

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

OF

THE AUDITOR-GENERAL

ON

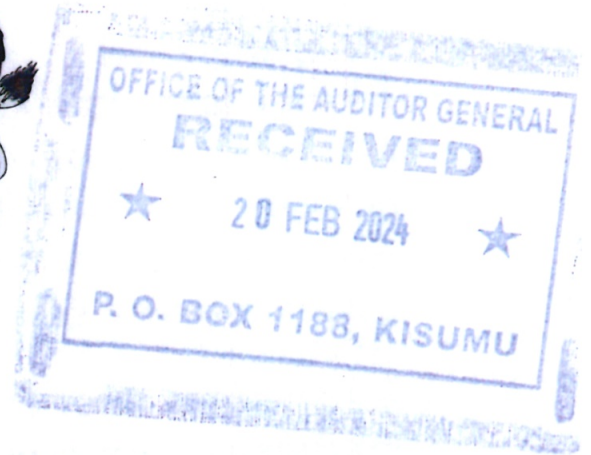
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**KISUMU COUNTY ALCOHOLIC
DRINKS CONTROL FUND**

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

PAPERS LAID	
DATE	26.3.2024
TABLED BY	Maj. Leader
COMMITTEE	CPIG
CLERK AT THE TABLE	Dawab

Revised Template 30th June 2021



**COUNTY GOVERNMENT OF KISUMU
KISUMU 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)**

**Kisumu County Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2021**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Alcoholic Drink Control Fund is established by and derives its authority and accountability from Kisumu County Alcoholic Drink Control Fund Act of 12th August 2014. The Fund is wholly owned by the County Government of Kisumu and is domiciled in Kenya.

The fund's objective is to control production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation for persons dependant on alcoholic drinks

There is established a fund to be known as the Alcoholic Drinks Control Fund. The Fund shall consist of: --

- a) Such monies as may be appropriated by the County Assembly
- b) Such licence and other fees as may be payable under this Act
- c) Such sums as may be realized from property forfeited to the county government under this Act
- d) Sums received, including contributions, gifts or grants from or by the way of testamentary bequest by any person
- e) Monies earned or arising from any investment of the Fund
- f) All other sums which may in any manner become payable to, or vested in, the Fund

The Fund's principal activities shall be: --

- a) Carrying out the functions of the Directorate stipulated under section 4;
- b) Assisting in the operations of the Sub County Committees;
- c) Any other matter incidental to the matters stated in paragraphs (a) and (b) .

(Include any other information relevant to the users of financial information on the background of the Public Fund)

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to facilitate on behalf of the County Government of Kisumu Licensing, monitoring and evaluation of Alcoholic drinks outlets

**Kisumu Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2021.**

operating in the county of Kisumu. The core mandate is to control production, sale and distribution, of alcoholic drinks pursuant to part II of the fourth schedule of the Constitution of Kenya. Besides the above mentioned the fund should undertake research, treatment and rehabilitation of persons whose lives are affected by alcoholic drinks.

c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
	Chairman of the Board	
1	Chief Officer	Alphonse Ogik Ouya
2	Chief Officer finance	Wilson Abiero
3	Other trustees/Committee Members	
4	Fund Manager/ Administrator	Peter Collins Okoth

(This section will be applicable for Public Funds that have a Board of Trustees/Fund Administration Committee. Input names of all the members who held office during the period)

d) Key Management

Ref	Position	Name
1	Chief Officer –Business, Marketing and Enterprise	Alphonse Ogik Ouya
2	Fund Administrator	Peter Collins Okoth
3	Fund Accountant	Bella Oyugi

(Include all positions regarded as top management for the Fund).

e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

Ref	Position	Name
1	Directorate Internal Audit	Godfrey Dienya
2	County Assembly	Clerk to Assembly
3		

f) Registered Offices

P.O. Box 2837

Kisumu Alcoholic Drinks Control Fund
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Prosperity Building
Achieng Oneko Road/Highway
KISUMU, KENYA

g) Fund Contacts

Telephone: (254) 723497885

E-mail: cpd@kisumu.go.ke.com

Website: **Fund Bankers**

Kenya Commercial Bank--Kisumu

1. Kenya Commercial Bank
Kisumu Branch
P.O Box 2738 - 40100

h) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

i) Principal Legal Adviser

County Attorney

Kisumu County Government

P.O. Box 2338

40100

Kisumu, Kenya

2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE (or any other corporate governance body for the Fund)

Name	Details of qualifications and experience
1. Alphonse Ogik Ouya	D.O.B – 19 th February, 1972 Academic Qualification – Degree Professional Qualification – Accountant Work Experience – 21years Position - Chief Officer Trade and Enterprises
2. Wilson Opondo Abiero	D.O.B – 19 th February, 1982 Academic Qualification – Masters Professional Qualification – Economist Work Experience – 18years Position - Chief Officer Finance 7 Economic Planning
3. Peter Collins Okoth	D.O.B – 29 th July, 1974 Academic Qualification – Masters Professional Qualification Work Experience – 14years Position - Fund Administrator/Secretary
4. Pamela Akinyi Iro	D.O.B – 24 th November, 1968 Academic Qualification – Degree Professional Qualification Work Experience – 28years Position - Alternate Secretary

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

Guidance

Refer to the entity's annual budget and program plan report on the extent of the county government entity's progress in attaining the plan. Report on the metrics met, objectives yet to be met, challenges and opportunities of the County entity in implementation of its program plan. Refer to the strategic plan if the entity has one.

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 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 XXX County Government Entity's xx-xx(state the period of the strategic document/plan) plan are to:

- a) Provide quality physical infrastructure in the County.
- b) Provide bursary for needy students.
- c) Provide housing to staff and management.
- d) xxx
- e) xxx
- f) xxx

**Progress on attainment of Strategic development objectives (Adopted from XXXX
County- Customize as per specific county,**

**Kisumu Alcoholic Drinks Control Fund
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For the year ended June 30, 2021.**

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Bursary/ Education	To support bright and needy students to access quality education	Increased number of students accessing education in the County	% of students retained in school / transitioned to next level institutions	In FY 20/21 we increased bursary access by xx% for secondary school level. Increased number of bursary beneficiaries for Tertiary institution from xxx to xxxx in FY 2020/2021
Program 2	Objective	Outcome	Indicator	Performance

Amend the table above accordingly.

4. MANAGEMENT TEAM

Name	Details of qualifications and experience
1. Alphonse Ogik Ouya	D.O.B – 19 th February, 1772 Academic Qualification – Degree Professional Qualification – Accountant Work Experience – 18years Position - Chief Officer Trade and Enterprises
2. Wilson Opondo Abiero	D.O.B – 16 th February, 1982 Academic Qualification – Masters Professional Qualification – Economist Work Experience – 17years Position - Chief Officer Finance & Economic Planning
3. Peter Collins Okoth	D.O.B – 29 th February, 1974 Academic Qualification – Masters Professional Qualification – Planning Work Experience – 14years Position - Fund Administrator/Secretary
4. Pamela Akinyi Iro	D.O.B – 24 th November, 1968 Academic Qualification – Degree Professional Qualification Work Experience – 18years Position - Alternate Secretary
4. Etc.	
Note: The Fund Administrator will feature under both the 'Board' and 'Management'.	

5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

Put a forward note by the Chairperson of the corporate governance body responsible for the Public Fund. *Where no such body exists, include a forward note by the CEC under whose department the Public Fund was established.* May include information suc

Signed: _____ -

<Name of Chairperson>

(This report is a summarised overview of the fund and about a page or two)

Use one either the Board or Fund Administration committee as it may be appropriate)

6. REPORT OF THE FUND MANAGER/ ADMINISTRATOR

(Under this section, the Fund Administrator will give his report, which highlights the same issues as the Chairman in a more detailed format, usually 2 to 3 pages. The Fund Administrator may also mention at a high level the financial performance of the Fund).

The year under review, the fund management successfully collected Kshs. 15,269,400 of the budgeted Revenue and utilized Ksh. 11,146,359 to implement programmes/activities as per the approved budget estimates for both Recurrent and Development leaving a reserve of Ksh. 4,303,040.00 cash at Bank.

Major projects implemented by the Fund in the year under review included;

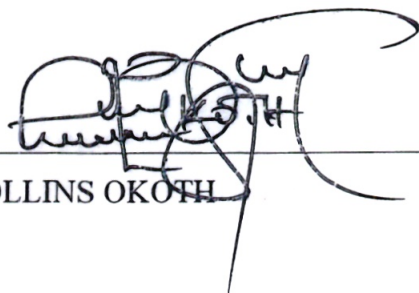
- a). Chain Link of the Masogo Nyangoma Rehabilitation Centre
- b). Payment of all Outstanding Sub County Committee Allowances
- c). Refurbishment of Nyangoma Administration Block
- d). Construction of Male dormitory

Major challenges experienced by the fund was the ravaging Covid – 19 pandemic and non-compliant outlets in the County. Covid – 19 brought a lot of restrictions and new measures which greatly affected the many business outlets. The operation hours were drastically reduced hence affecting many outlets, hence dwindling revenue from this sector. Enforcement of the Kisumu Drinks Alcoholics Act 2014 still remains hampered by both structural and logistical gaps. There is need to bring in various likeminded stakeholders to help in implementing the Act.

The directorate is also in dire need of additional staff to help implement its activities effectively. Going forward, the directorate intends to enhance enforcement and compliance in all the seven sub counties. This will help boost our revenue and also improve on compliance.

Signed: _____

PETER COLLINS OKOTH



7. CORPORATE GOVERNANCE STATEMENT

8. MANAGEMENT DISCUSSION AND ANALYSIS

The management intends to collaborate with the National Government and the Kenya Police Service to help enforce the Kisumu Alcoholics Drinks Control Act 2014. This will help weed out non-compliant outlets and bring to book operator's flouting the Act. We also intend to scale up on Awareness and Public Participation to help sensitize the public on the dangers of Alcohol and substance abuse.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING (CONTINUED)

3. Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices

The organisation should outline its efforts to:

a) Responsible competition practice.

Explain how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

b) Responsible Supply chain and supplier relations

Explain how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

c) Responsible marketing and advertisement

Outline efforts to maintain ethical marketing practices

d) Product stewardship

Outline efforts to safeguard consumer rights and interests

5. Community Engagements

Give evidence of community engagement including charitable giving (cash & material), Community Social Investment and any other forms of community (The organisation gives details of CSR activities carried out in the year and the impact to the society. The statement may also include how the organisation promotes education, sports, healthcare, labour relations, staff training and development, and water and sanitation initiatives)

10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

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

10.1 Principal activities

The principal activity/mission/ mandate of the Fund is to facilitate on behalf of the County Government of Kisumu Licensing, monitoring and evaluation of Alcoholic drinks outlets operating in the county of Kisumu. The core mandate is to control production, sale and distribution, of alcoholic drinks pursuant to part II of the fourth schedule of the Constitution of Kenya. Besides the above mentioned the fund should undertake research, treatment and rehabilitation of persons whose lives are affected by alcoholic drinks.

10.2 Performance

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

10.3 Trustees

The members of the Board of Trustee / *Administration Committee* who served during the year are shown on page xxx (*refer to the key entity information and management page*). The changes in the Board during the financial year are as shown below:

10.4 Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board

XXX

Kisumu Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2021.

Sign:

Name: _____

Chair of the Board/ *Fund Administration Committee*

Date: _____

(Use one either the Board or Fund Administration committee as it may be appropriate)

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 Kisumu County Alcoholic Drink Control Fund Act of 12th August 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 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 (*quote the applicable legislation establishing the County Public Fund*). The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date.

The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.


**Kisumu Alcoholic Drinks Control Fund
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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 _____ 2021 and signed on its behalf by:

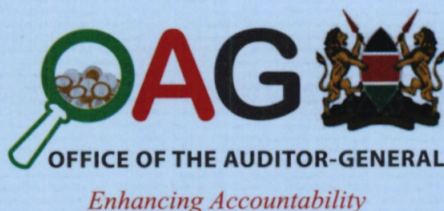


Name:   

Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KISUMU 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 the 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

Disclaimer of Opinion

I have audited the accompanying financial statements of Kisumu County Alcoholic Drinks Control Fund set out on pages 20 to 64, which comprise of 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Presentation and Disclosure of the Financial Statements

Review of the financial report and statements submitted for audit revealed the following inconsistencies.

- i. The acronyms and glossary of terms page has been omitted.
- ii. The Fund administration committee disclosure does not include photos or provide a concise description of each Board member's date of birth, key academic and professional qualifications, and work experience. In addition, the disclosure does not indicate whether the Board member is independent or an executive director and which committee of the Board the member chairs where applicable.
- iii. The statement of performance against County funds predetermined objectives, corporate governance statement, and environmental and sustainability reporting are not completed in respect to the Fund but contained details as per the prescribed template.
- iv. The statement of financial performance and report of the Fund administration committee were not signed.

In the circumstances, the financial statements do not comply with the prescribed reporting template issued by the Public Sector Accounting Standards Board (PSASB).

2. Lack of Trial Balance

The trial balance for the Fund as at 30 June, 2021 was not provided for audit verification in support of the balances in the financial statements contrary to Paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1 which requires financial statements to present fairly the financial position, financial performance and cash flows of an entity.

In the circumstances, the Management contravened Paragraph 27 of the International Public Sector Accounting Standards (IPSAS) 1 and the accuracy and existence of the financial statements balances could not be confirmed.

3. Fines, Penalties and Other Levies

The statement of financial performance reflects fines, penalties and other levies amount of Kshs.15,269,400 which, as disclosed in Note 1 to the financial statements relates to license fees collected during the year under review. However, the Fund Management did not present a register of bars and restaurants operating in the County for audit review. In addition, Management had not indicated how each category of the licenses was charged.

In the circumstances, the accuracy and completeness of the reported revenue of Kshs.15,269,400 could not be confirmed.

4. Failure to Disclose Non-Current Assets in the Financial Statements

Review of the report of the Fund Administrator indicates major projects implemented by the Fund include chain link fencing of Masogo Nyangoma Treatment and Rehabilitation Centre and building of male hostels which is ongoing. However, the following weaknesses were noted:

- i. The capital projects included in the report of the Fund Administrator together with their values have not been disclosed under property, plant and equipment.
- ii. Although an assets register was maintained, it lacked details such as accounting code of the asset, identification number, location, cost, depreciation rate, accumulated depreciation, depreciation charge for the year and net book value of the assets.
- iii. Work-In-Progress register was not maintained.
- iv. Review of payment vouchers revealed that an amount of Kshs.2,999,992 was paid to a firm in respect of construction of a male dormitory. Further, another firm was paid Kshs.2,998,136 for fencing and construction of a gate. Physical verification carried out in November, 2023 revealed that the fencing and construction of the male dormitory was complete. However, the dormitory had developed cracks on the walls even before it is put into use which is a sign of poor workmanship.
- v. Another firm was paid Kshs.306,000 for supply of nine (9) steel cabinets. However, no inventory as well as standard assets register was maintained to record these items. In addition, the items were not tagged for the purpose of identification and accountability.

In the circumstances, the accuracy and completeness of annual report and financial statements as presented could not be confirmed.

5. Unsupported Cash and Cash Equivalents

The statement of financial position reflects a balance of Kshs.4,303,041 in respect to cash and cash equivalents and as disclosed in Note 3 to the financial statements. However, the bank reconciliation, board of survey report as well as certificate of bank balances were not provided for audit.

In the circumstances, the accuracy and completeness of cash and cash equivalents balance of Kshs.4,303,041 could not be confirmed.

6. Unsupported Expenditure on General Expenses

The statement of financial performance reflects an amount of Kshs.11,146,359 in respect to general expenses and as disclosed in Note 2 to the financial statements. However, the ledgers and schedules were not provided for audit verification. In addition, fuel and oil costs expenses of Kshs.300,000 was not supported by payment vouchers, fuel register and motor vehicle work tickets while the nature of other expenses amounting to Kshs.7,855,359 which accounts for 70% of general expenses was not disclosed.

In the circumstances, the accuracy and completeness of general expenses amount of Kshs.11,146,359 could not be confirmed.

7. Unsupported Reserves

The statement of financial position reflects a balance of Kshs.180,000 in respect to reserves and the same amount is reflected in the statement of changes in net assets as opening amount for accumulated surplus. However, this balance has not been explained or supported.

In the circumstances, the accuracy of the reserves balance of Kshs.180,000 could not be confirmed.

8. Budgetary Control and Performance

The statement of comparative budget and actual amounts reflects final expenditure budget and actual on a comparable basis of Kshs.15,376,000 and Kshs.11,146,359 respectively resulting to an under expenditure of Kshs.4,229,641 or 28% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

9. Late Submission of Financial Statements

Kisumu County Alcoholic Drinks Control Fund annual report and financial statements for the year ended 30 June, 2021 were submitted to the Office of the Auditor-General on 15 November, 2023 which is approximately 13 months late. This is contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

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

10. Failure to Establish Rehabilitation Facilities in Administrative Wards

Review of records revealed that the Fund had not established treatment and rehabilitation facilities and programs for persons dependent on alcoholic drinks in the thirty-five (35) wards out of the thirty-six (36) wards in the County. This is contrary to Section 5(1)(a) of

the Kisumu County Alcoholic Drinks Control Act, 2014 which requires the Fund in collaboration with other relevant County and National Government Agencies to establish treatment and rehabilitation facilities and programs for persons dependent on alcoholic drinks in all wards.

In the circumstances, the Fund Management was in breach of the law and the Fund may not achieve its objective of promotion of research, treatment and rehabilitation of persons dependent on alcoholic drinks.

11. Excess Fund Administration Expenses

The statement of financial performance reflects an amount of Kshs.11,146,359 in respect to general expenses and as disclosed in Note 7 to the financial statements. However, this expenditure is 7.2% of the budget contrary to Regulation 197(1)(d) of the Public Finance Management (County Governments) Regulations, 2015 which requires a maximum expenditure of 3%. In addition, the general expenses should have been reported as use of goods and services as required by the reporting template.

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

12. Lack of a Strategic Plan for the Fund

Review of the records revealed that the Fund does not have a strategic plan and it is not clear how Management will work towards attaining the vision for the future and identify the Fund's goals and objectives. This was contrary to Section 4(2)(e) of the Kisumu County Alcoholic Drinks Control Act, 2014 which requires the Fund to carry out research directly or in collaboration with other institutions and serve as the repository of data and statistics related to alcoholic drinks control, develop in collaboration with other County and National Government departments strategies and plans for implementing this Act and control of alcohol abuse and any other relevant national legislation and coordinate and support their implementation.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 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 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of

Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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.

However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the Kisumu 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.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

05 March, 2024

13. FINANCIAL STATEMENTS

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

	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Fines, penalties and other levies	1	15,269,400.00	-
		15,269,400.00	-
Revenue from exchange transactions			
Interest income		-	-
Other income		-	-
Total revenue		15,269,400.00	-
Expenses			
Fund administration expenses		-	-
General expenses	2	11,146,359.40	-
Finance costs		-	-
Total expenses		11,146,359.40	-
Other gains/losses			
Gain/loss on disposal of assets		-	-
Surplus/(deficit) for the period		4,123,040.60	-

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

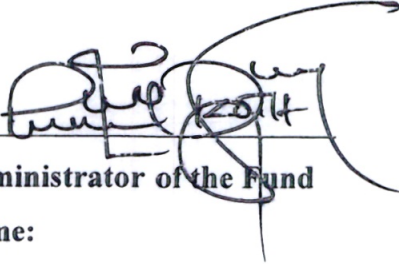
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13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	3	4,303,040.60	-
Current portion of long- term receivables from exchange transactions		-	-
Receivables from Non- exchange transactions		-	-
Prepayments		-	-
Inventories		-	-
		4,303,040.60	-
Non-current assets			-
Long term receivables from exchange transactions		-	-
Property, plant and equipment		-	-
Intangible assets		-	-
		-	-
Total assets		4,303,040.60	-
Liabilities			-
Current liabilities			-
Trade and other payables from exchange transactions		-	-
Provisions		-	-
Current portion of borrowings		-	-
Employee benefit obligations		-	-
		-	-
Non-current liabilities		-	-
Long term portion of borrowings		-	-
Non-current employee benefit obligation		-	-
Total liabilities		-	-
			-
Net assets		-	-
Revolving Fund		-	-
Reserves		180,000.00	-
Accumulated surplus		4,123,040.60	-
Total net assets and liabilities	3	4,303,040.60	-

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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 _____ 2021 and signed by:



Administrator of the Fund

Name:

Fund Accountant

Name: *Bella Dydy*

ICPAK Member Number:

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	-	-	-	-
Surplus/(deficit) for the period	-	-	180,000	180,000
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	-	-	180,000	180,000
Balance as at 1 July 2020	-	-	-	-
Surplus/(deficit) for the period	-	-	4,123,040.60	4,123,040.60
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	-	-	4,303,040.60	4,303,040.60

(Provide details on the nature and purpose of reserves)

Xxx: Where its explicit in the Fund Regulations that interest earned should form part of the revolving fund, then this interest should be included in the statement of changes in net assets under this section and not part of interest income in the statement of financial performance.*

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

	Note	2020/2021 KShs	2019/2020 KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations		-	-
Transfers from the County Government		-	-
Interest received		-	-
Receipts from other operating activities		15,269,400.00	-
Total Receipts		15,269,400.00	-
Payments			
Fund administration expenses		-	-
General expenses		11,146,359.40	-
Finance cost		-	-
Total Payments		11,146,359.40	-
Net cash flows from operating activities		4,123,040.60	-
			-
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		-	-
Repayment of borrowings		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		4,123,040.60	-
Cash and cash equivalents at 1 JULY		180,000	-
Cash and cash equivalents at 30 JUNE	3	4,303,040.60	-

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2021	2021	2021	2021	2021
	KShs	KShs	KShs	KShs	
Revenue					
Public contributions and donations	-	-	-	-	-
Transfers from County Govt.	-	-	-	-	-
Interest income	-	-	-	-	-
Other income	15,400,000	-	15,269,400	130,600	0.9915
Total income	15,400,000	-	15,269,400	130,600	0.9915
Expenses					
Fund administration expenses	-	-	-	-	-
General expenses	15,376,000	-	15,376,000	11,146,359.40	0.7249
Finance cost	-	-	-	-	-
Total expenditure	15,376,000	-	-	11,146,359.4	0.7249
Surplus for the period	24,000	-	24,000	4,123,040.60	171.793

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

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

Standard/Amendments Applicable 1 st January 2021	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.
d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard	<i>Document the impact if the fund is reporting for the first time on accrual/ Otherwise indicate that there was no impact</i>

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p>

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Standard	Effective date and impact
	<p>(a) The nature of such social benefits provided by the entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p> <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

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

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

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

ii) Revenue from exchange transactions

Interest income

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

4. Budget information

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The original budget for FY 2020/2021 was approved by the CEC Member for Finance and Economic Planning on 23rd April 2021. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. 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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection

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is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

6. Intangible assets

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

7. Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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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 a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- The debtors or a entity of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization

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- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

b) Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

8. Inventories

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

9. Provisions

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

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

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

Contingent liabilities

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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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contingent assets

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

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

11. Changes in accounting policies and estimates

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

12. Employee benefits – Retirement benefit plans

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Foreign currency transactions

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

14. Borrowing costs

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

15. Related parties

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16. Cash and cash equivalents

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

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17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Kisumu County Alcoholic Drink Control Fund Act of 12th August 2014 under the Department of Business, Cooperative and Marketing. Its ultimate parent is the County Government of Kisumu.

20. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made: e.g

a) Estimates and assumptions

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

b) Useful lives and residual values

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

- i) The condition of the asset based on the assessment of experts employed by the Entity

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- ii) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- iii) The nature of the processes in which the asset is deployed
- iv) Availability of funding to replace the asset
- v) Changes in the market in relation to the asset

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

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

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

(include provisions applicable for your organisation e.g provision for bad debts, provisions of obsolete stocks and how management estimates these provisions)

22. Financial risk management

The Fund's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Fund's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the

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potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Fund does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

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

a) Credit risk

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				

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Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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 entity has no significant concentration of credit risk .

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.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2021				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-
At 30 June 2020				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-

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Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

d) 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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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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)	-	-	-

The Fund manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

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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
2021			
Euro	10%	-	-
USD	10%	-	-
2020			
Euro	10%	-	-
USD	10%	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2021: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2020 – KShs xxx)

f) Capital risk management

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	4,303,040.60	-
Total funds	4,303,040.60	-
Total borrowings	-	-
Less: cash and bank balances	4,303,040.60	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	100%	100%

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14. NOTES TO THE FINANCIAL STATEMENTS

1. Fines, penalties and other levies

Description	2020/2021	2019/2020
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Levies	-	-
Licences	15,269,400	-
Total	15,269,400	-

(Fund revenue is mainly collected form liquor licence and application for licence fee)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. General expenses

Description	2020/2021 KShs	2019/2020 KShs
Consumables	112,530	-
Electricity and water expenses	-	-
Fuel and oil costs	300,000.40	-
Travel costs	13,000	-
Postage	-	-
Printing and stationery	39,560	-
Accommodation	627,200	-
Transfer to CRF	1,776,535	-
Telecommunication	106,000	-
Bank Charges	16,383	-
Hospitality	299,590	-
Depreciation and amortization costs	-	-
Other expenses	7,855,561	-
Total	11,146,359.40	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. Cash and cash equivalents

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

Financial Description	2020/2021		2019/2020	
	Account number	KSh	KSh	KSh
a) Fixed deposits account				
Kenya Commercial bank		-		-
Equity Bank, etc		-		-
Sub- total		-		-
b) On - call deposits				
Kenya Commercial bank		-		-
Equity Bank - etc		-		-
Sub- total		-		-
c) Current account				
Kenya Commercial bank-Kisumu		4,303,40.60		180,000
Bank B		-		xxx
Sub- total		4,303,40.60		180,000
d) Others(specify)				
Cash in transit		-		-
Cash in hand		-		-
Mobile Money		-		-
Sub- total		-		-
Grand total		4,303,40.60		180,000

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Intangible assets-software

Description	2020/2021 KShs	2019/2020 KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

6. Trade and other payables from exchange transactions

	2020/2021 KShs	2019/2020 KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

7. Provisions

	Leave provision KShs	Bonus provision KShs	Other provision KShs	Total KShs
Balance at the beginning of the year (1.07.2020)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	-	-	-	-
Change due to discount and time value for money	-	-	-	-
Transfers from non -current provisions	-	-	-	-
Balance at the end of the year (30.06.2021)	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. Borrowings

Description	2020/2021	2019/2020
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	-	-
Repayments of domestic borrowings during the period	-	-
Balance at end of the period	-	-

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

	2020/2021	2019/2020
	KShs	KShs
External Borrowings		
Dollar denominated loan from organisation'	-	-
Sterling Pound denominated loan from organisation'	-	-
Euro denominated loan from	-	-
Domestic Borrowings	-	-
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	2020/2021	2019/2020
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Employee benefit obligations

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

10. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	4,123,040.60	-
Adjusted for:		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
Net cash flow from operating activities	4,123,040.60	-

(The total of this statement should tie to the cash flow section on net cash flows from operating activities)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. 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) County Assembly;
- d) Key management;
- e) Board of Trustees; etc

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2020/2021 KShs	2019/2020 KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	2020/2021 KShs	2019/2020 KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

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d) Due from related parties

	2020/2021	2019/2020
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
Total	-	-

e) Due to related parties

	2020/2021	2019/2020
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

12. Contingent assets and contingent liabilities

	2020/2021	2019/2020
	KShs	KShs
Court case against the Fund	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

**Kisumu County Alcoholic Drinks Control Fund
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**15. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S
 RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved/ Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>

Guidance Notes:

- a) Use the same reference numbers as contained in the external audit report;
- b) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- c) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- d) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to County Treasury.

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16. APPENDIX I: INTER-ENTITY TRANSFERS

FY 2020/2021				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			-	
			-	
			-	
		Total	-	

The above amounts have been communicated to and reconciled with the parent Ministry.

Fund Administrator
Kisumu County Alcoholic Drinks Control Fund

Head of County Treasury at
Kisumu County

Sign -----

Sign-----