

REPUBLIC OF KENYA

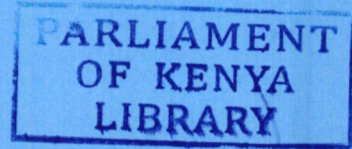


*Enhancing Accountability*

PAPERS LAID	
DATE	31/5/2023
TABLED BY	Majority Leader
COMMITTEE	—
CLERK AT THE TABLE	Chania

**REPORT**

**OF**



**THE AUDITOR-GENERAL**

**ON**

**KERICHO COUNTY ALCOHOLIC DRINKS  
CONTROL FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2022**



COUNTY GOVERNMENT OF KERICHO

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**KERICHO COUNTY ALCOHOLIC DRINKS CONTROL FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE, 2022**

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

**Kericho County Alcohol Drinks Control Fund  
Reports and Financial Statements  
For the year ended June 30<sup>th</sup>, 2022**

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## **1. Key Entity Information and Management**

### **a) Background information**

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

The fund's objective is to provide for licensing of alcoholic drinks by the County Government pursuant to Part II of the Fourth Schedule to the Constitution so as to control the production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation for persons dependent on alcoholic drinks in order to :-

(a)Protect the health of the individual in the light of the dangers of excessive consumption of alcoholic drinks;

(b)Protect persons under the age of eighteen years from negative impact on health and social development from exposure to advertisements of alcoholic drinks;

(c)Protect consumers of alcoholic drinks from misleading or deceptive inducements and inform them of the risks of excessive consumption of alcoholic drinks;

(d)Protect the health of persons under the age of eighteen years by preventing their access to alcoholic drinks;

(e)Inform and educate the residents in the county on the harmful health, economic and social consequences of the consumption of alcoholic drinks;

(f)Adopt and implement effective measures to eliminate illicit trade in alcohol including smuggling, illicit manufacturing and counterfeiting;

(g)Ensure fair and ethical business practices related to production, distribution, promotion and sale of alcoholic drinks;

(h)Reduce and mitigate the negative health, social and economic impact on communities resulting from production, sale and consumptions of alcoholic drinks.

### **b) Principal Activities**

The principal activity/mission/ mandate of the Fund is to meeting the capital and recurrent expenditure relating to carrying out the functions of the Alcoholic Drinks Control Department as stipulated under section 4 of the Act and facilitate the operations of the Sub-County, Review and Enforcement Committees.

**Kericho County Alcohol Drinks Control Fund  
Reports and Financial Statements  
For the year ended June 30<sup>th</sup>, 2022**

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**c) Fund Administration Committee**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Chairperson-CECM Trade	Hon. Charles Birech
2	Secretary- CO Trade	Victor Langat
3	Programme Officer	Joseph Rotich
4	Finance Officer	Margret Chepkorir
5	Licensing Officer	David Ruto

**d) Key Management**

<b>Ref</b>	<b>Name</b>	<b>Position</b>
1	Chairperson-CECM Trade	Hon. Charles Birech
2	Secretary- CO Trade	Victor Langat
3	Programme Officer	Joseph Rotich
4	Finance Officer	Margret Chepkorir
5	Licensing Officer	David Ruto

**e) Registered Offices**

P.O. Box 122-20200  
Trade Building  
Uhuru Gardens Avenue  
**Kericho, KENYA.**

**f) Fund Contacts**

E-mail: [info@kericho.go.ke](mailto:info@kericho.go.ke)  
Web: [www.kericho.go.ke](http://www.kericho.go.ke)  
Telephone: (254) 722 249 870

**g) Fund Bankers**

Equity Bank  
Kericho Branch  
P.O. Box 1562-20200  
Kericho, Kenya

**h) Independent Auditors**

Auditor General  
Office of The Auditor General  
Towers, University Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**i) Principal Legal Adviser**

The County Attorney  
P.O. Box 112-20200  
**Kericho, KENYA.**

**2. THE FUND ADMINISTRATION COMMITTEE**

<b>Name</b>	<b>Details of qualifications and experience</b>	<b>Passport size photo</b>
1. Hon. Charles Birech	He is the County Executive Committee Member for Trade, Industrialization, Cooperative Management, Tourism and Wildlife. He holds master's Degree in Business Administration and the Fund's chairperson.	
2. Victor Langat	He is the Chief Officer- Trade, Industrialization, Cooperative Management, Tourism and Wildlife. He holds a master's degree in Business Administration and the Secretary of the Fund	
3. Joseph Rotich	He is the Ag. Director Trade & Industrialization. He holds a master degree in Business Administration (Strategic Management) and the Program Officer of the Fund	
4. Margret Chepkorir	She the Accountant to the Department. She Holds a Master's degree in Business Administration and the Finance Officer of the Fund	
5. David Ruto	Licensing Officer	

**3. Management Team**

Name	Details of qualifications and experience	Passport size photo
1. Hon. Charles Birech	He is the County Executive Committee Member for Trade, Industrialization, Cooperative Management, Tourism and Wildlife. He holds master's Degree in Business Administration and the Fund's chairperson.	
2. Victor Langat	He is the Chief Officer- Trade, Industrialization, Cooperative Management, Tourism and Wildlife. He holds a master's degree in Business Administration and the Secretary of the Fund	
3. Joseph Rotich	He is the Ag. Director Trade & Industrialization. He holds a master degree in Business Administration (Strategic Management) and the Program Officer of the Fund	
4. Margaret Chepkorir	She the Accountant to the Department. She Holds a master's degree in Business Administration and the Finance Officer of the Fund	
5. David Ruto	Licensing Officer	

#### **4. Board/Fund Chairperson's Report**

Kericho County Alcoholic Drinks Fund is established by and derives its authority and accountability from the Kericho County Alcoholic Drinks Act, 2014. The Fund is wholly owned by the County Government of Kericho and its objective is to provide for licensing of alcoholic drinks premises by the County Government of Kericho pursuant to Part II of the Fourth Schedule of the Constitution of Kenya 2010.

The Act states that the department shall in collaboration with other relevant county and national government agencies establish treatment and rehabilitation facilities and programs for person's dependent on liquor in each sub-county. This is one of the very important functions of the Fund that is geared towards alleviating the suffering of many people who have fallen victim of alcohol addiction. In this regard the department has identified relevant partners to operationalize the same. A suitable site for the county rehabilitation centre has also been identified.

Waste Management has become a significant business issue for bars in recent years. Costs have grown dramatically; landfill capacity has become increasingly scarce and expensive. Stringent legislation has been introduced around the world to ensure optimum waste management practices in bar businesses. Opportunities have to be found to reduce, re-use and recycle waste streams, while ensuring residual waste is managed in a responsible and efficient manner in compliance with the relevant legislation.

In order to improve compliance of the liquor Act, the department will work closely with the sub county committees especially on the enforcement of the liquor regulations. This will go a long way in increasing revenue collection and providing a conducive environment for the premises dealing in liquor business.

Since the outbreak of COVID-19 in March, 2020 many liquor outlets were greatly affected. Bars and Restaurants were closed down for the better part of the year thus affecting operations, margins and revenue collection. Only wines and spirits were slightly affected given their business model allows operations even with the COVID-19 protocols issued by the Ministry of Health to combat the spread of the virus.



Hon. Charles Birech

**County Executive Committee Member- Trade, Industrialization, Cooperative  
Management, Tourism & Wildlife**

## **5. Report of The Fund Administrator**

This is the County Government of Kericho Annual Report for the Kericho County Alcoholic Drinks Fund. This report was prepared and presented as required by Section 168 of the Public Financial Management (PFM) Act 2012. The report expounds on local collections and transfers in relation to liquor licensing.

The guiding legislation is the Kericho County Alcoholic Drinks Fund, 2014 that was assented to on 29<sup>th</sup> April, 2014 and commenced on 16<sup>th</sup> May, 2014. The Fund Administrator is CEC Finance and Economic Planning and its primary purpose is meet capital and recurrent expenditure in carrying out operations of Alcoholic Drinks section under the Department of Trade.

The challenges faced during the period under review were a drop in payments for liquor licenses and a decrease in the National Government security arm collection for the County Government within the county. The County Government will endeavour to engage target groups to ensure timely collection and also sensitise the target groups on matters related to the Act and implementation of the Act.

The coming into effect of the enforcement committee assisted a great deal in enforcing the Act and making sure all outlets operate with the law. However, there is still a lot of ground to be covered to ensure all stakeholders adhere to the set rules.



Victor Langat

**Chief Officer- Trade, Industrialization, Cooperative Management, Tourism & Wildlife**

## **6. Statement of Performance Against the County Fund's Predetermined Objectives**

### **Introduction**

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity 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 fund's objective is to provide for licensing of alcoholic drinks by the County Government pursuant to Part II of the Fourth Schedule to the Constitution so as to control the production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation for persons dependent on alcoholic drinks in order to: –

- (a) Protect the health of the individual in the light of the dangers of excessive consumption of alcoholic drinks;
- (b) Protect persons under the age of eighteen years from negative impact on health and social development from exposure to advertisements of alcoholic drinks;
- (c) Protect consumers of alcoholic drinks from misleading or deceptive inducements and inform them of the risks of excessive consumption of alcoholic drinks;
- (d) Protect the health of persons under the age of eighteen years by preventing their access to alcoholic drinks;

## **7. Corporate Governance Statement**

The Kericho County Alcoholic Drinks Act, 2014 establishes four committees as follows;

### **County Alcoholic Drinks Control Department**

**Composition:**

- a) Chairperson who shall be the executive member;
- b) Chief Officer who shall be the secretary
- c) Research officer
- d) Finance officer
- e) Licensing officer

### **Sub County Alcoholic Drinks Regulation Committee**

**Composition:**

- (a) Sub-county administrator appointed under the County Governments Act who shall be the chairperson;
- (b) the sub-county public health officer;
- (c) the officer commanding Kenya Police Services in the sub-county;
- (d) the officer commanding administration police in the sub-county;
- (e) one officer designated by the Department who shall be the Secretary and who shall be an ex officio member;
- (f) the officer responsible for coordination of national government functions in the sub-county;
- (g) the officer responsible for physical planning in the sub-county;
- (h) three residents of the county appointed by the executive member

### **County Alcoholic Drinks Regulations Administrative Review Committee**

**Composition:**

- a) Chairperson who shall be the executive member;
- b) Chief Officer who shall be the secretary
- c) Research officer
- d) Finance officer

### **County Alcoholic Drinks Control Enforcement Coordinating Committee**

**Composition:**

- (a) the chief officer who shall be the chairperson of the Committee
- (b) the officer responsible for coordination of national government functions in the county
- (c) the County Public Health Officer
- (d) the officer in charge of Kenya Police Services in the county
- (e) the officer in charge of Administration Police Services in the county
- (f) one officer appointed by Kenya Bureau of Standards

**8. Management Discussion and Analysis**

The Fund/Board during the period ensured that the capital and recurrent expenditure related to carrying out the functions of the Alcoholic Drinks Control Department as stipulated under section 4 of the Kericho County Alcoholic Drinks Act, 2014 was implemented in compliance with statutory requirements and to facilitate the operations of the Sub-County, Review and Enforcement Committees .

The Covid-19 pandemic affected in a great way the operations of the fund due to constant closures of alcoholic outlets.

## **9. Environmental and Sustainability Reporting**

The Kericho County Alcoholic Drinks Fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on four pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

### **1. Sustainability strategy and profile**

The top management especially the accounting officer made reference to sustainable efforts, broad trends in political and macroeconomics affecting sustainability priorities, referred to international best practices and key achievements and failures.

### **2. Environmental performance**

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

**3. Employee welfare**

Gave 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. Explained efforts made in improving skills and managing careers, appraisal and reward systems. Disclosed the policy on safety in compliance with Occupational Safety and Health Act of 2007, (OSHA).

**4. Market place practices**

The organisation outlined its efforts on:

**a) Responsible competition practice.**

Explained 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**

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

**c) Responsible marketing and advertisement**

Outlined efforts to maintain ethical marketing practices

**d) Product stewardship**

Outlined efforts to safeguard consumer rights and interests

## **10. Report of The Trustees**

The fund committee submits their report together with the audited financial statements for the year ended June 30, 2022, which show the state of the Fund affairs.

### **10.1 Principal activities**

The principal activities of the Fund is meeting the capital and recurrent expenditure relating to carrying out the functions of the Alcoholic Drinks Control Department as stipulated under section 4 of the Act and facilitate the operations of the Sub-County, Review and Enforcement Committees.

### **10.2 Performance**

The performance of the Fund for the year ended June 30, 2022, are set out on page x.

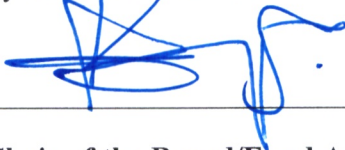
### **10.3 Trustees**

The members of the Board Committee who served during the year are shown on page vi.

### **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. Certified Public Accountants were nominated by the Auditor General to carry out the audit of the entity for the year/period ended June 30, 2022 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



Chair of the Board/Fund Administration Committee

Date: 30<sup>th</sup> September, 2022

## **11. Statement of Management's Responsibilities**

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Kericho County Alcoholic Drinks Fund, 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, 2022. 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 Kericho County Alcoholic Drinks Act, 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 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.

**Kericho County Alcohol Drinks Control Fund  
Reports and Financial Statements  
For the year ended June 30<sup>th</sup>, 2022**

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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 30<sup>th</sup> September 2022 and signed on its behalf by:

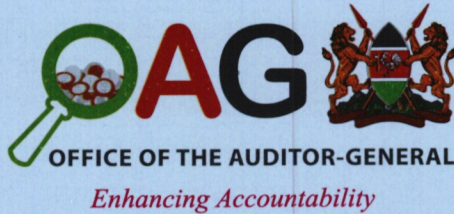
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Name:

  
Victor Langat

**Chief Officer- Trade, Industrialization, Cooperative Management, Tourism & Wildlife**

# REPUBLIC OF KENYA



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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 KERICHO COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2022**

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### **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 control, 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 Kericho County Alcoholic Drinks Control Fund set out on pages 1 to 21, which comprise of the statement of financial position as at 30 June, 2022 and the statement of financial performance, statement of

changes in net assets, statement of cash flows and the 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. Failure to Maintain a Register of Bar and Restaurant Owners**

The statement of receipts and payments and as disclosed under Note 1 to the financial statements reflects fines penalties and other levies amount of Kshs.10,633,000. However, the Fund does not have a register of bar and restaurant owners in the County. In addition, it appears that all the bars and restaurants that are licensed in the County are on the lower side. For example, out of the total revenue collected of Kshs.10,633,000, an amount of Kshs.3,672,000 was collected from eleven (11) applicants only, an indication that the County has the potential to collect more revenue under alcoholic drinks control fund. Further, charges to various traders varies and there were no criteria provided while charging for the license fees.

In absence of an updated register of alcoholic drink sellers in the County, and in absence of a defined license charge for each category of alcoholic dealer, it has not been possible to confirm whether the revenue reported is completely and accurately recorded.

#### **2. Non-automated Revenue Collection System.**

During audit review, it was noted that the County Government was collecting revenue through Riverbank Solutions Systems as a major revenue collection platform. It was further noted that prompt revenue collection from the County Alcoholics Drinks Fund was not being achieved because the stream was not automated or linked to the revenue system.

In the circumstances, the accuracy, completeness and propriety of the receipts could not be confirmed.

#### **3. Unsupported Expenditure on Use of Goods and Services**

The statement of financial performance and as disclosed in Note 2 to the financial statements reflect use of goods and services amount of Kshs.10,616,200. Review of the payment records and payment vouchers revealed amounts totaling to Kshs.9,170,110 was paid to individuals and was indicated as administration expenses, a flat amount of Kshs.500,000 was indicated as fuel and oils, while an amount of Kshs.782,000 was indicated as printing expenses. No other supporting evidence was provided in the payment vouchers.

In the circumstances, the propriety, completeness and accuracy of the amount of Kshs.10,616,200 for use of goods and services could not be confirmed.

#### **4. Fund Administration Expenses.**

The Fund had an approved budget of Kshs.10,633,000 in the year under review. Review of the fund administration expenses amounting to Kshs.10,616,200 revealed that the amount represents ninety-nine per cent (99%) of the total budget of the fund. This is contrary to section 197(1)(d) of the Public Finance Regulation (County Government) of 2015 which stipulates that the administration cost of the fund shall be a maximum of three (3%) per cent of the approved budgets of the fund.

In the circumstances, the fund management was in breach of the law.

#### **5. Delay in Establishment of Rehabilitation Centers**

Review of Kericho County Alcoholic Drinks Control Act, 2014 Part 1 section 3 indicated that some of the objectives of creating the fund was to establish research, treatment and rehabilitation centers, educating county residents on health and social consequences of alcoholic drinks and also to adopt and implement effective measures to eliminate illicit trade in alcohol including smuggling, illicit manufacturing and counterfeiting. However, it was noted that the Fund management committee did not spearhead the achievement of the set objectives.

In the circumstances, the fund has not prioritized the establishment of correctional facilities and hence the objectives for which the fund was set up may not be realized.

### **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 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 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 Kericho 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.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

17 April, 2023

## Appendix 1- Unsupported Use of Goods and services

PV No	Payee	Description	Amount (Kshs.)	Observation
KEC/LQR/V/OL.4/89 of 30.6.22	David Ruto	Being imprest to carry out enforcement of liquor license	216,000.00	<ul style="list-style-type: none"> <li>• Report/output for the 6 sub counties not provided</li> <li>• Names and positions of the Committee members for enforcement team not provided</li> <li>• Proof of travel /original work ticket No N0145 not provided</li> </ul>
KEC/LQR/V/OL.4/87 of 30.6.22	Sharon Boit	Surrender of imprest while carrying out liquor operator operation from 28 march, to 8th April, 22	500,000	<ul style="list-style-type: none"> <li>• Detailed Work plan/program not attached</li> <li>• Output/report not attached</li> <li>• Proof of movement/travel not documented</li> </ul>
KEC/LQR/V/OL.4/91 of 28.6.22	Joseph Rotich	Being claim for facilitation for liquor operation surveillance from 6th-10 June, 22	145,000	<ul style="list-style-type: none"> <li>• Output/report for 5 days not attached</li> <li>• Detailed Work plan/journey plan for 8 days</li> <li>• No approved budget</li> <li>• Prior approval not attached</li> <li>• Prove of travel/original work ticket no N900543</li> </ul>
KEC/LQR/V/OL.4/93 of 16.6.22	Lily Chepkorir	Claim for facilitation of the enforcement committee for special meeting held on 13 June, 22 in the department board room	69,500	<ul style="list-style-type: none"> <li>• Minutes for the meeting not attached</li> <li>• Invitations of letter/memo all who attended not attached</li> <li>• Agenda for the meeting not attached</li> <li>• Approved Budget not attached</li> <li>• Prior approval for the claim not attached</li> </ul>
KEC/LQR/V/OL.4/72 of 3.3.22	William Bii	Claim for second quarter (2020) sub county committee meetings	977,670	<ul style="list-style-type: none"> <li>• Provide a list of the six sub county committees members</li> <li>• Budget for the expenditure not approved</li> <li>• Calendar/work plan for each sub county committee not provided</li> <li>• Public health and physical planning approvals of premises for licensing (aina moi sub county) Q2-2021 not attached</li> <li>• Minutes/report for Bureti sub county not provided</li> <li>• Inspection report and attendance list not provided for all the six sub counties</li> </ul>

PV No	Payee	Description	Amount (Kshs.)	Observation
				<ul style="list-style-type: none"> <li>• Proof of travel/movement for inspection team not provided</li> <li>• Minutes for the six sub counties not signed</li> <li>• Prior approval for the expenditure not provided</li> </ul>
KEC/SUR/V/OL.3/21 of 3.3.22	William Bii	Claim for first quarter (2020) sub county committee meetings	980,250	<ul style="list-style-type: none"> <li>• Provide a list of the sub county committees members</li> <li>• Budget for the expenditure not approved</li> <li>• Calendar/work plan for each sub county committee not provided</li> <li>• Public health and physical planning approvals of premises for licensing (aina moi sub county) Q2-2021 not attached</li> <li>• Minutes/report &amp; attendance list not attached (belgut, aina moi &amp; Bureti)</li> <li>• Attendance list all the six sub counties committees not provided</li> <li>• Inspection report and enforcement report for all the six sub counties not provided</li> <li>• Proof of travel/movement for the inspection team for all the sub counties not provided</li> <li>• Prior approval for the claim not provided</li> </ul>
KEC/LQR/V/OL.4/90 of 13.6.22	William Bii	Claim for first quarter (2022) sub county committee meetings	768,500	<ul style="list-style-type: none"> <li>• Provide a list of names and position of the sub county committees members</li> <li>• Approved budget for the expenditure not provided</li> <li>• Calendar/work plan for each sub county committee not provided</li> <li>• Minutes for Bureti sub county not attached</li> <li>• Returns for belgut sub county committee not attached</li> <li>• Ainamoi sub county minutes not signed</li> <li>• Attendance list all the six sub counties committee not provided</li> <li>• Inspection report and enforcement report for all the six sub counties not availed</li> <li>• Proof of travel/movement for the inspection team for all the sub counties not availed</li> <li>• Prior approval for the claim not provided</li> <li>• Vetting report of late applicants for Kipkelion east not provided</li> </ul>


<b>PV No</b>	<b>Payee</b>	<b>Description</b>	<b>Amount (Kshs.)</b>	<b>Observation</b>
KEC/LQR/ V/OL.4/75 17.3.22	Sharon Boit	Claim for 3rd quarter (2022) sub county committee meetings	476500	<ul style="list-style-type: none"> <li>• Provide a list of the sub county committees members</li> <li>• Calendar/work plan for each sub county committee</li> <li>• Attendance list for the 2(Ainamoi &amp; Kipkelion west sub counties committees not provided</li> <li>• Inspection report and enforcement report for 2 sub counties not attached</li> <li>• Proof of travel/movement for the inspection team for the 2 sub counties</li> <li>• Prior approval not provided</li> </ul>
KEC/LQR/ V/OL.4/77 KEC/LQR/ V/OL.4/78 of 19.4.22	William Bii	Claim for 4th quarter(2022) sub county committee meetings and facilitation for liquor operation enforcement exerc ise from 13-17th Dec 2021	1,429250	<ul style="list-style-type: none"> <li>• No approved budget attached for the activities</li> <li>• No enforcement report attached</li> <li>• Stores records of stationery purchased and Etr receipts not provided (20,000)</li> <li>• Proof of travel/movement for the enforcement team not provided</li> <li>• Work plan/journey plan for the enforcement team not attached</li> <li>• Minutes /report &amp; inspection report sub county not attached</li> <li>• Attendance list for Kipkelion west &amp; east not attached</li> <li>• Proof of travel for all the six sub county committee for inspection teams not attached</li> <li>• Minutes for Kipkelion east not signed</li> <li>• Inspection report for all the six sub counties not attached</li> <li>• Minutes &amp; attendance for Sigowet soin sub county committee not attached</li> <li>• Attendance list for aina moi sub county committee not attached</li> </ul>

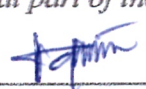
**Kericho County Alcohol Drinks Control Fund  
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For the year ended June 30<sup>th</sup>, 2022**

**13. Statement of Financial Performance For The Year Ended 30th June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations		-	-
Transfers From the County Government		-	-
Fines, Penalties and Other Levies-Licensing fees	1	10,633,000	9,087,500
		<b>10,633,000</b>	<b>9,087,500</b>
<b>Revenue From Exchange Transactions</b>			
Interest Income		-	-
Other Income		-	-
		-	-
<b>Total Revenue</b>		<b>10,633,000</b>	<b>9,087,500</b>
<b>Expenses</b>			
Employee Costs		-	-
Use of goods and services	2	10,616,200	9,148,860
Depreciation and Amortization Expense		-	-
Finance Costs		-	-
<b>Total Expenses</b>		<b>10,616,200</b>	<b>9,148,860</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets		-	-
<b>Surplus/(Deficit) For the Period</b>		<b>16,800</b>	<b>(61,360)</b>

*(The notes set out on pages 19 to 20 form an integral part of these Financial Statements)*

  
Name: Victor Langat  
Administrator of the Fund

  
Name: Fernandes Korir  
Fund Accountant  
ICPAK Member Number: 13966

**Kericho County Alcohol Drinks Control Fund  
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**14. Statement of Financial Position as at 30 June 2022**

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	17,400	600
Current Portion of Long- Term Receivables From Exchange Transactions		-	-
Prepayments		-	-
Inventories		-	-
	3	<b>17,400</b>	<b>600</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment		-	-
Intangible Assets		-	-
Long Term Receivables from Exchange Transactions		-	-
		-	-
<b>Total Assets</b>	3	<b>17,400</b>	<b>600</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions		-	-
Provisions		-	-
Current Portion of Borrowings		-	-
Employee Benefit Obligations		-	-
		-	-
<b>Non-Current Liabilities</b>		-	-
Non-Current Employee Benefit Obligation		-	-
Long Term Portion of Borrowings		-	-
<b>Total Liabilities</b>		-	-
		-	-
<b>Net Assets</b>		-	-
Revolving Fund		-	-
Reserves		-	-
Accumulated Surplus		-	-
<b>Total Net Assets and Liabilities</b>	3	<b>17,400</b>	<b>600</b>

**Kericho County Alcohol Drinks Control Fund  
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For the year ended June 30<sup>th</sup>, 2022**

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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 30<sup>th</sup> September 2022 and signed by:



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**Name: Victor Langat**  
**Administrator of the Fund**



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**Name: Fernandes Korir**  
**Fund Accountant**  
**ICPAK Member Number: 13966**

**Kericho County Alcohol Drinks Control Fund  
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**15. Statement Of Changes in Net Assets for the year ended 30<sup>th</sup> June 2022**

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
<b>Balance As At 1 July 2020</b>	-	-	61,960	61,960
Surplus/(Deficit) For the Period	-	-	(61,360)	(61,360)
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2021</b>	-	-	600	600
	-	-		
<b>Balance As At 1 July 2021</b>	-	-	600	600
Surplus/(Deficit) For the Period	-	-	16,800	16,800
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
<b>Balance As At 30 June 2022</b>	-	-	17,400	17,400



**Name: Victor Langat  
Administrator of the Fund**



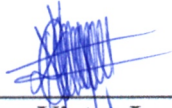
**Name: Fernandes Korir  
Fund Accountant  
ICPAK Member Number: 13966**

16. Statement Of Cash Flows For The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		-	-
Receipts from other operating activities	1	10,633,000	9,087,500
<b>Total receipts</b>		<b>10,633,000</b>	<b>9,087,500</b>
<b>Payments</b>			
Fund administration expenses	2	9,170,110	7,213,200
General expenses	2	1,324,420	1,760,660
Finance cost		-	-
Other payments-CRF	2	121,670	175,000
		<b>10,616,200</b>	<b>9,148,860</b>
<b>Net cash flows from operating activities</b>		<b>16,800</b>	<b>(61,360)</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>		<b>-</b>	<b>-</b>
Cash and cash equivalents at 1 July	3	600	61,960
<b>Cash and cash equivalents at 30 June</b>	<b>3</b>	<b>17,400</b>	<b>600</b>

**Kericho County Alcohol Drinks Control Fund  
Reports and Financial Statements  
For the year ended June 30<sup>th</sup>, 2022**

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**Name: Victor Langat**  
**Administrator of the Fund**



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**Name: Fernandes Korir**  
**Fund Accountant**  
**ICPAK Member Number: 13966**

**Kericho County Alcohol Drinks Control Fund  
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**17. Statement Of Comparison Of Budget And Actual Amounts For The Period**

	<b>Original budget</b>	<b>Adjustments</b>	<b>Final budget</b>	<b>Actual on comparable basis</b>	<b>Performance difference</b>	<b>% Utilization</b>
	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>
<b>Revenue</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Public Contributions And Donations	-	-	-	-	-	
Transfers From County Govt.	-	-	-	-	-	
Interest Income	-	-	-	-	-	
Other Income	10,970,000	-	10,970,000	10,633,000	-	96.9%
<b>Total Income</b>	<b>10,970,000</b>	<b>-</b>	<b>10,970,000</b>	<b>10,633,000</b>	<b>-</b>	<b>96.9%</b>
<b>Expenses</b>						
Fund Administration Expenses	9,280,000	-	9,280,000	9,170,110	110,000	98.2%
General Expenses	1,460,000	-	1,460,000	1,446,090	13,910	99.0%
Finance Cost	-	-	-	-	-	
<b>Total Expenditure</b>	<b>10,840,000</b>	<b>-</b>	<b>10,840,000</b>	<b>10,616,200</b>	<b>223,800</b>	<b>97.9</b>
<b>Surplus For The Period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>16,800</b>	<b>-</b>	

**Kericho County Alcohol Drinks Control Fund  
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**18. Notes to the Financial Statements**

**1. General Information**

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

Kericho County Alcoholic Drinks Fund entity is established by and derives its authority and accountability from Kericho County Alcoholic Drinks Act, 2014. The entity is wholly owned by the Kericho County Government and is domiciled in Kenya. The entity's principal activity is The fund's objective is to provide for licensing of alcoholic drinks by the County Government pursuant to Part II of the Fourth Schedule to the Constitution so as to control the production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation for persons dependent on alcoholic drinks .

**2. 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.

**3. Adoption of new and revised standards**

**(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022**

IPSASB deferred the application date of standards from 1<sup>st</sup> January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1<sup>st</sup> January 2023.

**(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022**

<b>Standard</b>	<b>Effective date and impact:</b>
<b>IPSAS 41: Financial Instruments</b>	<b>Applicable: 1<sup>st</sup> January 2023:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant

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Standard	Effective date and impact:
	<p>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"> <li>• 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;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• 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.</li> </ul>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></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> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> </ul>

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Standard	Effective date and impact:
	<p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1st January 2023:</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other improvements to IPSAS</p>	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p>

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Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

**(iii) Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2022.

**Kericho County Alcohol Drinks Control Fund  
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For the year ended June 30<sup>th</sup>, 2022**

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**1. Significant Accounting Policies**

**a) 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.

**b) Budget information**

The original budget for FY 2021-2022 was approved by the County Assembly on xxxx. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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 16 of these financial statements.

**Kericho County Alcohol Drinks Control Fund  
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**c) 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.

**d) 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.

**a) 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.

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***Held-to-maturity***

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

***Impairment of financial assets***

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

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

***Financial liabilities***

***Initial recognition and measurement***

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

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

***Loans and borrowing***

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

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**b) 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.

**c) Provisions**

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

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

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

***Contingent liabilities***

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

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***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.

**d) 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.*

**e) 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.

**f) Employee benefits – Retirement benefit plans**

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

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

**g) 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.

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**h) 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.

**i) Related parties**

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

**j) 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 Equity Bank at the end of the financial year. For the purposes of these financial statements.

**k) Comparative figures**

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

**l) Events after the reporting period**

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

**m) Ultimate and Holding Entity**

The entity is a County Public Fund established by Kericho County Alcoholic Drinks Act, 2014 under the Ministry of Trade, Industrialization, Cooperative Management, Tourism and Wildlife. Its ultimate parent is the County Government of Kericho.

**n) Currency**

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

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**5. 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:

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

**c) Provisions**

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

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

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**5. Notes To the Financial Statements**

**1. Fines, penalties and other levies**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Late Payment Penalties	-	-
Licences	10,633,000	9,087,500
<b>Total</b>	<b>10,633,000</b>	<b>9,087,500</b>

**2. Use of Goods and Services**

<b>Description</b>	<b>2021/22</b>	<b>2020/21</b>
	<b>Kshs.</b>	<b>Kshs.</b>
General Office Expenses	-	-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	9,170,110	7,213,200
Committee Allowances	-	-
Bank Charges	-	-
Electricity And Water Expenses	-	-
Fuel And Oil Costs	500,000	-
Insurance Costs	-	-
Postage And Courier	-	-
Printing And Stationery	782,000	1,256,600
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	-	-
Bank Charges	22,620	64,060
Audit Fees	-	-
Return to CRF	121,670	175,000
Purchase of tyres	-	440,000
Other (Reversal)	19,800	-
<b>Total</b>	<b>10,616,200</b>	<b>9,148,860</b>

The reversal was from an erroneous deposit from an agent to the bank.

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**3. Cash and cash equivalents**

<b>Description</b>	<b>2021-2022</b>	<b>2020-2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Alcoholic fund account	17,400	600
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	17,400	600
Others	-	-
<b>Total Cash And Cash Equivalents</b>	<b>17,400</b>	<b>600</b>

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

<b>Financial Institution</b>	<b>Account number</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs</b>	<b>Kshs</b>
<b>a) Fixed Deposits Account</b>			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
<b>Sub- Total</b>		-	-
<b>b) On - Call Deposits</b>			
Kenya Commercial Bank		-	-
Equity Bank - Etc.	280263621889	17,400	600
<b>Sub- Total</b>		<b>17,400</b>	<b>600</b>
<b>c) Current Account</b>			
Kenya Commercial Bank		-	-
Bank B		-	-
<b>Sub- Total</b>		-	-
<b>d) Others(Specify)</b>			
Cash In Transit		-	-
Cash In Hand		-	-
<b>Sub- Total</b>		-	-
<b>Grand Total</b>		<b>17,400</b>	<b>600</b>

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**19. 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.	Budgetary Control and Performance.	Documentary evidence was attached	Resolved	
2.	Fund Administration Expenses	under absorption was not realized due to under collection because of Covid-19 pandemic.	Resolved	
3.	No budgetary allocation was made towards the establishment of treatment and rehabilitation centers as provided for in section 5 of the Kericho County Alcoholic Drinks Act, 2014	The department also requested for funding from the County Treasury.	Not resolved	1Year