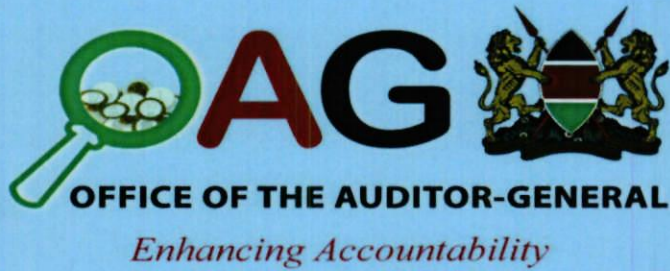


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# REPORT

OF

**THE AUDITOR-GENERAL**

ON

**KERICHO COUNTY ALCOHOLIC DRINKS  
CONTROL FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2020**

| PAPERS LAID        |            |
|--------------------|------------|
| DATE               | 02/03/2022 |
| TABLED BY          | SMB        |
| COMMITTEE          | -          |
| CLERK AT THE TABLE | CHANIA     |





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**KERICHO COUNTY ALCOHOLIC DRINKS CONTROL FUND**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED**  
**30<sup>TH</sup> JUNE, 2020**

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

### **a) Background information**

Kericho County Alcoholic Drinks Control Fund is established by and derives its authority and accountability from Kericho County Alcoholic Drinks Act, 2014 on 29 April, 2014. The Fund is wholly owned by the County Government of Kericho and is domiciled in Kenya.

The fund's objective is to provide for licensing of alcoholic drinks by the County Government pursuant to Part II of the Fourth Schedule to the Constitution so as to control the production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation for persons dependent on alcoholic drinks in order to :-

- (a) Protect the health of the individual in the light of the dangers of excessive consumption of alcoholic drinks;
- (b) Protect persons under the age of eighteen years from negative impact on health and social development from exposure to advertisements of alcoholic drinks;
- (c) Protect consumers of alcoholic drinks from misleading or deceptive inducements and inform them of the risks of excessive consumption of alcoholic drinks;
- (d) Protect the health of persons under the age of eighteen years by preventing their access to alcoholic drinks;
- (e) Inform and educate the residents in the county on the harmful health, economic and social consequences of the consumption of alcoholic drinks;
- (f) Adopt and implement effective measures to eliminate illicit trade in alcohol including smuggling, illicit manufacturing and counterfeiting;
- (g) Ensure fair and ethical business practices related to production, distribution, promotion and sale of alcoholic drinks;
- (h) Reduce and mitigate the negative health, social and economic impact on communities resulting from production, sale and consumptions of alcoholic drinks.

### **b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to meeting the capital and recurrent expenditure relating to carrying out the functions of the Department (Liquor) as stipulated under section 4 of the Act and assist in the operations of the Sub-County and Review Committees.

**Kericho County Alcoholic Drinks Control Fund  
Report and Financial Statements  
For the year ended 30<sup>th</sup> June, 2020**

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**c) Key Management**

| Ref | Name              | Position               |
|-----|-------------------|------------------------|
| 1   | Eng. Philip Mason | Chairperson-CECM Trade |
| 2   | Lilian Kerio      | Secretary- CO Trade    |
| 3   | Joseph Rotich     | Programme Officer      |
| 4   | Margret Chepkorir | Accountant             |

**d) Registered Offices**

P.O. Box 122-20200  
Trade Building  
Uhuru Gardens Avenue  
Kericho, KENYA

**e) Fund Contacts**

E-mail: [info@kericho.go.ke](mailto:info@kericho.go.ke)  
Web: [www.kericho.go.ke](http://www.kericho.go.ke)  
Telephone: (254) 721 397415

**f) Fund Bankers**

Equity Bank  
Kericho Branch  
P.O. Box 1562-20200  
Kericho, 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 County Attorney  
P.O. Box 112-20200  
Kericho, Kenya

**Kericho County Alcoholic Drinks Control Fund  
Report and Financial Statements  
For the year ended 30<sup>th</sup> June, 2020**

**2. MANAGEMENT TEAM**

| Name                  | Details of qualifications and experience   | Passport size photo   |
|-----------------------|--|---|
| 1. Eng. Philip Mason  | Chairperson Kericho County Alcoholic Drinks Control Fund and Ag. County Executive Committee Member for Trade, Industrialization, Cooperative Management, Tourism & Wildlife. |    |
| 2. Lilian Kerio       | Secretary Kericho County Alcoholic Drinks Control Fund and Chief Officer for Trade, Industrialization, Cooperative Management, Tourism and Wildlife.                         |    |
| 3. Joseph Rotich      | Program Officer Kericho County Alcoholic Drinks Control Fund and County Trade Development Officer  |    |
| 4. Margaret Chepkorir | Finance Officer Kericho County Alcoholic Drinks Control Fund and Accountant in the department of Trade, Industrialization, Cooperative Management, Tourism and Wildlife      |  |

### **3. FUND CHAIRPERSON'S REPORT**

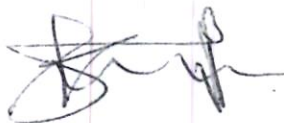
Kericho County Alcoholic Drinks Control Fund is established by and derives its authority and accountability from the Kericho County Alcoholic Drinks Act, 2014. The Fund is wholly owned by the County Government of Kericho and its objective is to provide for licensing of alcoholic drinks premises by the County Government of Kericho pursuant to Part II of the Fourth Schedule of the Constitution of Kenya 2010.

The Act states that the department shall in collaboration with other relevant county and national government agencies establish treatment and rehabilitation facilities and programs for persons dependent on liquor in each sub-county. This is one of the very important functions of the Fund that is geared towards alleviating the suffering of many people who have fallen victim of alcohol addiction. In this regard the department has identified relevant partners to operationalize the same. Work is also on going in identification of the suitable site for the county rehabilitation center.

Waste Management has become a significant business issue for bars in recent years. Costs have grown dramatically, landfill capacity has become increasingly scarce and expensive. Stringent legislation has been introduced around the world to ensure optimum waste management practices in bar businesses. Opportunities have to be found to reduce, reuse and recycle waste streams, while ensuring residual waste is managed in a responsible and efficient manner in compliance with the relevant legislation.

In order to improve compliance of the liquor Act, the department will work closely with the sub county committees especially on the enforcement of the liquor regulations. This will go a long way in increasing revenue collection and providing a conducive environment for the premises dealing in liquor business.

Since the outbreak of COVID-19 in March, 2020 many liquor outlets were greatly affected. Bars and Restaurants were closed down for the better part of the year thus affecting operations, margins and revenue collection. Only wines and spirits were slightly affected given their business model allows operations even with the COVID-19 protocols issued by the Ministry of Health to combat the spread of the virus.



**Eng. Philip Mason  
Chairperson Kericho County Alcoholic Drinks Control Fund and Ag. County Executive  
Committee Member- Trade, Industrialization, Cooperative Management, Tourism and  
Wildlife**

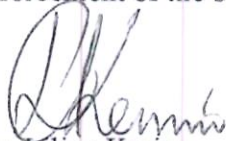
#### **4. REPORT OF THE FUND ADMINISTRATOR**

This is the County Government of Kericho Annual Report for the Kericho County Alcoholic Drinks Fund. This report was prepared and presented as required by Section 168 of the *Public Financial Management (PFM) Act 2012*. The report expounds on local collections and transfers in relation to liquor licensing.

The guiding legislation is the Kericho County Alcoholic Drinks Fund, 2014 which was assented to on 29 April 2014 and commenced on 16th May, 2014. The Fund Administrator is CEC Finance and Economic Planning and its primary purpose is Meet capital and recurrent expenditure in carrying out operations of Alcoholic Drinks section under the Department of Trade.

The challenges faced during the period under review were a drop in payments for liquor licenses and a decrease in the National Government security arm collection for the County Government within the county. The County Government will endeavour to engage target groups to ensure timely collection and also sensitise the target groups on matters related to the Act and implementation of the Act.

The collection of licences of the 2019-2020 financial cycle will be greatly determined by the enforcement of the same by the security arm of the national government.



Ms. Lilian Kerio

**Secretary Kericho County Alcoholic Drinks Control Fund and the Chief Officer- Trade,  
Industrialization, Cooperative Management, Tourism and Wildlife**

**Kericho County Alcoholic Drinks Control Fund  
Report and Financial Statements  
For the year ended 30<sup>th</sup> June, 2020**

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**5. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

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

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Kericho County Alcoholic Drinks Fund, 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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 and signed on 30<sup>th</sup> Sept 2020



Ms. Lilian Kerio

**Secretary Kericho County Alcoholic Drinks Control Fund and the Chief Officer-Trade,  
Industrialization, Cooperative Management, Tourism and Wildlife**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2020**

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

#### **Qualified Opinion**

I have audited the accompanying financial statements of Kericho County Alcoholic Drinks Control Fund set out on pages 8 to 16, which comprise the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kericho County Alcoholic Drinks Control Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Kericho County Alcoholic Drinks Act, 2014.

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

##### **1.0 Inaccuracies in the Financial Statements**

A review of the Fund's financial statements revealed the following anomalies;

- 1.1 The statement of comparison of budget and actual amounts reflects Kshs.11,080,950 on other income – licensing fee performance difference total income. However, recasting of the balances shows Kshs.333,150 resulting to an unexplained variance of Kshs.10,747,800.
- 1.2 The statement of financial performance reflects Kshs.61,960 on surplus while the statement of changes in net assets reflects Kshs.59,560 resulting to an unexplained variance of Kshs.2,400.

- 1.3 The statement of financial performance reflects transfer to County Revenue Fund (CRF) of Kshs.1,138,607 while Note 2 to the financial statements reflects Kshs.1,138,087 resulting to an unexplained variance of Kshs.520.

Consequently, the accuracy of the financial statements for the year ended 30 June, 2020 could not be confirmed.

## **2.0 Fund Administration Expenses**

Included under fund administration expenses of Kshs.9,823,083 is Kshs.1,500,000 relating to purchase of fuel, oil and lubricants procured from a local fuel supplier. However, a review of the fuel register revealed that only fuel costing Kshs.9,080 was used by the Management on the Fund's matters in the year under review resulting to an unexplained variance of Kshs.1,490,920.

Consequently, the accuracy and regularity of the expenditure of Kshs.1,490,920 for the year ended 30 June, 2020 could not be confirmed.

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

### **Key Audit Matters**

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

### **Other Matter**

#### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Reference No AG.4/16/3Vol.1(9) of 24 June 2020.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

## **Basis for Conclusion**

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

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

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

### **Responsibilities of Management and those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Funds ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities to the Fund express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
**CPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**17 February, 2022**

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*Report of the Auditor-General on Kericho County Alcoholic Drinks Control Fund for the year ended 30 June, 2020*

**Kericho County Alcoholic Drinks Control Fund  
Report and Financial Statements  
For the year ended 30<sup>th</sup> June, 2020**

**7. FINANCIAL STATEMENTS**

**7.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020**

|  | Note | 2019/2020         | 2018/2019        |
|--|------|-------------------|------------------|
|  |      | KShs              | KShs             |
| <b>Revenue from non-exchange transactions</b>    |      |                   |                  |
| Public contributions and donations               |      | -                 | -                |
| Transfers from the County Government             |      | -                 | -                |
| Fines, penalties and other levies-Licensing fees | 1    | 11,080,950        | 9,711,500        |
| <b>Revenue from exchange transactions</b>        |      | -                 | -                |
| Interest income                                  |      | -                 | -                |
| Other income                                     |      | -                 | -                |
|  |      | -                 | -                |
| <b>Total revenue</b>                             |      | <b>11,080,950</b> | <b>9,711,500</b> |
| <b>Expenses</b>                                  |      | -                 | -                |
| Transfer to County Revenue Fund(CRF)             | 2    | 1,138,607         | 5,911,330        |
| Fund administration expenses                     | 3    | 9,823,083         | 3,807,460        |
| General expenses-Printing charges                | 4    | 32,460            | 360              |
| Finance costs-Bank and Remittance charges        | 4    | 24,840            | 840              |
| <b>Total expenses</b>                            |      | <b>11,018,990</b> | <b>9,719,990</b> |
| <b>Other gains/losses</b>                        |      | -                 | -                |
| Gain/loss on disposal of assets                  |      | -                 | -                |
| <b>Surplus/( deficit)for the period</b>          | 5    | <b>61,960</b>     | <b>(8,490)</b>   |

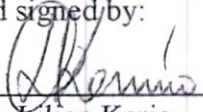
The notes set out on pages 16 to 17 form an integral part of these Financial Statements

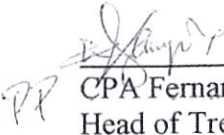
**Kericho County Alcoholic Drinks Control Fund  
Report and Financial Statements  
For the year ended 30<sup>th</sup> June, 2020**

**7.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

|   | Note | 2019/2020     | 2018/2019    |
|---|------|---------------|--------------|
|   |      | KShs          | KShs         |
| <b>Assets</b>   |      |               |              |
| <b>Current assets</b>   |      |               |              |
| Cash and cash equivalents   | 5    | 61,960        | 2,400        |
| Current portion of long term receivables from exchange transactions |      | -             | -            |
| Prepayments   |      | -             | -            |
| Inventories   |      | -             | -            |
|   |      | <b>61,960</b> | <b>2,400</b> |
| <b>Non-current assets</b>   |      |               |              |
| Property, plant and equipment                                       |      | -             | -            |
| Intangible assets   |      | -             | -            |
| Long term receivables from exchange transactions                    |      | -             | -            |
|   |      |               |              |
| <b>Total assets</b>   |      | <b>61,960</b> | <b>2,400</b> |
| <b>Liabilities</b>  |      |               |              |
| <b>Current liabilities</b>  |      |               |              |
| Trade and other payables from exchange transactions                 |      | -             | -            |
| Provisions  |      | -             | -            |
| Current portion of borrowings                                       |      | -             | -            |
| Employee benefit obligations  |      | -             | -            |
|   |      | -             | -            |
| <b>Non-current liabilities</b>                                      |      |               |              |
| Non-current employee benefit obligation                             |      | -             | -            |
| Long term portion of borrowings                                     |      | -             | -            |
|   |      | -             | -            |
| <b>Total liabilities</b>  |      | <b>-</b>      | <b>-</b>     |
|   |      | <b>61,960</b> | <b>2,400</b> |
| <b>Net assets</b>   |      |               |              |
| Revolving Fund  |      | -             | -            |
| Reserves  |      | -             | -            |
| Accumulated surplus   |      | <b>61,960</b> | <b>2,400</b> |
| <b>Total net assets and liabilities</b>                             | 4    | <b>61,960</b> | <b>2,400</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 \_\_\_\_\_ 2020 and signed by:

  
Ms. Lilian Kerio  
Chief Officer

  
CPA Fernandes Korir  
Head of Treasury Accounting  
ICPAK:13966

**Kericho County Alcohol Drinks Fund  
Reports and Financial Statements  
For the year ended June 30, 2020**

**7.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020**

|                                   | <b>Revolving<br/>Fund</b> | <b>Revaluat<br/>ion<br/>Reserve</b> | <b>Accumulated<br/>surplus</b> | <b>Total</b> |
|-----------------------------------|---------------------------|-------------------------------------|--------------------------------|--------------|
|                                   |                           | <b>KShs</b>                         | <b>KShs</b>                    | <b>KShs</b>  |
| <b>Balance as at 1 July 2019</b>  | -                         | -                                   | 10,890                         | 10,890       |
| Surplus/(deficit) for the period  | -                         | -                                   | (8,490)                        | (8,490)      |
| Funds received during the year    | -                         | -                                   | -                              | -            |
| Revaluation gain                  | -                         | -                                   | -                              | -            |
| <b>Balance as at 30 June 2019</b> | -                         | -                                   | 2,400                          | 2,400        |
|                                   | -                         | -                                   | -                              | -            |
| <b>Balance as at 1 July 2019</b>  | -                         | -                                   | 2,400                          | 2,400        |
| Surplus/(deficit) for the period  | -                         | -                                   | 59,560                         | 24,000       |
| Funds received during the year    | -                         | -                                   | -                              | -            |
| Revaluation gain                  | -                         | -                                   | -                              | -            |
| <b>Balance as at 30 June 2020</b> | -                         | -                                   | 61,960                         | 26,880       |

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**7.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020**

|  | Note | 2019/2020         | 2018/2019        |
|--|------|-------------------|------------------|
|  |      | KShs              | KShs             |
| <b>Cash flows from operating activities</b>                  |      |                   |                  |
| <b>Receipts</b>  |      |                   |                  |
| Public contributions and donations                           |      | -                 | -                |
| Transfers from the County Government                         |      | -                 | -                |
| Interest received  |      | -                 | -                |
| Receipts from other operating activities-Licensing fee       | 1    | 11,080,950        | 9,711,500        |
| <b>Total Receipts</b>  |      | <b>11,080,950</b> | <b>9,711,500</b> |
| <b>Payments</b>  |      |                   |                  |
| Returns to County Revenue Fund(CRF)                          | 2    | 1,138,607         | 5,911,330        |
| Fund administration expenses                                 | 3    | 9,823,083         | 3,807,460        |
| General expenses-Printing charges                            | 4    | 32,460            | 360              |
| Finance cost-Bank and Remittance charges                     | 4    | 24,840            | 840              |
| <b>Total Payments</b>  |      | <b>11,018,990</b> | <b>9,719,990</b> |
| <b>Net cash flows from operating activities</b>              | 5    | <b>61,960</b>     | <b>(8,490)</b>   |
| <b>Cash flows from investing activities</b>                  |      |                   |                  |
| Purchase of property, plant, equipment and intangible assets |      | -                 | -                |
| Proceeds from sale of property ,plant and equipment          |      | -                 | -                |
| Proceeds from loan principal repayments                      |      | -                 | -                |
| Loan disbursements paid out                                  |      | -                 | -                |
| <b>Net cash flows used in investing activities</b>           |      | <b>-</b>          | <b>-</b>         |
| <b>Cash flows from financing activities</b>                  |      |                   |                  |
| Proceeds from revolving fund receipts                        |      | -                 | -                |
| Additional borrowings  |      | -                 | -                |
| Repayment of borrowings                                      |      | -                 | -                |
| <b>Net cash flows used in financing activities</b>           |      | <b>-</b>          | <b>-</b>         |
| <b>Net increase/(decrease)in cash and cash equivalents</b>   |      | <b>59,560</b>     | <b>(8,490)</b>   |
| Cash and cash equivalents at 1 JULY                          |      | 2,400             | 10,890           |
| <b>Cash and cash equivalents at 30 JUNE</b>                  | 5    | <b>61,960</b>     | <b>2,400</b>     |

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**7.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2020**

|  | <b>Original budget</b> | <b>Adjustments</b> | <b>Final budget</b> | <b>Actual on comparable basis</b> | <b>Performance difference</b> | <b>%utilization</b> |
|--|------------------------|--------------------|---------------------|-----------------------------------|-------------------------------|---------------------|
|  | <b>2020</b>            | <b>2020</b>        | <b>2020</b>         | <b>2020</b>                       | <b>2020</b>                   | <b>2020</b>         |
|  | <b>KShs</b>            | <b>KShs</b>        | <b>KShs</b>         | <b>KShs</b>                       | <b>KShs</b>                   |                     |
| <b>Revenue</b>                           |                        |                    |                     |                                   |                               |                     |
| Public contributions and donations       | -                      | -                  | -                   | -                                 | -                             | -                   |
| Transfers from County Govt.              | -                      | -                  | -                   | -                                 | -                             | -                   |
| Interest income                          | -                      | -                  | -                   | -                                 | -                             | -                   |
| Other income-Licensing fee               | 11,414,100             | -                  | 11,414,100          | 11,080,950                        | 11,080,950                    | 24%                 |
| <b>Total income</b>                      | <b>11,414,100</b>      | <b>-</b>           | <b>11,414,100</b>   | <b>11,080,950</b>                 | <b>333,150</b>                | <b>24%</b>          |
|  | -                      | -                  | -                   | -                                 | -                             | -                   |
| <b>Expenses</b>                          |                        |                    |                     |                                   |                               |                     |
| Returns to County Revenue Fund(CRF)      | -                      | -                  | -                   | 1,138,607                         | -                             | -                   |
| Fund administration expenses             | 11,460,000             | -                  | 11,460,000          | 9,823,083                         | 1,636,917                     | 14%                 |
| General expenses-Printing charges        | 500,000                | -                  | 500,000             | 32,460                            | 467,540                       | 94%                 |
| Finance cost-Bank and remittance charges | 10,000                 | -                  | 10,000              | 24,840                            | (14,840)                      | 48%                 |
| <b>Total expenditure</b>                 | <b>11,970,000</b>      | <b>-</b>           | <b>11,970,000</b>   | <b>11,018,990</b>                 | <b>951,010</b>                | <b>8%</b>           |
| <b>Surplus for the period</b>            | <b>-</b>               | <b>-</b>           | <b>-</b>            | <b>61,960</b>                     | <b>-</b>                      | <b>-</b>            |

**Budget notes**

- This is fund was set up to collect monies relating to alcoholic business thus was never budgeted for in the original appropriation act.*

## **7.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

### **2. Adoption of new and revised standards**

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

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

### **3. Revenue recognition**

#### **i) Revenue from non-exchange transactions**

##### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

### **4. Budget information**

The original budget for FY 2019/2020 was approved by the County Assembly on 24<sup>th</sup> June, 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The fund was not budgeted for in the original appropriation act.

### **5. Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank. Bank account balances include amounts held at the Equity bank at the end of the financial year.

### **6. Comparative figures**

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

### **7. Events after the reporting period**

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

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**8. Ultimate and Holding Entity**

Kericho County Alcoholic Drinks Fund is established by and derives its authority and accountability from Kericho County Alcoholic Drinks Act, 2014 on 29 April, 2014. The Fund is wholly owned by the County Government of Kericho and is domiciled in Kenya.

**9. Currency**

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

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**7.7. NOTES TO THE FINANCIAL STATEMENTS**

**1. Other income**

| <b>Description</b>        | <b>2019/2020</b>  | <b>2018/2019</b> |
|---------------------------|-------------------|------------------|
|                           | <b>KShs</b>       | <b>KShs</b>      |
| Insurance recoveries      | -                 | -                |
| Liquor Licences           | 11,080,950        | 9,711,500        |
| <b>Total other income</b> | <b>11,080,950</b> | <b>9,711,500</b> |

**2. Transfers from County Government**

| <b>Description</b>                         | <b>2019/2020</b> | <b>2018/2019</b> |
|--|------------------|------------------|
|  | <b>KShs</b>      | <b>KShs</b>      |
| Transfer to CRF                            | 1,138,087        | 5,911,330        |
| Payments by County on behalf of the entity | -                | -                |
| <b>Total</b>                               | <b>1,138,087</b> | <b>5,911,330</b> |

**3. Fund administration expenses**

| <b>Description</b>    | <b>2019/2020</b> | <b>2018/2019</b> |
|-----------------------|------------------|------------------|
|                       | <b>KShs</b>      | <b>KShs</b>      |
| Loan processing costs | -                | -                |
| Administration fees   | 9,823,083        | 3,807,460        |
| <b>Total</b>          | <b>9,823,083</b> | <b>3,807,460</b> |

**4. General expenses**

| <b>Description</b>                  | <b>2019/2020</b> | <b>2018/2019</b> |
|-------------------------------------|------------------|------------------|
|                                     | <b>KShs</b>      | <b>KShs</b>      |
| Postage                             | -                | -                |
| Printing and stationery             | 32,460           | 360              |
| Bank and remittance Charges         | 24,840           | 840              |
| Hospitality                         | -                | -                |
| Depreciation and amortization costs | -                | -                |
| Other expenses                      | -                | -                |
| <b>Total</b>                        | <b>57,300</b>    | <b>1,200</b>     |

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

**5. Cash and cash equivalents**

| <b>Description</b>                     | <b>2019/2020</b> | <b>2018/2019</b> |
|--|------------------|------------------|
|  | <b>KShs</b>      | <b>KShs</b>      |
| Fixed deposits account                 | -                | -                |
| On – call deposits                     | -                | -                |
| Current account                        | 61,960           | 2,400            |
| Others                                 | -                | -                |
| <b>Total cash and cash equivalents</b> | <b>61,960</b>    | <b>2,400</b>     |

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

|                                  |                       | <b>2019/2020</b> | <b>2018/2019</b> |
|----------------------------------|-----------------------|------------------|------------------|
| <b>Financial institution</b>     | <b>Account number</b> | <b>KShs</b>      | <b>KShs</b>      |
| <b>a) Fixed deposits account</b> |                       |                  |                  |
| Kenya Commercial bank            |                       | -                | -                |
| Equity Bank,                     |                       |                  |                  |
| <b>Sub- total</b>                |                       | -                | -                |
| <b>b) On - call deposits</b>     |                       | -                | -                |
| Kenya Commercial bank            |                       | -                | -                |
| Equity Bank                      |                       | -                | -                |
| <b>Sub- total</b>                |                       | -                | -                |
| <b>c) Current account</b>        |                       | -                | -                |
| Kenya Commercial bank            |                       | -                | -                |
| Equity Bank                      | 0280263621889         | 61,960           | 2,400            |
| <b>Sub- total</b>                |                       | -                | -                |
| <b>d) Others(specify)</b>        |                       | -                | -                |
| Cash in transit                  |                       | -                | -                |
| Cash in hand                     |                       | -                | -                |
| M –Pesa                          |                       | -                | -                |
| <b>Sub- total</b>                |                       | -                | -                |
| <b>Grand total</b>               |                       | <b>61,960</b>    | <b>2,400</b>     |