

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL  
*Enhancing Accountability*



PARLIAMENT  
OF KENYA  
LIBRARY

**REPORT**

	PAPERS LAID
DATE	20.3.24
TABLED BY	May. leader
COMMITTEE	CPIC
CLERK AT THE TABLE	Kawata

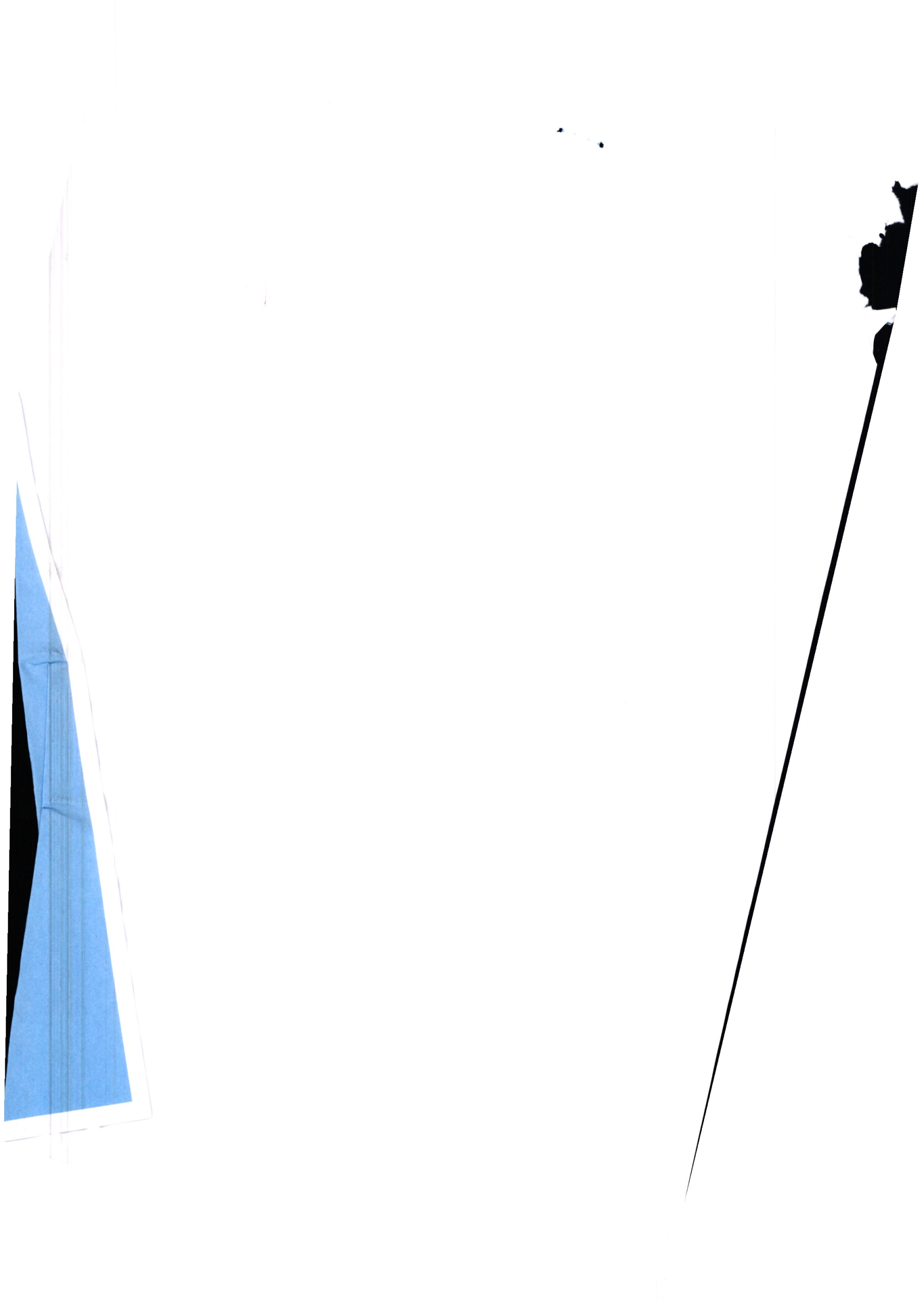
OF

**THE AUDITOR-GENERAL**

ON

**KISUMU COUNTY ALCOHOLIC  
DRINKS CONTROL FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



REPUBLIC OF KENYA



*Enhancing Accountability*

PARLIAMENT  
OF KENYA  
LIBRARY

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**KISUMU COUNTY ALCOHOLIC  
DRINKS CONTROL FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**

PAPERS LAID	
DATE	28.3.24
TABLED BY	Maj. Leader
COMMITTEE	CPIC
CLERK AT THE TABLE	Kawata



*Revised 30th June 2022*

---

**COUNTY GOVERNMENT OF KISUMU**

**KISUMU COUNTY ALCOHOLIC DRINKS CONTROL FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2022**

---

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

***Kisumu County Alcoholic Drinks Control Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

---

**Table of Content**

1. Key Entity Information and Management	iii
2. The Board of Trustees (or any other governing body for the Fund)	vi
3. Management Team	vii
5. Report of The Fund Administrator	x
6. Statement of Performance Against the County Fund's Predetermined Objectives	xii
7. Corporate Governance Statement	xiii
8. Management Discussion and Analysis	xiv
9. Environmental and Sustainability Reporting	xv
10. Report of The Trustees	xvi
11. Statement of Management's Responsibilities	xviii
12. Report of The Independent Auditor	xix
13. Statement of Financial Performance For The Year Ended 30th June 2022	1
14. Statement of Financial Position As At 30 June 2022	2
15. Statement Of Changes in Net Assets for the year ended 30 <sup>th</sup> June 2022	4
16. Statement Of Cash Flows For The Year Ended 30 June 2022	5
17. Statement Of Comparison Of Budget And Actual Amounts For The Period	7
18. Notes to the Financial Statements	8
19. Progress On Follow Up Of Prior Year Auditor's Recommendations	37

**Kisumu County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

---

**1. Key Entity Information and Management**

**a) Background information**

Kisumu County Alcoholic Drinks Control Fund is established by and derives its authority and accountability from Kisumu County Alcoholic Drinks Control Fund Act of 12<sup>th</sup> August 2014. The Fund is wholly owned by the County Government of Kisumu and is domiciled in Kenya. The fund's jurisdiction is limited to the seven sub counties of Kisumu County namely: Muhoroni, Nyakach, Nyando, Kisumu East, Kisumu Central, Kisumu West and Seme.

Kisumu County Alcoholic Drinks Control Fund is a non-profit making entity whose objective is to control production, sale, distribution, promotion and consumption of alcoholic drinks in the County of Kisumu. The fund is managed by a committee and staff deployed in all the sub counties.

**b) Principal Activities**

The principal activity/mandate of the Fund is to facilitate on behalf of the County Government of Kisumu licensing, monitoring and evaluation of alcoholic drinks outlets operating in the county of Kisumu with a view to controlling production, sale, and distribution of alcoholic drinks pursuant to Part II of the fourth schedule to the Constitution of Kenya. Besides the aforementioned, the fund undertakes promotion of research, treatment and rehabilitation of persons whose lives are affected by alcoholic drinks.

*(Under this section you may include the fund's vision, mission and core objectives)*

**c) Fund Administration Committee**

Ref	Name	Position
1	Alphonse Ogik Ouya	Chairman of the management committee
2	Wilson Opondo Abiero	Chief Officer Finance / Member
3	Peter Collins Okoth	Fund Administrator / Secretary
4	Pamela Akinyi Iro	Alternate Secretary
5		

*(This section will be applicable for Public Funds that have a Board of Trustees/Fund Administration Committee. Input names of all the members who held office during the period)*

**d) Key Management**

Ref	Name	Position
1	Alphonse Ogik Ouya	Chief Officer – Trade

***Kisumu County Alcoholic Drinks Control Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

---

2	Wilson Opondo Abiero	Chief Officer – Finance & Planning
3	Peter Collins Okoth	Fund Administrator
4	Pamela Akinyi Iro	Alternate Secretary
5	George Onginjo	Accountant

*(Include all positions regarded as top management for the Fund).*

**e) Registered Offices**

P.O. Box 2738  
Prosperity Building  
Achieng Oneko Road  
Kisumu, KENYA

**f) Fund Contacts**

Telephone:(254) 723497885  
E-mail: info@kisumu.go.ke  
Website: www.kisumucounty.go.ke

**g) Fund Bankers**

1. Kenya Commercial Bank  
Kisumu Branch  
P.O. Box 17 – 40100  
Kisumu.

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

County Attorney  
County Government of Kisumu  
P.O. Box 2738  
Kisumu, Kenya.

**Kisumu County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**2. The Board of Trustees (or any other governing body for the Fund)**

Name	Details of qualifications and experience
1. Alphonse Ogik Ouya	D.O.B – 19 <sup>th</sup> February, 1972 Academic Qualification. - Degree Professional Qualification - Accountant Work experience – 18years Position.....Chief Officer -Trade and Enterprise Development / Executive Chairperson
2. Wilson Opondo Abiero	D.O.B – 16 <sup>th</sup> April, 1982 Academic Qualification. – Masters in Economics Professional Qualification.... Work experience – 20years Position: Chief Office –Finance and Economic planning
3. Peter Collins Okoth	D.O.B – 29 <sup>th</sup> July, 1974 Academic Qualification - Masters Professional Qualification.... Work experience – 15years Position: Fund Administrator / Secretary
4. Pamela Akinyi Iro	D.O.B – 24 <sup>th</sup> November, 1968 Academic Qualification -Degree. Professional Qualification.... Work experience – 28years Position: Alternate Secretary

**3. Management Team**

Name	Details of qualifications and experience
1. Insert each key Manager's passport-size photo and name,	Provide a concise description of each Trustee's date of birth, key academic and professional qualifications and work experience. Also, indicate the main area of responsibility – without details
2. Alphonse Ouya	Chief Officer – Trade
3. Wilson Abiero	Chief Officer – Finance
4. Peter Collins Okoth	Fund Administrator
<b>Note:</b> The Fund Administrator will feature under both the 'Board' and 'Management'.	

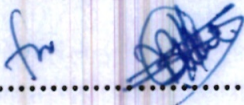
**4. Fund Chairperson's Report**

During the financial year ended 30<sup>th</sup> June, 2022, there was no change in the management team. The fund fulfilled its mandate successfully in the year despite the challenges that occur every electioneering year. There were minimal incidences of alcohol abuse reported during the year and no outlet operated without a license.

I wish to note that we fell short of our revenue target by 17% due to migration and closure by some businesses. By April, 2022, some businesses had closed and/or migrated to other counties for fear of unpredictable nature of pre and post-election activities. However, over 88% of budgeted programs and activities were implemented successfully. It is our hope that in the coming year, economic activities will resume normalcy and we shall be able to achieve our targets in terms of revenue collection and implementation of programs and activities.

Some of the challenges that adversely affected the Fund's operations included lack of adequate resources. Currently, the Fund has one motor vehicle assigned to it for use in the seven sub counties. We look forward to acquiring additional motor vehicle in the coming year (2022/2023) to enhance our mobility across the county.

In conclusion, I wish to thank everyone including staff for the support and cooperation during the year 2021/2022.



.....  
**Alphonse Ouya**  
**Chairperson**

## **5. Report of The Fund Administrator**

*(Under this section, the Fund Administrator will give his report, which highlights the same issues as the Chairman in a more detailed format, usually 2 to 3 pages. The Fund Administrator may also mention at a high level the financial performance of the Fund).*

The year under review 2021/2022, the Fund successfully collected Ksh.18,719,720.00 less 17% off the target. The financial year was a difficult one due to post Covid-19 impacts, causing so many businesses and outlets to scale down or close completely. The Fund also faced cases of several non-compliant outlets due to the dwindling performance of the economy. As at the close of the financial year 30<sup>th</sup> June, 2022 Cash at Bank stood at Ksh. 3,066,677.50

The Fund successfully managed to meet its recurrent and development mandate. The following development projects were implemented successfully and commissioned.

- a). Completion of Male Dormitory- 3M--ONGOING**
- b). Equipping of Nyang'oma Rehabilitation Centre- 1M—COMPLETE**
- c). Construction of 4 Door Toilet – 2M—ONGOING**

The Directorate will strive to upscale its operations so as to improve efficiency and improve on Revenue collection. This will involve a multi sectoral approach by working closely with the National Government Administration and The National Police Service to ensure compliance and enforcement. These efforts are geared towards streamlining the revenue stream and ensuring near 95% compliance level.

The Directorate will also embark on Stakeholder engagement and Public Awareness Creation. This is geared towards getting feedback from our clients and stakeholders on areas of collaboration. This will also enable the Directorate to deal promptly with Customer Complains and concerns to inspire public confidence.


The directorate has made a milestone through the establishment of Nyang'oma Rehabilitation Centre, Masogo. This centre will help with treatment and counselling of affected persons either through alcohol abuse or substance abuse. This will be a game changer in the county as members of the public affected by this chronic problem will be able to get assistance in a safe environment with the help of professionals. Already the centre boasts of the following facilities; -

1. Fully equipped administration block
2. 4 Door Pit latrine
3. Male Dormitory - Ongoing
4. Chain link Fenced compound

The Female dormitory construction project will kick off anytime from now since the tender has already been awarded to the contractor and the site handed over.

***Kisumu County Alcoholic Drinks Control Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

---



A handwritten signature in black ink, appearing to read 'Peter Collins Okoth', is written over a horizontal dotted line. The signature is stylized and somewhat cursive.

**Name: PETER COLLINS OKOTH**

**Fund Administrator**

**Kisumu County Alcoholic Drinks Control Fund  
Annual Report and Financial Statements for the year ended June 30, 2022**

**6. Statement of Performance Against the County Fund’s Predetermined Objectives**

Guidance

*Refer to the entity’s annual budget and program plan report on the extent of the county government entity’s progress in attaining the plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the County entity in implementation of its program plan. Refer to the strategic plan if the entity has one.*

**Introduction**

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

The key development objectives of the Fund as per the strategic plan for *(Indicate period of the strategic plan)* are to:

- a) *Provide quality physical infrastructure in the County*
- b) .....
- c) .....

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Reduction of non-compliant outlets	Licensing of all outlets	Increased compliance level	No. of licensed outlets	440 licensed outlets
Stakeholder participation	Awareness and Public sensitization meeting	Greater participation and Information dissemination	No. of public forums held	10 Meetings held

**7. Corporate Governance Statement**

**8. Management Discussion and Analysis**

Two- three pages

*(Under this section, the management gives a report on the operational and financial performance of the Fund/Board during the period, entity's key projects or investments decision implemented or ongoing, Fund's compliance with statutory requirements, major risks facing the Fund, material arrears in statutory and other financial obligations, and any other information considered relevant to the users of the financial statements.)*

*The management should make use of tables, graphs, pie charts and other descriptive tools to make the information as understandable as possible.)*

## **9. Environmental and Sustainability Reporting**

*Two-to-three pages*

*(The Fund gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation conserves the environment, promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives). Where no CSR activities are undertaken during the year, there is no need to include the statement).*

XXX exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on XXX pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

### **1. Sustainability strategy and profile -**

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

### **2. Environmental performance**

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

### **3. Employee welfare**

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

### **4. Market place practices-**

The organisation should outline its efforts to:

- a) Responsible competition practice.  
Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors
- b) Responsible Supply chain and supplier relations- explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.
- c) Responsible marketing and advertisement-outline efforts to maintain ethical marketing practices
- d) Product stewardship- outline efforts to safeguard consumer rights and interests

### **5. Community Engagements-**

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community

*The organisation gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives)*

**10. Report of The Trustees**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

**Principal activities**

The principal activity/mandate of the Fund is to facilitate on behalf of the County Government of Kisumu licensing, monitoring and evaluation of alcoholic drinks outlets operating in the county of Kisumu with a view to controlling production, sale, and distribution of alcoholic drinks pursuant to Part II of the fourth schedule to the Constitution of Kenya. Besides the aforementioned, the fund undertakes promotion of research, treatment and rehabilitation of persons whose lives are affected by alcoholic drinks.

**Results**

The results of the Fund for the year ended June 30, 2022 are set out on page ....

**Trustees**

The members of the Board of Trustees who served during the year are shown on page xxx (*refer to the key entity information and management page*). The changes in the Board during the financial year are as shown below:

**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. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board

.....  
**Chair of the Board/Fund Administration Committee**

**Date:**

***Kisumu County Alcoholic Drinks Control Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

---

**11. 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 *(The Fund should state the appropriate legislation establishing the Fund)* shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

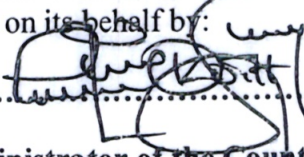
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) 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 *(quote the applicable legislation establishing the County Public Fund)*. 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, 2022, 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. 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 \_\_\_\_\_ 2022 and signed on its behalf by:

.....  
  
.....  
**Administrator of the County Public Fund**

# REPUBLIC OF KENYA

Telephone: +254-(20) 3214000  
E-mail: info@oagkenya.go.ke  
Website: www.oagkenya.go.ke



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

## **REPORT OF THE AUDITOR-GENERAL ON KISUMU COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2022**

---

### **PREAMBLE**

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

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

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of Kisumu County Alcoholic Drinks Control Fund set out on pages 1 to 37, which comprise of the statement of financial

position as at 30 June, 2022, 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## **Basis for Disclaimer of Opinion**

### **1. Presentation and Disclosure of the Financial Statements**

Review of the annual report and financial statements submitted for audit revealed the following inconsistencies.

- i. The acronyms and glossary of terms page has been omitted.
- ii. The Fund administration committee disclosure does not contain photos or indicate whether the Board member is independent or an executive director and which committee of the Board the member chairs where applicable.
- iii. The Fund Management committee disclosure does not contain photos or provide a concise description of each member's date of birth, key academic and professional qualifications, and work experience. In addition, the disclosure does not indicate the main area of responsibility of each member.
- iv. The statement of performance against County funds predetermined objectives, cooperate governance statement, Management discussion and analysis, environmental and sustainability reporting, statement of management responsibilities, corporate governance statement and Management discussion and analysis are not completed in respect to the Fund but contained details as per the prescribed template.
- v. The statement of financial performance and statement of financial position are signed but do not reflect the ICPAK number of the Fund Accountant as required.
- vi. Report of the trustees is not completed or signed as required.
- vii. The statement of comparison of budget and actual amounts does not reflect budget notes on variances between actual and budgeted amounts.
- viii. Under significant accounting policies on budget information at page 12, date of approval of the original budget by the County Assembly was not indicated.

In the circumstances, the financial statements do not comply with the template issued by the Public Sector Accounting Standards Board (PSASB).

### **2. Lack of Trial Balance**

The trial balance for the Fund as at 30 June, 2022 was not provided for audit verification in support of the balances in the financial statements contrary to Paragraph 27 of the

International Public Sector Accounting Standards (IPSAS) 1 which requires financial statements to present fairly the financial position, financial performance and cash flows of an entity.

In the circumstances, Management contravened Paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1 and the basis and accuracy of the financial statements balances could not be confirmed.

### **3. Fines, Penalties and Other Levies**

The statement of financial performance reflects fines, penalties and other levies amount of Kshs.18,719,720 which, as disclosed in Note 3 to the financial statements relates to license fees collected during the year under review. Further, the Fund Management did not present a register of bars and restaurants operating in the County for audit. In addition, Management did not indicate how each category of the licenses was charged.

In the circumstances, the accuracy and completeness of the reported revenue of Kshs.18,719,720 could not be confirmed.

### **4. Failure to Disclose Non-Current Assets in the Statement of Financial Position**

Review of the report of the Fund Administrator indicates fully implemented and commissioned male dormitory costing Kshs.3,000,000, equipping of Nyangoma Rehabilitation Centre costing Kshs.1,000,000 and construction of four (4) door toilet costing Kshs.2,000,000. However, the following weaknesses were noted:

- i. The capital projects included in the report of the Fund Administrator and their values have not been disclosed under property, plant and equipment.
- ii. Management did not provide a status report for the reported projects as at 30 June, 2022 for audit.
- iii. Although an assets register was maintained, it lacked details which include accounting code of the asset, identification number, location, cost, depreciation rate, accumulated depreciation, depreciation charge for the year and net book value of the assets.
- iv. Physical verification carried out in November, 2023 revealed that the projects had not been commissioned as indicated in the Fund Administrators report. In addition, the paint on the male dormitory wall was peeling off and cracks developing on the walls which was an indication of poor workmanship.
- v. Review of payment vouchers revealed that a total amount of Kshs.999,880 was paid to a firm in respect of equipping Masogo Nyangoma Rehabilitation Centre. However, physical verification revealed that no inventory as well as standard assets register were maintained to record these items. Further, the items were not tagged for the purpose of identification and accountability.
- vi. A total amount of Kshs.1,098,500 was paid to a firm for supply of 2 executive chairs, 2 executive tables and 23 visitors chairs for Headquarter Offices. However, the inventory as well as standard assets register were not maintained to record these

items. The items were also not tagged for the purpose of identification and accountability.

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

#### **5. Unsupported Cash and Cash Equivalents**

The statement of financial position reflects a balance of Kshs.3,066,677 in respect to cash and cash equivalents and as disclosed in Note 11 to the financial statements. However, the bank reconciliation statement and board of survey report were not provided for audit.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.3,066,677 could not be confirmed.

#### **6. Unsupported Expenditure on Use of Goods and Services**

The statement of financial performance reflects an amount of Kshs.19,956,083 in respect to use of goods and services and as disclosed in Note 7 to the financial statements. However, no ledgers and schedules were provided for audit verification. Further, general office expenses of Kshs.12,955,228 includes an amount of Kshs.3,176,660 which represents payments that were not adequately supported and accounted for. In addition, the cashbook revealed that an amount of Kshs.488,922 was paid to a firm. However, no payment voucher was provided in support of the payment.

In the circumstances, the accuracy and completeness of use of goods amount of Kshs.19,956,083 could not be confirmed.

#### **7. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted revenue totaling to Kshs.22,610,000 against actual revenue of Kshs.18,719,720 resulting to an under collection of Kshs.3,890,280 or 17% of the budget. Similarly, the statement reflects total expenditure budget of Kshs.22,596,000 against an actual expenditure of Kshs.19,956,083 resulting to an under-expenditure of Kshs.2,639,917 or 12% of the budget.

The under-collection and under expenditure is an indication that some activities in the annual work plan were not implemented which may have affected service delivery to the residents of Kisumu County.

#### **8. Late Submission of Financial Statements**

Kisumu County Alcoholic Drinks Control Fund annual report and financial statements for the year ended 30 June, 2022 were submitted to the Office of the Auditor-General on 15 November, 2023 which is approximately 13 months late. This is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

#### **9. Failure to Establish Rehabilitation Facilities in Administrative Wards**

Review of records provided revealed that the Fund had not established treatment and rehabilitation facilities and programs for persons dependent on alcoholic drinks in the thirty-five (35) wards out of the thirty-six (36) wards in the County. This is contrary to Section 5(1)(a) of the Kisumu County Alcoholic Drinks Control Act, 2014 which requires the Fund in collaboration with other relevant County and National Government agencies to establish treatment and rehabilitation facilities and programs for persons dependent on alcoholic drinks in all wards.

In the circumstances, the Fund Management was in breach of the law and the Fund may not achieve its objective of promotion of research, treatment and rehabilitation of persons dependent on alcoholic drinks.

#### **10. Lack of a Strategic Plan for the Fund**

Review of the records revealed that the Fund does not have a strategic plan and it is not clear how Management will work towards attaining the vision for the future and identify the Fund's goals and objectives. This was contrary to Section 4(2)(e) of the Kisumu County Alcoholic Drinks Control Act, 2014 which requires the Fund to carry out research directly or in collaboration with other institutions and serve as the repository of data and statistics related to alcoholic drinks control, develop in collaboration with other County and National Government departments strategies and plans for implementing this Act and control of alcohol abuse and any other relevant National legislation and coordinate and support their implementation.

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

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

#### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of

my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 continue 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 operations.

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

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

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

### **Auditor-General's Responsibilities for the Audit**


My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Kisumu 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.

  
FCPA Nancy Gathungu CBS  
AUDITOR-GENERAL

Nairobi

08 March, 2024

**Kisumu County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**13. Statement of Financial Performance For The Year Ended 30th June 2022**

	Note	2021-2022	2020-2021
		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	18,719,720	15,269,400
		<b>18,719,720</b>	<b>15,269,400</b>
<b>Revenue From Exchange Transactions</b>			
Interest Income	4	-	-
Other Income	5	-	-
<b>Total Revenue</b>		<b>18,719,720</b>	<b>15,269,400</b>
<b>Expenses</b>			
Employee Costs	6	-	-
Use of goods and services	7	19,956,083.10	11,146,359.40
Depreciation and Amortization Expense	8	-	-
Finance Costs	9	-	-
<b>Total Expenses</b>		<b>19,956,083.10</b>	<b>11,146,359.40</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets	10	-	-
<b>Surplus/(Deficit) For The Period</b>		<b>(1,236,363.10)</b>	<b>4,123,040.60</b>

(The notes set out on pages xxx to xxx form an integral part of these Financial Statements)

*Peter C. Oloo*  
 Name: .....  
 Administrator of the Fund

*George Ogunja*  
 Name: .....  
 Fund Accountant  
 ICPAK Member Number:

**Kisumu County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**14. Statement of Financial Position As At 30 June 2022**

	Note	2022-2023 Kshs	2021-2022 Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	11	3,066,677.50	4,303,040.60
Current Portion of Long- Term Receivables From Exchange Transactions	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
		3,066,677.50	4,303,040.60
<b>Non-Current Assets</b>			
Property, Plant and Equipment	15	-	-
Intangible Assets	16	-	-
Long Term Receivables from Exchange Transactions	12	-	-
<b>Total Assets</b>		3,066,677.50	4,303,040.60
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions	17	-	-
Provisions	18	-	-
Current Portion of Borrowings	19	-	-
Employee Benefit Obligations	20	-	-
<b>Non-Current Liabilities</b>			
Non-Current Employee Benefit Obligation	20	-	-
Long Term Portion of Borrowings	19	-	-
<b>Total Liabilities</b>			
<b>Net Assets</b>			
Revolving Fund		-	-
Reserves		4,303,040.60	180,000
Accrued Surplus/Deficit		(1,236,363.10)	4,123,040.60
<b>Total Net Assets and Liabilities</b>		3,066,677.50	4,303,040.60

**Kisumu County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

---

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2022 and signed by:

*Peter C. Ogoti*  
.....

Name:

Administrator of the Fund

*George Odingo*  
.....

Name:

Fund Accountant

ICPAK Member Number:

**Kisumu County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**15. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2020</b>	-	-	180,000	180,000
Surplus/(Deficit) For the Period	-	-	180,000	180,000
Funds Received During the Year	-	-	4,123,040.60	4,123,040.60
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2021</b>	-	-	<b>4,303,040.60</b>	<b>4,303,040.60</b>
<b>Balance As At 1 July 2021</b>	-	-	<b>4,303,040.60</b>	<b>4,303,040.60</b>
Surplus/(Deficit) For the Period	-	-	(1,236,363.10)	(1,236,363.10)
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2022</b>	-	-	<b>3,066,677.50</b>	<b>3,066,677.50</b>

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

  
 PETER C. OKIITI

Name:  
 Administrator of the Fund

.....  
 Name:  
 Fund Accountant  
 ICPAK Member Number:

**Kisumu County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**16. Statement Of Cash Flows Of or The Year Ended 30 June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		-	-
Receipts from other operating activities		18,719,720.00	15,269,400
<b>Total receipts</b>		<b>18,719,720.00</b>	<b>15,269,400</b>
<b>Payments</b>			
Fund administration expenses			
General expenses		19,956,083.10	11,146,359.40
Finance cost			
Other payments			
<b>Net cash flows from operating activities</b>	21	<b>(1,236,363.10)</b>	<b>4,123,040.60</b>
<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 use disinvesting 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>		<b>(1,236,363.10)</b>	<b>4,123,040.60</b>
Cash and cash equivalents at 1 July 2021	11	4,303,040.60	180,000.00
<b>Cash and cash equivalents at 30 June 2022</b>	11	<b>3,066,677.50</b>	<b>4,303,040.60</b>

***Kisumu County Alcoholic Drinks Control Fund***  
**Annual Report and Financial Statements for the year ended June 30, 2022**

---

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

*Peter C. Okoth*  
.....

**Name:**

**Administrator of the Fund**

*George Ogunje*  
.....

**Name:**

**Fund Accountant**

**ICPAK Member Number:**

**17. Statement Of Comparison Of Budget And Actual Amounts For The Period Ended 30<sup>th</sup> June 2022**

<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Public Contributions And Donations						
Transfers From County Govt.						
Interest Income						
Other Income	22,610,000	-	22,610,000	18,719,720	3,890,280	82.8
<b>Total Income</b>	<b>22,610,000</b>	<b>-</b>	<b>22,610,000</b>	<b>18,719,720</b>	<b>3,890,280</b>	<b>82.8</b>
<b>Expenses</b>						
Fund Administration Expenses						
General Expenses	22,596,000	-	22,596,000	19,956,083.10	2,639,916.90	88.3
Finance Cost						
<b>Total Expenditure</b>	<b>22,596,000</b>	<b>-</b>	<b>22,596,000</b>	<b>19,956,083.10</b>	<b>2,639,916.90</b>	<b>88.3</b>
<b>Surplus For The Period</b>	<b>14,000</b>	<b>-</b>	<b>14,000</b>	<b>(1,236,363.10)</b>	<b>(1,222,363.10)</b>	

**Budget notes**

1. *Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14*
2. *Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)*
3. *Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.*

**18. Notes to the Financial Statements**

**1. General Information**

Kisumu County Alcoholic Control Fund is established by and derives its authority and accountability from Kisumu County Alcoholic Drinks Control Act of 12<sup>th</sup> August 2014. The entity is wholly owned by the Kisumu County Government and is domiciled in Kenya. The entity's principal activity is to control production, sale, distribution, promotion and use of alcoholic drinks. Besides that, the entity conducts research, treatment and rehabilitation of persons affected by alcoholic drinks.

The Fund's objective is to meet the Capital and Recurrent expenditure relating to the mandate of the Fund as stipulated in the Kisumu County Alcoholic Drinks Control Act 2014.

**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) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

**(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<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</p>

	<b>Effective date and impact:</b>
	<p>assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> <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 impairment testing; and</li> <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 Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<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 Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</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 Entity's financial performance, financial position and cash flows.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>

*Kisumu County Alcoholic Drinks Control Fund.*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

Standard	Effective date and impact
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st 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><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>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.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 43</p>	<p><b>Applicable 1<sup>st</sup> January 2025</b></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</p>

**Kisumu County Alcoholic Drinks Control Fund.**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

	<b>Effective date and impact:</b>
	<p>basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations</p>	<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 statement of financial performance.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>

**(iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.

**4. 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 entity and can be measured reliably.

**ii. Revenue from exchange transactions**

***Interest income***

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**b) Budget information**

The original budget for FY 2021-2022 was approved by the County Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of xxxxx on the FY 2021-2022 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

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

**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 entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**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) Financial instruments**

***Financial assets***

***Initial recognition and measurement***

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

***Loans and receivables***

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

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

***Held-to-maturity***

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

***Impairment of financial assets***

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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

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

**f) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

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

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

**g) Provisions**

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

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

***Contingent liabilities***

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

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

***Contingent assets***

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**h) Nature and purpose of reserves**

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

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

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

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

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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.

**k) 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.

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

**l) 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.

**m) Related parties**

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

**n) Cash and cash equivalents**

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

**o) Comparative figures**

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

**p) Events after the reporting period**

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

**q) Ultimate and Holding Entity**

The entity is a County Public Fund established by xxx Act (*state the legislation establishing the Fund*) under the Ministry of xxx. Its ultimate parent is the County Government of XXX.

**r) Currency**

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

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

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

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

State all judgements, estimates and assumptions made e.g.

**a) Estimates and assumptions** – The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

**b) Useful lives and residual values**

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

- The condition of the asset based on the assessment of experts employed by the Entity
- 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.

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

*Kisumu County Alcoholic Drinks Control Fund.*

**Annual Report and Financial Statements for the year ended June 30, 2022**

**6. Notes To The Financial Statements**

**1. Public contributions and donations**

	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

*(Provide brief explanation for this revenue)*

**2. Transfers from County Government**

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties		
Licenses	18,719,720	15,269,400
<b>Total</b>	<b>18,719,720</b>	<b>15,269,400</b>

*(Provide brief explanation for this revenue)*

**4. Interest income**

	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	=	-
Interest Income From Car Loans	-	-
Interest Income From Investments	-	-
Interest Income On Bank Deposits	-	-
<b>Total Interest Income</b>	<b>-</b>	<b>-</b>

*(Provide brief explanation for this revenue)*

**Kisumu County Alcoholic Drinks Control Fund.**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes to the Financial Statements Continued**

**5. Other income**

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	-	-
Income From Sale Of Tender Documents	-	-
Miscellaneous Income	-	-
<b>Total Other Income</b>	<b>-</b>	<b>-</b>

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

**6. Employee Costs**

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other (Specify)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**7. Use of Goods and Services**

Description	2021-2022	2020-2021
	Kshs	Kshs
General Office Expenses	12,955,228.10	10,790,416
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	-	-
Committee Allowances	256,000	-
Bank Charges	38,860	16,383
Electricity And Water Expenses	-	-
Fuel And Oil Costs	500,000	300,000.40
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	439,900	39,560

**Kisumu County Alcoholic Drinks Control Fund.**

**Annual Report and Financial Statements for the year ended June 30, 2022**

Description		
Rental Costs	-	
Security Costs	-	
Telephone And Communication Expenses	-	
Bank Charges	-	
Audit Fees	-	
Provision For Doubtful Debts	-	
Infrastructure and Civil works	5,766,095.00	
<b>Total</b>	<b>19,956,083.10</b>	<b>11,146,359.40</b>

**8. Depreciation and Amortization Expense**

Description		
Property Plant and Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**9. Finance costs**

Description		
Interest On Bank Overdrafts	-	-
Interest On Loans From Banks	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

Description		
Property ,Plant And Equipment	-	-
Intangible Assets	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**Kisumu County Alcoholic Drinks Control Fund.**

**Annual Report and Financial Statements for the year ended June 30, 2022**

**Notes to the Financial Statements Continued**

**11. Cash and cash equivalents**

<b>County Annual Report and Financial Statements</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Xxx Car Loan Account		
Xxx County Mortgage Account		
Fixed Deposits Account		
On – Call Deposits		
Current Account	3,066,677.50	4,303,040.60
Others		
<b>Total Cash And Cash Equivalents</b>	<b>3,066,677.50</b>	<b>4,303,040.60</b>

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

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

<b>Financial Institution</b>	<b>Account Number</b>	<b>Kshs</b>	<b>Kshs</b>
<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank			
Equity Bank, Etc.			
<b>Sub- Total</b>			
		-	-
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank			
Equity Bank - Etc.			
<b>Sub- Total</b>			
		-	-
<b>c) Current Account</b>			
Kenya Commercial Bank - Kisumu	1165988372	3,066,677.50	4,303,040.60
Bank B			
<b>Sub- Total</b>		3,066,677.50	4,303,040.60
<b>d) Others(Specify)</b>			
Cash In Transit			
Cash In Hand			
<b>Sub- Total</b>			
		-	-
<b>Grand Total</b>		3,066,677.50	4,303,040.60

**Kisumu County Alcoholic Drinks Control Fund.**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**12. Receivables from exchange transactions**

	2021-2022	2020-2021
<b>Current Receivables</b>		
Interest Receivable	-	-
Current Loan Repayments Due	-	-
Other Exchange Debtors	-	-
Less: Impairment Allowance	-	-
<b>Total Current Receivables</b>	-	-
<b>Non-Current Receivables</b>		
Long Term Loan Repayments Due	-	-
<b>Total Non- Current Receivables</b>	-	-
<b>Total Receivables From Exchange Transactions</b>	-	-

**Additional disclosure on interest receivable**

<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	-	-

**13. Prepayments**

Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (Specify)	-	-

***Kisumu County Alcoholic Drinks Control Fund.***

**Annual Report and Financial Statements for the year ended June 30, 2022**

<b>Total</b>	-	-
--------------	---	---

**14. Inventories**

<b>Annual Report and Financial</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Consumable Stores	-	-
Spare Parts And Meters	-	-
Catering	-	-
Other Inventories (Specify)	-	-
<b>Total Inventories At The Lower Of Cost And Net Realizable Value</b>	-	-

**Kisumu County Alcoholic Drinks Control Fund.**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**15. Property, plant and equipment**

					Kshs
At 1 <sup>st</sup> July 2020	-	-	-	-	-
Additions				-	-
Disposals				-	-
Transfers/Adjustments				-	-
At 30 <sup>th</sup> June 2021	-	-	-	-	-
At 1 <sup>st</sup> July 2021	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-
<b>Depreciation And Impairment</b>	-	-	-	-	-
At 1 <sup>st</sup> July 2020	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 <sup>th</sup> June 2021	-	-	-	-	-
At 1 <sup>st</sup> July 2021	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-

**Kisumu County Alcoholic Drinks Control Fund.**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

					Total
					Kshs
Transfer/Adjustment	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30 <sup>th</sup> June 2021	-	-	-	-	-
At 30 <sup>th</sup> June 2022	-	-	-	-	-

XXX County XXX Fund/Board (Indicate actual name of the entity)  
 Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

16. Intangible assets

	2022	2021
<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>	<b>-</b>	<b>-</b>

17. Trade and other payables from exchange transactions

	2022	2021
Trade Payables	-	-
Refundable Deposits	-	-
Accrued Expenses	-	-
Other Payables	-	-
<b>Total Trade And Other Payables</b>	<b>-</b>	<b>-</b>

18. Provisions

	2022	2021	2020	2019
Balance At The Beginning Of The Year (1.07.2021)	-	-	-	-
Additional Provisions	-	-	-	-
Provisions Utilized	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
<b>Balance At The End Of The Year (30.06.2022)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

XXX County XXX Fund/Board (Indicate actual name of the entity)  
 Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

19. Borrowings

Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
Balance At End of The Period	-	-

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

External Borrowings		
Dollar Denominated Loan From 'X Organisation'	-	-
Sterling Pound Denominated Loan From 'Y Organisation'	-	-
Euro Denominated Loan from 'Z Organisation'	-	-
Domestic Borrowings	-	-
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>	<b>-</b>	<b>-</b>

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

Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

(The total of long-term and current borrowings should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed.)

**XXX County XXX Fund/Board (Indicate actual name of the entity)**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

**20. Employee benefit obligations**

	2021	2022	2021	2022
	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**21. Cash generated from operations**

	2021	2022
Surplus (Deficit) For the Year Before Tax	(1,236,363.10)	4,123,040.60
Adjusted For:		
Depreciation	-	-
Amortization	-	-
Gain/Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
<b>Net Cash Flow From Operating Activities</b>	<b>(1,236,363.10)</b>	<b>4,123,040.60</b>

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

**XXX County XXX Fund/Board (Indicate actual name of the entity)  
Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures**

**22. Related party balances**

**a) Nature of related party relationships**

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

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

**b) Related party transactions**

	2021-2022	
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

**c) Key managerial remuneration**

	2021-2022	
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

**d) Due from related parties**

	2021-2022	
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

**XXX County XXX Fund/Board (Indicate actual name of the entity)**  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**Other Disclosures Continued**

e) Due to related parties

XXX County XXX Fund/Board Annual Report and Financial Statements	K\$	K\$
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

**23. Contingent assets and contingent liabilities**

Personnel	K\$	K\$
Court Case Xxx Against The Fund	-	-
Bank Guarantees	-	-
Total	-	-

**Other Disclosures Continued**

**24. Financial risk management**

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Fund's financial risk management objectives and policies are detailed below:

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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

Management assesses the credit risk of	Total Amount Kshs	Net Amount Kshs	Net Amount Kshs	Net Amount Kshs
<b>At 30 June 2022</b>				
Receivables from Exchange Transactions	-	-	-	-
Receivables from Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2021</b>				
Receivables from Exchange Transactions	-	-	-	-
Receivables From Non Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

*XXX County XXX Fund/Board (Indicate actual name of the entity)*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

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

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

The entity has significant concentration of credit risk on amounts due from xxxx

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

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

<b>At 30 June 2022</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>At 30 June 2023</b>				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**c) Market risk**

*XXX County/XXX Fund/Board (Indicate actual name of the entity)*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**i. Foreign currency risk**

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

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

	Kshs	Other currencies	Total
<b>At 30 June 2021</b>			
Financial Assets	-	-	-
Investment	-	-	-
Other	-	-	-
Debtors/ Receivables	-	-	-
Accruals			
Supplier/ Other Payables	-	-	-
Other Liab	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	<b>-</b>	<b>-</b>	<b>-</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 capital payments.*

**Foreign currency sensitivity analysis**

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

Foreign currency sensitivity analysis		KShs	
2021			
	10%	-	-
	10%	-	-
	10%	-	-
	10%	-	-

**ii. Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

**Management of interest rate risk**

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

**Sensitivity analysis**

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs - (2022: KShs -). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs - (2021 - KShs -).

*XXX County XXX Fund/Board (Indicate actual name of the entity)*  
**Annual Report and Financial Statements for the year ended June 30, 2022**

**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 entity capital structure comprises of the following funds:

Capital risk management		2021-2022	
		Kshs	
Revaluation reserve			
Revolving fund			
Accumulated surplus			
<b>Total funds</b>			
Total borrowings			
Cash, bank and bank balances			
Net debt (excess cash and cash equivalents)			
Gearing			

**XXX County XXX Fund/Board (Indicate actual name of the entity)  
Annual Report and Financial Statements for the year ended June 30, 2022**

**19. Progress On Follow Up Of Prior Year Auditor's Recommendations**

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

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

*Guidance Notes:*

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