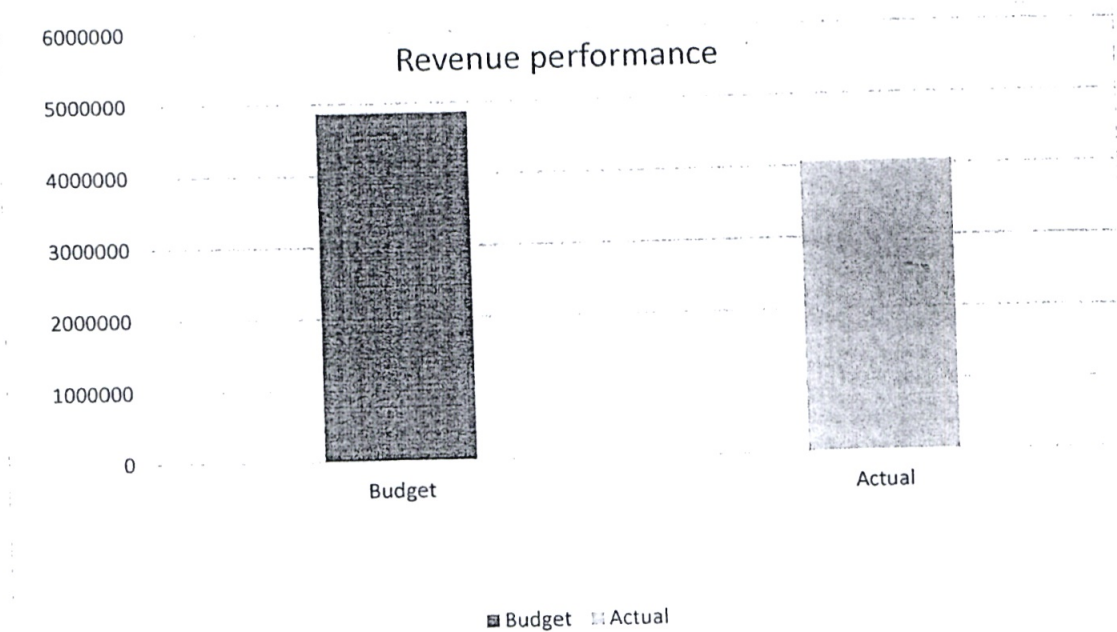
There is established County Alcoholic Drinks Regulations Administrative Review Committee. The committee is chaired by Chief Officer, the review committee is responsible for reviewing on appeal decision made by Sub-County Alcoholic Drinks Control Regulations committee.

## 9. Management Discussion and Analysis

### Budget Performance

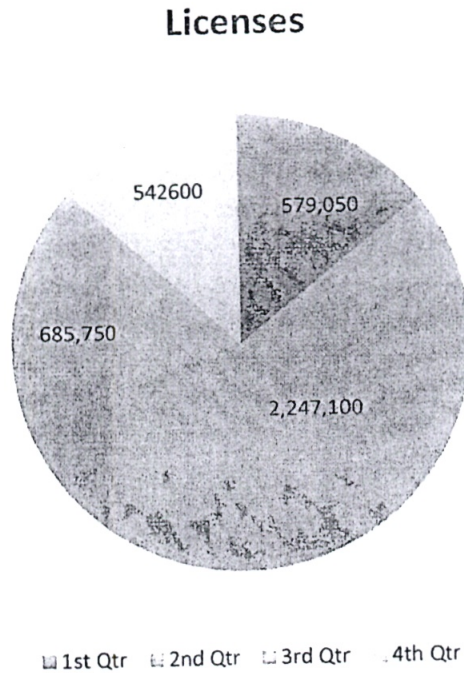
#### Revenue

The Busia County Alcoholic Drinks Fund main sources of revenue are Liquor Licensing and fund appropriated by the Busia County Assembly. During the FY 2022/2023, The Fund realized a total of KShs. 4,054,500.00 from Liquor License and application fee against budgeted amount of KShs.4,868,000.00



*Fig 1: Revenue Performance against budget.*

The revenue is collected through the Sub County Alcoholic Drinks Regulation Committee chaired by the sSub County Administrator, The committee is mandated to issue licenses to the premises that qualifies to run the business after the inspection and vetting process. In this process some are closed down if they don't meet the requirements of the Act.



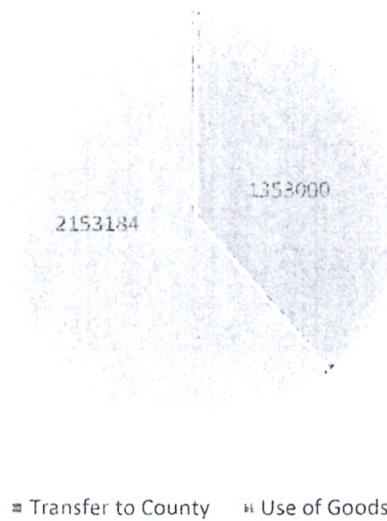
*Fig 2: Revenue Performance as per quarter.*

In the first quarter most activities includes application of renewal of licenses, in quarter two, three and four the clients pays their licenses. The Sub County Alcoholic Drinks Regulation Committee ensures compliance of the act in coordination with enforcement committee s

#### **Payments**

During the FY 2022/2023 the Directorate transferred KShs. 1,353,000.00 to County Revenue Fund and administrative costs KShs. 2,153,184.00 totalling KShs. 3,506,184.00. The administrative costs are used to pay the allowances for the sub-county committee to facilitate their activities and other directorate program.

Payments



**On-going projects**

The Department of Sports, Culture and Social services implemented the construction of Butula Rehabilitation and Treatment Centre. The project is on-going and its 45% completion. During this FY22/23 the project was not allocated money by the implementing organ County Executive.

**Challenges**

The main challenge facing the directorate includes; Under-funding; the amount that is allocated to directorate is inadequate to carry out the planned programmes. It makes it difficult to have sub county committee meeting atleast every quarter as required by the Act. The Directorate does not have its own vehicle for easy mobility it depends on other departmental vehicle which make it difficult to implement its programmes.

Other challenges include; most of premises closed up due to unhealthy competition from cross border business hence making it difficult to predict and forecast the revenue level to be realised. Also the effect of flood in Budalangi Sub County affected many bar owners to close the business, this has been persistent yet making it difficult for them to comply with the Act.

## **10. Environmental and Sustainability Reporting**

Busia County Alcoholic Drinks Control Fund carries out community social responsibilities including public education on alcoholic drinks control in the county and facilitation of citizen participation in matters related to alcoholic Drinks control in accordance to framework for citizen participation established under the Busia County Alcoholic Drinks Control Act, 2014 Section 4 (2) (b) and (c), the Urban Area and Cities Act.

During the financial year 2022/2023, the fund carried out training on community health workers (CHWs). The aim of training was to empower the participant with knowledge and skills to assist the community and society in managing people affected with drugs abuse and offer referral where possible.

As part of education promotion, the directorate carried sensitization training to bar owners in order to understand the Busia County Alcoholic Drinks Control Act and other regulation that will enable them carry out their business efficiently and effective. This has in turn reduced the number of persons affected by drug abuse.

The directorate also ensure that the safety of alcohol users are achieved by inspecting liquor premises to ensure that they meet the public standard and other requirements like protection of under 18 years both in accessing the business, working in such business environment and advertisements of alcohol.

**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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**11. 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 Fund affairs.

**Principal activities**

The principal activities of the Fund are to issue Alcoholic Drinks Licenses to liquor premises so as to control and regulate the usage of alcohol in the county

**Results**

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

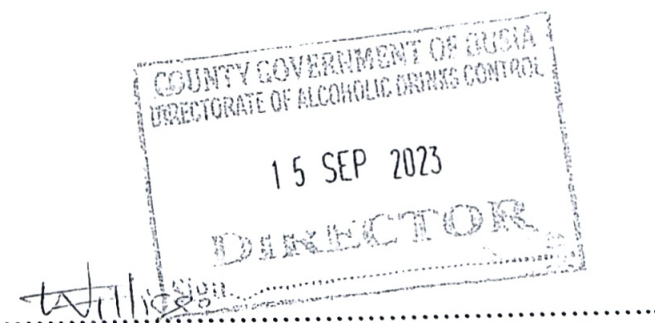
**Management**

The members of the Management who served during the year are shown on page viii. The changes in the Management during the financial year are as shown below:

POSITION	IN	OUT
CECM-SPORT	MR. PAUL OLUNGA	DR. JANET MANYASI
CHIEF OFFICER SPORTS	MR. SAVIOUR PANYAKO	MR JOE ODUNDO
CHIEF OFFICER-FINANCE	MR GIBSON WAFULA	MR N. MULAKU

**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.



**Fund Administrator**

**Date:** 15/09/2023.



**12. Statement of Management’s Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Busia County Alcoholic Drinks Control Act, 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund 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, 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 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.

The Administrator of the County Public Fund 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 by Busia County Alcoholic Drinks Control Act, 2014. The Administrator of the Fund 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, 2023, 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.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. OR

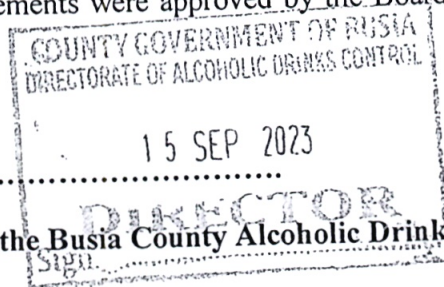
Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The Fund’s financial statements were approved by the Board on 15/9/ 2023 and signed on its behalf by:



Fund Administrator of the Busia County Alcoholic Drinks Control Fund



# REPUBLIC OF KENYA



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

## **REPORT OF THE AUDITOR-GENERAL ON BUSIA COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2023**

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### **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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Busia County Alcoholic Drinks Control Fund set out on pages 1 to 43, which comprise of the statement of financial

position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Busia County Alcoholic Drinks Control Fund as at 30 June, 2023 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012, and the Busia County Alcoholic Drinks Control Act, 2014.

### **Basis for Qualified Opinion**

#### **Unconfirmed Revenue Amount**

The statement of financial performance and Note 5 to the financial statements reflects revenue totalling to Kshs.4,868,000 in respect of liquor license and application fee. However, Management did not provide for audit review the alcoholic license book miscellaneous receipt book No. 2669 of serial Nos. 266801 - 266900, book No. 2670 of serial numbers 266901 – 267000 and book numbers 310101 - 310200 all issued to Butula Sub-county office.

In the circumstances, the accuracy and completeness of the revenue from liquor license and application fee of Kshs.4,868,000 could not be confirmed.

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects approved revenue budget and actual on comparable basis totalling to Kshs.6,352,000 and Kshs.4,054,500 respectively, resulting to under-funding of Kshs.2,297,500 or 36% of the budget. Similarly, the Fund incurred actual expenditure of Kshs.3,506,184 against approved expenditure of Kshs.6,352,000 resulting to under-performance of Kshs.2,845,816 or 45% of the budget.

The under-funding and under-performance affected the planned activities and may have negatively impacted on services delivery to the public.

My opinion is however, not modified in respect of this matter.

### **Key Audit Matters**

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

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

### **Conclusion**

As required by Article 229(6) of the Constitution and 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. Irregular Utilization of the Fund's Revenue**

The statement of financial performance reflects revenue totalling to Kshs.4,868,000 in respect of receipts during the year and total expenses of Kshs.3,506,184. However, the Management transferred Kshs.1,353,000, or 28% of the receipts to the County Revenue Fund. Management also incurred actual expenditure of Kshs.2,153,184, or 44% of total receipts while no evidence was provided to confirm that any amount was transferred to NACADA contrary to Section 6(5) of Busia County Alcoholic Drinks Act, 2014 which requires sharing of the Fund's receipts in the ratio of 70%, 20% and 10% to the County Revenue Fund, transfers to National Campaign Against Drug Abuse (NACADA) and administration expenses respectively.

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

#### **2. Delayed Completion of Alcohol and Drug Abuse (A.D.A) Treatment and Rehabilitation Center (Phase 1)**

The County Government awarded a contract to a local contractor for construction of Alcohol and Drug Abuse (A.D.A) Treatment and Rehabilitation Centre (Phase 1) at Butula Family Life Centre at a contract sum of Kshs.5,804,405 and a contract period of three (3) months from 28 April, 2020 to 28 July, 2020.

Physical verification of the project carried out in the month of October, 2023 revealed that the project had reached lintel level but had stalled since no works were going on and

there were no materials on site. In addition, the nine (9) verandah columns that had been constructed appeared weak and three (3) had collapsed, a sign of poor workmanship.

As at 30 June, 2023, the contractor had been paid a total of Kshs.2,949,200 or 51% of the contract sum. No explanation was provided on the failure to complete the rehabilitation centre over four (4) years since the lapsing of the contract period.

In the circumstances, value for money was not obtained from the project and Management was in breach of the law.

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAIs 2315 and 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 governance.

In preparing the financial statements, Management is responsible for assessing the Fund'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 terminate the Fund or to cease its operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the 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 controls 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 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 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.



FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

09 January, 2024

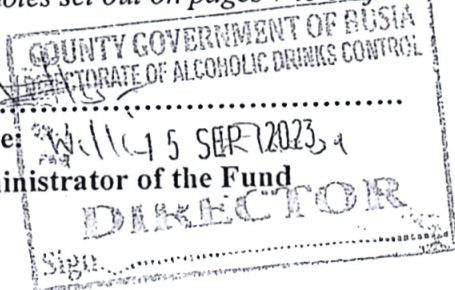


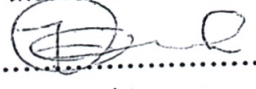
**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**14. Statement of Financial Performance for the Year Ended 30<sup>th</sup> June 2023**

Description	Note	2022-2023	2021-2022
		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	-	-
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	-	-
Liquor License and Application fee	5	4,868,000	5,193,530
		4,868,000	5,193,530
<b>Total Revenue</b>		<b>4,868,000</b>	<b>5,193,530</b>
<b>Expenses</b>			
Transfers To the County Treasury	6	1,353,000	1,400,000
Use of goods and services	7	2,153,184	4,004,569
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
<b>Total Expenses</b>		<b>3,506,184</b>	<b>5,404,569</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	10	-	-
Gain /Loss on fair value of investments	11	-	-
<b>Surplus/(Deficit) For The Period</b>		<b>1,361,816</b>	<b>(211,039.00)</b>

The notes set out on pages 7 to 38 form an integral part of these Financial Statements

  
 Name: William  
 Administrator of the Fund  
 Sign: .....

  
 Name: Charles Juma  
 Fund Accountant  
 ICPAK Member Number:

*Busia County Alcoholic Drinks Control Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**15. Statement of Financial Position As at 30 June 2023**

Descriptions	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	12	644,728	96,412
Current Receivables From Exchange Transactions	13	813,500	-
Prepayments	14	-	-
Inventories	15	-	-
Investments in Financial Assets	16	-	-
		<b>1,458,228</b>	<b>96,412</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	17	-	-
Intangible Assets	18	-	-
Long Term Receivables from Exchange Transactions	13	-	-
Investment Property	19	-	-
		<b>1,458,228</b>	<b>96,412</b>
<b>Total Assets</b>			
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	20	-	-
Provisions	21	-	-
Current Portion of Borrowings	22	-	-
Employee Benefit Obligations	23	-	-
Social Benefits	24	-	-
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation	23	-	-
Long Term Portion of Borrowings	22	-	-
Social Benefits	24	-	-
		-	-
<b>Total Liabilities</b>			
<b>Net Assets</b>			
Revolving Fund		-	-
Reserves		-	-
Accumulated Surplus		1,458,228	96,412
<b>Total Net Assets and Liabilities</b>		<b>1,458,228</b>	<b>96,412</b>

**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on 15/9/ 2023 and signed by:

~~W. J. J. J.~~ 15 SEP. 2023  
Name: W. J. J. J.  
Administrator of the Fund  
Sign: W. J. J. J.

[Signature]  
Name: Charles Juma  
Fund Accountant  
ICPAK Member Number:

**Busia County Alcoholic Drinks Control Fund**  
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**16. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2023**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 30 June 2021</b>			307,451	307,451
Surplus/(Deficit) For the Period	-	-	(211,039)	(211,039)
Funds Received During the Year	-	-		-
Transfers	-		-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2022</b>			96,412	96,412
<b>Balance As At 1 July 2022</b>			96,412	96,412
Surplus/(Deficit) For the Period			1,361,816	1,361,816
Funds Received During the Year				-
Transfers				-
Revaluation Gain				-
<b>Balance As At 30 June 2023</b>			1,458,228	1,458,228

*Busia County Alcoholic Drinks Control Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**17. Statement of Cash Flows for The Year Ended 30 June 2023**

	Note	2022-2023	2021-2022
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Transfers from the county government			-
Receipts from other operating activities	5	4,054,500	5,193,530
<b>Total receipts</b>		4,054,500	5,193,530
<b>Payments</b>			
Transfers to Busia County Revenue Fund	6	1,353,000	1,400,000
Use of Goods and Services	7	2,153,184	4,004,569
		3,506,184	5,404,569
<b>Net cash flows from operating activities</b>	25	548,316	(211,039)
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</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>Net increase/(decrease) in Cash &amp; Cash Equivalents</b>		548,316	(211,039)
Cash and cash equivalents at 1 July, 2022		96,412	307,451
<b>Cash and cash equivalents at 30 June, 2023</b>		644,728	96,412

**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**18. Statement Of Comparison Of Budget And Actual Amounts For The Period**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilisation
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	c=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Public Contributions and Donations		-	-	-	-	
Transfers From County Govt.	1,484,000	-	1,484,000	-	1,484,000	-
Interest Income		-	-	-	-	
Liquor licences and application	4,868,000	-	4,868,000	4,054,500	813,500	83
<b>Total Income</b>	<b>6,352,000</b>	<b>-</b>	<b>6,352,000</b>	<b>4,054,500</b>	<b>2,297,500</b>	<b>64</b>
<b>Expenses</b>		-				
Fund Administration Expenses	2,999,811	-	2,999,811	2,153,184	846,627	72
Transfers To County Govt.	3,352,189	-	3,352,189	1,353,000	1,999,189	40
Finance Cost		-			-	-
<b>Total Expenditure</b>	<b>6,352,000</b>	<b>-</b>	<b>6,352,000</b>	<b>3,506,184</b>	<b>2,845,816</b>	<b>55</b>
<b>Surplus For the Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>548,316</b>		
<b>Capital expenditure</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

**Budget notes**

1. Underutilization is as result of uncollected revenue target and non-submission of funds appropriated by county assembly from treasury.
2. There were no changes between original and final budget.

**Reconciliation of Actual Liquor License and Application Fee**

	Kshs.
Amount Reported in State of Financial Performance (Accrual Basis),	4,868,000
Amount Reported In Statement of Comparison Budget And Actual Amount (Cash Basis)	4,054,000
Variance (Receivables from exchange Transactions/ Invoices not paid)	813,500

**19. Notes to the Financial Statements**

**1. General Information**

Busia county Alcoholic Drinks Control Fund is established by and derives its authority and accountability from Busia county Alcoholic Drinks Control Act, 2014. The Fund is wholly owned by the Busia County Government and is domiciled in Kenya. The Fund’s principal activity is to issue Alcoholic Drinks Licenses.

**2. 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.

**3. Adoption of new and revised standards**

(i) *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023*

Standard	Effective date and impact
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Fund’s future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset’s cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to</li> </ul>

**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
	<p>impairment testing; and</p> <ul style="list-style-type: none"> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund 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"> <li>(a) The nature of such social benefits provided by the Fund;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.</li> </ul>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p>



**Busia County Alcoholic Drinks Control Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact
to IPSAS	<ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008).</li> <li>• <i>IPSAS 39: Employee Benefits</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</li> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b> Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</li> </ul>

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

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

**Busia County Alcoholic Drinks Control Fund  
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact:
	statement of financial performance.

**(iii) Early adoption of standards**

The Fund did not early – adopt any new or amended standards in the financial year.

**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 Fund 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.

**Dividends**

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

**Rental income**

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

**b) Budget information**

The original budget for FY 2022/2023 was approved by the management on 15<sup>th</sup> June 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget.

***Busia County Alcoholic Drinks Control Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2023**

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The Fund'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.

**Summary of Significant Accounting Policies (Continued)**

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 6 of these financial statements.

**c) 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 Fund 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.

**d) 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.

**e) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

**Summary of Significant Accounting Policies (Continued)**

**f) 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 Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one Fund and a financial liability or equity instrument of another Fund. At initial recognition, the Fund 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.

**Financial assets**

**Classification of financial assets**

The Fund 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 Fund's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash-flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an Fund 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 Fund 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.

**Summary of Significant Accounting Policies (Continued)**

**Amortized cost**

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

**Fair value through net assets/equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the Fund manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**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.

**Impairment**

The Fund assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The Fund recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note 18*.

## **Significant Accounting Policies (Continued)**

### **Financial liabilities**

#### **Classification**

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

#### **g) 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:

- 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 Fund.

#### **h) Provisions**

Provisions are recognized when the Fund 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 Fund 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.

#### **i) 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 Fund 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 Fund will incur in fulfilling the present obligations represented by the liability.

**Summary of Significant Accounting Policies (Continued)**

**j) Contingent liabilities**

The Fund 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.

**Contingent assets**

The Fund 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 Fund 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) Nature and purpose of reserves**

The Fund creates and maintains reserves in terms of specific requirements. The Fund does not maintain the reserves.

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

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

**m) Employee benefits – Retirement benefit plans**

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



**Summary of Significant Accounting Policies (Continued)**

**n) 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.

**o) 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.

**p) Related parties**

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

**q) Cash and cash equivalents**

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

**r) Comparative figures**

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

*Summary of Significant Accounting Policies (Continued)*

**5. Significant judgments and sources of estimation uncertainty**

The preparation of the Fund'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 Fund 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 Fund. 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:

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

**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.

*Busia County Alcoholic Drinks Control Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**6. Notes To The Financial Statements**

**1. Public contributions and donations**

Description	Insert Current FY	Insert Comparative FY
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
<b>Total</b>	-	-

**2. Transfers from County Government**

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Fund	-	-
Unconditional Development grants	-	-
<b>Total</b>	-	-

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

Description	2022-2023	2021-2022
	Kshs	Kshs
Late Payment Penalties	-	-
Fines	-	-
<b>Total</b>	-	-

**4. Interest income**

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income from Mortgage Loans	-	-
Interest Income From Car Loans	-	-
Interest Income From Investments in financial assets	-	-
Interest Income On Bank Deposits	-	-
<b>Total Interest Income</b>	-	-

*Busia County Alcoholic Drinks Control Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

Notes to the Financial Statements Continued

**5. Income from Licenses and Application**

Description	Notes	2022-2023	2021-2022
		Kshs	Kshs
Receipts from Alcoholic Drinks Licenses and Application		4,054,500	5,193,530
Receivables from licences and application		813,500	-
<b>Total Income</b>		<b>4,868,000</b>	<b>5,193,530</b>

**Detailed Analysis of Income from Alcoholic Drinks Licenses and Application**

SUB-COUNTY	INVOICE	1 <sup>ST</sup> QUARTER	2 <sup>ND</sup> QUARTER	3 <sup>RD</sup> QUARTER	4 <sup>TH</sup> QUARTER	TOTAL	UNPAID INVOICES
		2022-2023	2022-2023	2022-2023	2022-2023	RECEIPTS	
		KSH	KSH	KSH.	KSH.	KSH.	
Matayos	1,125,000	202,000	539,000	96,000	69,000	906,000	219,000
Butula	590,000	102,000	383,500	23,000	53,000	561,500	28,500
Teso South	958,000	60,000	366,000	288,000	181,000	895,000	63,000
Teso North	602,000	80,000	262,600	56,000	38,400	437,000	165,000
Budalangi	364,000	10,050	100,000	52,000	108,950	271,000	93,000
Funyula	451,000	35,000	160,000	78,650	11,350	285,000	166,000
Nambale	778,000	90,000	436,000	92,100	80,900	699,000	79,000
<b>Total</b>	<b>4,868,000</b>	<b>579,050</b>	<b>2,247,100</b>	<b>685,750</b>	<b>542,600</b>	<b>4,054,500</b>	<b>813,500</b>

**6. Transfer To the County Treasury**

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfer To the County Treasury	1,353,000	1,400,000
<b>Total</b>	<b>1,353,000</b>	<b>1,400,000</b>

**Busia County Alcoholic Drinks Control Fund**  
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Detailed analysis of Transfer to County Revenue Fund

DATE	DESCRIPTION	CHEQUE NO	RECEIPT NO	AMT(KSHS)
07/09/2022	Transfer to CRF			200,000
12/01/2023	Transfer to CRF		540035	450,000
29/06/2023	Transfer to CRF		573480	703,000
<b>TOTAL</b>				<b>1,353,000</b>

**7. Use of Goods and Services**

Description	Notes	2022-2023	2021-2022
		Kshs.	Kshs.
Stakeholders Sensitization Meeting(Bar owners)		230,000	150,000
Inspection of liquor premises		602,000	590,000
Enforcement allowance		486,430	1,009,000
Printing and stationery		140,000	50,000
Training	7a	355,000	200,000
Committee allowance		322,000	1,417,000
Administrative Review meeting			575,600
Bank charges		17,754	12,969
<b>Total Administrative cost</b>		<b>2,153,184</b>	<b>4,004,569</b>

**7a. Training**

Description	Kshs.
Training of CHWs	150,000
Sensitization meeting of Youth	205,000
	<b>355,000</b>

**8. Depreciation and Amortization Expense**

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*Busia County Alcoholic Drinks Control Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**9. Finance costs**

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
<b>Total</b>	-	-

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

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	-	-

**11. Gain/ (loss) on Fair Value Investments**

Description	2022-2023	2021-2022
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
<b>Total Gain</b>	-	-

**12. Cash and cash equivalents**

Description	2022-2023	2021-2022
	Kshs	Kshs
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	644,728	96,412
<b>Total Cash And Cash Equivalents</b>	<b>644,728</b>	<b>96,412</b>

**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements Continued**

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

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
<b>a) Current Account</b>			
Kenya Commercial Bank		644,728	96,412
<b>Grand Total</b>		<b>644,728</b>	<b>96,412</b>

**13. Receivables from exchange transactions**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Current Receivables</b>		
Interest Receivable	-	-
Current Loan Repayments Due	-	-
Receivable from Licences and application	813,500	-
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>	<b>813,500</b>	<b>-</b>

**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes to the Financial Statements Continued**

**Additional disclosure on interest receivable**

Description	2022-2023	2021-2022
	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	-	-

**14. Prepayments**

Description	2022-2023	2021-2022
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments ( <i>Specify</i> )	-	-
<b>Total</b>	-	-

**15. Inventories**

Description	2022-2023	2021-2022
	Kshs	Kshs
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories ( <i>Specify</i> )	-	-
<b>Total Inventories at The Lower of Cost and Net Realizable Value</b>	-	-

**Notes to the Financial Statements Continued**



**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**16. Investments in financial assets**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>a. Investment in Treasury bills and bonds</b>		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
<b>b. Investment with Financial Institutions/ Banks</b>		-
Bank x	-	-
Bank y	-	-
Sub- total	-	-
<b>c. Equity investments (specify)</b>		
Equity/ shares in Fund xxx	-	-
Sub- total	-	-
<b>Grand total</b>	-	-

**Movement of Equity Investments**

Impairment allowance/ provision	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	-	-
Gain/(loss) in fair value of investments through surplus or deficit	-	-
<b>At the end of the year</b>	-	-

**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**e) Shareholding in other entities**

*For investments in equity share listed above, list down the equity investments under the following categories:*

Name of Fund where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		2022-2023	2021-2022
	%	%	%	Kshs	Kshs	Kshs
Fund A	-	-	-	-	-	-
Fund B	-	-	-	-	-	-
Fund C	-	-	-	-	-	-
	-	-	-	-	-	-

**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**  
**Notes To The Financial Statements (Continued)**

**17. Property, plant and equipment**

	Land and	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	Buildings				
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 <sup>st</sup> July 2021	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-
At 1 <sup>st</sup> July 2022					
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30 <sup>th</sup> June 2023	-	-	-	-	-
<b>Depreciation And Impairment</b>					
At 1 <sup>st</sup> July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-
At 1 <sup>st</sup> July 2022					
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30 <sup>th</sup> June 2023	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-
At 30 <sup>th</sup> June 2023	-	-	-	-	-

The fund doesn't have the assets it uses departmental assets which are reported by county executive

**Notes To The Financial Statements (Continued)**

**18. Intangible assets**

Description	2022-2023	2021-2022
	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>	-	-

**19. Investment Property**

Description	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-
At end of the year	-	-

**Busia County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes To The Financial Statements (Continued)**

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

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Trade Payables	-		-	
Refundable Deposits	-		-	
Accrued Expenses	-		-	
Other Payables	-		-	
<b>Total Trade and Other Payables</b>	-		-	
<b>Ageing analysis (Trade and other payables)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>Comparative FY</b>	<b>% of the Total</b>
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
<b>Total (tie to above total)</b>	-		-	

**21. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning Of The Year	-	-	-	-
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</b>	-	-	-	-

*Busia County Alcoholic Drinks Control Fund*  
**Annual Report and Financial Statements for the year ended June 30, 2023**

**Notes To The Financial Statements (Continued)**

**22. Borrowings**

Description	2022-2023	2021-2022
	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:

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>External Borrowings</b>		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z Organization'	-	-
<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	2022-2023	2021-2022
	Kshs	Kshs
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
<b>Total</b>	-	-

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**Notes To The Financial Statements (Continued)**

**23. Employee benefit obligations**

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2022-2023	2021-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**24. Social Benefit Liabilities**

Description	2022-2023	2021-2022
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
<b>Total</b>	-	-
Current social benefits	-	-
Non-current social benefits	-	-
<b>Total (tie to totals above)</b>	-	-

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**Notes To The Financial Statements (Continued)**

**25. Cash generated from operations**

Description	2022-2023	2021-2022
	Kshs	Kshs
<b>Surplus/ (Deficit) For the Year Before Tax</b>	<b>1,361,816</b>	<b>(211,039)</b>
<b>Adjusted For:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
<b>Working Capital Adjustments</b>		
Increase In Inventory	-	-
Increase In Receivables	(813,500)	-
Increase In Payables	-	-
<b>Net Cash Flow From Operating Activities</b>	<b>548,316</b>	<b>(211,039)</b>



**Notes To The Financial Statements (Continued)**

**26. 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 of Busia;
- b) The Department of Sports, Culture and Social services;
- c) Key management;
- d) County Alcoholic Drinks Regulation Administrative Review Committee.

**b) Related party transactions**

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Busia County Revenue Fund	1,353,000	1,400,000

**c) Key management remuneration**

Description	2022-2023	2021-2022
	Kshs	Kshs
Administrative Review Committee	-	-
Key Management Compensation	-	-
<b>Total</b>	-	-

**d) Due from related parties**

Description	2022-2023	2021-2022
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	1,484,000	-
<b>Total</b>	<b>1,484,000</b>	-

**Busia County Alcoholic Drinks Control Fund**  
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**Other Disclosures Continued**

**e) Due to related parties**

Description	2022-2023	2021-2022
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
<b>Total</b>	-	-

**27. Contingent assets and contingent liabilities**

Contingent Liabilities	2022-2023	2021-2022
	Kshs	Kshs
Court Case Against the Fund	-	-
Bank Guarantees	-	-
<b>Total</b>	-	-

**Notes To The Financial Statements (Continued)**

**28. 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 Fund's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the Fund's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
<b>At 30 June 2022</b>				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	96,412	-	-	-
<b>Total</b>	<b>96,412</b>	-	-	-
<b>At 30 June 2023</b>				
Receivables From Exchange Transactions	813,500	-	-	-
Receivables From Non-Exchange Transactions		-	-	-
Bank Balances	644,728	-	-	-
<b>Total</b>	<b>1,458,228</b>	-	-	-

**Busia County Alcoholic Drinks Control Fund**  
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**Notes To The Financial Statements (Continued)**

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

The Fund has significant concentration of credit risk on amounts due from ...

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.

**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 Fund's short, medium and long-term funding and liquidity management requirements. The Fund 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.

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	-	-
<b>At 30 June 2022</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**Notes To The Financial Statements (Continued)**

**c) Market risk**

The board has put in place an internal audit function to assist it in assessing the risk faced by the Fund 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 Fund'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 Fund's exposure to market risks or the manner in which it manages and measures the risk.

**i. Foreign currency risk**

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

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

Description		Other currencies	Total
	Kshs	Kshs	Kshs
<b>At 30 June 2023</b>			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
<b>Liabilities</b>			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	-	-	-

*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.*

**Notes To The Financial Statements (Continued)**

**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.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on Equity
	Kshs	Kshs	Kshs
<b>(Current FY)</b>			
Euro	10%	-	-
USD	10%	-	-
<b>(Comparative FY)</b>			
Euro	10%	-	-
USD	10%	-	-

**ii. Interest rate risk**

Interest rate risk is the risk that the Fund's financial condition may be adversely affected as a result of changes in interest rate levels. The Fund'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 - (2022: Kshs -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs - (2021 - Kshs -).

**Busia County Alcoholic Drinks Control Fund**  
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**Notes To The Financial Statements (Continued)**

**d) 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 Fund capital structure comprises of the following funds:

Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	644,728	96,412
<b>Total funds</b>	<b>644,728</b>	<b>96,412</b>
Total borrowings	-	-
Less: cash and bank balances	(644,728)	(96,412)
Net debt/(excess cash and cash equivalents)	-	-
<b>Gearing</b>	<b>%</b>	

**29. Events after the reporting period**

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

**30. Ultimate and Holding Fund**

The Fund is a County Public Fund established by Busia County Alcoholic Drinks Control Act, 2014 under the Department of Sports, Culture and Social Services. Its ultimate parent is the County Government of Busia.

**31. Currency**

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

**5. Annexes**

**Annex I: 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.

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)
1	<p><b>Unexplained Revenue Variance</b>                      The statement of financial performance reflects an amount of Kshs.5,193,530 in respect of revenue from exchange transactions which, as disclosed in Note 3 to the financial statements, relates to income from alcoholic drink licenses. However, supporting schedules provided for audit reflect an amount of Kshs.9,558,000. The variance of Kshs.4,364,470 has not been explained or reconciled. In the circumstances, the accuracy and completeness of the amount of</p>	<p>In our view the Directorate achieved the main object and purpose of licensing so as to control production, sale, distribution, promotion and use of alcoholic drinks. The directorate does invoicing lieu of the bar premises at the beginning of the financial year as shown annex 1. In controlling sale and production of liquor outlet the Directorate do assessment, inspection, vetting and enforcement regularly, this forces some outlet which doesn't comply with regulation in terms suitability to closes down during the financial year. It's difficult to achieve 100% of targeted or budgeted amount as some are forced to close in the course of the year this explains the variance of 4,364,470 is due to closed premises (annex 2). However we fill that the finding should be dropped so as to reflect the Act in force.</p>	Resolved	



**Busia County Alcoholic Drinks Control Fund  
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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)
	Kshs.5,193,530 revenue from exchange transaction could not be confirmed.			
2	The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.12,033,615 and Kshs.5,193,530 respectively resulting to an under-funding of Kshs.6,840,085 or 57% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.12,033,615 and Kshs.5,404,569 resulting to under absorption of Kshs.6,629,046 or 55% of the budget.	The management would like to state that the under-funding was due to closure of some bars and eatery outlet as highlighted in annex 1. Similarly, the under-absorption by the fund was as a result of the under-funding due to the closure of some bars and failure of the county executive to transfer Funds appropriated to the Directorate during the financial year under review.	Resolved	

*Busia County Alcoholic Drinks Control Fund*

**Annual Report and Financial Statements for the year ended June 30, 2023**

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)
	<p>The under-funding and under-absorption affected the planned activities and may have impacted negatively on services delivery to the residents of Busia County. In the circumstances, the Fund did not achieve the objective for which it was established.</p>			
3	<p><b>Utilization of the Fund's Revenue</b> The statement of financial performance reflects an amount of Kshs.5,193,530 in respect of revenue which, as disclosed in Note 3 to the financial statements, relates to liquor licences and application fees. However, out of this amount, the fund transferred Kshs.1,400,000 to</p>	<p>The Directorate transferred 1,400,000 to the County Revenue Fund, to our opinion the expenditure of 4,004,569 in use of goods is in compliant with the Act, Section 6(4) as mandated by the fund to incur expenses related to recurrent and capital expenditure. The element of 70% share to CRF arises at the end or close of financial year as in Section 6(5) of Busia County Alcoholic Drinks Control Act, 2014, under this circumstances the 10% is to be left in the account for administrative purpose. The amount of 1,400,000 transferred during the year, was necessity of</p>	Resolved	

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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)
	<p>the County Revenue Fund and incurred expenses of Kshs.4,004,569 or about 77% under use of goods and services. This is contrary to Section 6(5) of Busia County Alcoholic Drinks Control Act, 2014 which requires the Fund to transfer 70% of revenues to the County Revenue Fund and limits expenditure from revenue to 10%. In the circumstances, the Management was in breach of the law.</p>	<p>county to contribute on quarterly basis.</p>		

Fund Administrator Busia County Alcoholic Drinks Control Fund

Date... 15/9/2023 SEP. 2023

DIRECTORATE OF ALCOHOLIC DRINKS CONTROL  
**DIRECTOR**  
Signature

*Busia County Alcoholic Drinks Control Fund*  
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**Annex II: Inter-Fund Confirmation Letter**

The Busia County Alcoholic Drinks Control Fund wishes to confirm the amounts disbursed to you as at 30<sup>th</sup> June 2023 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below. Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 <sup>th</sup> June 20xx							
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (Kshs) as at 30 <sup>th</sup> June 2023				Amount Received by [beneficiary Fund] (KShs) as at 30 <sup>th</sup> June 20xx (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)	Total (D)=(A+B+C)		
<b>Total</b>							

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

**Head of Accountants department of beneficiary Fund:**

Name ..... Sign .....Date .....