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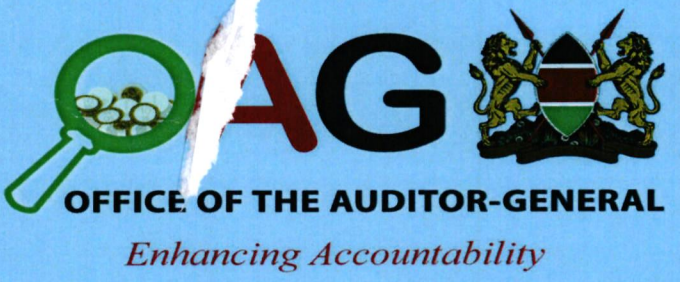
REPUBLIC OF KENYA



REPORT

PAPERS LAID	
DATE	8/11/2022.
TABLED BY	Senate Majority Whip
COMMITTEE	
CLERK AT THE TABLE	I. Mbaya.

OF

THE AUDITOR-GENERAL

ON

KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND

FOR THE YEAR ENDED 30 JUNE, 2021

THE GREEN JEWEL

COUNTY GOVERNMENT OF KAKAMEGA
KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021

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

Table of Contents

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kakamega County Alcoholic Drinks Control Fund is established by and derives its authority and accountability from Kakamega County Alcoholic Drinks Control Act 2014. The Fund is wholly owned by the County Government of Kakamega under the Ministry of Public Service and Administration and is domiciled in Kenya.

The fund's objective is to provide for licensing of alcoholic drinks by the County Government of Kakamega.

b) Principal Activities

The Fund's principal activity is to enable the operations of the sub-county committees in regulating alcohol production, distribution, sale and consumption within Kakamega County.

The principal mandate of the Fund is to facilitate regulation in terms of production, distribution, sale and consumption of alcohol; campaign against alcohol abuse and provide interventions for minimizing the harm and mitigating the impact of alcohol on individual consumers, their families and the community of Kakamega County

c) Fund Administration Committee

Ref	Position	Name
	Chairman of the Board	
1	Chief Officer (*Responsible department*)	Dr.Dominic Muteshi
2	Chief Officer finance	Amb.James Ochami
3	Other trustees/Committee Members	
4	Fund Manager/ Administrator	Ben Namayi Ochomo

d) Key Management

Ref	Name	Position
1	Ben Namayi Ochomo	Director
2	Amb. James Ochami	Chief Officer, Finance
3	Dr. Dominic Muteshi	Chief Officer, Public Service &Administration
4	Ruth Makhaya	Fund Accountant

(The above named officers are the current signatories to the Kakamega County Alcoholic Drinks Control Fund A/C)

e) Fiduciary Oversight Arrangements

Ref	Entity	Role
1	County Assembly of Kakamega	• Legislation • Oversight • Representation
2	Kakamega County Executive Audit Committee	• Monitoring and reviewing risk, • control and governance
3	Office of the Auditor General	• Oversight and advisory • Accountability • Express opinion on Books of account. • Offer quality assurance on fiscal and monetary matters

f) Registered Offices

P.O. Box 36 -50100
Sahajanand Building 1st Floor
Mumias Road.
Kakamega, Kenya

g) Fund Contacts

Telephone: 05631850/31852/31853
E-mail: doadc@kakamega.go.ke
Website: www.kakamega.go.ke

h) Fund Bankers

National Bank of Kenya
Along Kisumu-Kakamega road
P.O Box1773-50100
Kakamega-Kenya

i) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

County Attorney
County Government of Kakamega
Kakamega town
P.O. Box 36-50100
Kakamega, Kenya

2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience

(The fund is not fully established hence there's no Board or Fund Administration Committee. The Directorate of Alcoholic Drinks Control receives funding from the Ministry of Public Service and Administration through approved budgets by the County Assembly. Monies received from liquor application and licensing are received at National bank and swiped to the main revenue account at Central Bank. The only expenditure incurred on the account is for the bank charges)

3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the Directorate of Alcoholic Drinks Control 2018-2022 plan are to:

a) Regulate production, sale and consumption of alcoholic drinks within the County through the licensing process and law enforcement activities.
b) Coordinate public awareness and education on adverse effects of alcohol and drug abuse within the County.
c) Coordinate Implementation of County Workplace Policy on prevention and management of alcohol and drug abuse
d) Operationalize County treatment and rehabilitation Centre
e) Build capacity of the directorate

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Coordination of alcoholic drinks control	To regulate production, distribution, promotion, sale and consumption of alcoholic drinks within the County	Reduced peddling of illicit/contraband/counterfeit drinks. Controlled and orderly distribution, sale of alcoholic drinks in the County Traders and consumers follow control hours for opening and closing Controlled advertisements for all alcoholic drinks within the County	Revenue from the traders paying for licenses. Enforcement activities in the sub counties Low prevalence of illicit and contraband drinks. Number of licensed outlets.	Total invoiced traders were 1182. Enforcement exercise done in all sub counties between April, May and June. A total of 881 alcoholic drinks traders were sensitized on their legal obligations and

			No of outlets closed. No of traders observing regulations	business ethics. A total of 61 outlets were closed for noncompliance
County alcohol and drug abuse prevention	Coordinate public awareness and education on adverse effects of alcohol and drug abuse within the County	Less number of teenagers using alcohol and drugs Increased awareness and participation by all stakeholders and vulnerable groups. Reduced number of people craving for illicit alcoholic drinks Increased income generating activities. Less demand for psychotropic substances	No of community based activities No of participant groups No of church based meetings sensitized No of education institutions seeking to be sensitized on Alcohol Drug Abuse.	Conducted outreach activities for 120 community based behaviour change groups in 4 Sub counties. Facilitated 94 groups to register a savings and credit cooperative society Conducted Alcohol Drug Abuse education meetings for 8 church based organizations. Held sensitization meetings for students/trainees in 12 County Polytechnics (Centres of excellence), 3secondary schools and 2national vocational colleges

County Work Place Policy on Alcohol and Drug Abuse.	Coordinate implementation of the Policy in all departments	Functional and effective Employees Assistance Programme; Available addiction counselling and psychiatric care for staff with substance use challenges Increased awareness for County staff on Alcohol Drug Abuse issues Reduced incident of employees with drug related problems Workplace Alcohol Drug Abuse committees formed and working in all departments.	No of staff benefitting from EAP Reports for staff going through recovery after addiction counselling. Reports for staff attending treatment and rehabilitation No of sensitization meetings held No of departmental committees formed. No of capacity building meeting for workplace committees	A total of 15 employees benefitted from counselling services. Conducted education meetings for all county administrators, County public health and Community health officers and County public service Board members and staff. Held two capacity building workshops for the 12 departmental Alcohol Drug Abuse committees

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1.Ben Ochomo	BA, Biblical Studies, Higher Dip.Counselling,Dip.Bus Admin.,Date of Birth 23/11/1968. 24 Years Experience in private and Public sector. Director, Directorate of Alcoholic Drinks Control.
2.CPA Ruth Makhaya	MBA(Finance),Bachelors Degree(Banking and Finance),CPA(K).Date of Birth 16/12/1989. 5years Experience in Public Sector.Accountant,Directorate of Alcoholic Drinks Control

(The Management team is not in place. The fund is yet to be operationalized)

5. FUNDADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

The Kakamega Alcoholic Drinks Control Fund was established in the year 2014. The fund is domiciled in the department of Public Service and Administration.

All Alcoholic Drinks application and licensing revenue is collected through the Fund account at the National Bank of Kenya. The current practice has been that the money received is transferred to the Kakamega County Revenue Fund at the close of the Financial Year, as guided by the County Treasury.

The activities of the Directorate of Alcoholic Drinks Control are based on the Alcoholic Drinks Control Act 2014.

During the year under review, main activities included:-

a) Regulation of production, sale and consumption of alcoholic drinks within the County through licensing process and law enforcement activities.
b) Public awareness and education on adverse effects of alcohol and drug abuse within the County.
c) Implementation of the County initiative for prevention and management of alcohol and drug abuse at the workplace.

The Directorate also came up with community based initiative for prevention of alcohol and drug abuse as part of the county Government corporate social responsibility.

By end of theFinancial year, the Directorate had received a total of 1175 applicants for Alcoholic Drinks Licences, who were all invoiced. The traders were however still recovering from the impact of the Public Health measures for prevention and control of Covid 19 pandemic as set out by the Ministry of Health. The traders were directly affected by the national curfews hence many outlets had closed down.

The Fund is compliant with all statutory requirements including the Public Finance Management Act (2012).

Signed: _____

CECM, PUBLIC SERVICE AND ADMINISTRATION

6. REPORT OF THE FUND ADMINISTRATOR

The Directorate of Alcoholic Drinks Control is an agency of the County Government of Kakamega established in the year 2014 after the enactment of the Kakamega Alcoholic Drinks Control Act 2014.It is domiciled in the Department of Public Service and Administration.

Mandate

The mandate of the directorate includes:

-Development of strategies and plans for implementation of the Act in collaboration with county and other National Government Departments and agencies.

-Regulation of manufacture, distribution, promotion, sale and consumption of alcoholic drinks

-Establishment of treatment, rehabilitation, and harm mitigation programs for persons with substance use disorders.

-Advocacy, public education and awareness on harmful effects of alcohol and drug abuse in the County.

-Facilitate citizen participation in matters related to the Alcoholic Drinks Control and in relation to the established legal framework.

Management of funds

The Directorate's main source of revenue includes income from issuance of licences and disbursements from the county treasury based on approved annual budgets of the department and as provided by section 4 of the Kakamega Alcoholic Drinks Control Act 2014

Operation of the fund

The Alcoholic Drinks Control Fund Account at National Bank of Kenya is the directorate's main revenue collection account. All the money received from applications and licensing is swiped to Kakamega County Revenue Fund Account at Central Bank. Total revenue received as at 30th June 2021 was Ksh.17,554,830. Bank charges amounted to Ksh.7,780. General expenses amounted to Ksh.8,822,593.63. The current assets comprised the cash and cash equivalents amounting to Ksh. 278,213.50.Non-current assets comprised PPE valued at Ksh.781,080.50. The accumulated deficit for the period was (Ksh. 5,479,922.50)

Signed: _____

Fund Administrator

7. CORPORATE GOVERNANCE STATEMENT

The activities of the Directorate are based on the approved budget, annual work plan, performance contract signed by the CEC member Public Service and Administration with H.E the Governor in accordance with the Alcoholic Drinks Control Act 2014.

The agency also recognizes all other statutory requirements for instance the Public Finance Management Act, Alcoholic Drinks Control Act 2010, NACADA and the Kenya Revenue Authority Guidelines besides the Constitution of Kenya 2010.

The Director reports to the Chief Officer for Public Service and Administration.

The agency functions with 12 sub county committees. The Directorate's role is to facilitate the work of the Sub county committees, which is to undertake the whole process of licensing based on the law. This includes receiving of new applications, carrying out public participation, inspection of the outlet premises and vetting of the applicants based on the inspection reports. The inspection reports are presented by the Public Health Officers, The Sub County Police Commanders and the Community representatives, who are all members to the respective Sub County Committees. All cases of traders who may not be satisfied with the outcome of the process at the Sub County Committee are channelled to the Directorate for review. The appeal cases are handled by the County Alcoholic Drinks Administrative Review Committee. The Directorate also has mandate to advice the Governor through the CEC Member on law enforcement matters relating to alcohol and drug abuse within the County. Matters of law enforcement are handled under the County Alcoholic Drinks Control Enforcement Coordinating Committee. The two Committees at the County level are both chaired by the Chief Officer for Public Service and Administration. The Secretary to the two committees is the Director. The Sub county Committees are chaired by the Sub County Administrators.

All the committees bring together both the County and National Government officials so that the whole matter of control of alcohol and drug abuse within the County remains an effective collaboration between major stakeholders in the government and the community. The minutes for all sittings by the sub county committees are filed at the Directorate with copies at the sub county headquarters.

The sub county Administrators are required to file monthly returns to the Directorate before 10th of every month. The returns are the monthly summary for payments against alcoholic drinks licenses issued.
The Director compiles a quarterly report of all the Directorates activities, programmes, challenges and recommendations to the Chief Officer and CEC Member for Public Service and Administration.

8. MANAGEMENT DISCUSSION AND ANALYSIS

Kakamega County Alcoholic Drinks Control Fund was established in the year 2014.It is domiciled in the ministry of Public Service and Administration. The Alcoholic Drinks Control Fund Account at National Bank of Kenya is the directorate's main revenue collection account. All the money received from applications and licensing is swiped to Kakamega County Revenue Fund Account at Central Bank. Total revenue received from liquor licences as at 30th June 2021 was Ksh.17,554,830. As at 30th June 2021, the directorate had swiped ksh.22,880,000 to Kakamega county revenue fund. The directorate was in the FY2020/2021 allocated ksh.7, 136,699 by the ministry of Public Service and Administration and an additional Ksh.2,073,220 by the Kenya Devolution Support Programme. As at 30th June 2021, the directorate had incurred an expenditure of Ksh.8,675,621.13. Bank charges amounted to Ksh.7,780. The current assets comprised the cash and cash equivalents amounting to Ksh. 278,213.50.Non-current assets comprised PPE valued at ksh.781, 080.50.Accumulated deficit for the period was Ksh. (5,479,922.50). The fund is viewed as a going concern and it's expected to perform better in the financial year 2021/2022.The fund is compliant with statutory requirements including the PFM Act that requires funds to swipe unspent amounts back to the exchequer at the end of the financial year.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

This is the way through which the Directorate of Alcoholic Drinks relates itself with the communities within the County for purpose of achieving a balance of economic, environmental and social imperatives.

Behaviour Change Communication and Development Programme

The directorate initiated and is the coordinator for the programme which has now 120 Community Based Groups and 3 Community Based Organisations in Butere, Lugari, Lurambi and Ikolomani. The purpose of the community based initiative is to build a sustainable behaviour change process that will yield supply suppression and demand reduction for alcohol and other psychotropic substances especially tobacco use. This is facilitated through public awareness and education programme of the Directorate. Two theatre groups were formed during the last quarter and helped to register. The role of the two groups will be to boost awareness campaign especially among the young people. A total of 94 groups in Butere Sub County have registered a Savings and Credit Cooperative and through the Directorate the Cooperative is enlisted for County Government support. The groups have also benefited from the Anglican Development Organization, a church based Non-Governmental Organization.

Institution Based Programme

This is a programme which targets the young people in County Polytechnics and Schools within Kakamega County. The objective is to reach out to as many young people as possible and sensitize them on prevention of alcohol and drug abuse. Our goal is to achieve delay in early initiation of children and young people into use of alcohol and psychotropic drugs. During the last quarter the programme was adversely affected by the national campaign measures for prevention of Covid 19 pandemic.

Prevention: Public Education/Awareness

The Ministry of Health has identified alcohol and drug abuse as a risk factor in prevalence of non-communicable diseases in Kenya.

The Directorate has come up with its own strategy for prevention activities including developing its own Information and Educational Communication materials and facilitating meetings, youth conferences and handling individuals afflicted with substance use disorders. The Directorate set up an ongoing public awareness programme and is working in liaison with the national and county administration, Public Health Department and Churches. The programme has however been adversely affected by the national campaign measures for prevention of Covid 19 pandemic.

Workplace Alcohol Drug Abuse Prevention and Management Programme

The directorate is the champion for the implementation of the Workplace Policy being implemented in the county government departments. Workplace committees have been appointed in all departments. Three capacity building workshops were held during the year 2021/22.

Treatment and Rehabilitation

The Directorate is cognisant of the fact that running a rehabilitation programme will not be possible without continuous and sustainable collaboration with the Department of Health. This will ensure fulfilment of the purpose; to provide treatment, support and harm mitigation services for people with substance use disorders within the County.

10. REPORT OF THE FUND ADMINISTRATION COMMITTEE

The Director submits his report for the financial year ended June 30th, 2021 which show the state of the Fund affairs.

10.1 Principal activities

The principal mandate of the Fund is to facilitate regulation, production, distribution, sale and consumption of alcohol; campaign against harmful use of alcohol illicit drugs and provide interventions for minimizing the harm and mitigating the impact of alcohol on individual users, families and the community of Kakamega County.

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 21 and 22 of this financial report.

10.3 Trustees

The fund does not have trustees

10.4 Auditors

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

Sign:

Name: Namaji B. Ochano

Date: 17/4/2022

(The fund does not have a fund administration committee)

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 section 116(1) of the Public Finance Management Act 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, 2021. 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 The Kakamega County Alcoholic Drinks Control Act 2014 . The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, 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 _____ 2021 and signed on its behalf by:

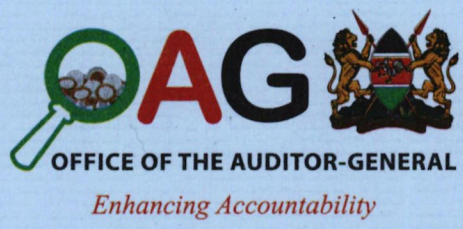
_____

Name: OCHOMO BENSON

Director

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 KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2021

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 intended purpose.

C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kakamega County Alcoholic Drinks Control Fund set out on pages 21 to 53, which comprise the statement of financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kakamega County Alcoholic Drinks Control Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and Kakamega Alcoholic Drinks Control Act, 2014.

Basis for Qualified Opinion

1. Unsupported Transfers from County Government

The statement of financial performance reflects a balance of Kshs.8,675,621 being transfers from the County Government which, as disclosed in Note 1 to the financial statements, comprises an amount of Kshs.2,073,220 and Kshs.6,602,401 being receipts from the Kenya Devolution Support Programme implemented by the State Department for Devolution and Kakamega County Government Department for Public Service, Youth and Gender respectively. However, the transfers were not supported by any documentation and the amounts were not reflected in the Fund's cash book and bank account.

In the circumstances, the accuracy, completeness and validity of the balance of Kshs.8,675,621 could not be confirmed.

2. Property, Plant and Equipment

The statement of financial position reflects a balance of Kshs.781,081 under property, plant and equipment. However, as disclosed in Note 7 to the financial statements, the amount excludes depreciation expense for the year for computers.

In addition, the financial position and supporting schedules of property, plant and equipment reflect balances of Kshs.781,081 and Kshs.1,473,560 respectively thus resulting to an unexplained variance of Kshs.682,479.

In the circumstances, the accuracy of the property, plant and equipment balance of Kshs.781,081 could not be confirmed.

3. Unsupported General Expenses

The statement of financial performance reflects expenditure of Kshs.8,822,594 under general expenses which, as disclosed in Note 4 to the financial statements, was incurred on various expenditure items. However, the balance includes expenditures totalling to Kshs.3,476,506 for which payment vouchers and related supporting documents were not provided for audit review.

In the circumstances, the accuracy and propriety of expenditure totalling to Kshs.3,476,506 could not be confirmed.

4. Unsupported Procurement of Policy Development and Rehabilitation Services

During the year under review, the Fund engaged a consultant to develop a policy document for the County treatment and rehabilitation services at a contract sum of Kshs.1,200,000. However, a contract agreement and the relevant tender documents were not provided for audit review.

In the circumstances, the accuracy, completeness and validity of the expenditure of Kshs.1,200,000 could not be confirmed.

5. Unsupported Imprest

The statement of financial performance reflects expenditure of Kshs.8,822,594 under general expenses which, as disclosed in Note 4 to the financial statements, includes three expenditures of Kshs.590,000, Kshs.1,492,200 and Kshs.1,731,400, totalling to Kshs.3,813,600, relating to travel costs, accommodation – domestic travel, and daily subsistence respectively. The expenditure was incurred in form of imprest. However, Management did not maintain an imprest register with details of date of issue, purpose and date of surrender. In addition, it was noted that surrendered imprests were not supported with warrants and travel documents. Further, an ageing analysis was also not provided.

In the circumstances, the accuracy and validity of the imprest totalling to Kshs.3,813,600 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Alcoholic Drinks Control Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts had an approved final revenue budget of Kshs.34,209,319 and actual revenue amount of Kshs.26,230,451 resulting to underfunding of Kshs.7,978,868 or 23% of the budget. Similarly, the

statement reflects budgeted expenditure of Kshs.34,209,319 against actual expenditure of Kshs.31,799,708 thus resulting in under expenditure of Kshs.2,409,611 or 7% of the budget.

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

2. Unresolved Prior Year Matters

Various prior year audit issues remained unresolved as at 30 June, 2021. Management has not provided reasons for the delay in resolving the prior year audit issues. Further, the unresolved prior year issues are not disclosed under the progress on follow up of auditor's recommendations section of the financial statements as required by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Non-Compliance with Public Sector Accounting Standards Board Requirements

The Fund submitted financial statements for audit during the financial year under review. However, it was noted that the financial statements did not contain the background information like the name of Board of Trustee/Fund Administration Committee, passport size photos, academic qualifications and related experience. This was contrary to the Public Sector Accounting Standards Board template.

In the circumstances, the Fund did not comply with the Public Sector Accounting Standards Board (PSASB) guidelines.

2. Over-Expenditure on General Expenses

The statement of financial performance reflects expenditure of Kshs.8,822,594 on general expenses. However, records indicated that the expenditure amount included expenditures totalling to Kshs.7,972,830 incurred on various expenditure items where the individual expenditures exceeded the budget amounts by a total of Kshs.4,497,825, as shown below:

Expenditure Summary	Expenditure (Kshs.)	Approved Budget (Kshs.)	Over-Expenditure (Kshs.)
Water	119,810	36,721	83,089
Travel Cost	590,000	238,140	351,860
Accommodation-Domestic Travel	1,492,200	742,720	749,480
Daily Subsistence Allowance	1,731,400	830,008	901,392
Advertising, Awareness & Publicity	1,094,020	352,800	741,220
Boards	1,163,500	647,816	515,684
Contracted Professional Services	1,470,000	400,000	1,070,000
Maintenance of Motor Vehicles	311,900	226,800	85,100
Total	**7,972,830**	**3,475,005**	**4,497,825**

The over-expenditure contravened Regulations 42(1)(b) and 43(2) of the Public Finance Management (County Governments) Regulations, 2015. Management did not also seek the approval of the County Assembly as required.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Failure to Review Cash Book and Bank Reconciliation Statements

Review of the cash book and bank reconciliation statements of the Fund revealed that the two documents are not regularly reviewed for accuracy and completeness by senior officers. It was further noted that monthly bank reconciliation statements were not approved.

In the circumstances, existence of the expenditure controls on management of the cash book and bank statements could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Administration Committee

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 its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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.

The Administration Committee is 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 governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015, and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015, and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's

ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

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

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

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

CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 July, 2022

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	FY2020/2021	FY2019/2020
		Kshs	KShs
Assets			
Current assets			
Cash and cash equivalents	6	278,213.50	5,611,163.50
Non-current assets			
Property, plant and equipment	7	781,080.50	928,053
Total assets		**1,059,294.00**	**6,539,216.50**
Liabilities			
Current liabilities			
Non-current liabilities			
Total liabilities		-	-
Net assets			
Accumulated Fund		4,837,560.00	4,837,560.00
Accumulated surplus		(3,778,266.00)	1,701,656.50
Total net assets and liabilities		**1,059,294.00**	**6,539,216.50**

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 _____ 2021 and signed by:

Administrator of the Fund
Name: NAMAYI OCHOMO BENSON

Fund Accountant
Name: JOSEPH NGOKO
ICPAK Member Number:

13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Accumulated Fund	Accumulated surplus	Total
	KShs	KShs	KShs
Balance as at 1st July 2019	4,837,560.00	(3,614,167.00)	1,223,393.00
Surplus/(deficit) for the period	-	5,315,823.50	**5,315,823.50**
Funds received during the year	-		
Revaluation gain	-		
Balance as at 30th June 2020	4,837,560.00	1,701,656.50	**6,539,216.50**
Balance as at 1 July 2020	**4,837,560.00**	**1,701,656.50**	**6,539,216.50**
Surplus/(deficit) for the period		(5,479,922.50)	**(5,479,922.50)**
Funds received during the year		-	-
Revaluation gain	-		-
Balance as at 30th June 2021	**4,837,560.00**	**(3,778,266.00)**	**1,059,294.00**

13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	FY2020/2021	FY2019/2020
		KShs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations			-
Transfers from County Government	1	8,675,621.13	7,948,307.00
Interest received			-
Fines, Penalties and other Levies	2	**17,554,830.00**	15,555,310.00
Total Receipts		**26,230,451.13**	**23,503,617.00**
Payments			
Fund Administration Expenses	3	(22,880,000.00)	10,000,000.00
General expenses	4	(8,822,593.63)	8,184,613.50
Finance cost	5	(7,780.00)	3,180.00
Total Payments		**(31,710,373.63)**	**18,187,793.50**
Net cash flows from operating activities		**(5,479,922.50)**	**5,315,823.50**
Cash flows from investing activities			
Depreciation		146,972.50	236,306.50
Net cash flows used in investing activities		**146,972.50**	**236,306.50**
Cash flows from financing activities			
Net cash flows used in financing activities		-	-

Net increase/(decrease) in cash and cash equivalents		**(5,332,950.00)**	**5,552,130.00**
Cash and cash equivalents at 1 JULY		5,611,163.50	59,033.50
Cash and cash equivalents at 30 JUNE	6	**278,213.50**	**5,611,163.50**

(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)

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilization
	2021	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	KShs	
the county	9,209,319.00	-	9,209,319.00	8,675,621.13	533,697.87	94
liquor	25,000,000.00	-	25,000,000.00	17,554,830.00	7,445,170.00	70
	34,209,319.00	**-**	**34,209,319.00**	**26,230,451.13**	**7,978,867.87**	77
county	24,990,000.00	-	24,990,000.00	22,880,000.00	2,110,000.00	92
	9,209,319.00	-	9,209,319.00	8,911,927.63	297,391.37	97
	10,000.00	-	10,000.00	7,780.00	2,220.00	78
Expenditure	**34,209,319.00**	**-**	**34,209,319.00**	**31,799,707.63**	**2,409,611.37**	93
the period	**-**	**-**	**-**	**(5,569,256.50)**	**5,569,256.50**	

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments : Applicable: 1st January 2021:	**Impact**
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.

d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	There was no impact

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	**Applicable: 1st January 2022:** The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

Standard	Effective date and impact:
IPSAS 42: Social Benefits	**Applicable: 1st January 2022** 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: (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. *(State the impact of the standard to the entity if relevant)*
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	**Applicable: 1st January 2022:** a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

3. 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.

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 26th June 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

The 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 actual as per the statement of financial performance has been presented under section 26 of these financial statements.

5. 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. In this financial report, furniture has been depreciated at a rate of 12.5% where's computers and other IT equipment have been depreciated at 30%.The rates used are purely for calculation and information purpose.

Computers were not depreciated this financial year since it had been fully depreciated over the three years 2017/2018,2018/2019,2019/2020

6. 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.

7. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

b) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

8. 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.

9. 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.

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.

10. 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.*

11. 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.

12. Employee benefits – Retirement benefit plans

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

13. 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.

14. 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.

15. Related parties

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. 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 various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include bank account balances held at The National Bank of Kenya.

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Kakamega County Alcoholic Drinks Control Act 2014 under the department of Public Service and Administration. Its ultimate parent is the County Government of Kakamega.

20. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions

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

b) Useful lives and residual values

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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

22. Financial risk management

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

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

a) Credit risk

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Fund Administrator, who has built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2021				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

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

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

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

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

d) Foreign currency risk

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2021			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables			
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2021			
Euro	10%	-	-
USD	10%	-	-
2020			
Euro	10%	-	-
USD	10%	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs --- (2021: KShs ---). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs --- (2020 :KShs ---)

f) Capital risk management

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	(-)	(-)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-%	-%

14. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Payments by Kenya Devolution Support Programme	2,073,220.00	-
Payments by Ministry of Public Service and administration on behalf of the Directorate of Alcoholic Drinks	6,602,401.13	7,948,307
Total	**8,675,621.13**	**7,948,307**

2. Fines, penalties and other levies

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Income from liquor licenses	17,554,830.00	15,555,310.00
Total Income	**17,554,830.00**	**15,555,310.00**

(Income is derived from Liquor licences and application fees paid by liquor outlets in the County Government of Kakamega)

3. Fund administration expenses

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Transfer to County Revenue Fund	22,880,000.00	10,000,000.00
Total Income	**22,880,000.00**	**10,000,000.00**

4. General expenses

Description	FY 2020/2021	FY2019/2020
	KShs	KShs
Electricity	100,558.25	37,632.00
Water and Sewage charges	119,809.88	17,800.00
Depreciation	146,972.50	236,306.50
Telephone	-	94,800.00
Travel Cost	590,000.00	193,300.00
Accommodation - Domestic Travel	1,492,200.00	1,023,670.00
Daily Subsistence Allowance	1,731,400.00	2,017,030.00
Publishing & Printing Services	157,000.00	342,366.00
Advertising, Awareness and Publicity Campaign	1,094,020.00	346,873.00
Catering Services (receptions), Accommodation, Gifts, Food and Drinks	352,033.00	924,486.00
Board, Committees, Conferences and Seminars	1,163,500.00	1,599,027.00
General Office Supplies (papers, pencils, forms, small office equipment etc.)	72,000.00	497,783.00
Subscription fees	21,200.00	
Sanitary and Cleaning Materials, Supplies and Services	-	79,990.00
Refined Fuels and Lubricants for Transport	-	550,000.00
Contracted professional services	1,470,000.00	-
Maintenance Expenses - Motor Vehicle	311,900.00	223,550.00
Total	8,822,593.63	8,184,613.50

5. Finance costs

Description	FY2020/2021	FY2019/2020
	Ksh	Ksh
Bank charges	7,780.00	3,180.00
Total	**7,780.00**	**3,180.00**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Cash and cash equivalents

Description	FY2020/2021	FY2019/2020
	KShs	KShs
Current account	278,213.50	5,611,163.50
Total cash and cash equivalents	**278,213.50**	**5,611,163.50**

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

Financial institution	Account No	FY2020/2021	FY2019/2020
Current account		KShs	KShs
National Bank	1020110619200	278,213.50	5,611,163.50
			-
Grand total		**278,213.50**	**5,611,163.50**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. **Property, plant and equipment**

	FURNITURE & OTHER EQUIPMENTS	COMPUTERS	TOTAL
Cost	**KShs**	**KShs**	**KShs**
At 1st July 2019	1,175,780.00	297,780.00	**1,473,560.00**
Additions	-	-	-
Disposals	-	-	-
Transfer adjustments	-	-	-
At 30th June 2020	**1,175,780.00**	**297,780.00**	**1,473,560.00**
At 1st July 2020	**1,175,780.00**	**297,780.00**	**1,473,560.00**
Additions			
Disposals	-	-	-
Transfer/adjustments	-	-	-
At 30th June 2021	**1,175,780.00**	**297,780.00**	**1,473,560.00**
Depreciation and impairment			
At 1st July 2019	**177,632.50**	**131,568.00**	**309,200.50**
Depreciation	146,972.50	89,334.00	236,306.50
Impairment			
At 30th June 2020	**324,605.00**	**220,902.00**	**545,507.00**
At 1st July 2020	324,605.00	220,902.00	545,507.00
Depreciation	146,972.50	-	146,972.50
Disposals	-	-	-
Impairment	-	-	-
At 30th June 2021	471,577.50	220,902.00	**692,479.50**
Net book values			
At 30th June 2021	851,175.00	76,878.00	928,053.00
[illegible]	[illegible]	[illegible]	[illegible]

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Related party balances

a) Nature of related party relationships

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

a) The County Government;

b) The Parent County Government Ministry;

c) County Assembly;

d) Key management;

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

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

Reference No. on the external audit Report	**Issue / Observations from Auditor**	**Management comments**	**Status:** ***(Resolved / Not Resolved)***	**Timeframe:** ***(Put a date when you expect the issue to be resolved)***
Nil	Nil	Nil	Nil	Nil

Guidance Notes:

a) Use the same reference numbers as contained in the external audit report;

b) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;

c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

d) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to County Treasury