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REPORT

OF

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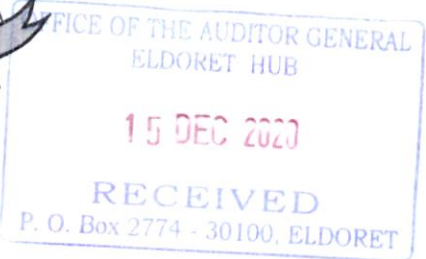
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ON

ELGEYO MARAKWET ALCOHOLIC DRINKS CONTROL FUND

FOR THE YEAR ENDED
30 JUNE, 2020





COUNTY GOVERNMENT OF ELGEYO MARAKWET

**ELGEYO MARAKWET ALCOHOLIC DRINKS CONTROL FUND
REPORTS AND FINANCIAL STATEMENTS**

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

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

ELGEYO MARAKWET COUNTY ALCOHOLIC DRINKS CONTROL FUND
Reports and Financial Statements
For the year ended June 30, 2020

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Elgeyo Marakwet County Alcoholic Drinks Control fund as established by Elgeyo Marakwet County Alcoholic Drinks Control Act, 2014.

The Elgeyo Marakwet County Alcoholic Drinks Control fund is established by and derives its authority and accountability from Elgeyo Marakwet County Alcoholic Drinks Control Act, 2014. The Fund is wholly owned by the County Government of Elgeyo Marakwet and is domiciled in Kenya.

The fund's objective is to reduce and mitigate the negative health, social and economic impact on communities resulting from production, sale and consumption of Alcoholic Drinks Control in Elgeyo Marakwet.

b) Principal Activities

The principal activity is to ensure fair and ethical business practices related to production, distribution, promotion and sale of Alcoholic Drinks Control in Elgeyo Marakwet

c) Fund Administration Committee

Ref	Name	Position
1	Leah Pamela Rono	Chairperson
2	Isaac Kamar	Member
3	JohnKeen Murkeu Jairo	Member
4	Loretta Kotut	Ag. Fund administrator/Secretary/ Co PSM

d) Key Management

Ref	Name	Details of qualifications and experience
1	Loretta Kotut	Date of Birth: 9 th April, 1978 Qualification: B.Com-Banking & Finance Experience: 15 years
2	Leah Pamela Rono	Date of Birth: 1981 Qualification: Master of Science Human Resource management Experience: 12 years
3	Issac Kamar	Date of Birth: 8-11-1978 Qualification: MBA -Strategic management Experience: 23 years in Financial management
4	JohnKeen Murkeu Jairo	Date of Birth: 12-02-1969 Qualification: MBA-Finance Experience: 28 years

e) Registered Offices

P.O. Box 220-30700
Elgeyo Marakwet County Building
Iten

f) Fund Contacts

Telephone: 053-4142277
E-mail: elgeyomarakwet.go.ke
Website: www.elgeyomarakwet.go.ke

g) Fund Bankers

Trans National Bank
P.O. Box 34353-00200
Nairobi





h) Independent Auditors

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

i) Principal Legal Adviser

The County Attorney
P.O. Box 220-30700
Iten, Kenya

2. ALCOHOLIC DRINKS CONTROL FUND COMMITTEE

Ref	Name	Details of qualifications and experience
1	Loretta Kotut 	Date of Birth: 9 th April, 1978 Qualification: B.Com-Banking & Finance Experience: 15 years
2	Leah Pamela Rono 	Date of Birth: 1981 Qualification: Master of Science Human Resource management Experience: 12 years
3	Isaac Kamar 	Date of Birth: 8-11-1978 Qualification: MBA -Strategic management Experience: 23 years in Financial management
4	JohnKeen Murkeu Jairo 	Date of Birth: 12-02-1969 Qualification: MBA-Finance, CPA(K) Experience: 28 years

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

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





The Elgeyo Marakwet County Alcoholic Drinks Control Fund principal objective is to reduce and mitigate the negative health, social and economic impact on communities resulting from production, sale and consumption of Alcoholic Drinks Control in Elgeyo Marakwet.

**Progress on attainment of Strategic objectives for Elgeyo Marakwet County Alcoholic
 Drinks Control Fund.**

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Enforcement and Compliance	ensure fair and ethical business practices related to production, distribution, promotion and sale of alcoholic drinks;	Compliance with Elgeyo Marakwet Alcoholic drinks Act, 2014 and other relevant Acts.	No. of Enforcements exercises	Inspection and licensing done.
Program	Objective	Outcome	Indicator	Performance
Rehabilitation of illicit brewers	Reduce and mitigate the negative health, social and economic impact on communities resulting from production, sale and Consumptions of alcoholic drinks.	-Reduction of supply of illicit brews -Illicit brews engaged in alternative income generating activities.	No. of Illicit brewers trained and empowered	Follow up activities was done.

4. MANAGEMENT TEAM

Ref	Name	Details of qualifications and experience
1	Loretta Kotut 	Date of Birth: 9 th April, 1978 Qualification: B.Com-Banking & Finance Experience: 15 years
2	Leah Pamela Rono 	Date of Birth: 1981 Qualification: Master of Science Human Resource management Experience: 12 years
3	Isaac Kamar 	Date of Birth: 8-11-1978 Qualification: MBA -Strategic management Experience: 23 years in Financial management
4	JohnKeen Murkeu Jairo 	Date of Birth: 12-02-1969 Qualification: MBA-Finance, CPA(K) Experience: 28 years

5. FUND CHAIRPERSON'S REPORT

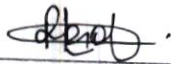
The County Government of Elgeyo Marakwet operates Alcoholic Drinks Control Fund Account No.180923/500U00/0. The Account was opened on 18 June, 2015

The fund's objective is to reduce and mitigate the negative health, social and economic impact on communities resulting from production, sale and consumption of Alcoholic Drinks Control in Elgeyo Marakwet

The principal activity is to ensure fair and ethical business practices related to production, distribution, promotion and sale of Alcoholic Drinks Control in Elgeyo Marakwet

The financial statements for Elgeyo Marakwet Drinks Control Fund for the year ended 30th June, 2020 have been prepared to comply with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya

Signed: _____



Leah Pamela Rono
Chairperson- Elgeyo Marakwet County Alcoholic Drinks Control Fund

6. REPORT OF THE FUND ADMINISTRATOR

The financial statements for Elgeyo Marakwet Drinks Control Fund for the year ended 30th June, 2020 have been prepared to comply with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya.

The County Government of Elgeyo Marakwet operates Alcoholic Drinks Control Fund Account No.180923/500U00/0. The Account was opened on 18 June, 2015

During the year ended 30th June, 2020 the Elgeyo Marakwet Alcoholic Drinks Control Fund realized receipts amounting to Sh. 936,447 during the period as reflected in the statement of Financial performance .The payments of Sh.949,343 consist of Sh.2,988 for the bank charges and sh. 946,356 transferred to CRF during the period.

Revenue amounting to Sh.935,000 was collected from Alcoholic Drinks Control Fund bank account during the year. The same was transferred to County Revenue Fund held at CBK. The cash book balance is Nil as at 30th June, 2020

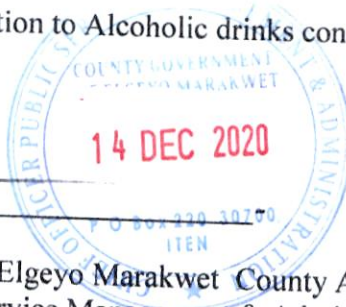
During the year, the County Government budgeted Sh,4,000,000 for Alcoholic drinks Liquor licence (Appropriation-In-Aid) and is included in the own revenue sources revenue ceiling of Sh.152,000,000 in the County approved budget for FY 2019/20. The amount of Sh.1,561,280 collected from Liquor licence was banked to Revenue collection account and subsequently transferred to CRF account.

There was no appropriation to Alcoholic drinks control fund during the year.

Signed: 

Loretta Kotut

Ag.Fund Administrator-Elgeyo Marakwet County Alcoholic Drinks Control Fund
Chief Officer- Public Service Management & Administration



7. CORPORATE GOVERNANCE STATEMENT

The Directorate is headed by a Director who is appointed by the County Public Service Board. The Executive Member and the County Public Service Board ensure that the Directorate has adequate human, financial and any other appropriate resource to enable it carry out the functions assigned under this Act.

The Administrator of Elgeyo Marakwet Alcoholic Drinks Control Fund is responsible for the preparation of Fund's financial statements, using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Elgeyo Marakwet Alcoholic Drinks Control Act, 2014.

8. MANAGEMENT DISCUSSION AND ANALYSIS

During the year ended 30th June, 2020 the Elgeyo Marakwet Alcoholic Drinks Control Fund realized receipts amounting to Sh. 936,447 during the period as reflected in the statement of Financial performance .The payments of Sh.949,343 consist of Sh.2,988 for the bank charges and sh. 946,356 transferred to CRF during the period.

Revenue amounting to Sh.935,000 was collected from Alcoholic Drinks Control Fund bank account during the year. The same was transferred to County Revenue Fund held at CBK. The cash book balance is Nil as at 30th June, 2020

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

There were no corporate Social Responsibility activities undertaken during the year related to the fund.

10. REPORT OF THE ALCOHOLIC DRINKS CONTROL FUND COMMITTEE

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

Principal activities

The principal activity is to ensure fair and ethical business practices related to production, distribution, promotion and sale of Alcoholic Drinks Control in Elgeyo Marakwet

Results

The results of the Fund for the year ended June 30, 2020 are set out on page 15 to 19

Trustees

The members of the Elgeyo Marakwet Alcoholic drinks Control Fund Committee who served during the year are shown on page 4 and page 7. There were no changes in the composition of the Car and Mortgage loan committee during the financial year ended 30th June 2020

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 to carry out the audit of the *Elgeyo Marakwet County Alcoholic Drinks Control Fund* for the year ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Elgeyo Marakwet County Alcoholic Drinks Control Fund Committee

Date:  _____

Fund Administrator/Secretary



11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

The Administrator of Elgeyo Marakwet Alcoholic Drinks Control 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, 2020. 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 Elgeyo Marakwet Alcoholic Drinks Control Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Elgeyo Marakwet Alcoholic Drinks Control Act, 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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 Elgeyo Marakwet Alcoholic Drinks Control Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

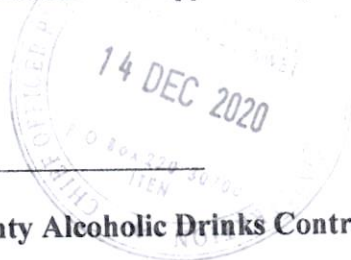
Approval of the financial statements

The Fund's financial statements were approved by the on **14th December, 2020** and signed on its behalf by:



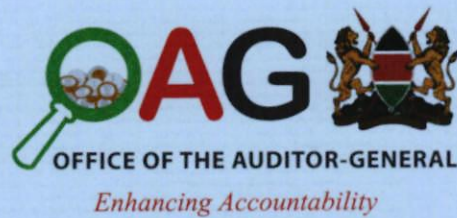
Ag: Fund Administrator

Elgeyo Marakwet County Alcoholic Drinks Control Fund/Co Public Service Management



REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON ELGEYO MARAKWET ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Elgeyo Marakwet Alcoholic Drinks Control Fund set out on pages 15 to 45, which comprise statement of financial position as at 30 June, 2020 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Elgeyo Marakwet 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 the Elgeyo Marakwet Alcoholic Drinks Control Act, 2014.

Basis for Qualified Opinion

Accumulated Reserves

The statement of financial performance for the year ended 30 June, 2020 reflects a deficit of Kshs.12,896 and a comparative deficit of Kshs.976,729 for the year ended 30 June, 2019. The two balances result to total accumulated reserves of negative Kshs.989,625 which have however, been omitted in the statement of financial position and the statement of changes in net assets as the two statements reflect nil accumulated reserves as at 30 June, 2020.

In the circumstances, the accuracy of the nil balance accumulated reserves 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 Elgeyo Marakwet Alcoholic Drinks Control Fund in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Irregular Transfer of Funds from Alcoholic Drinks Control Fund Account to County Revenue Fund Account

Examination of the Fund cashbook revealed that the fund transferred an amount of Kshs.946,356 to the County Revenue Fund during the year under review. In addition, the statement of comparison of budget and actual amounts for the period ended 30 June, 2020 under budget notes number 2, states that revenue amounting to Kshs.625,080 that was collected in separate revenue collection was included in the receipts for the County Executive financial statements under liquor licences contrary to Section 6 Sub Section 5 of Elgeyo Marakwet County Alcoholic Drinks Control Act, 2014 which state that the receipts, earnings or accruals of the Fund and its balances at the close of each financial year shall not be paid into the County Revenue Fund, but shall be retained for the purposes of the Fund.

The Management of the Fund is in breach of Elgeyo Marakwet County Alcoholic Drinks Control Act, 2014 and the propriety of funds transferred to the County Revenue Fund account of Kshs.946,356 for the year ended 30 June, 2020 could not be confirmed.

2.0 Failure to Gazette Approved Liquor License Applicants

A review of the Fund's records for the financial year 2019/2020, indicated that the Sub County Committees sat and approved various applicants for issuance of liquor licences. However, the names of the approved applicants were not gazetted in the County Gazette provisional licence contrary to Section 12(7) of Elgeyo Marakwet County Alcoholic Drinks Control Act, 2014 which states that where the Sub-County Committee grants a licence under this section it shall, publish the grant in the County Gazette Provisional licence.

Consequently, the Management of the Fund is in breach of Elgeyo Marakwet County Alcoholic Drinks Control Act, 2014.

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 internal controls, risk management and overall governance were not effective.

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 Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the County Government 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 applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 February, 2022

13. FINANCIAL STATEMENTS

13.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2020

	Note	2019/2020	2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	-	-
		-	-
Revenue from exchange transactions			
Interest income	4	1,447	6,584
Other income-Application and Licence fees	5	935,000	4,547,710
		-	-
Total revenue		936,447	4,554,294
Expenses			
Fund administration expenses	6	-	-
Staff costs	7	-	-
General expenses	8	949,343	5,531,023
Finance costs	9	-	-
Total expenses		949,343	5,531,023
Other gains/losses			
Gain/loss on disposal of assets	10		
Surplus/(deficit) for the period		(12,896)	(976,729)

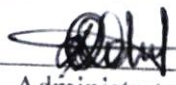
The notes set out on pages 15 to 19 form an integral part of these Financial Statements

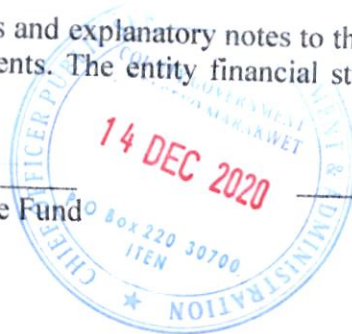
ELGEYO MARAKWET COUNTY ALCOHOLIC DRINKS CONTROL FUND
Reports and Financial Statements
For the year ended June 30, 2020


13.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2019/2020 KShs	2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	11	-	12,896
Current portion of long- term receivables from exchange transactions	12	-	-
Revenue from Non-Exchange transactions	13	-	-
Prepayments	14	-	-
Inventories	15	-	-
Non-current assets			
Property, plant and equipment	16	-	-
Intangible assets	17	-	-
Long term receivables from exchange transactions	12	-	-
Total assets		-	-
Liabilities			12,896
Current liabilities			
Trade and other payables from exchange transactions	18	-	-
Provisions	19	-	-
Current portion of borrowings	20	-	-
Employee benefit obligations	23	-	-
Non-current liabilities			
Non-current employee benefit obligation	23	-	-
Long term portion of borrowings	20	-	-
Total liabilities		-	-
Net assets			
Revolving Fund		-	-
Reserves		-	-
Accumulated surplus		-	-
Total net assets and liabilities		-	12,896

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 **14th December, 2020** and signed by:


 Ag. Administrator of the Fund
 Name: Loretta Kotut




 Director Accounting Services
 Name: John Keen Murkeu
 ICPAK Member Number: 8112



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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	-	-	1,150,226.00	1,150,226.00
Surplus/(deficit) for the period	-	-	(160,601)	(160,601)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2018	-	-	989,625	989,625
Balance as at 1 July 2018	-	-	989,625	989,625
Surplus/(deficit) for the period	-	-	(976,729)	(976,729)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2019	-	-	12,896	12,896
Balance as at 1 July 2019	-	-	12,896	12,896
Surplus/(deficit) for the period	-	-	(12,896)	(12,896)
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	-	-	-	-

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

	Note	2019/2020	2018/2019
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Interest received	4	1,447	6,584
Receipts from other operating activities	5	935,000	4,547,710
Total Receipts		936,447	4,554,294
Payments			
Fund administration expenses	6	-	-
Staff costs	7	-	-
General expenses	8	949,343	5,531,023
Finance cost	9	-	-
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	21	-	-
Increase/(Decrease) in Accounts Payable: (deposits and retention)	22	-	-
Net cash flows from operating activities		(12,896)	(976,729)
Cash flows from investing activities			
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		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-

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Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(12,896)	(976,729)
Cash and cash equivalents at 1 JULY 2019	11	12,896	989,625
Cash and cash equivalents at 30 JUNE 2020	11	-	12,896

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 **14th December, 2020** and signed by:


 Ag. Administrator of the Fund
 Name: Loretta Kotut




 Director Accounting Services
 Name: John Keen Murken
 ICPAK Member Number: 8112
14 DEC 2020
 ELGEYO MARAKWET COUNTY GOVERNMENT
COUNTY TREASURY
 DIRECTOR ACCOUNTING SERVICES
 P. O. Box 220 - 30700, ITEN

ELGEYO MARAKWET COUNTY ALCOHOLIC DRINKS CONTROL FUND

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13.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2020	2020	2020	2020	2020	2020
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.						
Interest income	-	-	-	1,447	(1,447)	100%
Other income	4,000,000	-	4,000,000	935,000	3,065,000	23%
Total income	4,000,000	-	4,000,000	936,447	3,063,553	23%
Expenses						
Fund administration expenses	-	-	-	-	-	
General expenses	4,000,000	-	4,000,000	949,343	3,050,657	24%
Finance cost	-	-	-	-	-	
Total expenditure	4,000,000	-	4,000,000	949,343	3,050,657	24%
Surplus for the period	-	-	-	(12,896)		

Budget notes

1. There was no appropriations to the Fund during the year.
2. Revenue amounting to Sh.625,080 was collected in the separate Revenue collection account. The same was included in receipts of Sh.1,561,280 for County Executive financial statements under Liquor licences. The total amount of collected from Liquor licence during the year. The amount of Sh.935,000 reported in the financial statements was collected and banked to Alcoholic Drinks Control Fund account and subsequently transferred to CRF account.

13.6. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss

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Standard	Effective date and impact:
	<p>model that is applicable to all financial instruments subject to impairment testing; and</p> <ul style="list-style-type: none"> • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. <p>Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time</p>

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Standard	Effective date and impact:
	<p>Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>
	<p>IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued</p>

c) Early adoption of standards

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The County Government of Elgeyo Marakwet original budget for FY 2019/2020 was approved by the County Assembly on 26th June, 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Sh.0.00 on the FY 2019/2020 budget following the governing body's approval.

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

6. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

7. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

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

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

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

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

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

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

9. Provisions

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

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

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

Contingent liabilities

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The Entity did not create or maintains any reserves in terms of specific requirements.

11. Changes in accounting policies and estimates

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

12. Employee benefits – Retirement benefit plans

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

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

13. Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

15. Related parties

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

16. Cash and cash equivalents

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

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Elgeyo Marakwet County Alcoholic Drinks Control Act , 2014 under the Department of Public Service Management. Its ultimate parent is the County Government of Elgeyo Marakwet.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

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

Useful lives and residual values

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

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

Provisions

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

22. Financial risk management

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

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

a) Credit risk

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

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

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

b) Liquidity risk management

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

c) Market risk

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

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

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

i. Foreign currency risk

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

ii. Interest rate risk

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

d) Capital risk management

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

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve	-	-
Revolving fund		
Accumulated surplus	-	-
Transfer of Funds to CRF	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

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13.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2019/2020	2018/2019
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from investments	-	-
Interest income on bank deposits	1,447	6,983
Total interest income	1,447	6,983

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income-Application and Licences fees	935,000	4,547,294
Total other income	935,000	4,547,294

6. Fund administration expenses

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 7)	-	-
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	-	-
Total	-	-

7. Staff costs

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	2019/2020	2018/2019
	KShs	KShs
Consumables	-	-
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Bank Charges	2,988	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses-Transfers to CRF	946,356	5,531,023
Total	949,343	5,531,023

Note: Sh.949,343 includes Sh.2,988 for bank charges incurred during the period and Sh.946,356 transferred to County Revenue Fund.

9. Finance costs

Description	2019/2020	2018/2019
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

10. Gain/(loss) on disposal of assets

Description	2019/2020	2018/2019
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Cash and cash equivalents

Description	2019/2020	2018/2019
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	12,896
Others	-	-
Total cash and cash equivalents	-	12,896

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

Financial institution	Account number	2019/2020	2018/2019
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank		-	-
Trans National Bank	Elgeyo Maralwet Alcoholic Drinks Control A/c no 180923/500UCA00/0	-	12,896
Sub- total		-	12,896
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	-
M Pesa		-	-
Sub- total		-	-
Grand total		-	12,896

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Current Receivables		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	-	-
Total Current receivables		
Non-Current receivables		
Long term loan repayments due	-	-
Total Non- current receivables	-	-
Total receivables from exchange transactions	-	-

Additional disclosure on interest receivable

Description	2019/2020	2018/2019
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due	-	-
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

13. Revenue from Non-Exchange transaction

Description	KShs	KShs
	2019/2020	2018/2019
	KShs	KShs
Transfer to County Executive	-	-
Transfer to Fund	-	-
Total receivables from non-exchange transactions	-	-

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14. Prepayments

Description	2019/2020	2018/2019
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

15. Inventories

Description	2019/2020	2018/2019
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

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16. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2018	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-
At 30th June 2019	-	-	-	-	-
At 1st July 2019	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
Depreciation and impairment					
At 1st July 2018	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June 2019	-	-	-	-	-
At 1st July 2019	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30th June 2020	-	-	-	-	-
Net book values					
At 30th June 2019	-	-	-	-	-
At 30th June 2020	-	-	-	-	-

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17. Intangible assets-software

Description	2019/2020	2018/2019
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

18. Trade and other payables from exchange transactions

Description	2019/2020	2018/2019
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

19. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Balance at the end of the year (30.06.2019)	-	-	-	-

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20. Borrowings

Description	2019/2020	2018/2019
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestics borrowings during the period	-	-
Balance at end of the period	-	-

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

Description	2019/2020	2018/2019
	KShs	KShs
External Borrowings		
Dollar denominated loan from other organisation'	-	-
Sterling Pound denominated loan from other organisation'	-	-
Euro denominated loan from other organisation'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	2019/2020	2018/2019
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

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21. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 st July 2019 (A)	-	-
Account receivable issued during the year (B)	-	-
Account receivable settled during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

22. CHANGES IN ACCOUNTS PAYABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 st July 2019 (A)	-	-
Accounts Payable held during the year (B)	-	-
Accounts Payable paid during the Year (C)	-	-
Net changes in account receivables D= A+B-C	-	-

23. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Total employee benefits obligation	-	-	-	-

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24. Cash generated from operations

	2019/2020	2018/2019
	KShs	KShs
Surplus/ (deficit) for the year before tax	(12,896)	(976,729)
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	(12,896)	(976,729)

25. Related party balances

a) Nature of related party relationships

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

- a) The County Government;
- b) The Parent County Government Ministry;
- c) Key management;
- d) Fund committee

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b) Related party transactions

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties –CRF	946,356.00	-

Note: The receipts from liquor license and the fund balance was transferred to CRF.

c) Key management remuneration

	2019/2020	2018/2019
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

e) Due to related parties

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

26. Contingent assets and contingent liabilities

Contingent liabilities	2019/2020	2018/2019
	KShs	KShs
Court case against the Fund	-	-
Bank guarantees	-	-
Total	-	-

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	2018/2019 Audit findings	The Audit report for Financial year 2018/2019 has not been released by the Auditor General	Fund administrator	Not resolved	The issue will be resolved within 3 months from the date of receipt of the report.
1.	Failure to submit Financial statements	The Financial statements for Elgeyo Marakwet Alcoholic drinks Control Fund for FY 15/16 were prepared and submitted and have been audited	Fund administrator	Resolved	




 Ag. Fund Administrator
 Elgeyo Marakwet County Alcoholic Drinks Control Fund/Chief officer Public Service Management & Administration