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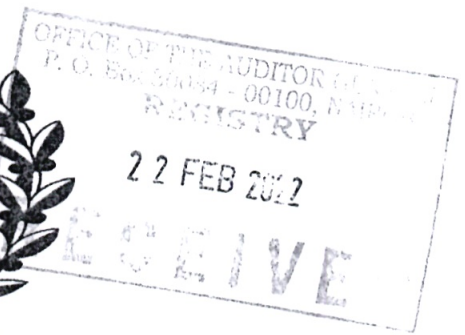
OF

THE AUDITOR-GENERAL

ON

**KIAMBU COUNTY ALCOHOLIC DRINKS
CONTROL FUND**

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



COUNTY GOVERNMENT OF KIAMBU
KIAMBU COUNTY ALCOHOLIC DRINKS CONTROL FUND

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)

**Kiambu County Alcoholic drinks control fund.
Reports and Financial Statements
For the year ended 30th June 2021**

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**Kiambu County Alcoholic Drinks Control Fund
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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Kiambu County Alcoholic Drinks Control Fund is established by and derives its authority and accountability from amended Kiambu County Alcoholic Drinks Control Act, 2021 assented on 8th March, 2021. The Fund is wholly owned by the County Government of Kiambu and is domiciled in Kenya.

The fund's objective is to provide for a framework for the licencing and control of production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation for persons 'dependent on alcoholic drinks.

The Fund's principal activity is to reduce and mitigate the negative health, social and economic impact and other costs on individuals and communities resulting from or associated with production, sale, supply, advertising and consumption of alcoholic drinks.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to

- i) Regulate alcohol production, distribution, advertisement, sale and consumption of alcohol in the county.
- ii) Licencing and enforcing the conditions of a license granted under the Act.
- iii) Coordinate the establishment, implementation and operations of alcohol treatment and rehabilitation facilities and programs.
- iv) Undertake public education, training sensitization or in any other manner disseminate information on matters relating to Alcohol to the public in order to influence positive social development and responsible drinking culture.

c) Board of Trustees/Fund Administration Committee

The board of trustee are not applicable in the Act.

d) Key Management

Ref	Name	Position
1.	CHARLES NJUGUNA GIKONYO	CHIEF OFFICER – ADMINISTRATION
2.	MICHAEL KANGETHE GACHANJA	DIRECTOR - ADC FUND
3.	ANTONY KIRUNGU NGAMAU	FUND ADMINASTRATOR

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e) Fiduciary oversight arrangement

Ref	Position	Name
1	Directorate Internal Audit	Kiambu county internal audit committee
2	County Assembly	Kiambu County Assembly

f) Registered Offices

P.O. Box 2344-00900
County Headquarter Offices
Kiambu Nairobi Highway
Kiambu, KENYA.

g) Fund Contacts

Telephone:254-0709877000
E-mail: info@kiambu.go.ke
Website: www.kiambu.go.ke

h) Fund Bankers

1. Co-operative Bank of Kenya
Kiambu Branch
P.O. Box 1064-00900
Kiambu, Kenya.
A c No 01141371543516
2. Family Bank Ltd
Kiambu Branch
P.O Box 74145-00200
Nairobi.
A c No 001000041973

i) Independent Auditors

Auditor- General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

j) Principal Legal Adviser

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

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**3. 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 entities 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 Kiambu County Government County Integrated Development Plan (2018-2022) on alcohol control are to:

- a) To reduce and create awareness on alcohol, drug and substance abuse and offer rehabilitation services.
- b) Public education on alcoholic drinks control in the county.
- c) Collaboration with other public institutions and non-state actors in fulfilling its mandate.
- d) Undertake research on alcohol related issues and disseminate finding.

Progress on attainment of Strategic development objectives (Adopted from Kiambu County-Integrated Development Plan (2018-2022) and Kiambu County Annual Development Plan 2020/2021.)

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Alcohol, drug and substance abuse and rehabilitation.	To reduce and create awareness on alcohol, drug and substance abuse.	Reduced incidences of alcohol, drugs and substance abuse.	15% reduction of number of persons arrested while contravening alcohol use laws.	In FY 20/21 we reduced by 21,276 persons who were arrested from the previous FY.
Enforcement and crackdown on illicit brewing.	To enforce compliance to the set legislation on alcohol use.	Reduced illicit brews, counterfeits and sub-standard alcohol.	32% reduction of illicit brewers.	In FY 2020-2021 we reduced by 15 persons who were involved in illicit brewing in River Chania and Makwa.

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


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 July, 2022

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Research on alcohol, drug and substance abuse.	To carry out a research on the status of alcohol, drug and substance abuse.	Improved planning on alcohol, drug and substance abuse in the county.	Number of research reports on status of alcohol, drug and substance abuse.	This was not conducted during FY 2020-2021 because of Covid-19 pandemic restrictions on social gatherings.
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Challenges

- Covid- 19 pandemic in the country made the Department to re-evaluate its strategy on the implementation of its earlier planned programme.
- During the year under review enforcement of the Kiambu County Alcoholic Drinks Control Act, 2018 posed a, challenge as some of the enforcement officers overstepped their mandate.
- There were numerous litigations filed by alcoholic drink operators against the Kiambu County Alcoholic Drinks Control Act, 2018.

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4. MANAGEMENT TEAM

Name	Details of qualifications and experience
 <p>1. CHARLES NJUGUNA GIKONYO D.O.B:10TH July 1977</p>	<p>Holder of Bachelor of Arts degree majoring in Government and Public Administration, Diploma in purchasing and Supplies from Chartered institute of Purchasing and Supplies, Certified Public Secretaries of Kenya and a practising member of institute of certified secretaries of Kenya in good standing Currently the chief Officer Administration.</p>
 <p>2. MICHEAL KANG'ETHE GACHANJA D.O.B: 1ST September,1969.</p>	<p>Holder of Master's degree in counselling psychology and Bachelor of Arts degree.10years experience in teaching and 13 years in Administration. Currently Director for the fund within 6yrs.</p>
 <p>3. ANTONY KIRUNGU NGAMAU D.O.B:15TH August 1979</p>	<p>Holder of CPA Certificate, High Diploma in suppliers and management. 12 years' experience in accounts and currently the fund Administrator.</p>

**Kiambu County Alcoholic Drinks Control Fund
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5. COUNTY EXECUTIVE COMMITTEE MEMBER'S REPORT

Upon assumption of office by H.E The Governor in the month of January, 2020, there were changes that were effected in the leadership of the County. This necessitated change in the management of the Alcoholic Drinks Control Fund.

The current management of the fund is composed of the Chief Officer-Administration, Director Alcoholic Drinks Control and the Fund Administrator.

The Kiambu County Alcoholic Drinks Control Fund was operationalized in the year 2013 in compliance with the provisions of the PFM Act 2012; Kiambu County Alcoholic Drinks Control Act 2013 was repealed in 2021.

The Fund consisted of monies collected as application and licensing fees plus appropriations from the County Treasury.

The table below indicates funds received and expenditure since the operationalization of the Fund.

S.NO	Financial Year	Funds Received	Expenditure(Administrative, rehabilitation and enforcement)	Transfer to County Revenue Fund	Transfer to County health management team account under Health Department
		KSHS	KSHS	KSHS	KSHS
1.	2013/14	35,467,268.00	1,801,175.00	-	
2.	2014/15	108,760,182.00	51,112,335.00	88,440,000.00	
3.	2015/16	106,543,391.00	44,089,761.00	60,000,000.00	4,000,000.00
4.	2016/17	105,940,133.00	81,666,117.00	25,000,000.00	
5.	2017/18	111,047,792.00	105,689,378.00	5,960,000.00	
6.	2018/19	483,816,276.00	467,463,847.00	-	
7.	2019/20	120,810,070.00	127,461,338.00	91,188,067.16	
8.	2020/2021	35,588,221.00	36,178,011.00	30,978,619.00	
	TOTAL	1,106,692,229.00	915,461,962.00	303,858,026.00	4,000,000.00

It is projected that the fund will grow as the economy continues to improve thus increasing the number of operators seeking to be licensed. Kiambu County Alcoholic Drinks Control Act 2018 was also reviewed to accommodate more types of alcoholic drinks licences. This will enable the Department to enhance its operations and programs.

Signed: _____

Dr. Margaret Ruinge,

CECM Administration and public service

6. REPORT OF THE FUND ADMINISTRATOR

The year under review was characterized with relatively low activities due to the menace of Covid -19 pandemic. However, the directorate achieved the following:

- The inspections and licensing of alcoholic drinks outlets were carried out as provided for in the Kiambu County Alcoholic Drinks Control Act 2021.
- Effective management on enforcement for purposes of achieving optimal efficiency in co-ordination, control, and payment of Alcoholic drinks licences.
- The Directorate sustained crackdown on substandard, counterfeit and illicit brews throughout the year in all the 12 sub-counties leading to a decline in production, sale and consumption of the brews. Increased efforts in fighting illicit brews like chang'aa, and Kangara were witnessed in hotspots areas like River Chania, Makwa, and Thiririka in Gatundu North Subcounty and, Ndarugu area of Gatundu South Subcounty.
- The Directorate coordinated operations of the Sub County Alcoholic Drinks Regulatory Committees during the year under review.
- The absorption rate of Kiambu alcoholic drinks control fund is about 40%
- There were a few gaps in the kiambu county alcoholic control Act 2018 which had some inconsistencies that led to endless legal battles with alcoholic drink traders, which led to the amendment of the Act.
- Some section of the act seemed to contradict with alcoholic control Act 2010

Challenges

- The complication of Covid -19 in the country required the Directorate to re-evaluate its strategy on the implementation of its earlier planned program. Enforcement of the current Kiambu County Alcoholic Drinks Control Act, 2021 was hampered by various litigations filed against the County Government of Kiambu by bar owners / traders. This led to majority of them operating with court orders instead of paying for liquor licence.
- Limited funding adversely affected operations and functions of the Directorate.
- Hawking of liquor by those who previously worked in bars and restaurants was witnessed due to loss of employment as a result of the country wide closure of bars and restaurants due to Covid 19 pandemic.
- After closure of bars and restaurants, due to Covid 19 pandemic, there was an upsurge in the number of Wines and Spirit Shops County wide.
- There has been an increase in drugs and substance abuse in the County. This has been a major challenge since control of drugs and other substances abuse is outside the mandate of the Directorate.

**Kiambu County Alcoholic Drinks Control Fund
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- Due to delay in disbursement of funds by county treasury the Fund was not able to meet its obligation resulting to some payment not being made and thus accrued to next financial year 2021/2022.

Way forward.

- The County Government should actualise and operationalize the Alcoholic Drinks Control Fund established under the Kiambu County Alcoholic Drinks Control Act, 2021.
- The Directorate should undertake elaborate public education and awareness campaigns aimed at sensitizing the community about dangers of alcohol and other substance abuse.
- The Directorate should partner with other relevant stakeholders in order to control production, sale and consumption of alcohol and other drugs.

Signed: AKD

Antony Kirungu Ngamau

Fund Administrator.

**Kiambu County Alcoholic Drinks Control Fund
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7. CORPORATE GOVERNANCE STATEMENT

The fund does not consist of Board members hence no board meetings were held. The committee meetings which were held only consisted the Alcoholic Drinks Regulatory Committee as per Kiambu County Alcoholic Drinks Control Act, 2021 16(1).

**Kiambu County Alcoholic Drinks Control Fund
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8. MANAGEMENT DISCUSSION AND ANALYSIS

The Kiambu County Alcoholic Drinks Control Fund operations are being guided by Kiambu County Alcoholic Drinks Control Act 2021 and also comply with the provisions of the PFM Act 2012.

The purpose of the fund is to meet the capital and recurrent expenditure as spelt out in Kiambu County Government Alcoholic Drinks Control Act, 2021.

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

S.NO	Financial Year	Funds Received	Expenditure	Transfer to County revenue fund(CBK)	Transfer to County health management team
		KSHS	KSHS	KSHS	KSHS
1	2013/14	35,467,268.00	1,801,175.00	-	-
2	2014/15	108,760,182.00	51,112,335.00	88,440,000.00	-
3	2015/16	106,543,391.00	44,089,761.00	60,000,000.00	4,000,000.00
4	2016/17	105,940,133.00	81,666,117.00	25,000,000.00	-
5	2017/18	111,047,792.00	99,308,279.00	5,960,000.00	-
6	2018/19	483,816,276.00	467,463,847.00	-	-
7	2019/2020	120,810,070.00	127,461,338.00	91,188,067.00	-
8.	2020/2021	35,588,221.00	36,178,041.00	30,978,619.00	
	TOTAL	1,107,973,333.00	909,080,893.00	301,566,686.00	4,000,000.00

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

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

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

There have been various stake holder's meetings with a view to sensitize those dealing in Alcoholic Drinks.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The purpose of Kiambu County Alcoholic Drinks Control Act, 2021 is to provide for a framework for the licencing and control of production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation for person's dependent on alcoholic drinks.

Due to the Covid-19 pandemic, the directorate was not able to meet much since all bar entities were closed as per the directive from the National Government.

However, Licences and control of production, sale, distribution, promotion and use of alcoholic drinks were regulated accordingly. Other activities e.g. staff training and development, rehabilitation programs were adversely affected due to limited funding and Covid-19 pandemic.

**Kiambu County Alcoholic Drinks Control Fund
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10. REPORT OF THE DIRECTORATE

The key management team submit their report together with the audited financial statements for the year ended 30th June 2021 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are:

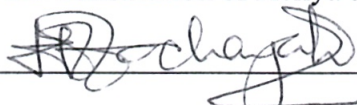
- a) Regulating alcohol production, distribution, advertisement, sale and consumption of alcohol in the County to ensure the realization of the objects of Kiambu County Alcoholic Drinks Control Act, 2021.
- b) Prepare and submit to the Executive Committee Member a bi-annual status report on licencing, impact of licencing adherence to the licencing conditions and public awareness of alcoholic drinks control.
- c) Undertake public education and sensitization programmes on matters relating to alcohol in order to influence positive social development and responsible drinking culture.

The Management Team who served during the year are shown on page 7. The changes in the management of the fund during the financial year were as shown below:

Designation	Year 2020-2021	Year 2019-2020
Chief Officer	Charles Njuguna Gikonyo	Charles Njuguna Gikonyo
Director	Michael Kang'ethe Gachanja	Michael Kang'ethe Gachanja
Fund Administrator	Antony Kirungu Ngamau	Gladys Wangari Kimani

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.

Sign 

Date 18 feb 2022

Michael K. Gachanja

Member of the Management committee:

Director Alcoholic Drinks Control

**Kiambu County Alcoholic Drinks Control Fund
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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 Kiambu County Government Alcoholic Drinks Control Act, 2021; 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 Kiambu County Alcoholic Drinks Control Act, 2021. 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 30th June 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 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 18 Feb 2022 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: 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 KIAMBU COUNTY ALCOHOLIC DRINKS CONTROL FUND 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 Kiambu County Alcoholic Drinks Control Fund set out on pages 18 to 37, 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 Kiambu County Alcoholic Drinks Control Fund 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 comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies in the Financial Statements

1.1 Statement of Cash Flows

The statement of cash flows reflects transfers from the County Government balance of Kshs.5,000,000 which vary with the balance of Kshs.13,800,000 reflected in the statement of financial performance resulting to variance of Kshs.8,800,000. Further, the statement reflects an increase in accounts payable (deposits and retention) of Kshs.8,814,391 while the statement of financial position reflects a constant payables balance of Kshs.44,815,277. In addition, the negative net cash flows from operating activities of Kshs.14,391 is at variance with the computed amount of negative Kshs.466,329 resulting to a variance of Kshs.451,938 which was not explained or supported.

1.2 Statement of Financial Position

The statement of financial position reflects nil net assets which is at variance with the computed net assets balance of negative Kshs.35,841,599 resulting to a variance of Kshs.35,841,599 which was not explained or reconciled. Further, the statement reflects accumulated deficit of Kshs.35,855,991 which is at variance with the computed accumulated deficit amount of Kshs.29,204,722 resulting to a variance of Kshs.6,651,269 which was similarly not explained or reconciled. The statement also reflects accumulated deficit comparative balance of Kshs.37,524,002 which vary with the opening accumulated deficit balance of Kshs.44,175,270 reflected in the statement of changes in net assets resulting to a variance of Kshs.6,651,268 which was also not explained or reconciled.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2021 could not be confirmed.

2.0 Unsupported Revenue from Liquor Licenses

As disclosed under Note 2 to the financial statements, the statement of financial performance reflects liquor licenses of Kshs.30,588,221. However, documents such as outlets listing for each Sub-county showing the licensed outlets, the type of the license applied for and the amount paid for the calendar year 2020/2021 were not provided for audit verification. Further, the County Government of Kiambu did not prepare bi-annual report on the status of alcoholic control within the County during the year and submit the

report to the Executive Committee and the County Assembly contrary to Section 5(1)(k) of the Kiambu County Alcoholic Drinks Control Fund Act, 2018.

In the circumstance, the accuracy and completeness of liquor licenses revenue of Kshs.30,588,221 for the year ended 30 June, 2021 could not confirmed.

3.0 Trade and Other Payables from Exchange Transactions

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.44,815,277. However, the balance was not supported with schedules, aging analysis, invoices and creditors ledger

In the circumstances, the accuracy, completeness and existence the of trade and other payables from exchange transactions balance of Kshs.44,815,277 as at 30 June, 2021 could not be confirmed.

4.0 Going Concern

The Fund's current assets as at 30 June, 2021 totalled Kshs.8,973,678 while current liabilities were Kshs.44,815,277, resulting to a negative working capital of Kshs.35,841,599 and current ratio of 0.2 against a recommended current ratio of between 1.2 to 2.0. This is an indication that the Fund is undergoing liquidity problems which may affect provision of services to the residents and the Management has not put in place adequate and appropriate measures to address this situation.

The Fund's ability to meet its obligations as they fall due is in doubt and its ability to sustain services is therefore threatened.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kiambu County Alcoholic Drinks Control Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. 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.

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 matter 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

Failure to Develop and Implement a Rehabilitation Program

During the year under review, the Fund did not implement any program with the aim of rehabilitation in accordance with Section 9 of the Kiambu County Alcoholic Drinks Control Fund Act, 2018 which states that the directorate shall establish treatment and rehabilitation services, facilities and programs for persons dependent on alcoholic drinks and not less than thirty percent of the Fund shall be allocated for the implementation of treatment and rehabilitation service programs and related infrastructure.

The Management 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

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 services, disclosing, as applicable, matters related to sustainability of services and using the sustainability of services 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

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13. FINANCIAL STATEMENTS

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


	Note	2020/2021	2019/2020
		Kshs	Kshs
Revenue from non-exchange transactions			
Public contribution sand donations		-	-
Transfers from the County Government	1	13,800,000.00	29,000,000.00
Liquor Licenses	2	30,588,221.00	91,810,070.00
Revenue from exchange transactions			
Interest income		-	-
Other income		-	-
Total revenue		44,388,221.00	120,810,070.00
Expenses			
Finance Costs	3	85,322.00	125,822.00
Fund Administrative Expenses	4	4,875,000.00	35,199,938.00
General Expenses	6	130,000.00	947,511.00
Transfer to the county revenue fund (CBK)	7	30,978,619.00	91,188,067.00
Total expenses		36,068,941.00	127,461,338.00
Other gains/losses			
Gain/loss on disposal of assets		-	-
Surplus/(deficit)for the period		8,319,280.00	-6,651,268.00

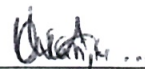
The notes set out on pages 32 to 35 form an integral part of these financial statements

13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021 KSh	2019/2020 KSh
Assets			
Current assets			
Cash and cash equivalents	8	173,678.00	640,007.00
Current portion of long- term receivables from exchange transactions		8,800,000.00	
Prepayments		-	-
Inventories		-	-
Non-current assets			
Property ,plant and equipment		-	-
Intangible assets		-	-
Long term receivables from exchange transactions		-	-
Total assets		8,973,678.00	640,007.00
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	10	44,815,277.00	44,815,277.00
Provisions		-	-
Current portion of borrowings		-	-
Employee benefit obligations		-	-
Non-current liabilities			
Non-current employee benefit obligation		-	-
Long term portion of borrowings		-	-
Total liabilities		44,815,277.00	44,815,277.00
Net assets			
Revolving Fund		-	-
Reserves			-6,651,267.00
Accumulated surplus	12	(35,855,991.00)	(37,524,002.00)
Total net assets and liabilities		8,959,286.00	640,007.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 18 Feb 2022 and signed by:


 Administrator of the Fund
 Name: Antony Kirungu


 Fund Accountant
 Name: Lucy wangari

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	
		Ksh.	Ksh.	Ksh.
Balance as at 1 July 2019	-	-	-21,826,537.00	-21,826,537.00
Surplus/(deficit) for the period	-	-	-6,651,267.00	-6,651,267.00
Receivables written off	-	-	29,000,000.00	29,000,000.00
Reversed stale cheques and cancelled	-	-	-	-
Balance as at 30 June 2020	-	-	-44,175,270.00	-44,175,270.00
Balance as at 1 July 2020	-	-	-44,175,270.00	-44,175,270.00
Surplus/(deficit) for the period	-	-	8,959,286.00	8,959,286.00
Funds received during the year	-	-	0.00	0.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	-	-	(35,855,990.00)	(35,855,990.00)

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

Description	Units	2020/21	2019/20
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		5,000,000.00	29,000,000.00
Liquor Licenses		30,588,221.00	91,810,070.00
Other Receipts			-
Total Receipts		35,588,221.00	120,810,070.00
Payments			
Fund administration expenses		4,875,000.00	35,199,938.00
General expenses		130,000.00	947,511.00
Finance cost		85,322.00	125,822.00
Transfer to county revenue fund		30,978,619.00	91,188,067.00
Total Payments		36,068,941.00	127,461,338.00
Net cash flows from operations		(480,720.00)	
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)		(8,800,000.00)	55,345,700.00
Increase/(Decrease) in Accounts Payable: (deposits and retention)		8,814,391.00	6,467,000.00
Net cash flows from operating activities		(14,391.00)	55,161,432.00
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		-	-
Proceeds from sale of property, plant and equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	-
Additional borrowings			-
Prior year adjustment			-53,876,411.00
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(466,329.00)	1,285,001.00
Cash and cash equivalent as at 1JULY 2020	8	640,007.00	-644,994.00
Cash and cash equivalent as at 30 JUNE 2021	8	173,678.00	640,007.00

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**13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED 30thJUNE 2021**

	Original budget 2020	Adjustments 2020	Final budget 2020	Revenue comparable basis 2020	Revenue difference 2020	Utilisation 2020
	Kshs	Kshs	Kshs	Kshs	Kshs	
Revenue						
Public contributions and donations	-	-		-	0	
Transfers from County Govt.	13,800,000.00	-	13,800,000.00	13,800,000.00	0	100%
Liquor Licenses Fees	30,588,221.00	-	30,588,221.00	30,588,221.00	0	100%
Other income		-				
Total income	44,388,221.00	-	44,388,221.00	44,388,221.00	0	100%
					0	
Expenses					0	
Staff Costs	13,241,100.00	-	13,241,100.00	4,875,000.00	0	45%
General expenses	400,000.00	-	400,000.00	130,000.00	0	45%
Finance cost	131,354.00	-	131,354.00	85,322.00	0	75%
Transfer to county Govt revenue fund	30,978,619.00	-	30,978,619.00	30,978,619.00	0	100%
Total expenditure	44,751,033.00	-	44,751,033.00	36,068,941.00	0	85,7%
Surplus/Loss for the period	-362,852.00	-	-362,852.00	8,319,280.00	0	

The funds were not fully utilized due to some challenges eg the pandemic and under funding

- 1) Staff cost went up due to enforcement
- 2) General expenses budget was not met due to under funding
- 3) Financial cost reduced due to under funding
- 4) Transfer to county government was fully done for the financial year
- 5) Total expenditure went up as a result of the enforcement of the act

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.

1.1. Adoption of new and revised standards

The entity did not adopt any new or amended standards in the current year under review.

2. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

3. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on June 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 entity upon receiving the respective approvals in order to conclude the final budget.

The directorate's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were

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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 (1) of these financial statements.

4. Property, plant and equipment

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

5. Intangible assets

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

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

6. Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

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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.

7. Inventories

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

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

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

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

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

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

8. Provisions

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

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

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

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Contingent liabilities

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

Contingent assets

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

9. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. Changes in accounting policies and estimates

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

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 Fund 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 Fund, or vice versa. Members of key management are regarded as related parties and comprise the directors, the County Executive Members and County Assembly of Kiambu.

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. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprest and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

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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 Entity

The Kiambu County Alcoholic Drinks Control Fund is a County Public Fund established by Kiambu County Alcoholic Drinks Control Act, 2021, under the Department of Administration. Its ultimate parent is the County Government of Kiambu.

16. Currency

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

17. Financial risk management

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

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

a) Credit risk

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

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

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

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	Trade Receivables	Other Receivables	Prepaid Expenses	Financial Assets
At 30 June 2021				
Receivables from exchange transactions	00	00	00	00
Receivables from non-exchange transactions	00	00	0	0
Bank balances	173,678	00	00	00
Total	173,678	00	00	00
At 30 June 2020				
Receivables from exchange transactions	00	00	00	00
Receivables from non-exchange transactions	00	00	00	00
Bank balances	640,007	00	00	00
Total	640,007	00	00	00

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of trustees sets the Fund's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

b) Liquidity risk management

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

The table below represents cash flows payable by the Fund under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

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	Less than 1 month	Between 1-3 months	Over 3 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2021				
Trade payables	-	-	44,815,277	44,815,277
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	44,815,277	44,815,277
At 30 June 2020				
Trade payables	-	-	44,815,277	44,815,277
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	44,815,277	44,815,277

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Kshs	Other currencies Kshs	Total Kshs
At 30 June 2021			
Financial assets			
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-
Foreign currency sensitivity analysis			

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2020			
Euro	10%	0	0
USD	10%	0	0
2019			
Euro	10%	0	0
USD	10%	0	0

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

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

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8. Cash and cash equivalents

Description	2020/2021	2019/2020
	Kshs	Kshs
Car loan account	-	-
County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	278.00	45,607.00
Current account Family Bank	173,400.00	594,400.00
Receiving account-Coop Bank	173,678.00	640,007.00
Total cash and cash equivalents		

9. Receivables from exchange transactions

Description	2020/2021	2019/2020
	Kshs	Kshs
Current Receivables		
Due from the county Government	8,800,000	55,345,700.00
Receivables B/F		-
Current loan repayments due		-
Other exchange debtors		-
Less impairment allowance	0	-55,345,700.00
Receivables written off	0	0
Total Current receivables		
Non-Current receivables		
Long term loan repayments due		-
Total Non- current receivables		
Total receivables from exchange transactions	8,800,000	0

10. Trade and other payables from exchange transactions

Description	2020/2021	2019/2020
	Kshs	Kshs
Trade payables	44,815,277.00	38,348,277.00
Refundable deposits	-	-
Accrued expenses		6,467,000.00
Other payables		-
Total trade and other payables	44,815,277.00	44,815,277.00

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11. Changes in Accounts Payable

Description of the item	2020/2021	2019/2020
	Kshs	Kshs
Accounts Payable as at 1 st July 2020 (A)	44,815,277.00	38,348,277.00
Accounts Payable held during the year (B)		6,467,000.00
Accounts Payable paid during the Year (C)		-
Net changes in account payable D= A+B-C	44,815,277.00	44,815,277.00

12. Change in accumulated surplus

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance as at 1 July 2019	-	-	-21,826,537.00	-21,826,537.00
Surplus/(deficit) for the period	-	-	-6,651,267.00	-6,651,267.00
Receivables written off	-	-	29,000,000.00	29,000,000.00
Reversed stale cheques and cancelled	-	-	-	-
Balance as at 30 June 2020	-	-	-44,175,270.00	-44,175,270.00
Balance as at 1 July 2020	-	-	-44,175,270.00	-44,175,270.50
Surplus/(deficit) for the period	-	-	8,319,280.00	8,319,280.00
Funds received during the year	-	-	0.00	0.00
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	-	-	-35,855,990.00	-35,855,990.50

13. 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 funds related to the following entities:

- a) The County Government;
- b) Key management;


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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status (Resolved/ Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	rehabilitation program	rehabilitation program but the budget [provision could not allow since its heavy capital investment.			

Note

The auditor has conducted audit for the financial years 2014/15, 2015/16, 2016/17, 2017/2018, 2018/19 and 2019/2020.

We have received the management letters from the auditor for the first five financial years which have been responded to accordingly.

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Signed by

Accounting officer