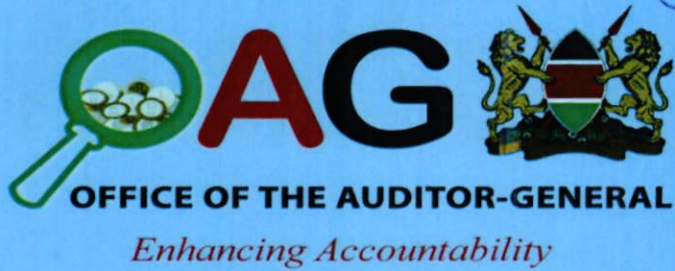


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REPORT

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THE AUDITOR-GENERAL

ON

**KAKAMEGA COUNTY ALCOHOLIC DRINKS
CONTROL FUND**

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





**COUNTY GOVERNMENT OF KAKAMEGA
KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND**

ANNUAL REPORT 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)

Kakamega County Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2020

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**Kakamega County Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2020**

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

The fund's objective is to meet the capital and recurrent expenditure of the directorate

b) Principal Activities

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

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

c) Key Management

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

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

d) Registered Offices

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

e) Fund Contacts

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

f) Fund Bankers

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

g) Independent Auditors

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

h) Principal Legal Adviser

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

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

Introduction

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

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

- a) Regulate consumption of alcoholic drinks within the County
- b) Coordinate public awareness and education on adverse effects of alcohol and drug abuse within the County.
- c) Coordinate Implementation of County Workplace Policy on alcohol and drug abuse
- d) Operationalize County treatment and rehabilitation Centre

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Coordination of alcoholic drinks control activities in all sub counties.	To regulate supply, sale and consumption of alcoholic drinks within the County by way of licensing and law enforcement	Controlled production, distribution, sale and consumption of alcoholic drinks All alcoholic drinks traders licensed All alcoholic drinks traders are time compliant	Managed number of licensed outlets. Number of outlets recommended Number of non-compliant outlets closed	In FY 2019/2020; Total number of traders were 973. The Directorate in conjunction with sub county committees ensured only traders who met all the conditions were licensed. A number of enforcement activities were carried out in the respective sub counties to ensure maintenance of order and law.
County alcohol and drug abuse prevention	Coordinate public awareness and education on adverse effects	Increased awareness and participation by all	No of community based activities	Visits to schools, and colleges, Addressed 23 church based meetings/conferences

**Kakamega County Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2020**

	of alcohol and drug abuse within the County	stakeholders and advocacy groups.	No of groups participating in the ADA prevention activities Printed IEC materials.	Outreach activities for 54 psychosocial/ behaviour change groups Public awareness days; one in each region, with many events including speeches, roadshows and free tests for HIV, Cervical cancer, blood pressure and blood sugar.
Workplace ADA programme	Coordinate implementation of the workplace policy	ADA awareness among county staff	Reduced number of ADA cases at the workplace	Held sensitization meetings with staff in Departments of Education and Environment. Process cut short by Covid 19 control measures. Held 1 capacity building workshop for workplace committees Started counselling services for 15 staff identified with substance use dependence syndrome
County treatment and rehabilitation services	Operationalize the County treatment and rehabilitation centre	Treatment and rehabilitation services available for the residents of Kakamega County afflicted with substance use disorders	No of individuals treated and supported; Amount of resources committed to the facility	Facility operationalization still held by court case over land dispute.

**Kakamega County Alcoholic Drinks Control Fund
 Reports and Financial Statements
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Build Directorate capacity	Enhance the Directorate's effectiveness in its service delivery.	Improved efficiency; Increased no of services; Availability of research information	Improved record keeping; No of research activities done	
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3. BOARD/FUND CHAIRPERSON'S REPORT

The process of alcoholic drinks licensing and the revenue flow is usually at its peak between January and April. During the year 2019/2020, the National Government gazetted the Public Health Measures for Control and Prevention of the spread of Covid 19 Pandemic. This led to all bars and other drinking places being closed indefinitely.

The Directorate revenue flow was therefore adversely affected since the closure went on to the close of the Financial Year in June 2020.

The Directorate incurred an expenditure of Ksh.7,948,307 under the Ministry of Public Service and Administration as at 30th June 2020. Total revenue received was Ksh15,555,310 as at 30th June 2020. Bank charges amounted to Ksh.3,180. A total of Ksh10,000,000 had been transferred to the county revenue Fund at Central bank as at 30th June 2020. The current assets comprised the cash and cash equivalents amounting to ksh.5,611,163.50. Non-current assets comprised PPE valued at Ksh.928,053. The accumulated surplus as at 30th June 2020 was Ksh.1,701,656.50.

Signed:  _____ -

Ben Namayi Ochomo

4. REPORT OF THE FUND ADMINISTRATOR

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

Mandate

The mandate of the directorate includes:

- Development of strategies and plans for implementation of the Act in collaboration with county and other National Government Departments and agencies.
- Regulation of manufacture, distribution, promotion, sale and consumption of alcohol
- Establishment of treatment, rehabilitation, and harm mitigation programs for persons with substance use disorders.
- Advocacy, public education and awareness on alcoholic drinks control and drug abuse.
- Facilitate citizen participation in matters related to the Alcoholic Drinks Control and in relation to the established legal framework.

Management of funds

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

Operation of the fund

The Alcoholic Drinks Control Fund Account at National Bank of Kenya is the directorate's main revenue collection account. All the money received from applications and licencing is swiped to Kakamega County Revenue Fund Account at Central Bank. Total revenue received was Ksh. 15,555,310.00 as at June 30th, 2020. Bank charges amounted to Ksh.3,180. General expenses amounted to Ksh.8, 184,613.50. The current assets comprised the cash and cash equivalents mounting to Ksh. 5,611,163.50. Non-current assets comprised PPE valued at ksh.928,053. The accumulated surplus for the period was Ksh.1, 701,656.50.

Signed: _____



Ben Namayi Ochomo

5. CORPORATE GOVERNANCE STATEMENT

The activities of the Directorate are based on the approved budget of the Department of Public Service and Administration, the annual work plan and the Performance Contract signed by the CEC Member and HE the Governor based on the Alcoholic Drinks Control Act 2014.

The Director reports to the Chief Officer Public Service and Administration through periodical reports and monthly Departmental meetings chaired by the CEC Member.

The Alcoholic Drinks Control Act establishes committees through which the Directorate functions.

They include: The 12 Sub county Alcoholic Drinks Regulations Committees, the County Alcoholic Drinks Control Administrative Review Committee and the County Alcoholic Drinks Control Enforcement Coordinating Committee.

The Directorate facilitates the 12 sub County Committees to handle the licensing process. The County Administrative Review hears and determines appeal cases arising from the 12 Sub County Committees. The County Enforcement Committee reviews law enforcement situation and advises the CEC Member for Public Service and Administration on how it can be made effective.

In doing these the Directorate recognizes all other relevant national laws applicable. For instance; the Alcoholic Drinks Control 2010, Changaa Prohibition Act, NACADA Act, Tobacco Control Act 2007, Narcotic Drugs and Psychotropic Substances Act 1994, Guidelines for Kenya Bureau of Standards, Kenya Revenue Authority, Public Participation, Physical Planning and Urban Development and the Constitution of Kenya.

6. MANAGEMENT DISCUSSION AND ANALYSIS

The Alcoholic Drinks Control Fund Account at National Bank of Kenya is the directorate's main revenue collection account. All the money received from applications and licencing is swiped to Kakamega County Revenue Fund Account at Central Bank. Total revenue received was Ksh. 15,555,310.00 as at June 30th, 2020. Bank charges amounted to Ksh3,180. General expenses amounted to Ksh.8,184,613.50. The current assets comprised the cash and cash equivalents amounting to Ksh. 5,611,163.50 .Non-current assets comprised PPE valued at ksh.928,053. The accumulated surplus for the period was Ksh.1,701,656.50. The fund is viewed as a going concern and it's expected to perform better in the financial year 2020/2021. The fund is compliant with statutory requirements including the PFM Act that requires funds to swipe unspent amounts back to the exchequer at the end of the financial year.

7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Behaviour Change Program

The law mandates the Directorate to develop strategies and plans for implementation of the Act and control of alcohol abuse, and any other relevant national legislation.

The Directorate thus continued to coordinate the community based program for Behaviour change within the county. The purpose of the initiative was to achieve positive change, empowerment, supply suppression and demand reduction in respect to production and use of alcohol and illicit drugs. A total of 54 advocacy groups and those for people with substance dependence were formed and exist in Shinyalu, Lugari, Butere and Ikolomani sub-counties. The Directorate organized visitations to all the groups during the period of Covid19 restrictions and did sensitization on the link between the spread of corona virus and abuse of alcohol.

Counselling Services

The agency has continued to offer free counselling services to the general public including teachers, students from school and Colleges besides County Government staff.

Public education/awareness

The goal of the programme was to enable the Directorate increase activities that would achieve prevention of alcohol and drug abuse through public education and awareness.

The agency continued to work in collaboration with the Anglican Church of Kenya, Butere and Maseno North Dioceses to reach out to more groups of people especially the youth.

The objective was to reach out to as many people as possible to sensitize them on the adverse effects of alcohol and drug abuse.

This programme was however largely interrupted by the government measures for control of the spread of Covid 19.

Employee Assistance Program

The Directorate made progress in the process of implementation of the Workplace policy on Alcohol and Drug Abuse in all departments of the county Government. Capacity building training of all workplace committees in 10 County Departments was done to improve their efficiency and effectiveness.

8. REPORT OF THE TRUSTEES

The Director submits his report for the year ended June 30th, 2020 which show the state of the Fund affairs.

Principal activities

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

Results

The results of the Fund for the year ended June 30th, 2020

Trustees

The fund does not have trustees

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

Date: _____

30/3/21

9. STATEMENT OF MANAGEMENT’S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by section 116(1) of the Public Finance Management Act, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

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

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund’s financial statements were approved by the Board on 30/3/ 2021 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kakamega County Alcoholic Drinks Control Fund set out on pages 15 to 28, which comprise the statement of financial position as at 30 June, 2020, statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Kakamega County Alcoholic Drinks Control Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and Kakamega County Alcoholic Drinks Control Act, 2014.

Basis for Adverse Opinion

1.0 Presentation and Disclosure of the Financial Statements

The Fund's financial statements and report has not disclosed the details of the Board of Trustees (or any other corporate governance body for the Fund) and the Management Team contrary to International Public Sector Accounting Standards (IPSAS) - Accrual Basis and in the format prescribed by the Public Sector Accounting Standards Board (PSASB). In addition, the figures in the financial statements have not been rounded off to the nearest shilling contrary to the best accounting practice.

In the circumstances, the Fund's financial statements are not in compliance with format prescribed by the PSASB.

2.0 Unsupported Transfers from the County Government.

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects Kshs.7,948,307 on payments by County on behalf of the Directorate of Alcoholic Drinks which relates to a transfer from the County Executive of Kakamega to the Fund. However, the financial statements of the County Executive for the year ended 30 June, 2020 did not reflect any amounts transferred to the Fund. The transfer of the Kshs.7,948,307 is also not supported by any ledger or bank statement.

In the circumstances, the accuracy of the Kshs.7,948,307 for the year under review could not be confirmed.

3.0 Income from Liquor Licenses

As disclosed in Note 3 to the financial statements, the statement of financial performance reflects income from liquor licenses of Kshs.15,555,310 (Kshs.18,670,243 in 2018/2019). However, the amount could not be confirmed as the Fund did not maintain a record of all alcoholic drinks' outlets.

In addition, the Kshs.15,555,310 differs with Kshs.16,915,000 on the revenue collection schedule provided for audit by Kshs.1,359,690 which has not been explained. Further, the bank statements showed a total of Kshs.16,211,310 on liquor licenses resulting to an unexplained and an unreconciled variance of Kshs.656,000.

Further, quarterly reports as provided for in Regulations 64 (1 and 2) of Public Finance Management (County Governments) Regulations, 2015 were not provided for audit.

In addition, a random liquor licence outlet inspection within the Kakamega CBD revealed the following;

- i) Eight (8) outlets were operating on expired licences, which may have deprived the Fund revenue amounting to Kshs.364,200.
- ii) Two hundred and twenty-five (225) liquor outlets had not paid their annual fee licenses.
- iii) Payment status for twelve (12) liquor outlets were not clear.

In the circumstances, the liquor licenses of Kshs.15,555,310 in the Fund's financial statements for the year under review could not be confirmed.

4.0 General Expenses

The statement of financial performance reflects general expenses figure of Kshs.8,184,614 as disclosed in Note 5 to the financial statements. However, the

schedule provided for audit reflected Kshs.7,479,707 resulting to a variance of Kshs.704,907 which was not explained or reconciled. In addition, payment vouchers totalling to Kshs.2,165,955 were not provided for audit review.

In the circumstances, the accuracy of the Kshs.8,184,614 on general expenses for the year review could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kakamega County Alcoholic Drinks Control Fund 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 adverse opinion.

Key Audit Matters

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

Other Matter

1.0 Budgetary Control and Performance

The Fund's statement of comparison of budget and actual amounts reflects Kshs.16,748,106 and Kshs.36,738,106 in respect final budget on income from liquor licenses and transfer to County Revenue Fund respectively. However, the approved budget estimates provided for audit reflects Kshs.20,000,000 and nil balance respectively resulting to an unexplained variance of Kshs.3,251,894 and Kshs.36,738,106 respectively.

In addition, the statement of comparison of budget and actual amounts reflects Kshs.18,187,794 in respect to Fund's actual expenditure on comparable basis. However, the approved Fund's expenditure budget was Kshs.8,490,499 resulting to an unexplained variance of Kshs.9,697,295 or 114% of the approved budget.

Further, the statement reflects Kshs.45,238,605 on the final expenditure budget and Kshs.18,187,794 on actual expenditure on comparable basis resulting to a budget under absorption of Kshs.27,050,811.

Consequently, the accuracy of the Fund's statement of comparison of budget and actual amounts for the year under review could not be confirmed. In addition, the Kshs.27,050,811 under absorption may be an indicator of a poor budget planning process.

2.0 Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised. However, the Management has not resolved the issues nor given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Reference No AG.4/16/3Vol.1(9) of 24 June, 2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources sections of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Transfers to County Revenue Fund

The statement financial performance as disclosed in Note 4 to the financial statements reflect transfers to the County Revenue Fund of Kshs.10,000,000 contrary to Section 6(5) of the Kakamega County Alcoholic Drinks Control Act, 2014 which provides that 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. According to Section 7(2) of the Act, such revenue should be invested as approved by the CEC member for finance.

In the circumstances, the Fund's Management breached 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, because of the significance of the matter discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based

on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

Basis for Conclusion

1.0 Unvalidated Receipts

Examination of the bank records revealed that MPESA transactions are done directly to the bank using a Paybill Number. The payees thereafter visit Sub-county offices with the MPESA message which the administrator uses to issue receipts. However, no reconciliations have been prepared in respect to the MPESA transactions from the Sub-counties with the bank statements or reports.

Consequently, the effectiveness of the internal controls on the MPESA transactions for the year under review could not be ascertained.

2.0 Information Technology

The Fund did not have IT strategy including disaster recovery plans to guide recovery process in case of any disaster. Further, no back up and retention strategy has been developed to aid continuity in case of any eventualities.

Consequently, the effectiveness of the Fund's IT risk management for the year under review could not be ascertained.

3.0 Administration of the Fund

The Fund has not engaged a substantive director competitively sourced as provided in Section 4(3) of the Kakamega County Alcoholic Drinks Control Act, 2014 and therefore weakening the governance and functionality of the Fund.

Consequently, the effectiveness of the Fund's governance for the year under review could not be ascertained. In addition, the Fund's Management breached the law.

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

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

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

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 noncompliance. 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 policies and procedures may deteriorate.

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to 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

08 February, 2022

**Kakamega County Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2020**

11. FINANCIAL STATEMENTS

11.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020


	Note	FY2019/2020	FY2018/2019
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	1,087,500.00
Payments by county on behalf of the directorate	2	7,948,307.00	11,350,461.00
Income from liquor licenses	3	15,555,310.00	18,670,243.00
Total revenue		23,503,617.00	31,108,204.00
Expenses			
Transfer to County Revenue Fund	4	10,000,000.00	18,800,000.00
General expenses	5	8,184,613.50	11,586,767.50
Finance costs	6	3,180.00	29,100.00
Total expenses		18,187,793.50	30,415,867.50
Other gains/losses			
Gain/loss on disposal of assets		-	-
Surplus/(deficit) for the period		5,315,823.50	692,336.50


**Kakamega County Alcoholic Drinks Control Fund
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11.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	FY2019/2020 KShs	FY2018/2019 KShs
Assets			
Current assets			
Cash and cash equivalents	7	5,611,163.50	59,033.50
Non-current assets			
Property, plant and equipment	8	928,053.00	1,164,359.50
Total assets		6,539,216.50	1,223,393.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		-	-
Provisions		-	-
Current portion of borrowings		-	-
Employee benefit obligations		-	-
Non-current liabilities			
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
Total liabilities		-	-
Net assets			
Accumulated Fund		4,837,560.00	4,837,560.00
Accumulated surplus		1,701,656.50	3,614,167.00
Total net assets and liabilities		6,539,216.50	1,223,393.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity amended financial statements were approved on 30/3/2021 and signed by


Administrator of the Fund
Name: Namayji Ochomo



Fund Accountant
Name: Ruth Mardays
ICPAK Member Number: 20912

**Kakamega County Alcoholic Drinks Control Fund
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11.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2020

	Accumulated Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1st July 2018	4,837,560.00	4,306,503.50	531,056.50
Surplus/(deficit) for the period	-	692,336.50	692,336.50
Funds received during the year			
Revaluation gain			
Balance as at 30th June 2019	4,837,560.00	(3,614,167.00)	1,223,393.00
Balance as at 1st July 2019	4,837,560.00	(3,614,167.00)	1,223,393.00
Surplus/(deficit) for the period	-	5,315,823.50	5,315,823.50
Funds received during the year	-		
Revaluation gain	-		
Balance as at 30th June 2020	4,837,560.00	1,701,656.50	6,539,216.50

Administrator of the Fund
Name:


Fund Accountant
Name: *Ruth Mwachaga*
ICPAK Member Number: *20912*

**Kakamega County Alcoholic Drinks Control Fund
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11.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Note	FY2019/2020 KShs	FY2018/2019 KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	1,087,500.00
Payments by county on behalf of the directorate	2	7,948,307.00	11,350,461.00
Interest received		-	0
Income from Liquor licensing	3	15,555,310.00	18,670,243.00
Total Receipts		23,503,617.00	31,108,204.00
Payments			
Transfer to County Revenue Fund	4	10,000,000.00	18,800,000.00
General expenses	5	8,184,613.50	11,586,767.50
Finance cost	6	3,180.00	29,100.00
Total Payments		18,187,793.50	30,415,867.50
Net cash flows from operating activities		5,315,823.50	692,336.50
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	- 1,087,500.00
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Depreciation		236,306.50	236,306.50
Net cash flows used in investing activities		236,306.50	- 851,193.50
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		5,552,130.00	- 158,857.00
Cash and cash equivalents at 1 JULY		59,033.50	217,890.50
Cash and cash equivalents at 30 JUNE	7	5,611,163.50	59,033.50

**Kakamega County Alcoholic Drinks Control Fund
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**11.5. 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
	2019	2019	2019	2019	2019	2019
Revenue	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	-	-	-	-	-	
Payments by county on behalf of the directorate	5,490,499.00	3,000,000.00	8,490,499.00	7,948,307.00	542,192.00	94
Income from liquor licences	36,748,106.00	(20,000,000.00)	16,748,106.00	15,555,310.00	1,192,796.00	93
Total income	42,238,605.00	- 17,000,000.00	25,238,605.00	23,503,617.00	1,734,988.00	93
Expenses						
Transfer to County Revenue Fund	36,738,106.00	-	36,738,106.00	10,000,000.00	26,738,106.00	27
General expenses	8,490,499.00	-	8,490,499.00	8,184,613.50	305,885.50	96
Finance cost	10,000.00	-	10,000.00	3,180.00	6,820.00	32
Total expenditure	45,238,605.00	-	45,238,605.00	18,187,793.50	27,050,811.50	40
Surplus for the period	(3,000,000.00)	(17,000,000.00)	(20,000,000.00)	5,315,823.50	(25,315,823.50)	

11.6. 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. Budget information

The 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. 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.

3. 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.

**Kakamega County Alcoholic Drinks Control Fund
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. 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 director, the Chief Officer finance and the Chief Officer Public Service and Administration

5. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank

6. Ultimate and Holding Entity

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

7. Currency

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

**Kakamega County Alcoholic Drinks Control Fund
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11.7. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Donation from NACADA

Description	FY2019/2020 KShs	FY2018/2019 KShs
Computers and IT Equipment		157,000
Sawing Machines		40,000
Gas Industrial		255,000
Generator		320,000
Medical Equipment		315,500
Total		1,087,500

2. Transfers from County Government

Description	FY2019/2020 KShs	FY2018/2019 KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the Directorate of Alcoholic Drinks	7,948,307	11,350,461
Total	7,948,307	11,350,461

This amount comprises of the general expenses less depreciation cost.

3. Income from liquor licences

Description	FY2019/2020 KShs	FY2018/2019 KShs
Income from liquor licenses	15,555,310.00	18,670,243.00
Total income	15,555,310.00	18,670,243.00

**Kakamega County Alcoholic Drinks Control Fund
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4. Transfer to County Revenue Fund

Description	2019/2020	2018/2019
	KShs	KShs
Transfer to County Revenue Fund	10,000,000	18,800,000
Total	10,000,000	18,800,000

**Kakamega County Alcoholic Drinks Control Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. General expenses

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Electricity	37,632.00	70,333.00
Water and Sewage charges	17,800.00	29,000.00
Depreciation	236,306.50	219,803.80
Internet connections	-	80,000.00
Telephone	94,800.00	381,300.00
Courier and postal services	-	23,800.00
Travel Cost	193,300.00	396,150.00
Accommodation - Domestic Travel	1,023,670.00	971,950.00
Daily Subsistence Allowance	2,017,030.00	880,000.00
Publishing & Printing Services	342,366.00	585,555.00
Advertising, Awareness and Publicity Campaign	346,873.00	588,000.00
Catering Services (receptions), Accommodation, Gifts, Food and Drinks	924,486.00	1,652,352.00
Board, Committees, Conferences and Seminars	1,599,027.00	1,943,275.00
General Office Supplies (papers, pencils, forms, small office equipment etc)	497,783.00	334,995.00
Sanitary and Cleaning Materials, Supplies and Services	79,990.00	290,768.00
Refined Fuels and Lubricants for Transport	550,000.00	419,900.00
Furniture's	-	330,000.00
Computer accessories	-	28,600.00
Office equipment	-	268,000.00
Games Equipment	-	75,000.00
Iron box	-	25,000.00

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Contracted professional services	-	1,598,487.00
Maintenance Expenses - Motor Vehicle	223,550.00	377,996.00
Total	8,184,613.50	11,570,264.80

6. Finance costs

Description	FY2019/2020 KShs	FY2018/2019 KShs
Bank charges	3,180.00	29,100.00
Interest on loans from banks	-	-
Total	3,180.00	29,100.00

**Kakamega County Alcoholic Drinks Control Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Cash and cash equivalents

Description	FY2019/2020 KShs	FY2018/2019 KShs
Current account	5,611,163.50	59,033.50
	-	-
Total cash and cash equivalents	5,611,163.50	59,033.50

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

Financial institution	Account number	FY2019/2020 KShs	FY2018/2019 KShs
Current Account			
National Bank	1020110619200	5,611,163.50	59,033.50
Total		5,611,163.50	59,033.50

**Kakamega County Alcoholic Drinks Control Fund
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Property, plant and equipment

	FURNITURE & OTHER EQUIPMENTS	COMPUTERS	TOTAL
Cost	KShs	KShs	KShs
At 1st July 2018	245,280.00	140,780.00	386,060.00
Additions	930,500.00	157,000.00	1,087,500.00
Disposals	-	-	-
Transfer/adjustments	-	-	-
At 30th June 2019	1,175,780.00	297,780.00	1,473,560.00
At 1st July 2019	1,175,780.00	297,780.00	1,473,560.00
Additions			
Disposals	-	-	-
Transfer/adjustments	-	-	-
At 30th June 2020	1,175,780.00	297,780.00	1,473,560.00
Depreciation and impairment			
At 1st July 2018	30,660.00	42,234.00	72,894.00
Depreciation	146,972.50	89,334.00	236,306.50
Impairment			
At 30th June 2019	177,632.50	131,568.00	309,200.50
At 1st July 2019	177,632.50	131,568.00	309,200.50
Depreciation	146,972.50	89,334.00	236,306.50
Disposals	-	-	-
Impairment	-	-	-
At 30th June 2020	324,605.00	220,902.00	545,507.00
Net book values			
At 30th June 2019	998,147.50	166,212.00	1,164,359.50
At 30th June 2020	851,175.00	76,878.00	928,053.00

**Kakamega County Alcoholic Drinks Control Fund
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9. 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;

