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REPORT

OF

THE AUDITOR-GENERAL

ON

**MERU COUNTY ALCOHOLIC DRINKS
CONTROL BOARD**

**FOR THE YEAR ENDED
30 JUNE, 2021**

DATE	PAPERS LAID
10/11/2022	
COMMITTEE	Sen. Mag. X. K. Mwangi
TABLED BY	
CLERK AT THE TABLE	S. Nyata



MERU COUNTY ALCOHOLIC DRINKS CONTROL BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2021

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

Meru County Alcoholic Drinks Control Board
Reports and Financial Statements
For the year ended June 30, 2021

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1. KEY BOARD INFORMATION AND MANAGEMENT

a) Background information

The Meru County Alcoholic Drinks Control Board was established by and derives its authority and accountability from Meru County Alcoholic Drinks Control Act of 2016 of the Meru County Assembly which was repealed and re-enact by Meru County Alcoholic Drinks Control Act of 2016.

Its establishment is provided for under section 116 of the public finance management act 2012 which states that a County Executive Committee member for finance may establish other public funds with the approval of the County Executive Committee and the county assembly.

The fund's objective is 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

b) Principal Activities

The Fund's principal activity is to advise the County on all matters relating to licensing and control of alcoholic drinks within the County.

c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
	Chairman of the Board	CYPRIAN KALAIINE
1	Chief Officer (<i>Responsible department</i>)	
2	Chief Officer finance	CPA JOSEPH CHABARI
3	Board Member	DANIEL KINOTI
4	Board Member	AGNES MAKENA
5	Board Member	JOHN INANGA
6	Ex-Chairman	PROF. KIMATHI KIGATIRA
7	Ex Board Member	PETER IMURU
8	Ex Board Member	ROSE NGAKU
9	Ex Board Member	LEWIS KITHINJI
10	Fund Manager/ Administrator	MWAKI ARIMI

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d) Key Management

Ref	Position	Name
1	Fund Manager/ Administrator	MWAKI ARIMI
2	Fund Accountant	JOSEPH CHABARI
3	Director Enforcement	GITONGA AKUBU

e) Fiduciary Oversight Arrangements

Ref	Position	Name
1	Directorate Internal Audit	Chrispus Mutoni

f) Registered Offices

P.O. Box 120- 60200
Near YWCA
Mwendantu Road
MERU, KENYA

g) Fund Contacts

Telephone: (254) 202381720
E-mail: alcoholboard@gmail.com
<https://meru.go.ke/>

h) Fund Bankers

1. Cooperative Bank of Kenya
Meru, Branch
P.O. Box 1328 - 60200
Meru, Kenya
2. Family Bank of Kenya
Meru, Branch
P.O Box
Meru, Kenya

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i) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

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

Introduction




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

The key objectives of the Meru County Alcoholic Control Board, Meru County Government Board's 2018-2022 plans are to:

- a) Inspect all liquor outlets in Meru and ensure compliance with required standards.
- b) Enforce to ensure compliance with the law.
- c) Sensitize and create awareness to the general public in order to control alcohol consumption.
- d) Engage in Corporate Social Responsibility to create awareness and support to youths and the general public.

However, with the above listed objectives the board faced challenges in enforcing, inspection and creating awareness to the general public due to Covid 19 pandemic.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
 <p>Mr. Paul Mwaki</p>	<p>Position: Chief Executive Officer DOB: 1970 Qualifications: BED Arts MA linguistics Experience: Over 20years as High School teacher and a University Lecturer.</p>
 <p>Mr. Gitonga Akubu</p>	<p>Position: Head of Enforcement & Compliance DOB:1980 Qualifications: Bachelors of Business Administration Experience: Over 5years as an Administrator in County Government of Meru</p>
 <p>Ms. Leah Kinya</p>	<p>Position: Senior Administrative officer DOB:1986 Qualifications: Bachelor's degree in Education (Science) Experience: Over 6years as an Administrator in County Government of Meru</p>


5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

On behalf of the board of directors, Meru County Alcoholic Drinks Control Board, I take this opportunity to present financial statements for the period ended on 30th June 2021 in pursuant of section 10 of the Meru County Alcoholic drinks control act 2016.

The board is tasked with licencing of alcoholic drinks for the county government of Meru in pursuant to part II of the Fourth schedule of the constitution so as to control the production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation of persons dependent on alcoholic drinks.

In the financial year under review there were changes in board or key management team after the expiry of the term for the chairperson and board members. Pursuant to the law new board members were appointed and approved by the County Assembly of Meru. During the year, the board undertook inspection of all liquor outlets within the county, licenced them and undertook various enforcement measures to ensure that no non-licenced outlets were operated within the year.

The board experienced various challenges, among them Covid 19 pandemic, limited personnel, and inadequate funding. The Covid 19 pandemic adversely affected Board's revenue collection for the F/Y 2020-2021. The board expects to resume its normal operations after the lifting of restrictions in the country.

Signed:  _____

Cyprian Kalaine

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

The chief executive officer has day to day management responsibility of running of the board and the implementation of its strategy and policies as agreed by the board of directors. The chief executive officer has a key role in the process of setting and reviewing strategy. The chief executive officer is the vision carrier of the board's culture and standards, which include appropriate corporate governance throughout the board.

In exercising his responsibilities, the chief executive officer is supported by the staff in ensuring that timely and accurate information is provided to the board on financial and strategic performance.

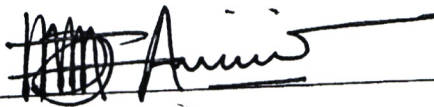
The board strives to create good corporate governance in all its endeavours, to achieve these the board has continued to build its internal structures and controls to ensure that it incorporates the best practices in its day to day operations and administration.

The board has encouraged adequate systems and controls for identification and redress of grievances arising from unethical practices as well as ensuring professional standards and corporate values are put in place that promote integrity for the board, senior management and other employees.

In the F/Y 2020-2021, the board was not able to achieve its revenue estimation due to the Covid-19 pandemic which resulted to closure of several bars across the county.

During the year, the board collected Ksh 36,793,262.00 on liquor licencing operations and spent Ksh 42,032,162.00 on its various activities. The deficit between collection and expenditure was catered for by cash balance brought forward from previous year's operation.

Signed: _____



Mr. Paul Mwaki

Fund Administrator

7. CORPORATE GOVERNANCE STATEMENT

The practise of good corporate governance ensures the delivery of sustainable value for the board as well as meeting the needs of our stakeholders. Good corporate practice involves the adoption of ethically driven policies, procedures and processes. The board is committed to ensuring the needs of our stakeholders are met while safeguarding the boards' assets. We believe that our operations should be carried out in a fair, transparent and accountable manner. It is our integral responsibility to disclose timely and accurate information as well as provide leadership and effective governance for the board.

The board of directors is at the core of the board's governance practices for protection of long-term interests of all stakeholders. Guided by the principle of good governance, the board performs its duties in the interest of the Meru county alcoholic control board. During the year the board held meetings to deliberate on various issues affecting the boards' performance and to provide strategic leadership.

The current Alcoholic Drinks Control Board is headed by the chairman and is composed of five other members, one member a woman, one member a person drawn from the County's hospitality industry, one member a youth, one member from the Clergy, and one member from persons with disability, the board has a chief executive officer. The principal role of the chairman is to provide leadership to the board and ensure that the board is provided timely and adequate information to enable it to discharge its duties. The chief executive officer on the other hand is responsible for the day to day management of the board.

The board charter defines the roles, responsibilities, scope and functions of the board of directors in governance of the board and provides for free exercise of independent judgment. The board provides oversight to the management and ensures the staffs operate within the code of conduct.

The primary responsibility of the board of directors is to provide leadership and strategic direction to the board. The board members are expected to exercise the highest degree of care, skill and diligence in discharging their duties. The principal responsibilities of the board shall include (i) establishing short and long term goals of the board, develop strategies to achieve these goals and monitor the boards performance against the set goals; (ii) spearheading preparation of

Meru County Alcoholic Drinks Control Board
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financial statements and reports; (iii) approving and reviewing budgets; (iv) overseeing affairs of the board in light of emerging risks and opportunities and ;(v) ensuring that the board has adequate systems and internal controls together with appropriate monitoring of compliance activities

Regular training and development programme are developed to equip the board with necessary skills for the effective discharge of their mandate. Each year the board prepares a training calendar where specific training needs are identified and scheduled. During the year, the board members attended various capacity building programmes focusing on leadership, governance, finance and other relevant areas deemed necessary.

In the financial year 2020-2021, the Board Members held 24 meetings. During every board meeting, board members in attendance are entitled to a sitting allowance, lunch allowance, accommodation allowance and millage reimbursement where applicable within the set government limit. The chairman receives a monthly honorarium

8. MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the board collected Kshs **36,793,262.00** from liquor licencing activities within the county against an expenditure of **Ksh 42,032,162.00** resulting to a deficit of Kshs **(6,283,170.00)**.

Since the boards' core mandate is advice the County on all matters relating to licensing and control of alcoholic drinks within the County all the expenditures were recurrent in nature and were geared towards supporting the board to discharge its core mandate and hence there were no projects budgeted / implemented during the period under review.

During the period under review the board faced major challenge/ risk of Covid 19 pandemic, not having requisite technology/ know how to distinguish between genuine and contraband alcoholic drinks and relied on the expertise from the Kenya Bureau of standards. Hence there always existed a risk of existence of illicit drinks within the market which could pose an hazardous risk if consumed by the residents

KEY PROJECTS OF THE BOARD

S/NO	PROJECT	OBJECTIVE
1	Inspection of Liquor Outlets in Meru	To ensure they have complied with the stipulated requirements before they are licensed.
2	Enforcement	To ensure compliance with the Meru County Alcoholic Drinks Control Act 2016
3	Awareness and Sensitization	To create awareness and help control alcohol consumption among people in Meru County

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4	Corporate Social Responsibility – donations	To create awareness and help control alcohol consumption among youths in Meru County

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

During the period the board engaged several NGOs and the Ministry of Interior and Internal Coordination (Prison Department) in creating drug abuse awareness and rehabilitation of persons with alcoholic addiction.

These activities were used to sensitize youth against drug abuse and promote behaviour change among the youth as part of its corporate social responsibility.

10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

10.1 Principal activities

The principal activities of the Fund are to advise the County on all matters relating to licensing and control of alcoholic drinks within the County.

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 19 to 46.

10.3 Trustees

The members of the Board of Trustees who served during the year are shown on page 5.

10.4 Auditors

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

By Order of the Board

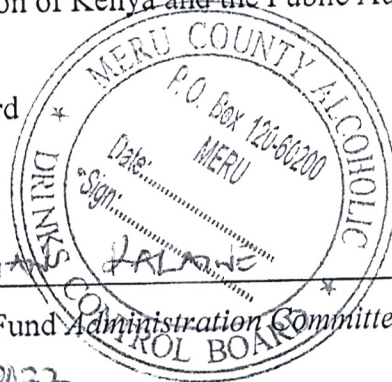
Cyprian Kalaine

Sign: 

Name: CYPRIAN KALAINA

Chair of the Board/ Fund Administration Committee

Date: 16.06.2022



11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Meru County Alcoholic Drinks Control Act of 2014 of the Meru County Assembly which was repealed and re-enact by Meru County Alcoholic Drinks Control Act of 2016 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Meru County Alcoholic Drinks Control Act of 2014 of the Meru County Assembly which was repealed and re-enact by Meru County Alcoholic Drinks Control Act of 2016. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to

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the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

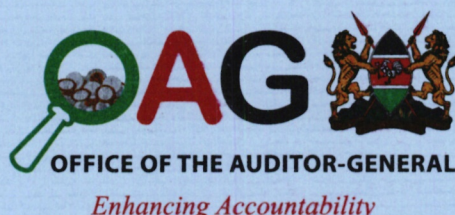
Approval of the financial statements

The Fund's financial statements were approved by the Board on 16.06.2022 and signed on its behalf by:

Name:  
Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY ALCOHOLIC DRINKS CONTROL BOARD FOR THE YEAR ENDED 30 JUNE, 2021

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Meru County Alcoholic Drinks Control Board set out on pages 19 to 46, which comprise the statement of financial

position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Meru County Alcoholic Drinks Control Board as at 30 June, 2021 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and the Public Finance Management Act, 2012 and comply with the Meru County Alcoholic Drinks Control Act, 2016.

Basis for Qualified Opinion

The following balances reflected in the financial statements were not supported with sufficient appropriate records:

1. Revenue from Exchange Transactions - Other Income

The statement of financial performance reflects revenue from exchange transactions - other income totalling Kshs.36,793,262 which includes payments totalling Kshs.6,578,570 that were not supported with any records. Further, review of financial records of the Board indicated that no revenue receipt book or cash book was maintained to record other income. As a result, revenue collected in any given period could not be confirmed.

In the absence of relevant records the accuracy and completeness of the revenue from exchange transactions other income totalling Kshs.36,793,262 reported in the year under review could not be confirmed.

2. Comparative Balance for Accumulated Surplus

The statement of financial position reflects accumulated surplus comparative balance totalling Kshs.15,697,779 as at 30 June, 2020. However, the 2019/2020 audited financial statements reflected a balance of Kshs.15,647,779 in respect to the account. No explanation was provided for the difference of Kshs.50,000 between the balances reflected in the two sets of records.

In view of the discrepancy, the accuracy of the accumulated surplus comparative balance of Kshs.15,697,779 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Meru County Alcoholic Drinks Control Board Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects budgeted receipts and actual on comparable basis of Kshs.47,253,233 and Kshs.36,793,262 respectively resulting to a shortfall of revenue totalling Kshs.10,459,971 or 22% of the budget. Similarly, the statement reflects budgeted and actual expenditure totalling Kshs.42,032,162 and Kshs.47,253,233 resulting to under-expenditure of Kshs.5,221,071 or 11% of the budget.

The shortfall of revenue and under-expenditure constrained planned activities and may have hampered delivery of services to the public.

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. Lack of Disaster Recovery Plan

The Board had not developed a Business Continuity or Information Technology (IT) Disaster Recovery Plan. Therefore, service delivery by the Fund may be disrupted on occurrence of unfavorable events that affect its operations.

2. Absence of Key Committees and Units of the Board

Contrary to Section 5 (Part II) of the Meru County Alcoholic Drinks Control Act, 2016, the Board had not established committees and units to carry out its functions. The law requires the County Executive Committee to establish the Product Safety and Compliance Committee, Enforcement Unit and Prevention, Public Education and Community Empowerment Committee.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

1. Lack of an Approved Staff Establishment

Management did not provide the Board's approved staff establishment for audit review. As a result, the suitability and regularity of the staffing levels of the Fund could not be confirmed.

In the circumstances, the staffing levels of the Board may not be confirmed.

2. Lack of Internal Audit Unit

The Board had not established an Internal Audit Unit but had instead commissioned auditors from the County Executive Internal Audit Unit to carry out the internal audit function. However, there was no record of the auditors having carried out any assessment or issued any report on the internal control system of the Board.

In the circumstance, the effectiveness of the Board's internal control system could not be confirmed.

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

Responsibilities of Management and 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 controls 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 Board's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board 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 Board's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls 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 controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAs. 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 controls 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 policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAs, 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 controls.
- 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 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 Board 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 Board 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 controls that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and 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

26 September, 2022

**Meru County Alcoholic Drinks Control Board
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For the year ended June 30, 2021.**

13. FINANCIAL STATEMENTS

**13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th
JUNE 2021.**

	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from exchange transactions			
Other income	1	36,793,262	37,824,540.00
		36,793,262	37,824,540.00
Total revenue		36,793,262	37,824,540.00
Expenses			
Fund administration expenses	2	17,946,974	16,375,311.00
General expenses	4	25,129,459	34,171,769.00
Total expenses		43,076,433	50,547,080.00
Other gains/losses			
Gain/loss on disposal of assets			
Surplus/(deficit) for the period		(6,283,171)	(12,722,540.00)

The notes set out on pages 39 to 46 form an integral part of these Financial Statements.

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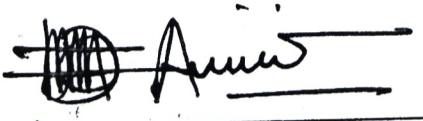
13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	5	8,291,242.00	13,530,143.00
Current portion of long- term receivables from exchange transactions			
Receivables from Non- exchange transactions			
Prepayments	6	50,000.00	50,000.00
Inventories			
		8,341,242.00	13,580,143.00
Non-current assets			
Long term receivables from exchange transactions			
Property, plant and equipment	7	1,073,366.00	2,117,636.00
Intangible assets			
		1,073,366.00	2,117,636.00
Total assets		9,414,608.00	15,697,779.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		0	0
Provisions		0	0
Current portion of borrowings		0	0
Employee benefit obligations		0	0
		0	0
Non-current liabilities			
Long term portion of borrowings		0	0
Non-current employee benefit obligation		0	0
Total liabilities		0	0
Net assets			
Revolving Fund		0	0
Reserves		0	0

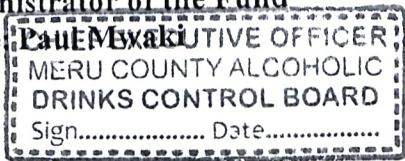
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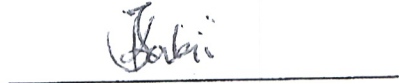
Accumulated surplus		9,414,608.00	15,697,779.00
Total net assets and liabilities		9,414,608.00	15,697,779.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Board financial statements were approved on 16.06 2021 and signed by:



Administrator of the Fund
 Name: Paul M. Bxaki





Fund Accountant
 Name: CPA Joseph Chabari
 ICPAK Member Number: 14516

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

	Revolvin g Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	0	0	28,420,318	28,420,318
Surplus/(deficit) for the period	0	0	(12,722,540)	(12,722,540)
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2020	0	0	15,697,778	15,697,778
Balance as at 1 July 2020	0	0	15,697,778	15,697,778
Surplus/(deficit) for the period	0	0	(6,283,170)	(6,283,170)
Funds received during the year	0	0	0	0
Revaluation gain	0	0	0	0
Balance as at 30 June 2021	0	0	9,414,608	9,414,608

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

	Note	2020/2021 KShs	2019/20 KS
Cash flows from operating activities			
Receipts			
Receipts from other operating activities	1	36,793,262	37,824,540.
Total Receipts		36,793,262	37,824,540.
Payments			
Fund administration expenses	2	17,946,974	16,375,311.
General expenses	4	25,129,459	34,171,769.
Add: Depreciation		1,044,270	1,044,270.
Total Payments		42,032,162	49,502,810.
Net cash flows from operating activities		(5,238,901)	(11,678,270.)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		0	
Proceeds from sale of property, plant and equipment		0	
Proceeds from loan principal repayments		0	
Loan disbursements paid out		0	
Net cash flows used in investing activities		0	
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	
Additional borrowings		0	
Repayment of borrowings		0	
Net cash flows used in financing activities		0	
Net increase/(decrease) in cash and cash equivalents		(5,238,901)	(11,678,270.)
Cash and cash equivalents at 1 JULY	5	13,530,143	25,208,412
Cash and cash equivalents at 30 JUNE	5	8,291,242	13,530,143

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	
Revenue					
Other income	47,253,233.00	0	47,253,233.00	36,793,262.00	77.80%
Total income	47,253,233.00	0	47,253,233.00	36,793,262.00	
Expenses					
Fund administration expenses	17,946,974.00	0	17,946,974.00	17,946,974.00	100%
General expenses	29,306,259.00	0	29,306,259.00	24,085,189.00	82.20%
Total expenditure	47,253,233.00	0	47,253,233.00	42,032,162.00	89%
Surplus for the period	0	0	0	(5,238,901)	77.80%

Budget notes

The estimated revenue collection was not actualized because of the COVID 19 pandemic which affected the revenue streams.

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

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

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

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<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><i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i></p>
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b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Board's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Board's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

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Standard	Effective date and impact:
<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 Board provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Board; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Board's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul 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>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The Board 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 Board and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on 3rd May 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Board upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund did not record additional appropriations for the FY 2020/2021 budget following the governing body's approval.

The Board'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

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statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section 13.5 of these financial statements.

5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Board 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.

The property, plant and equipment have been depreciated as per the rates below;

Computers	33.30%
Furniture	8%
Motor vehicles	25%

2. 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,

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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.

3. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Board 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 Board assesses at each reporting date whether there is objective evidence that a financial asset or a Board of financial assets is impaired. A financial asset or a Board of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result

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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 Board of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as *financial liabilities at fair value through surplus or deficit* or loans and borrowings, as appropriate. The Board 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.

4. 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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Board.

5. Provisions

Provisions are recognized when the Board 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 Board 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 Board 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

The Board 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 Board 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.

6. Nature and purpose of reserves

The Board creates and maintains reserves in terms of specific requirements.

7. Changes in accounting policies and estimates

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

8. Employee benefits – Retirement benefit plans

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. 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.

10. 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.

11. Related parties

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. 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.

13. Comparative figures

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

14. Events after the reporting period

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

15. Ultimate and Holding Board

The Board is a County Public Fund established by Meru County Alcoholic Drinks Control Act of 2016 under the Department of Culture. Its ultimate parent is the County Government of Meru.

16. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. Significant judgments and sources of estimation uncertainty

The preparation of the Board'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.

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Board 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 Board. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

Provisions were raised and management determined an estimate based on the information available.

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.

18 Prior Period Accounting Errors

Prior period errors are omissions from, and misstatements in prior period financial statements resulting from failure to use or the misuse of, reliable information that was available, or could be reasonably expected to have been obtained at the time of preparation of those financial statements (IAS 8).

At the beginning of 1st July 2019, the accumulated surplus was understated by Ksh 50,000 since one month rent was not previously recognized as a prepayment in the statement of financial position, therefore, understating assets and net assets consequently. However, the adjustments were made as per IAS 8 that allows correction of prior period errors.

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14. NOTES TO THE FINANCIAL STATEMENTS

1. Other Income

Description	2020/2021	2019/2020
	KShs	KShs
Liquor Licences	36,793,262.00	37,824,540.00
Total	36,793,262.00	37,824,540.00

2. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 3)	17,946,974.00	16,375,311.00
Total	17,946,974.00	16,375,311.00

3. Staff costs

Description	2020/2021	2019/2020
	KShs	KShs
Salaries and wages	14,583,641.00	13,158,255.00
Staff gratuity	3,283,333.00	902,876.00
Staff training expenses	0	0
Social security contribution	0	1,975,180.00
Other staff costs	80,000.00	339,000.00
Total	17,946,974.00	16,375,311.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Consumables	0	0
Electricity and water expenses	95,798.00	10,295.00
Fuel and oil costs	1,050,043.00	840,443.00
Insurance costs	0	0
Postage	0	0
Printing and stationery	589,655.00	1,451,862.00
Motor Vehicle repair	0	309,613.00
Rental costs	600,000.00	600,000.00
Security costs	0	0
Telecommunication	694,500.00	679,620.00
Bank Charges	43,511.00	41,040.00
Hospitality	-	3,378,618.00
Depreciation and amortization costs	1,044,270.00	1,044,270.00
Other expenses	21,011,682.00	25,816,008.00
	25,129,459.00	34,171,769.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Current account	8,291,242.00	13,530,143.00
Total cash and cash equivalents	8,291,242.00	13,530,143.00

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

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
a) Current account			
Cooperative Bank	01141418844301	7,088,118.00	6,435,328.00
Family Bank	063000039570	1,203,124.00	7,094,815.00
Sub- total		8,291,242.00	13,530,143.00
Grand total		8,291,242.00	13,530,143.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. Prepayments

Description	2020/2021	2019/2020
	KShs	KShs
Prepaid rent	50,000.00	50,000.00
Total	50,000.00	50,000.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	KShs	KShs	KShs	KShs	KShs
Cost					
At 1 st July 2019	0	9,551,147.00	1,960,884.00	1,878,275.00	13,390,306.00
Additions	0	-	-	-	-
Disposals	0	6,401,147.00	-	1,578,275.00	7,979,422.00
Transfers/adjustments	0	-	-	-	-
At 30 th June 2020	0	3,150,000.00	1,960,884.00	300,000.00	5,410,884.00
At 1 st July 2020	0	3,150,000.00	1,960,884.00	300,000.00	5,410,884.00
Additions	0	-	-	-	-
Disposals	0	-	-	-	-
Transfer/adjustments	0	-	-	-	-
At 30 th June 2021	0	3,150,000.00	1,960,884.00	300,000.00	5,410,884.00
Depreciation and impairment					
At 1 st July 2019	0	1,575,000.00	574,078.00	99,900.00	2,248,978.00
Depreciation	0	787,500.00	156,870.00	99,900.00	1,044,270.00
Impairment	0	-	-	-	-
At 30 th June 2020	0	2,362,500.00	730,948.00	199,800.00	3,293,248.00
At 1 st July 2020	0	2,362,500.00	730,948.00	199,800.00	3,293,248.00
Depreciation	0	2,362,500.00	730,948.00	199,800.00	3,293,248.00
	0	787,500.00	156,870.00	99,900.00	1,044,270.00

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Disposals	0	-	-	-	-
Impairment	0	-	-	-	-
Transfer/adjustment	0	-	-	-	-
At 30th June 2021	0	3,150,000.00	887,818.00	299,700.00	4,337,518.00
Net book values					
At 30th June 2020	0	787,500.00	1,229,936.00	100,200.00	2,117,636.00
At 30th June 2021	0	-	1,073,066.00	300.00	1,073,366.00

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8. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	(6,283,170.00)	(12,722,540.00)
Adjusted for:		
Depreciation	1,044,270.00	1,044,270.00
Net cash flow from operating activities	(5,238,900.00)	(11,678,270.00)

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

The board has not yet received audited certificate for the F/Y 2019-2020, hence, the board is not in a position to update the table for the progress report