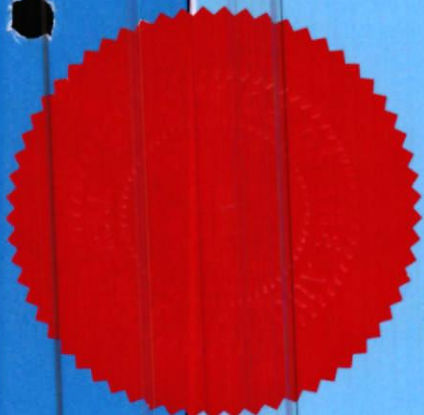


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**REPORT**

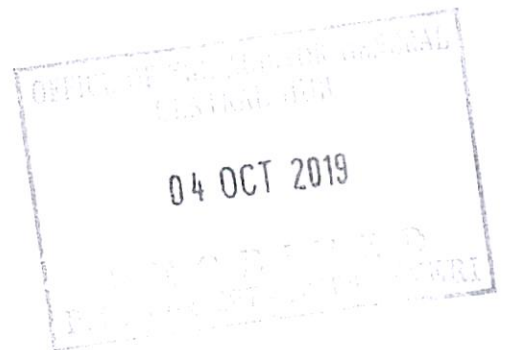
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COMMITTEE	
CLERK AT THE TABLE	Karata m.

**THE AUDITOR-GENERAL**

**ON**

**KIAMBU COUNTY ALCOHOLIC  
DRINKS CONTROL FUND**

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



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**KIAMBU COUNTY ALCOHOLIC DRINKS CONTROL FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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




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

**2. MANAGEMENT TEAM**

Name	Details of qualifications and experience
<p>1. JOHN MUTIE MWIVITHI</p> 	<p><b>CHIEF OFFICER - ADMINISTRATION</b></p> <p>Born on 29/09/1970, he's a holder of LLB from University of Nairobi. He is also a certified public secretary of Kenya. Has over 10 years' experience in various capacities/roles in both litigation and public administration. He exercises limited oversight over the fund.</p>
<p>2. PETER GICHUHI WANJUKI</p> 	<p><b>DIRECTOR – ADMINISTRATION</b></p> <p>Born on 1976, he's a holder of B.Sc (Education) from Kenyatta University. Has 16 years' experience in various capacities/roles in both public administration and educational/vocational training. He exercises limited oversight over the fund.</p>
<p>3. GATHEKIA NDIRANGU</p> 	<p><b>FUND ADMINISTRATOR</b></p> <p>Born on 22/11/1983, he's a holder of B.Com (Marketing, 2012) from Jomo Kenyatta University of Agriculture and Technology. He is also a KeBS certified ISO 9001:2008 QMS – Internal quality auditor. Has 11 years' experience in various capacities/roles in both accounting and public administration. He exercises limited oversight over the fund.</p>

**Alcoholic Drinks Control Fund  
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4. GLADYS WANGARI  
KIMANI



**FUND ACCOUNTANT**  
Born on 06/09/1975, she's certified Auditor from the Institute of Internal Audit (IIA). Has Over 20yrs experience in various capacities/roles in both accounting and public administration. She's currently pursuing her CPA course (part 3) at the Vision Institute of Professionals.

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

**3. COUNTY EXECUTIVE COMMITTEE MEMBER'S REPORT**

The Alcoholic Drinks Control Fund in FY 2018/2019 has been guided by Kiambu County Alcoholic Drinks Control Act 2018 and is in compliance with the provisions of the PFM Act 2012.

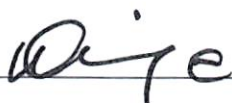
The Fund receives funding through licensing of manufacturers, distributors and retailers of alcoholic beverages and also through appropriations from the County treasury.

The current management of the fund is composed of the Chief Officer Administration and Public Service, the Director Administration and Public Service and the Fund Administrator.

The table below indicates funds received and expenditure since the operationalization of the fund in the FY 2013/2014.

S.No	Financial year	Funds received KES	Expenditure (administration, enforcement, rehabilitation services, facilities and programs) KES	Transfers to County revenue fund. KES	Transfers to County health management team Account under Health Department KES
1	2013/14	35,467,268.00	1,801,175.00	-	-
2	2014/15	108,760,182.00	51,112,335.00	88,440,000.00	-
3	2015/16	106,543,391.00	44,089,761.00	60,000,000.00	4,000,000.00
4	2016/17	105,940,133.00	81,666,117.00	25,000,000.00	-
5	2017/18	105,689,378.24	105,689,378.24	-	-
6	2018/19	483,816,275.95	467,463,846.99	-	-
	<b>TOTAL</b>	<b>946,216,628.19</b>	<b>751,822,613.23</b>	<b>173,440,000.00</b>	<b>4,000,000.00</b>

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



DR. MARGARET Ruinge

C.E.C.M. - ADMINISTRATION AND PUBLIC SERVICE

#### **4. FORWARD FROM THE CHIEF OFFICER ADMINISTRATION**

The Kiambu County Alcoholic Drinks Control Fund was operationalized in the year 2013 by the Kiambu County Alcoholic Drinks Control Act, 2013 in compliance with the provisions of the PFM Act 2012. However, this Act was repealed in 2018 and now the fund's expenditure is guided by the Kiambu County Alcoholic Drinks Control Act, 2018.

Below we highlight, the activities undertaken and progress made in FY 18/19 with respect to the Alcohol Drinks Control Fund:

- Inspections and licensing of alcoholic drinks outlets were guided by the Kiambu County Alcoholic Drinks Control Act, 2018.
- The fund received its funding from sale of liquor licences and transfers from county treasury.
- There has been a decline in brewing and sale of illegal brews like chang'aa, busaa, kang'ara among others in hotspots like Rivers Chania, Makwa, Thiririka, Ndarugu, Athi etc.
- Enforcement initiatives geared towards those in contravention of the Act is now well coordinated and effective. The County Government has facilitated Sub County Alcoholic Drinks Enforcement Co-ordination Committees.
- The public has more say in the licensing of outlets as the Directorate has organized public participation meetings in all the 12 Sub Counties.
- A comprehensive community based education programme on alcohol prevention and preparedness has led to a decline in alcoholism. The community now owns such initiatives.
- The partnership and collaboration with other government agencies has seen a considerable reduction in the production and sale of second generation brews. The County Government funded the crackdown on second generation brews.
- Through public education and sensitization, the County has seen a reduction of Wines and Spirits outlets that were a threat to control of alcohol in the County.

#### **Achievements**

1. Public participation meetings that have been funded by the County Government have led to much awareness among the public on their rights as far as matters of alcohol production and distribution are concerned and now the County Government is getting the relevant support from the Public.
2. Majority of those who had lost hope in life were now slowly but gradually getting back from the brink of destitution,
3. The communities were now seeing some form of transformation in the environment, crime levels dropped drastically,
4. Young men were now marrying and,
5. Those with entrepreneurial spirit were setting up shops across their neighbourhoods.
6. The program also created a profitable venture for the business people who were providing the meals as they were guaranteed of a stable stream of income on a daily basis.
7. The Sub County Alcoholic Drinks Regulation Committees have been well facilitated and have been able to inspect and classify outlets in good time.
8. The Directorate has teamed up with the National Government in order to fight drug abuse illicit brews. This has seen sustained enforcement efforts to ensure reduction and elimination second generation brews in the County such as chang'aa, busaa, kang'ara etc.

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

**5. MANAGEMENT DISCUSSION AND ANALYSIS**

The purposes of the fund is to meet the capital and recurrent expenditure as spelt out in Kiambu County Government Alcoholic Drinks Control Act, 2018.

The fund's performance since its inception is per the below table. It indicates funds received and expenditure since the operationalization of the fund.

S.No	Financial year	Funds received KES	Expenditure (administration, enforcement, rehabilitation services, facilities and programs) KES	Transfers to County revenue fund. KES	Transfers to County health management team Account under Health Department. KES
1	2013/14	35,467,268.00	1,801,175.00	-	-
2	2014/15	108,760,182.00	51,112,335.00	88,440,000.00	-
3	2015/16	106,543,391.00	44,089,761.00	60,000,000.00	4,000,000.00
4	2016/17	105,940,133.00	81,666,117.00	25,000,000.00	-
5	2017/18	105,689,378.24	105,689,378.24	-	-
6	2018/19	483,816,275.95	467,463,846.99	-	-
	<b>TOTAL</b>	<b>946,216,628.19</b>	<b>751,822,613.23</b>	<b>173,440,000.00</b>	<b>4,000,000.00</b>

There has been a decline in brewing and sale of illegal brews like changaa, busaa, kang'ara among others in hotspots like Rivers Chania, Makwa, Thiririka, Ndarugu, Athi etc.

Enforcement measures on those contravening the Act is now well co-ordinated and effective. The County Government has facilitated Alcoholic Drinks Enforcement Co-ordination Committees.

The public has more say in the licensing of outlets as the Directorate has organized public participation meetings in all the 12 Sub Counties.

A comprehensive community based civic education programme on abuse of alcohol, drugs and substances awareness and prevention has led to a decline in these menaces. The communities now own such initiatives geared towards combating the same.

In partnership and collaboration with other government agencies, there is a reduction of production, distribution and sale of second generation brews. The County Government funded the crackdown on second generation brews.

Through public education and sensitization, the County has seen a reduction of Wines and Spirits outlets.

There have been various stakeholders' meetings with a view to sensitize those dealing in alcoholic drinks. More copies of Kiambu County Alcoholic Drinks Control Act, 2018 have been printed and distributed to law enforcement officers and the stakeholders.

**Challenges**

- a) There were a number of petitions against the implementation of Kiambu County Alcoholic Drinks Control Act, 2018, though they were all thrown out by the court process.
- b) There were delays in the inspection and licensing of liquor premises as a result of time utilized in the formation of the Sub County liquor committees.

**Recommendations**

- i) More sensitization of stakeholders ought to be organized for the public to fully understand and appreciate the benefits of the new Act.
- ii) Efforts should be made to have liquor premises inspections carried out without undue delays.

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



JOHN MWIVITHI MUTIE

CHIEF OFFICER ADMINISTRATION

## **6. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

The Kiambu County Alcoholic Drinks Control Act, 2018 was enacted on March 9<sup>th</sup> 2018. As per the Act, the County Government is expected among other things to;

- Reduce and mitigate the negative health, social and economic impact and other costs on individuals and communities resulting from or associated with the production, sale, supply, advertising and consumption of alcoholic drinks.
- Protect the health of the individual in light of dangers of consumption of alcoholic drinks

Several persons within Kiambu County were consuming illicit brews. The “Kaa sober” programme was started as a rehabilitation activity to protect the health of these individuals from the dangers of consumption of the illicit drinks and engage them with alternative occupation such as carrying out communal works within their Wards in order to change their behaviour.

His Excellency the Governor started the ‘Kaa Sober’ programme at Ward level to ably access persons dependent on alcoholic drinks. The objective was to;

- Provide gainful activities to ensure that the persons afford basic needs.
- Provide an accessible feeding programme for these persons to improve on their health.

Rehabilitation activities were localized at Ward level where local leaders were involved in identifying persons’ dependent on alcohol. The programme started with about 20 -50 persons’ dependent on alcoholic drinks per each of the 60 (sixty) wards. With time, more and more persons’ dependent on alcoholic drinks were absorbed into the programme and as of October 2018 there were 6551 (six thousand five hundred and fifty one). The main goal of the programme was to change their behaviour so that they become productive people in the society.

The persons in the ‘Kaa Sober’ programme were tasked with manual jobs such as unblocking drainage systems, cleaning trenches, clearing bushes along the roads and other communal works that were determined from time to time within their sub county/ward at a wage of KES. 400 per day. Each person in the programme was paid KES. 300 per day for upkeep and KES.100 for feeding so that the person enjoys at least one meal per day in order to improve on their health.

Kiambu County Government ‘Kaa Sober’ initiative came to the rescue of our young men and women who otherwise would have rotten in addiction never to realize their social, economic and career goals due the indulgence and unfortunate situations they found themselves in. As a matter of fact ‘Kaa Sober’ programme initiative came to the rescue of these young men who over a period of time have wasted their prime and productive resourceful phase addicted to alcohol and other substances.

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

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There have been various stakeholders' meetings with a view to sensitize those dealing in alcoholic drinks. More copies of Kiambu County Alcoholic Drinks Control Act, 2018 have been printed and distributed to law enforcement officers and the stakeholders.

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

The programme was put under the department of Administration and Public Service because the directorate of Alcoholic Drinks Control is domiciled in this department. The expenditure on this programme was made through the alcoholic drinks control fund.

Persons in the 'Kaa Sober' programme continued carrying out communal activities and receiving guidance under the supervision of the sub-county administrators' upto the month of October 2018. By this time the health and behaviour of most of the persons in the programme had impressively improved. They had become more responsible and energetic. There was need to empower the participants with skills that would impact their lives positively and enhance their economic independence.

To reintegrate these persons back to the society it was found necessary to train them at their nearest local Youth Polytechnics and empower them with basic technical skills. Hence, in conjunction with the department of Education, Cultural & Social Services, persons in the 'Kaa Sober' programme were enrolled into the vocational training centres (youth polytechnics within the county) and undertook some basic technical skills training for a period of approximately three months (from November 2018 to February 2019).

The participants in the 'Kaa Sober' Programme were given an opportunity to pick courses of choice which included;

- plumbing,
- hairdressing,
- fashion design,
- electrical & electronics,
- hairdressing & beauty therapy,
- masonry,
- electrical wireman,
- motor vehicle mechanic,
- food technology,
- plumbing & pipe fitting,
- information communication technology,
- catering,
- beauty,
- toiling,
- computer,
- welding & fabrication,
- dress making & fashion design,
- agribusiness,
- carpentry & joinery,
- fashion /garment making,
- refrigeration,
- electrical & refrigeration,
- saloon,
- art design,
- bread work,
- knitting,
- catering /bakery and
- coordinator

A total number of 5074 (five thousand and seventy-four) persons were enrolled in the 37 (thirty-seven) youth polytechnics in Kiambu County. There were 125 (one hundred and twenty-five) persons who were coordinating these trainees. The participants were trained on life skills and on basic technical skills. However, there were 1,352 (one thousand three hundred and fifty-two) persons in the 'Kaa Sober' programme who opted not to take the training. Record of number of persons in the 'Kaa Sober' programme who were trained per ward is as follows;

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

<b>SUB COUNTY &amp; WARD</b>	<b>NUMBER OF KAA SOBER PERSONS</b>
<b>LARI</b>	
KINALE	50
KIJABE	67
NYANDUMA	63
KAMBURU	52
LARI/KIRENGA	57
<b>TOTAL</b>	<b>289</b>
<b>LIMURU</b>	
LIMURUCENTRAL	98
NDEIYA	63
LIMURU EAST	83
NGECHA TIGONI	55
BIBIRIONI	112
<b>TOTAL</b>	<b>411</b>
<b>KIKUYU</b>	
KARAI	68
NACHU	53
SIGONA	46
KIKUYU	49
KINOO	69
<b>TOTAL</b>	<b>285</b>
<b>KABETE</b>	
GITARU	100
MUGUGA	91
NYATHUNA	100
KABETE	116
UTHIRU	72
<b>TOTAL</b>	<b>479</b>
<b>GITHUNGURI</b>	
GITHUNGURI	79
GITHIGA	139
IKINU	79
NGEWA	145
KOMOTHAI	128
<b>TOTAL</b>	<b>570</b>
<b>KIAMBU</b>	
TING'ANG'A	46
NDUMBERI	68
RIABAI	39
TOWNSHIP	72
<b>TOTAL</b>	<b>225</b>
<b>KIAMBAA</b>	
CIANDA	60
KARURI	80
NDENDERU	112
MUCATHA	70
KIHARA	88
<b>TOTAL</b>	<b>410</b>
<b>RUIRU</b>	
GITOTHUA	40

*ALCOHOLIC DRINKS CONTROL BOARD*  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

BIASHARA	182
GATONG'ORA	37
KAHAWA SUKARI	23
KAHAWA WEDANI	32
KIUU	79
MWIKI	102
MWIHOKO	57
<b>TOTAL</b>	<b>552</b>
<b>JUJA</b>	
MURERA	29
THETA	65
JUJA	74
WITEITHIE	45
KALIMONI	44
<b>TOTAL</b>	<b>257</b>
<b>THIKA TOWN</b>	
TOWNSHIP	73
KAMENU	97
HOSPITAL	119
GATUANYAGA	68
NGOLIBA	100
<b>TOTAL</b>	<b>457</b>
<b>GATUNDU SOUTH</b>	
KIAMWANGI	165
KIGANJO	72
NDARUGU	110
NGENDA	243
<b>TOTAL</b>	<b>590</b>
<b>GATUNDU NORTH</b>	
GITUAMBA	94
GITHOBOKONI	108
CHANIA	136
MANG'U	336
<b>TOTAL</b>	<b>674</b>
<b>GRAND TOTAL</b>	<b>5199</b>

After completion of the three months training a graduation ceremony was organized on February 26<sup>th</sup> 2019 at the Ndumberi grounds. This was the culmination of success of the first cohort of Kaa Sober Programme. During the award ceremony each person was awarded a certificate and a cheque of amount Kenya shillings twenty thousand (20,000/-) as a sendoff package. This was the total amount accrued of daily wages for each person under the program for fifty (50) days as tabulated below.

- i) December 2018 – 14 days (1<sup>st</sup> – 21<sup>st</sup> December)
- ii) January 2019 – 19 days (7<sup>th</sup> – 31<sup>st</sup> January)
- iii) February 2019 – 17 days (1<sup>st</sup> – 25<sup>th</sup> February)

**7. 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 – Alcoholic Drinks Control Fund established by Kiambu County Government Alcoholic Drinks Control Act, 2018 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Fund Administrator is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes:

- i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund;
- iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) safeguarding the assets of the fund and;
- v) selecting and applying appropriate accounting policies.

The Fund Administrator accepts responsibility for the fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kiambu County Government Alcoholic Drinks Control Act, 2018.

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, 2019, 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 subject to limitations encountered in the oversight mandate over the same.

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 on 25/09/ 2019

Signed:   
FUND ADMINISTRATOR

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

### **a) Background information**

Kiambu county Alcoholic drinks control Fund is established by and derives its authority and accountability from Kiambu County Government Alcoholic Drinks Control Act, 2018 accented to on 9<sup>th</sup> March 2018. The Fund is wholly owned by the County Government of Kiambu and is domiciled in Kenya.

The fund's objective, as guided by the Act, is to provide for a framework for the licencing and control of production, sale, distribution, promotion and consumption of alcoholic beverages as well as promotion of research, treatment and rehabilitation of persons dependent alcohol.

### **b) The Fund's mandate**

The fund is mandated to meet the capital ad recurrent expenditure relating to;

1. Carrying out any functions of the directorate
2. Operations of the committees
3. Development and provision of rehabilitation services, facilities and programs.
4. Any other matter related to the implementation of the alcoholic drinks control Act.

### **c) Fund Management**

The fund is managed by an officer appointed by the CEC member responsible for finance. The following are the key management staff

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	JOHN MWIVITHI MUTIE	CHIEF OFFICER - ADMINISTRATION
2	PETER GICHUKI WANJUKI	DEP. DIRECTOR – ADMINISTRATION
3	GATHEKIA NDIRANGU	FUND ADMINISTRATOR
4	GLADYS WANGARI KIMANI	FUND ACCOUNTANT

### **d) Registered Offices**

P.O. Box 2344 - 00900  
Governor's Office,  
County HQ's, Kiambu  
Kiambu, KENYA

### **e) Fund Contacts**

Telephone: (+254) -709877000  
E-mail: [info@kiambu.go.ke](mailto:info@kiambu.go.ke)  
Website: [www.kiambu.go.ke](http://www.kiambu.go.ke)

**f) Fund Bankers**

1. Co-operative Bank of Kenya  
Kenyatta H. Way Branch  
P.O. Box 01000  
Thika, Kiambu.
  
2. Co-operative Bank of Kenya  
Kiambu Branch  
P.O. Box 1064 - 01000  
Kiambu, Kenya.
  
3. Family Bank of Kenya  
Kiambu Town Branch  
P.O. Box 01000  
Kiambu, Kenya.

**g) Independent Auditors**

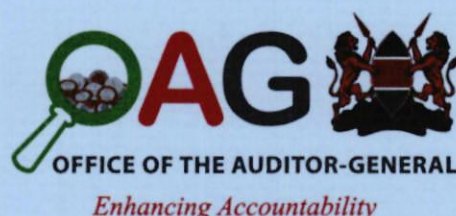
Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
GOP 00100  
Nairobi, Kenya

**h) Principal Legal Adviser**

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

# REPUBLIC OF KENYA

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

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

### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of Kiambu County Alcoholic Drinks Control Fund, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I 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

##### 1.0 Inaccuracy and Presentation of the Financial Statements

The financial statements presented for audit do not show page numbers. Further, there are differences between the comparative balances and balances reflected in the audited financial statements for the year ended 2018 as follows:

Description of Account Item	Comparative Balances in 2018/2019 Financial Statements (Kshs.)	Audited 2017/2018 Amounts & Balances (Kshs.)	Difference (Kshs.)
Fines, penalties and levies	5,840,232	-	5,840,232
Fund administration expenses	1,264,478	2,922,123	1,657,645
Staff costs	92,906,715	-	92,906,715
General expenses	5,137,086	-	5,137,086
Rehabilitation expenses	-	79,075,020	79,075,020
Enforcement Expenses	-	17,258,336	17,258,336
Cash and cash equivalents	6,381,099	5,952,081	429,018

Description of Account Item	Comparative Balances in 2018/2019 Financial Statements (Kshs.)	Audited 2017/2018 Amounts & Balances (Kshs.)	Difference (Kshs.)
Reserves	601,586	-	601,586
Accumulated surplus	5,779,513	5,952,081	172,568

Consequently, the accuracy and completeness of the financial statements for the year ended 30 June, 2019 could not be ascertained.

## 2.0 Receipts and Expenditure Omitted from the Financial Statements

During the year under review, the Fund's operations bank account held at Co-operative Bank was closed.

However, deposits into and payments from the account amounting to Kshs.34,145,520 and Kshs.35,552,642 respectively, were not included and accounted for in the financial statements.

## 3.0 Un-Vouched Expenditure

The statement of financial performance reflects Kshs.450,314,111 relating to staff costs which as disclosed in Note 7(b) to the financial statements included Kshs.343,608,840 relating to the Rehabilitation Program for Persons Dependent on Alcohol (Kaa Sober). However, payment vouchers for the expenditure were not provided for audit. Information available indicated that the Ethics and Anti-Corruption Commission (EACC) wrote to the County Government of Kiambu on 2 November, 2018, 6 March, 2019 and 16 May, 2019 requesting for various documents relating to the Alcoholic Drinks Control Fund - Kaa Sober Program and the County Executive claimed to have given the documents to the EACC hence the documents were not available as at the time of audit.

Therefore, the propriety, completeness and accuracy of the expenditure of Kshs.343,608,840 could not be confirmed.

## 4.0 Overdrawn Cashbook

Included in the 2018/2019 financial statements of the Kiambu County Alcoholic Drinks Control Fund under cash and cash equivalents is a negative balance of Kshs.644,994. This is an indication that the cash book was overdrawn as at 30 June, 2019. No authority was obtained for the over draft.

According to Section 119(4) of the Public Finance Management Act, 2012, an accounting officer for a county government entity shall not cause a bank account of the entity to be overdrawn beyond the limit authorized by the County Treasury or a board of a county government entity, if any.

## 5.0 Cash and Cash Equivalents

The statement of cash flows reflects a cash and cash equivalents balance of Kshs.6,381,099 as at 30 June, 2018. However, the balance was not taken into

consideration when computing the balance of cash and cash equivalents negative balance of Kshs.644,994 as at 30 June, 2019.

Consequently, the accuracy and completeness of the negative cash and cash equivalents balance of Kshs.644,994 and the statement of cash flows could not be confirmed.

#### **6.0 Failure to Capture Expenditure in the Trial Balance**

The statement of financial performance reflects total expenditure of Kshs.467,463,847 which was not captured in the trial balance.

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

#### **7.0 Revenue from Liquor License Fees**

The statement of financial performance reflects revenue amounting to Kshs.55,345,700 in respect of fines, penalties and other levies. As further disclosed in Note 3 to the financial statements, the amount comprised of liquor license fees. However, a review of bank statements revealed that only revenue totaling Kshs.53,811,250 was banked. No explanation or reconciliation was provided for the unbanked revenue amounting to Kshs.1,534,450.

Consequently, the accuracy and completeness of the reported revenue from fines, penalties and levies amounting to Kshs.55,345,700 could not be ascertained.

#### **8.0 Other Income**

The statement of financial performance reflects other income revenue of Kshs.258,000 during the year under review. However, as disclosed in Note 5 to the financial statements, the item relates to credit reversals (allowances) and not revenue earned from rendering services or sale of goods, and therefore, erroneously recognized as revenue.

As a result, the other income balance of Kshs.258,000 as presented in the financial statements is not fairly stated.

#### **9.0 Variances Between the Balances in the Financial Statements and the Supporting Schedules**

The expenditure balances reflected in the statement of financial performance were at variance with the balances reflected in the supporting schedules as follows:

<b>Expenditure Item</b>	<b>Financial Statements Balances – (Kshs.)</b>	<b>Supporting Schedules (Kshs.)</b>	<b>Difference (Kshs.)</b>
Fund Administration Expenses	2,314,443	6,311,200	(3,996,757)
Staff Costs	450,314,111	408,063,528	42,250,583
General Expenses	14,835,293	14,740,842	94,451

No explanations or reconciliations were provided for the variances.

As a result, the accuracy and completeness of the reported expenditure balances could not be confirmed.

### **10.0 Trade and Other Payables from Exchange Transactions**

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.38,348,277. However, the supporting schedules and unpaid payment vouchers indicated outstanding balances amounting to Kshs.28,308,835 and Kshs.21,640,927, respectively. No reconciliations were provided for the three balances.

In view of the foregoing, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.38,348,277 could not be confirmed.

### **11.0 Staff Costs and Kaa Sober Program**

#### **11.1 Failure to Rehabilitate Addicts under Kaa Sober Program**

Examination of the Fund's records revealed that the County Executive implemented Kaa Sober program with the aim of rehabilitating and protecting the health of individuals within the County from effects of consuming illicit drinks and, engaging them in alternative occupation such as community work.

Records indicated that 6,551 individuals were enrolled in the Program from 60 Sub-counties and engaged as casual workers at the rate of Kshs.400 per day.

A total of Kshs.450,314,111 is reflected in the statement of financial performance as staff costs out of which Kshs.106,705,271 relates to enforcement labourers' wages and allowances and Kshs.343,608,840 to rehabilitation program for persons dependent on alcohol.

However, no explanation was provided why the individuals were not taken for rehabilitation for alcoholic addiction before being engaged as casual workers.

As a result, the Program may not have achieved the desired objectives and may be unsustainable.

#### **11.2 Inconsistencies in Kaa Sober Program**

A review of the corporate social responsibility statement attached to the financial statements indicated that by October 2018, the program had absorbed 6,551 persons dependent on alcohol. However, a list of beneficiaries enrolled in the program showed a total of 7,101 alcoholic addicts resulting in an unexplained variance of 550 persons.

Further, examination of details of persons in the list revealed 48 persons with the same identity card numbers while 66 persons had similar bank accounts. Therefore, some of the wages might have been paid for non-existent persons leading to loss of public funds, which has not been quantified and determined.

### **11.3 Provision of Meals**

Records provided for audit review revealed that the County Executive enrolled persons to Kaa Sober program and engaged them to do manual works on daily wages of Kshs.400 from September 2018 to November 2018.

An amount of Kshs.100 was deducted from the daily wages ostensibly to cater for meals for some beneficiaries. During the period of enrollment, a total of Kshs.21,287,390 was deducted from the casuals' wages and paid to various individuals alleged to have supplied food. However, the fund administrator did not provide records showing how the suppliers were identified or a confirmation from the recipients that the meals were provided.

### **12.0 Failure to Provide Approved Budget**

The fund administrator did not provide the financial year 2018/2019 budget for audit review. Details of the sources of revenue and expenditure programmes could, therefore, not be ascertained. In addition, as reflected in the statement of comparison of budget and actual amounts, the Fund incurred Kshs.39,198,903 in excess of the approved budgeted expenditure of Kshs.430,000,000. The reason and whether approval for the over-expenditure was obtained, have not been provided.

### **13.0 Unresolved Prior Year Audit Matters**

Although audit matters raised in the previous financial years have been reflected under the Progress on Follow Up of Auditor Recommendations section of the financial statements, the status on resolution of the issues was not indicated. It could therefore not be determined whether the issues were resolved as at 30 June, 2019.

## **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 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 ability of Kiambu County Alcoholic Drinks Control Fund to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of 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 financial reporting process, reviewing the effectiveness of how the Fund 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**

My responsibility is to conduct an audit of the Kiambu County Alcoholic Drinks Control Fund's 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.

I am independent of the Kiambu 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.

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**21 September, 2021**

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**9. FINANCIAL STATEMENTS**

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

Description	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	0	0
Transfers from the County Government	2	428,212,575.95	105,207,560.00
Fines, penalties and other levies	3	55,345,700.00	5,840,232.00
<b>Revenue from exchange transactions</b>			
Interest income	4	-	-
Other income	5	258,000.00	-
<b>Total revenue</b>		<b>483,816,275.95</b>	<b>111,047,792.00</b>
<b>Expenses</b>			
Fund administration expenses	6	2,314,443.10	1,264,478.00
Staff costs	7	450,314,111.01	92,906,715.00
General expenses	8	14,835,292.88	5,137,086.00
Finance costs	9	-	-
Transfers to the County treasury	10	-	5,960,000.00
<b>Total expenses</b>		<b>467,463,846.99</b>	<b>105,268,279.00</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	11	-	-
<b>Surplus/( deficit) for the period</b>		<b>16,352,428.96</b>	<b>5,779,513.00</b>

The notes set out on pages 25 to 30 form an integral part of these Financial Statements

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**8. REPORT OF THE INDEPENDENT AUDITOR**

**Alcoholic Drinks Control Fund**  
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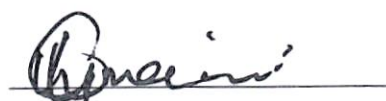
**9.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019**

Description	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	(644,994.33)	6,381,099.00
Current portion of long term receivables from exchange transactions	12	55,345,700.00	-
Prepayments	13	-	-
Inventories	14	-	-
<b>Non-current assets</b>			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	-	-
<b>Total assets</b>		<b>54,700,705.67</b>	<b>6,381,099.00</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables from exchange transactions	17	38,348,276.71	-
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>38,348,276.71</b>	<b>-</b>
<b>Net assets</b>			
Revolving Fund		-	-
Reserves	24	(5,779,513.00)	601,586.00
Accumulated surplus		22,131,941.96	5,779,513.00
<b>Total net assets and liabilities</b>		<b>54,700,705.67</b>	<b>6,381,099.00</b>

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 25/09/2019 and

Signed by: 

GATHEKIA NDIRANGU  
 FUND ADMINISTRATOR



GLADYS WANGARI KIMANI  
 FUND ACCOUNTANT

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**9.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30<sup>th</sup> JUNE 2019**

<b>Description</b>	<b>Revolving Fund</b>	<b>Revaluation Reserve</b>	<b>Accumulated surplus</b>	<b>Total</b>
		<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Balance as at 1 July 2018</b>	-	-	<b>5,779,513.00</b>	<b>5,779,513.00</b>
Surplus/(deficit) for the period	-	-	-	-
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	-	-	<b>5,779,513.00</b>	<b>5,779,513.00</b>
	-	-		
<b>Balance as at 1 July 2019</b>	-	-	<b>5,779,513.00</b>	<b>5,779,513.00</b>
Surplus/(deficit) for the period	-	-	16,352,428.96	<b>16,352,428.96</b>
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
<b>Balance as at 30 JUNE 2019</b>	-	-	<b>22,131,941.96</b>	<b>22,131,941.96</b>

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**9.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2019**

Description	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	428,212,575.95	105,207,560.00
Fines, penalties and other levies	3	55,345,700.00	5,840,232.00
Receipts from other operating activities		258,000.00	-
<b>Total Receipts</b>		<b>483,816,275.95</b>	<b>111,047,792.00</b>
<b>Payments</b>			
Fund administration expenses	6	2,314,443.10	1,264,478.00
General expenses	8	14,835,292.88	5,137,086.00
Staff cost	7	450,314,111.01	92,906,715.00
Transfers to the County Government		-	5,960,000.00
<b>Total Payments</b>		<b>467,463,846.99</b>	<b>105,268,279.00</b>
<b>Net cash flows from operating activities</b>	25	<b>16,352,428.96</b>	<b>5,779,513.00</b>
<b>Adjusted for</b>			
Increase/decrease in receivables	12	55,345,700.00	-
Increase/decrease in payables	17	(38,348,276.71)	-
		<b>16,997,423.29</b>	-
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		-	-
<b>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 and cash equivalents</b>	11	<b>(644,994.33)</b>	<b>5,779,513.00</b>
Cash and cash equivalents at 1 JULY	11	-	601,586.00
<b>Cash and cash equivalents at 30 JUNE</b>	11	<b>(644,994.33)</b>	<b>6,381,099.00</b>

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

Description	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		% utilization	
	2019	KShs	2019	KShs	2019	KShs	2019	KShs	2019	KShs	2019	
<b>Revenue</b>												
Public contributions and donations	60,000,000.00		-		60,000,000.00		55,345,700.00		4,654,300.00			0.922428333
Transfers from County Govt.	25,000,000.00		405,000,000.00		430,000,000.00		428,470,575.95		1,529,424.05			0.9964432
Interest income	-		-		-		-		-			-
Other income	-		-		-		-		-			-
<b>Total income</b>	<b>85,000,000.00</b>		<b>405,000,000.00</b>		<b>490,000,000.00</b>		<b>483,816,275.95</b>		<b>6,183,724.05</b>			<b>0.987380155</b>
<b>Expenses</b>												
Fund administration expenses	750,000.00		1,600,000.00		2,350,000.00		2,314,443.10		35,556.90			0.984869404
General expenses	13,750,000.00		400,400,000.00		414,150,000.00		453,480,217.29		(39,330,217.29)			1.094966117
Finance cost	10,500,000.00		3,000,000.00		13,500,000.00		13,404,242.60		95,757.40			0.992906859
<b>Total expenditure</b>												
<b>Surplus for the period</b>	<b>25,000,000.00</b>		<b>405,000,000.00</b>		<b>430,000,000.00</b>		<b>469,198,902.99</b>		<b>(39,198,902.99)</b>			<b>1.09116024</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.

## **9.6 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.

#### **a) Early adoption of standards**

The entity did not early-adopt any new or amended standards in year 2018/19.

### **2. Revenue recognition**

#### **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.

### **3. 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 authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

### **4. Comparative figures**

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

### **5. Ultimate and Holding Entity**

The Kiambu County Alcoholic Drinks Control Fund is a County Public Fund established by Kiambu County Alcoholic Drinks Control Act, 2018 under the Department of administration and public service. Its ultimate parent is the County Government of Kiambu.

### **6. Currency**

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

## **7. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on June 2018. 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 directorate'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 **9(d)** of these financial statements.

## **8. 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.

## **9. 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 County Executive of Kiambu and the County Assembly of Kiambu.

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**9.7 NOTES TO THE FINANCIAL STATEMENTS**

**2. Transfers from County Government**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from County Govt. – operations	428,470,575.95	99,847,646.00
Payments by County on behalf of the entity	-	-
<b>Total</b>	<b>428,470,575.95</b>	<b>99,847,646.00</b>

Detailed analysis of the staff costs are as follows;

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Balance b/f	0	601586.00
July	2,000.00	2,001,500.00
August	50,000,000.00	0
September	42,826,475.95	0
October	24,840,900.00	0
November	60,225,100.00	0
December	60,027,500.00	0
January	60,720,400.00	0
February	95,484,000.00	0
March	9,570,200.00	0
April	0	1,904,760.00
May	17,091,100.00	37,812,438.00
June	7,424,900.00	57,528,862.00
<b>TOTAL</b>	<b>428,212,575.95</b>	<b>99,246,060.00</b>

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

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Late payment penalties	-	-
Liquor license fees	55,345,700.00	5,841,732.00
<b>TOTAL</b>	<b>55,345,700.00</b>	<b>5,841,732.00</b>

Detailed analysis of the staff costs are as follows;

Description	FY2018/2019	FY2017/2018
	KShs	KShs
July	910,800.00	2,835,638.00
August	0	2,094,510.00
September	0	458,900.00
October	0	17,000.00
November	0	2,000.00
December	0	1500.00
January	0	940.00
February	0	0
March	8,020,100.00	0
April	42,330,000.00	87,000.00
May	966,000.00	244,944.00
June	3,118,800.00	99,300.00
<b>TOTAL</b>	<b>55,345,700.00</b>	<b>5,841,732.00</b>

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**5. Other income**

Description	FY2018/2019 KShs	FY2017/2018 KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Credit reversals (allowances)	258,000.00	-
<b>Total other income</b>	<b>258,000.00</b>	<b>-</b>

**6. Fund administration expenses**

Description	FY2018/2019 KShs	FY2017/2018 KShs
Bank charges	334,298.10	92,358
Professional services costs	1,980,145.00	1,172,120
<b>TOTAL</b>	<b>2,314,443.10</b>	<b>1,264,478.00</b>

**7. Staff costs**

Description	FY2018/2019 KShs	FY2017/2018 KShs
Enforcement labourers wages and allowances	106,705,271.06	12,728,495
Rehabilitation programme for persons dependent on alcohol	343,608,839.95	79,075,020.00
Staff gratuity	-	-
Staff training expenses	-	1,103,200
Social security contribution	-	-
Other staff costs	-	-
<b>TOTAL</b>	<b>450,314,111.01</b>	<b>92,906,715.00</b>

Detailed analysis of the staff costs are as follows:

**a. Enforcement labourers' wages and allowances**

S.No	Description	FY2018/2019 KShs	FY2017/2018 KShs
1	July	483,205.32	30,000.00
2	August	1,704,867.27	0.00
3	September	13,962,703.38	0.00
4	October	576,590.99	0.00
5	November	8,354,721.90	0.00
6	December	9,660,934.20	0.00
7	January	8,947,605.00	0.00
8	February	3,957,754.00	0.00
9	March	8,994,707.00	0.00
10	April	10,540,001.00	1,904,760.00
11	May	24,127,064.00	2,324,012.00
12	June	15,397,117.00	8,469,723.00
	<b>TOTAL</b>	<b>106,707,271.06</b>	<b>12,728,495.00</b>

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**b. Rehabilitation program for persons dependent on alcohol (Kaa sober)**

S.No	Description	FY2018/2019	FY2017/2018
		KShs	KShs
1	Gatundu north sub county	44,140,324.95	9,681,000.00
2	Gatundu south sub county	37,973,186.00	7,372,000.00
3	Githunguri sub county	37,082,234.00	9,272,000.00
4	Juja sub county	20,683,368.00	5,624,000.00
5	Kabete sub county	29,789,899.00	7,324,000.00
6	Kiambaa sub county	27,769,752.00	7,107,600.00
7	Kiambu sub county	14,553,851.97	4,327,220.00
8	Kikuyu sub county	17,734,832.03	4,180,000.00
9	Lari sub county	20,799,555.00	3,990,000.00
10	Limuru sub county	25,318,677.00	5,429,200.00
11	Ruiru sub county	36,763,435.00	7,832,000.00
12	Thika sub county	30,999,725.00	6,936,000.00
	<b>TOTAL</b>	<b>343,608,839.95</b>	<b>79,075,020.00</b>

**8. General expenses**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumables	7,420,849.00	2,752,945
Electricity and water expenses	-	-
Fuel and oil costs	-	194,000
Insurance costs	-	-
Postage	-	-
Printing and stationery	718,168.00	40,000
Rental costs	-	-
Security costs	-	-
Telecommunication	-	6,000
Hospitality	816,096.60	-
Depreciation and amortization costs	-	-
Other expenses	5,880,179.28	2,144,141
<b>Total</b>	<b>14,835,292.88</b>	<b>5,137,086.00</b>

**11. Cash and cash equivalents**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	(644,994.33)	6,381,099.24
Others	-	-
<b>Total cash and cash equivalents</b>	<b>(644,994.33)</b>	<b>6,381,099.24</b>

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

<b>Financial institution</b>	<b>Account number</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
		<b>KShs</b>	<b>KShs</b>
<b>a) Fixed deposits account</b>			
CO-OP Bank		-	-
Family Bank		-	-
<b>Sub- total</b>		-	-
<b>b) On - call deposits</b>			
CO-OP Bank		-	-
Family Bank		-	-
<b>Sub- total</b>		-	-
<b>c) Current account</b>			
CO-OP Bank			6,381,099.24
Family Bank		(644,994.33)	-
<b>Sub- total</b>		<b>(644,994.33)</b>	<b>6,381,099.24</b>
<b>d) Others(specify)</b>			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
<b>Sub- total</b>		-	-
<b>Grand total</b>		<b>(644,994.33)</b>	<b>6,381,099.24</b>

**12. Receivables from exchange transactions**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
<b>Current Receivables</b>		
Due from the County Government	55,345,700.00	-
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
<b>Total Current receivables</b>	<b>55,345,700.00</b>	-
<b>Non-Current receivables</b>		
Long term loan repayments due	-	-
<b>Total Non-current receivables</b>	-	-
<b>Total receivables from exchange transactions</b>	<b>55,345,700.00</b>	-

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

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Trade payables	4,356,349.00	-
Refundable deposits	-	-
Accrued expenses	5,276,872.71	-
Other payables	28,715,055.00	-
<b>Total trade and other payables</b>	<b>38,348,276.71</b>	<b>-</b>

**22. Related party balances**

**a) Related party transactions**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from related parties'	428,212,575.95	99,246,060.00
Transfers to related parties		5,960,000.00

**b) Key management remuneration**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**c) Due from related parties**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**d) Due to related parties**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	403,212,575.95	99,246,060.00
Due to Key management personnel	-	-
<b>Total</b>	<b>403,212,575.95</b>	<b>99,246,060.00</b>

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24. **Prior year Adjustment**

<b>Description</b>	<b>FY2018/2019</b>	<b>FY2017/2018</b>
	<b>KShs</b>	<b>KShs</b>
Adjustments on bank account balances	(5,779,513.00)	601,586
Adjustments on cash in hand	-	-
Adjustments on payables	-	-
Adjustments on receivables	-	-
<b>Total</b>	<b>(5,779,513.00)</b>	<b>601,586.00</b>

## **10. ADHERENCE TO ACCOUNTING PRINCIPLES**

The fund has endeavoured to adhere to following accounting principles:

- **Accrual principle**. All expenses/transactions have been recorded in the accounting periods when they actually occurred, and not the periods when cash flows associated with them were recorded.
- **Conservatism principle**. All expenses and liabilities have been recorded as soon as was practically possible and revenues and assets have been recorded when they were received and purchased.
- **Consistency principle**. The fund has adopted the accrual basis of accounting and we intend to continue with this method in the consequent accounting periods.
- **Cost principle**. The fund's assets and equity investments, where they exist, have been recorded and adjusted to reflect their fair values as opposed to their original purchase prices and liabilities recorded at their original costs.
- **Economic entity principle**. The funds management has endeavoured to ensure that the fund is managed in the most prudent and integral manner and have steered clear of incurring private benefits at the funds expense.
- **Full disclosure principle**. The fund management has undertaken to provide all the necessary information within its purview to assist all stakeholders in interpreting our performance in terms of managing the fund and whether we have adhered to the confines of the Public Finance Management Act, 2012.
- **Going concern principle**. The fund draws its authority from the Kiambu County Government Alcoholic Drinks Control Act, 2018 and as such can only be dissolved through an amendment of the same. Thus, we envisage it to be operational into the foreseeable future and will continue to execute its mandate and fulfil its obligations.
- **Matching principle**. All revenue, receipts and all related expenses and liabilities have been record at the times they were received and/or incurred.
- **Materiality principle**. All the fund's transactions have been recorded in its accounting records.
- **Monetary unit principle**. The entire fund's transactions, values of assets (both tangible and intangible) and liabilities have been recorded in Kenya shillings.
- **Reliability principle**. The fund has recorded only those transactions relating to obligations that it has undertaken to incur or committed itself to fulfil.
- **Revenue recognition principle**. All the fund's revenues have been recorded only as when they were received in the fund's accounts.

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- ***Time period principle.*** Under the tenets contained in the Public Finance Management Act, 2012, all public entities are required to prepare financial report for periods ending 30<sup>th</sup> June of every year. As such the fund has consistently adhered to this requirement and will continue to do so until such time the said law is amended.

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**11. PROGRESS ON FOLLOW UP OF AUDITOR 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. of the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved/Not and Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1. 2014/15 (1) - <b>Presentation of the Financial Statements</b>	The non-compliance of financial statements with International Public Sector Accounting Standards (IPSAS) and the PSASB guidelines (wrong referencing of notes to financial statements)	The management has taken measures to comply.	MICHAEL KANGETHE - FUND ADMINISTRATOR	Refer to appendix 1 for a detailed brief of responses regarding the same	
2. 2014/15 (2) - <b>Failure to Submit Financial Statements for Audit</b>	Non-submission for audit of financial statements for the financial year 2013/2014 contrary to Section 167 of the PFM Act. 2012 and Section 7 of the Kiambu Alcoholic Drinks Control Act, 2013.	The financial statements for the said year have now been prepared and are ready for audit review.	MICHAEL KANGETHE - FUND ADMINISTRATOR	Refer to appendix 1 for a detailed brief of responses regarding the same	
3. 2015/16 (1) - <b>Presentation of the Financial Statements</b>	Preparation of Financial statements on Cash Basis framework instead of Accrual Basis, contrary to the PSASB guidelines.	There was no reporting template issued at the time to guide preparation of financial statements however, the management has prepared the financial statements on accrual basis and they are ready for audit review.	MICHAEL KANGETHE - FUND ADMINISTRATOR	Refer to appendix 2 for a detailed brief of responses regarding the same	
4. 2015/16 (2) - <b>Failure to Submit Financial Statements for Audit</b>	Non-submission for audit of financial statements for the financial year 2013/2014 contrary to Section 167 of the PFM Act. 2012 and Section 7 of the Kiambu Alcoholic Drinks Control Act, 2013.	The financial statements for the said year have now been prepared and are ready for audit review	MICHAEL KANGETHE - FUND ADMINISTRATOR	Refer to appendix 2 for a detailed brief of responses regarding the same	

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5.	2016/17 (1) - <b>Presentation of the Financial Statements</b>	Preparation of Financial statements on Cash Basis framework instead of Accrual Basis, contrary to the PSASB guidelines.	There was no reporting template issued at the time to guide preparation of financial statements however, the management has prepared the financial statements on accrual basis and they are ready for audit review	MICHAEL KANGETHE - FUND ADMINISTRATOR	Refer to appendix 3 for a detailed brief of responses regarding the same	
6.	2016/17 (2) - <b>Failure to Submit Financial Statements for Audit</b>	Non-submission for audit of financial statements for the financial year 2013/2014 contrary to Section 167 of the PFM Act, 2012 and Section 7 of the Kiambu Alcoholic Drinks Control Act, 2013.	The financial statements for the said year have now been prepared and are ready for audit review	MICHAEL KANGETHE - FUND ADMINISTRATOR	Refer to appendix 3 for a detailed brief of responses regarding the same	
7.	2017/18 (1) - <b>Presentation of the Financial Statements</b>	The Financial Statements are not presented in the manner prescribed by the PSASB template revised in June, 2018	The management has revised the fund's financial statements to be in compliance and they are ready for audit review	JACOB MACHARIA GATHENYA - FUND ADMINISTRATOR	Refer to appendix 4 for a detailed brief of responses regarding the same	
8.	2017/18 (2) - <b>Cash and cash equivalents</b>	The statements of financial position for Kiambu County ADC Fund reflects a figure of Kshs.5,952,081 No evidence such as board of survey or certificates of bank balances were availed for audit review	There were 2 bank certificates provided. One in support of revenue collection account no. 01141371779000 and the other one in support of Operations account no. 01141371779001. The figure of Kshs. 5,952,081 is supported by bank reconciliation statement.	JACOB MACHARIA GATHENYA - FUND ADMINISTRATOR	Refer to appendix 4 for a detailed brief of responses regarding the same	
9.	2017/18 (3) - <b>General ledger</b>	The General Ledger for Kiambu County ADC Fund, for the year ended 30 June 2018 from which the fund financial statements were drawn, was not availed for audit verification	The general ledgers and trial balance are in place and the auditor is invited to review the same.	JACOB MACHARIA GATHENYA - FUND ADMINISTRATOR	Refer to appendix 4 for copy of responses for further details regarding the same	

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<p>10. 2017/18 (4) -  <b>Budgetary control and performance</b></p>	<p>The Kiambu County ADC Fund management has not provided a budget for 2017/2018 for audit review and therefore details of sources of revenue and how such revenues were to be applied cannot be verified</p>	<p>The fund had a budget of Kshs. 106,460,000 which is reflected in the financial statements. The sources of the funds were in various departmental votes as highlighted in the attached budget for the County.</p>	<p>JACOB MACHARIA GATHENYA - FUND ADMINISTRATOR</p>	<p>Refer to appendix 4 for a detailed brief of responses regarding the same</p>	
<p>11. 2017/18 (5) -  <b>Revenue differences between the financial statements and the cash book</b></p>	<p>The statement of financial performance for the year ended 30 June, 2018 and Note 1 to the financial statements reflects revenue from non-exchange transactions (Transfers from the County Government) Kshs.105,207,560 while the cash book shows Kshs.106,581,176 as shown in the table below. The difference of Kshs.1,373,616 between the two sets of records has not been explained or reconciled.</p>	<p>The management would like to clarify that the receipts posted in the cashbook match what is in the financial statements. The differences indicated of Kshs 224,580 and Kshs 1,149,036 for the month of May and June respectively represent bank balances brought forward from the previous months</p>	<p>JACOB MACHARIA GATHENYA - FUND ADMINISTRATOR</p>	<p>Refer to appendix 4 for a detailed brief of responses regarding the same</p>	
<p>12. 2017/18 (6) -  <b>Rehabilitation expenses kshs.79,075,020</b></p>	<p>The statement of financial performance as at 30 June 2018 shows rehabilitation expenses Kshs.79,075,020 while the records available from the County Executive reflects an amount of Kshs.84,015,600 resulting to an unreconciled variance of Kshs.4,940,580.</p>	<p>The management admits that there was some rehabilitation expenditure of Kshs 4,940,580 that was paid by the county executive. This happened before the function was taken over by the directorate of alcoholic drinks control and so it was not practical to disclose this figure in the fund's financial statements as the actual amounts were never transferred in the fund account.</p>	<p>JACOB MACHARIA GATHENYA - FUND ADMINISTRATOR</p>	<p>Refer to appendix 4 for a detailed brief of responses regarding the same</p>	

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<p>13. 2017/18 (7) -  <b>Incomplete and incorrect cashbook postings</b></p>	<p>Examination of the cash book revealed that cash book postings did not include details of payees, payment voucher numbers and item description (item account code). Further, payment of Kshs.6,441,818. 24 posted in the cash book was not supported by documentary evidence.</p>	<p>The management would like to state that the missing details in cashbook have been adjusted and auditor is invited to verify the same. Further there are only three transactions which have been posted in the cashbook of ksh 30,000, ksh 5,960,000 and ksh 22,800 totalling to Ksh 6,012,800. The figure disclosed by the auditor of Ksh 6,441,818.24 includes bank balance of Ksh 429,018.24. copies of individual payment vouchers have been attached</p>	<p>JACOB  MACHARIA  GATHENYA -  FUND  ADMINISTRATOR</p>	<p>Refer to appendix 4 for a detailed brief of responses regarding the same</p>	
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Note

The auditor has conducted audit for the financial years 2014/15, 2015/16, 2016/17 and 2017/18. We have received all the management letters from the auditor for the four financial years which we have responded to accordingly and appropriately.

## **12. APPENDICES**

### **APPENDIX 1**

#### **RESPONSE TO AUDIT OBSERVATIONS FOR THE FINANCIAL YEAR 2014/15**

##### **Presentation of the Financial Statements**

###### **Observation**

The County Government of Kiambu Alcoholic Drinks Control Fund financial statements for the year end 30 June 2015 submitted for audit were prepared on IPSAS (Cash Basis) framework instead of IPSAS (Accrual Basis), contrary to the guidelines issued by the Public Sector Accounting Standards Board (PSASB) through circular reference No. AG4/16/1/VOL.IV/76 of 13 July 2017 pursuant to the provisions of Section 194 of the Public Finance Management Act, 2012. Further, the notes to the financial statements on use of goods and services, transfers to other government units and fund balance brought forward were wrongly referenced compared to the numbers on the statement of receipts and payments and the statement of financial assets. In addition the financial statements for the year ended 30 June 2015 did not include statement of comparison of budget and the actual amounts as prescribed by IPSAS while the statement of receipts and payments and the statement of financial assets and liabilities were both presented on the same page instead of separate and distinct pages.

The financial statements therefore did not comply with International Public Sector Accounting Standards (IPSAS) and the PSASB guidelines.

###### **Response**

The financial statements for the said financial year were prepared on cash basis as opposed to accrual basis as there was no reporting template issued before then. Furthermore the Public Sector Accounting Standards Board (PSASB) through circular reference No. AG4/16/1/VOL.IV/76 of 13 July 2017 had not been issued by then. The management has taken a step further to prepare the financial statements on accrual basis and the auditor is invited to verify the same.

##### **Failure to Submit Financial Statements for Audit**

###### **Observation**

According to Kiambu County Alcoholic Drinks Control Act, 2013, the fund has been in operation since July, 2013. However the fund administrator has not submitted for audit financial statements for the financial year 2013/2014 contrary to Section 167 of the Public Finance Management Act, 2012 and Section 7 of the Kiambu Alcoholic Drinks Control Act, 2013. The law requires an administrator of the fund to prepare and submit for audit financial statements in respect of the fund within three (3) months after the end of the financial year that is on or before 30 September of every year. Consequently, the accuracy of the comparative figures presented in the financial statements for year 2014/2015 as at 1<sup>st</sup> July, 2014 could not be ascertained.

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**Response**

We admit the financial statements for financial year 2013/14 had not been prepared as per the requirements of Public Finance Management Act, 2012 and Section 7 of the Kiambu Alcoholic Drinks Control Act, 2013 as the directorate was not well established by then. We would like to state that the financial statements for the said year have now been prepared and the auditor is invited to review the same.

APPENDIX 2

**RESPONSE TO AUDIT OBSERVATIONS FOR THE FINANCIAL YEAR 2015/16**

**Presentation of the Financial Statements**

**Observation**

The County Government of Kiambu Alcoholic Drinks Control Fund financial statements for the year end 30 June 2016 submitted for audit were prepared on IPSAS (Cash Basis) framework instead of IPSAS (Accrual Basis), contrary to the guidelines issued by the Public Sector Accounting Standards Board (PSASB) through circular reference No. AG4/16/1/VOL.IV/76 of 13 July 2017 pursuant to the provisions of Section 194 of the Public Finance Management Act, 2012. Further, the statement of financial assets as at 30 June 2016, the statement of receipts and payments and the cash flows statement for the year under review were not cross referenced to the respective explanatory notes to the financial statements. In addition, the financial statements for the year ended 30 June 2016 did not include statement of comparison budget and actual amounts as prescribed by IPSAS.

The financial statements therefore did not comply with International Public Sector Accounting Standards (IPSAS) and the PSASB guidelines.

**Response**

The financial statements for the said financial year were prepared on cash basis as opposed to accrual basis as there was no reporting template issued before then. furthermore the Public Sector Accounting Standards Board (PSASB) through circular reference No. AG4/16/1/VOL.IV/76 of 13 July 2017 had not been issued by then. The management has taken a step further to prepare the financial statements on accrual basis and the auditor is invited to verify the same.

**Failure to Submit Financial Statements for Audit**

**Observation**

According to Kiambu County Alcoholic Drinks Control Act, 2013, the fund has been in operation since July, 2013. However the fund administrator has not submitted for audit financial statements for the financial year 2013/2014 contrary to Section 167 of the Public Finance Management Act, 2012 and Section 7 of the Kiambu Alcoholic Drinks Control Act, 2013. The law requires an administrator of the fund to prepare and submit for audit financial statements in respect of the fund within three (3) months after the end of the financial year that is on or before 30 September of every year. Consequently, the accuracy of the opening balances for the financial year 2014/2015 as at 1<sup>st</sup> July, 2014 and subsequent years could not be ascertained.

**Response**

We admit the financial statements for financial year 2013/14 had not been prepared as per the requirements of Public Finance Management Act, 2012 and Section 7 of the Kiambu Alcoholic Drinks Control Act, 2013 as the directorate was not well established by then.

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We would like to state that the financial statements for the said year have now been prepared and the auditor is invited to review the same.

APPENDIX 3

**RESPONSE TO AUDIT OBSERVATIONS FOR THE FINANCIAL YEAR 2016/17**

**Presentation of the Financial Statements**

**Observation**

The County Government of Kiambu Alcoholic Drinks Control Fund financial statements for the year end 30 June 2017 submitted for audit were prepared on IPSAS (Cash Basis) framework instead of IPSAS (Accrual Basis), contrary to the guidelines issued by the Public Sector Accounting Standards Board (PSASB) through circular reference No. AG4/16/1/VOL.IV/76 of 13 July 2017 pursuant to the provisions of Section 194 of the Public Finance Management Act, 2012. Further, the statement of financial assets as at 30 June 2017, the statement of receipts and payments and the cash flows statement for the year under review were not cross referenced to the respective explanatory notes to the financial statements. In addition, the financial statements for the year ended 30 June 2017 did not include statement of comparison budget and actual amounts as prescribed by IPSAS.

The financial statements therefore did not comply with International Public Sector Accounting Standards (IPSAS) and the PSASB guidelines.

**Response**

The financial statements for the said financial year were prepared on cash basis as opposed to accrual basis as there was no reporting template issued before then. Furthermore the Public Sector Accounting Standards Board (PSASB) through circular reference No. AG4/16/1/VOL.IV/76 of 13 July 2017 had not been issued by then. The management has taken a step further to prepare the financial statements on accrual basis and the auditor is invited to verify the same.

**Failure to Submit Financial Statements for Audit**

**Observation**

According to Kiambu County Alcoholic Drinks Control Act, 2013, the fund has been in operation since July, 2013. However the fund administrator has not submitted for audit financial statements for the financial year 2013/2014 contrary to Section 167 of the Public Finance Management Act, 2012 and Section 7 of the Kiambu Alcoholic Drinks Control Act, 2013. The law requires an administrator of the fund to prepare and submit for audit financial statements in respect of the fund within three (3) months after the end of the financial year that is on or before 30 September of every year. Consequently, the accuracy of the opening balances for the financial year 2014/2015 as at 1<sup>st</sup> July, 2014 and subsequent years including 2016/2017 could not be ascertained.

**Response**

We admit the financial statements for financial year 2013/14 had not been prepared as per the requirements of Public Finance Management Act, 2012 and Section 7 of the Kiambu Alcoholic Drinks Control Act, 2013 as the directorate was not well established by then.

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We would like to state that the financial statements for the said year have now been prepared and the auditor is invited to audit the same.

**Accuracy Receipts**

**Observation**

The statement of receipts and payments for the year ended 30<sup>th</sup> June 2017 reflects receipts of Kshs. 107,267,703. Included in the figure is an amount of Kshs. 1,327,570 in respect of sale of licences received and recorded in 2015/2016 financial year. The receipts for 2016/2017 was therefore overstated by the erroneous figure posted twice in the financial statements.

Consequently, the accuracy and completeness of receipts balance of Kshs 107,267,703 for the year ended 30 June 2017 could not be confirmed.

**Response**

We admit that that the figure of Ksh 1,327,570 was erroneously captured in the receipts figure for the financial year 2016/17. The statements have been prepared afresh to reflect the true states of affairs of the fund and the auditor is invited to verify the same.

**Transfers to County Revenue Fund Account**

Note 2 to the financial statements for the year ended 30 June 2017 under transfers to other government entities reflects transfers to County Revenue fund figure of Kshs. 25,000,000. However, supporting documentations and records were not provided for audit review. Consequently, the accuracy and regularity of the transfers to other government entities for the year ended 30 June 2017 could not be confirmed.

**Response**

Section 116(3) of the Public Finance Management Act, 2012 states that " The administrator of a county public fund shall ensure that the earnings of, or accruals to a county public fund are retained in the fund , unless the County Executive Committee Member for Finance directs otherwise". we had such instructions which were issued by the County treasury. Furthermore the monies were to be refunded back by the county treasury back to the fund account in the financial year 2017/18 and as per now the monies have been credited back.

**Other Matters**

**1. Unsupported Allowances**

Statement of receipts and payments for the year ended 30 June 2017 reflects use of goods and services balance of Kshs. 81,666,117 which includes allowances amounting to Kshs. 2,350,615 paid to sub county committees for inspections in various wards during the year. However, the allowances were not supported with the signed schedules, dates of inspection or inspection reports.

Consequently, the regularity of the allowances of Kshs. 2,350,615 incurred during the year under review could not be confirmed.

**Response**

We admit that some inspection reports were not attached to payment vouchers for payment of inspection allowances, however the reports are now available and the auditor is invited to verify the same.

**2. Budget and Socio-Economic Performance of the Fund**

The statement of receipts and payments reflects total actual payments during the year of Kshs. 106,666,117 against approved annual work plan and budget provisions of Kshs. 100,700,000 thus resulting in over expenditure of Kshs. 5,966,117. Authority for the over expenses was not however presented for audit review. Further, despite the over expenditure, it was noted that 4 years after the law came into operation, the following activities have not been achieved:

- i. The county has not established treatment and rehabilitation facilities and programmes. The directorate allocated Kshs 10,000,000 for construction of Lusegeti Treatment and Referral Centre. However, as at the time of audit in August, 2018, the project had not started.
- ii. The directorate and fund administrator did not prepare bi-annual reports on research conducted either directly or in collaboration with other institutions on alcoholic drinks to serve as repository of data and statistics related to alcoholic drinks control in the county as required by Section 4 of the Kiambu County Alcoholic Drinks Control Act, 2013.

In view of the above observations, the fund may not have achieved its objectives in accordance with the enabling legislation.

**Response**

We agree that the expenditure resulted as a result of transfer of Ksh 25,000,000 to County Revenue Fund Account at the closure of the financial year to sort out some essential payments by the County treasury. However the monies were to be credited back to the fund account in the following financial year which has already been done. This was not expenditure parse but a form of short term borrowing.

- i. We agree that the directorate had planned to Construct Lusegeti Rehabilitation centre in the financial year under review, however this was not possible as the directorate had partnered with Nacada and expected to receive some funding of Ksh 10 million which never happened. This made the directorate not able to construct a rehabilitation and treatment centre.

The Directorate had also planned to carry out research on status of Alcoholism and drug abuse in collaboration with Nacada, this didn't happen as we were operating in a financial year that coincided with general elections and thus it was cumbersome to conduct research at such a time due to political temperatures. However in the financial year 2015/16, the directorate had done a research in collaboration with Nacada and the research report is available for review.

- ii. We agree that the directorate failed to prepare bi annual status report, but now the directorate will be observant in preparation of the Bi annual status reports henceforth.

APPENDIX 4

**RESPONSE TO MANAGEMENT LETTER FOR ALCOHOLIC DRINKS  
CONTROL FUND ACCOUNT 2017/2018.**

**1. PRESENTATION OF THE FINANCIAL STATEMENTS**

**Failure to adhere to Financial Reporting Template issued by Public Sector  
Accounting Standards Board**

**Criteria**

Paragraph 1.3.4 of (IPSAS Accrual) (C) states “When the entity makes publicly available its approved budget, a comparison of budget and actual amounts either as a separate additional financial statement or as a budget column in the statement of cash receipts and payments in accordance with paragraph 1.7.8 of this Standard.

Section 192. (1) of PFM Act 2012 Establishes a Public Sector Accounting Standards Board. Section 194.(1) of the Act states that the Accounting Standards Board shall provide frameworks and set generally accepted standards for the development and management of accounting and financial systems by all State organs and public entities, and shall in particular perform the following functions—

- (a) Set generally accepted accounting and financial standards;
- (b) Prescribe the minimum standards of maintenance of proper books of account for all levels of Government;
- (c) Prescribe internal audit procedures which comply with this Act;
- (d) Prescribe formats for financial statements and reporting by all state organs and public entities;
- (e) Publish and publicize the accounting and financial standards and any directives and guidelines prescribed by the Board;
- (f) In consultation with the Cabinet Secretary on the effective dates of implementation of these standards. Gazette the dates for application of the standards and guidelines; and
- (g) Perform any other functions related to advancing financial and accounting systems management and reporting in the public sector.

**Observations**

A review of the Financial Statements submitted for audit confirmed the following shortcomings:

- (i) List of Board of Trustees/Fund administration committee members, their passport size photos, details of qualifications and experience and position occupied by each is not provided.
- (ii) Reports of the board/Fund chairperson or the CEC and Fund administrator are not set out as required by the PSASB template.
- (iii) Corporate Governance statement, Management discussion and analysis, and Corporate Social Responsibility/ Sustainability reports are not included in the financial statements.

Further, the statement of cash flows and the statement of comparison of budget and actual amounts are not included in the financial statements prepared by the management of the fund.

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**Risk/Implication:**

The Financial Statements are not presented in the manner prescribed by the PSASB template revised in June, 2018.

**Recommendations**

The financial statements should be revised to incorporate the missing information and to conform to the PSASB template.

**Management response**

In regard to the above raised issue, we have revised our financial statements as per appendix 1.

**2. CASH AND CASH EQUIVALENTS**

**Criteria:**

Public Audit Act 2015 Section 21(1) states that For the purposes of exercising or performing his or her functions, duties or powers under the Constitution or this Act, and subject to the law relating to data protection, the Auditor-General shall require a public body or any person employed by the public body— (a) to produce any official document in the body's or person's custody, care or control; and (b) to provide the Auditor-General with information or an explanation about any official information, system or asset.

**Observations**

The statements of financial position for Kiambu County Alcoholic Drinks Control Fund reflects a figure of Kshs.5,952,081 being cash and cash equivalents as at 30 June 2018. However, only two certificates of bank balance totalling Kshs.2,445,334.34 were provided for audit review as shown below:-

<u>Name of Bank</u>	<u>ACCT No</u>	<u>Amount</u>
Co-operative Bank of Kenya	01141371779000	429,023.24
Co-operative Bank of Kenya	01141371779001	2,016,311.10
	<b>Total Kshs.</b>	<b>2,445,334.34</b>

No additional evidence such as board of survey or more certificates of bank balances were availed for audit review. Therefore, accuracy of Kshs.5,952,081 could not be confirmed since availed documents were insufficient to support the balance stated.

**Risk/Implication**

Cash and Cash Equivalents could be misstated.

**Recommendation:**

Management should provide sufficient documentary evidence to support the balance or amend the figure of cash and cash equivalents as appropriate.

**Management Response**

We agree that only two bank certificates were provided. One to support our revenue collection account no. 01141371779000 and the other one to support our Operations account no. 01141371779001. The figure of Ksh 5,952,081 is supported by bank reconciliation statement as there were receipts which was received in the early month of July but they were meant to be received in the month of June. Further there were payments made in July but were meant for the month of June. Attached is a copy of bank

reconciliation statement for the two accounts. All the above transactions are based on accrual basis.

### **3. GENERAL LEDGER**

#### **Criteria**

Public Audit Act, 2015 Section 9. (1) (e) states that “Without prejudice to the powers given under the Constitution and this Act and for the purposes of carrying out his or her duties effectively, the Auditor-General, or an officer authorized for the purpose of this Act, shall have powers — (e) of unrestricted access to-

- (i) all books, records, returns, reports, electronic or otherwise and other documents of entities listed under Article 229 (4) of the Constitution;
- (f) to request any public officer that is subject to this Act to provide explanations, information and assistance in person and in writing;
- (h) to identify the origin of a transaction or officer who directed or approved it, where he or she has determined inaction, omissions, misuse or abuse of public resources by a public officer.

#### **Observation**

The General Ledger for Kiambu County Alcoholic Drinks Control Fund, for the year ended 30 June 2018 from which the fund financial statements were drawn, were not available for audit verification. In the absence of ledger, the accuracy of the balances reflected in the financial statements cannot be confirmed.

#### **Risk/Implication**

- i. Contravention of the Constitution Article 229(4) and the Public Audit Act Section 9 thus hindering effective audit and reporting on the accountability of public funds.
- ii. Accuracy of the Financial Statements cannot be confirmed.

#### **Recommendations**

The Management should maintain adequate financial records including accounting books of original entry to ascertain where figures in the financial statements are emanating from.

#### **Management response**

The general ledgers and trial balance are in place and the auditor is invited to review the same.

### **4. BUDGETARY CONTROL AND PERFORMANCE**

#### **Criteria**

PART IV of the Public Finance Management Regulation 2015, County Government on Budget Preparation states that;

- 29. (1) The accounting officer shall ensure that the Responsibility for preparing draft estimates relating to her or his department are prepared in conformity with the Constitution, the Act and these Regulations.
- (2) The accounting officer is responsible, in particular for ensuring that;
  - (a) all services which can be reasonably foreseen are included in the estimates and that they are within the capacity of her or his county government entity during the financial year;
  - (b) the estimates have been prepared are complete and accurate as possible;

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(2) All budget Proposals shall be supported by the county government strategic plan;

**Observation**

The Kiambu Alcoholic Drinks Control Fund management have not provided a budget for 2017/2018 for audit review and therefore details of sources of revenue and how such revenues were to be applied cannot be verified. In the absence of an approved budget, it is also not possible to determine whether the objectives of the fund were achieved.

**Risk/Implication**

In absence of an approved budget, revenue may be applied to activities that may not meet the objectives of the fund.

**Recommendation**

The Management should ensure that an elaborate budget is prepared, submitted and approved by August of every financial year as required by the law.

**Management response**

The fund had a budget of **Kshs. 106,460,000** which is reflected in the financial statements. The sources of the funds were in various departmental votes as highlighted in the attached budget for the County.

**5. REVENUE DIFFERENCES BETWEEN THE FINANCIAL STATEMENTS AND THE CASH BOOK**

**Criteria**

Public Finance Management – County Government Regulations section 46 (1) The Accounting Officer shall inform his responsible County Executive Committee Member immediately of any Budget Variation, circumstances that are likely to affect materially the budgetary results either through revenue and expenditure or other receipts and payments of the county government entity.

(2) The Accounting Officer shall inform his responsible County Executive Committee Member of actions taken to mitigate any budget variations.

(3) The responsible County Executive Committee Member shall take the necessary steps to bring to the notice of the County Executive Committee, any warnings of significant or material budget variations.

**Observation**

The statement of financial performance for the year ended 30 June, 2018 and Note 1 to the financial statements reflects revenue from non-exchange transactions (Transfers from the County Government) Kshs.105,207,560 while the cash book shows Kshs.106,581,176 as shown in the table below. The difference of Kshs.1,373,616 between the two sets of records has not been explained or reconciled.

Further, funds transfers reflected in both the financial statements and the cash book are not supported by requisitions, exchequer notifications, and bank statements in contravention PFM County Government Regulations 2015 Section 45 (1) to (4).

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Date	Financial Statement Amount (Kshs)	Cashbook Amounts (Kshs)	Variance (Kshs)
14/12/2017	2,001,500.00	2,001,500.00	0.00
30/4/2018	1,904,760.00	1,904,760.00	0.00
31/05/2018	43,772,438.00	43,997,018.00	224,580.00
30/06/2018	57,528,862.00	58,677,898.00	1,149,036.00
<b>Total</b>	<b>105,207,560</b>	<b>106,581,176</b>	<b>1,373,616</b>

**Risk/Implication**

The amount disclosed could be misstated.

**Recommendation**

The difference of Kshs.1,373,616 between receipts reflected in the financial statements and the cash book should be reconciled.

**Management response**

The management would like to clarify that the receipts posted in the cashbook match what is in the financial statements. The differences indicated of Ksh 224,580 and ksh 1,149,036 for the month of May and June respectively represent bank balances brought forward from the previous months. Attached are copies of postings in cashbook to prove the same.

**6. REHABILITATION EXPENSES KSHS.79,075,020**

**Criteria**

1) Section 149 (1) of the Public Finance Management Act states that: An accounting officer is accountable to the county assembly for ensuring that the resources of the entity for which the officer is designated are used in a way that is —

- (a) Lawful and authorised; and
- (b) effective, efficient, economical and transparent.

2) Furthermore, Section 149 (2) (f) stipulates that In carrying out a responsibility imposed by subsection (1), an accounting officer shall, in respect of the entity concerned— (f) bring a matter to the attention of the County Executive Committee member responsible for the entity if, in the accounting officer's opinion a decision or policy or proposed decision or policy of the entity may result in resources being used in a way that is contrary to subsection (1);

3) The Kiambu County Alcoholic Drinks Control Act, 2018 does not provide for the rehabilitation of Alcoholics through gainful employment from the county. Instead, it advocates for the limitation of alcoholic drinks access through various sales outlets like Supermarkets, Clubs, and Members Clubs. Further, the Act does not recommend any payments whatsoever to the addicts.

**Observations**

The statement of financial performance as at 30 June 2018 shows rehabilitation expenses Kshs.79,075,020 while the records available from the County Executive reflects an amount of Kshs.84,015,600 resulting to an unreconciled variance of Kshs.4,940,580.00 Further, examination of payment vouchers totalling to Kshs.7,462,000.00 reflected weak controls that failed to adequately disclose details of recipients.

**Risk/Implication**

The act of rehabilitation of addicts by paying them through meals and cash payments is not within the clauses of the law mentioned.

**Recommendation**

Funds should be committed for the purpose they were voted for, sufficiently supported with authentic documents and relevant law followed appropriately.

**Management response**

The management admits that there was some rehabilitation expenditure of Ksh 4,940,580 that was paid by the county executive. This happened before the function was taken over by the directorate of alcoholic drinks control. It was not possible to disclose this figure in the financial statements as the actual amounts were never transferred in the fund account. The management has also strengthened internal controls to ensure that details of recipients are properly captured in the payment schedules.

**7. INCOMPLETE AND INCORRECT CASHBOOK POSTINGS**

**Criteria**

Examination of accounting systems is undertaken by this office routinely to evaluate the efficiency, effectiveness and economy exercised in the utilization of Public funds appropriated and generated for service delivery in line with laid down Government Financial Regulations and Procedures.

A carefully designed system of internal control help an organization operate effectively and ensure that management roles performed by each member are adequately protected. A key basic financial management principle is placement of stringent internal controls to facilitate responsible and accountable use of financial resources.

**Observation**

Examination of the cash book revealed that cash book postings did not include details of payees, payment voucher numbers and item description (item account code). Further, payment of Kshs.6,441,818.24 posted in the cash book was not supported by documentary evidence.

**Risk/Implication**

It is not possible to confirm accuracy and completeness of cash book balances as at 30th June 2018.

**Recommendation**

All transactions should be posted in the cash book individually.

**Management response**

The management would like to state that the missing details in cashbook have been adjusted and auditor is invited to verify the same.

The transactions have been posted in the cashbook individually as per the attached copy of cashbook.

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Further there are only three transactions which have been posted in the cashbook of ksh 30,000, ksh 5,960,000 and ksh 22,800 totalling to Ksh 6,012,800. The figure disclosed by the auditor of Ksh 6,441,818.24 includes bank balance of Ksh 429,018.24 copies of individual payment vouchers have been attached.