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REPORT

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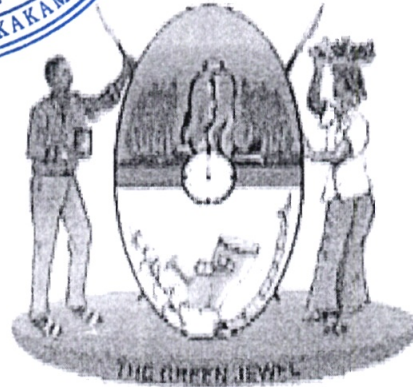
PAPERS LAID	
DATE	12/03/2024
TABLED BY	MAJORITY LEADER
COMMITTEE	FINANCE
CLERK AT THE TABLE	CHEROP

THE AUDITOR-GENERAL

ON

KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND

FOR THE YEAR ENDED 30 JUNE, 2023



KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023

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

Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023

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2. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings

b) Glossary of Terms

Fiduciary Management The key management personnel who had financial responsibility

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3. Key Entity Information and Management

a) Background information

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

The fund's objective is to provide for licensing of alcoholic drinks by the County Government of Kakamega.

b) Principal Activities

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

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

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Chairperson	N/A
2	Other trustees/Committee Members	N/A
3	Fund Manager/ Administrator	Mr. Benson Namayi Ochomo
4	CPA. Jemimah Omeno	Fund Accountant

(The fund is not fully established hence there's no Board or Fund Administration Committee)

d) Key Management Team

Ref	Name	Position
1	Ben Namayi Ochomo	Director
2	Dr. June Mwajuma	Chief Officer, Finance
3	Priscah Otipa	Chief Officer Public Service
4	CPA. Jemimah Omeno	Fund Accountant

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e) Fiduciary Oversight Arrangements

No	Entity	Role
1	Audit Committee and Finance committee activities	Provide oversight of the financial reporting process, the audit process, the system of internal controls and compliance with laws and regulations
2	Senate Committee Activities	Legislation, Oversight and Representation
3	County Assembly	Legislation, Oversight and Representation
4	Development partner oversight activities	Predominant roles played by development partners have been shown to include capacity building, project planning, lobbying and advocacy, others (including resource mobilization) and financing respectively
5	Controller of Budget	This role involves overseeing the implementation of the budgets of both national and county governments. The Controller of Budget in this role therefore monitors the use of public funds in-year and reports to Parliament on how the funds have been utilised.

**Kakamega County Alcoholic Drinks Control Fund
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6	Office of the Auditor General	The Auditor-General (AG) is mandated to audit and report on the use and management of public resources by public entities. Article 229(6) of the Constitution requires the Auditor-General to confirm whether public money has been applied lawfully and in an effective way
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f) Registered Offices

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

g) Fund Contacts

E-mail: doadc@kakamega.go.ke
Website: www.kakamega.go.ke

h) Fund Bankers

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

i) Independent Auditors

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

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j) Principal Legal Adviser



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

k) County Attorney

Principal Legal Adviser-County Attorney

Kenyatta Avenue
P.O. Box 36
Kakamega, KENYA

4. Management Team

Name	Details of qualifications and experience
 <p>1. Dr. June Jeophita Mwajuma</p>	<p>Doctorate in Environmental Microbiology Master of Science degree in Microbiology Bachelor of Science degree (Botany/Zoology) from Kenyatta University Chief Officer Finance and Budget</p>
 <p>2. CHRP Prisca Otipa</p>	<p>Bachelors Degree in HRM, Masters HRM and CHRP Chief Officer Public Service</p>

**Kakamega County Alcoholic Drinks Control Fund
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3. Mr. Benson Ochomo

Bachelor of Theology Degree
Higher Diploma in Counselling Studies
Diploma in Business Administration
24 years of experience in public service



4. CPA Jemimah Omeno

Bachelors of Commerce Finance & CPA(K)
Fund Accountant
13 years experience in finance related duties

Kakamega County Alcoholic Drinks Control Fund
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5. Fund Chairperson's Report

The Kakamega Alcoholic Drinks Control Fund was established in the year 2014 after enactment of the parent Act by the Kakamega County Assembly. The Fund is domiciled in the department of Public Service and Administration.

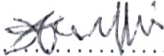
All revenue accruing from the alcoholic drinks licensing process is collected at the Fund Account at the National Bank of Kenya, Kakamega Branch. The current practice has been that the money received is transferred to the County Revenue Fund at the close of every year as guided by the County Treasury. During the Financial Year 2022/2023, the amount collected by the fund was Ksh.18,665,500. Payments for licenses by traders were however still in progress as the licensing period begins in January and ends in December. Besides revenue from alcoholic drinks licensing, the Directorate also undertook other activities based on the core functions as laid out in the performance contract, signed by the CEC Member for Public Service and Administration and as stipulated by the Alcoholic Drinks Control Act 2014 and based on the budget for the Financial Year.

The activities during the financial year included:-

- a) Regulation of production, sale and consumption of alcoholic drinks within the County through licensing process and law enforcement activities.
- b) Public awareness and education on adverse effects of alcohol and drug abuse within the County.
- c) Undertake treatment and rehabilitation programmes for people with substance use disorders.
- d) Implementation of the Employee Assistance Programme for prevention and management of alcohol and drug abuse at the work place.

The Directorate also pursued community based participation initiative for prevention of alcohol and drug abuse as part of pursuance of the County Government corporate social responsibility. Under this initiative, one Behaviour Change SACCO operating in Butere Sub County was granted Ksh 500,000.00 by the County Department of Agriculture and Cooperatives Development for a poultry project.

Management of the County Alcoholic Drinks Control Fund is compliant with all statutory requirements which includes the Public Finance Management Act (2012) and the Alcoholic Drinks Control Act 2014, which establishes the Fund.

Name BENSON OCHOMO Signature  Date 30/6/2023

Chairperson of the Board/Fund

**Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

6. Report of The Fund Administrator

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

Mandate

The mandate of the directorate includes:

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

Management of funds

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

Operation of the fund

The Alcoholic Drinks Control Fund Account at National Bank of Kenya is the directorate's main revenue collection account. All the money received from applications and licensing is swiped to Kakamega County Revenue Fund Account at Central Bank. Total revenue received as at 30th June 2023 was Ksh.18,665,500.

Name GENEVA OCHOMO Signature  Date 30/6/2023

Fund Administrator

Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023

7. Statement of Performance Against the County Fund’s Predetermined Objectives

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 Directorate of Alcoholic Drinks Control 2018-2022 plan are to:

- a) Regulate production, sale and consumption of alcoholic drinks within the County through the licensing process and law enforcement activities.
- b) Coordinate public awareness and education on adverse effects of alcohol and drug abuse within the County.
- c) Coordinate Implementation of County Workplace Policy on prevention and management of alcohol and drug abuse
- d) Operationalize County treatment and rehabilitation Centre
- e) Build capacity of the directorate

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Coordination of alcoholic drinks control	To regulate production, distribution, promotion, sale and consumption of alcoholic drinks within the County	Reduced peddling of illicit/contraband/counterfeit drinks.	Flow of revenue from the traders paying for licenses.	Total invoiced traders during the FY were 1182.
		Traders and consumers follow control hours for opening and closing of their outlets.	Number of licenses issued.	Enforcement exercise done in all sub counties between April, May and June.
		Controlled and orderly distribution, sale of licit alcoholic drinks in the County.	Reduced prevalence of illicit and contraband drinks	A total of 61 outlets closed for noncompliance
		Controlled advertisements for alcoholic drinks within the County	No of outlets closed. Absence of advertisements	
Public	Coordinate	Less number of adolescents	No of community	Conducted

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<p>awareness and education on alcohol and drug abuse.</p>	<p>public awareness and education on adverse effects of alcohol and drug abuse within the County</p>	<p>using alcohol and drugs</p> <p>Increased awareness and participation by all stakeholders and vulnerable groups.</p> <p>Reduced number of people using illicit alcoholic drinks.</p> <p>Increased number of people venturing into income generating activities.</p> <p>Less demand for psychotropic substances among the young people</p>	<p>based activities</p> <p>No of participant groups</p> <p>No of church based sensitization meetings.</p> <p>No of education institutions sensitized on Alcohol Drug Abuse.</p>	<p>outreach activities for 20 community based behaviour change groups in 4 Sub counties.</p> <p>Behaviour change SACCO in Butere received 0.5M grant from County Government.</p> <p>Conducted Alcohol Drug Abuse education meetings for 8 church based youth activities.</p> <p>Held sensitization meetings for trainees in 6 County Polytechnics (Centres of excellence), 3secondary schools and 2national vocational colleges</p>
<p>County ADA</p>	<p>Coordinate</p>	<p>Functional and effective</p>	<p>No of staff</p>	<p>A total of 28</p>

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and rehabilitation services	the County treatment and rehabilitation centre	the residents of Kakamega County Reduced number of mortality arising from drug addiction and related complications	Draft Guidelines for treatment and rehabilitation services developed No of technical and medical staff deployed/engaged Amount of resources committed to the Facility	Procurement for the remaining works done. Treatment and Rehabilitation Guidelines drafted and is in process for approval by the Cabinet.
Build the capacity of the Directorate	Enhance the Directorate's effectiveness in its service delivery.	Improved efficiency in service delivery; Increased no of services available; Availability of research data; Expanded interface with the public.	Monthly record of outlets and status Accurate no of traders/clients No of research activities done	Mapping of outlets done. Online platform not established due to budget constraints. The planned survey did not take place due to budget constraints.

8. Corporate Governance Statement

This is the way through which the Directorate of Alcoholic Drinks relates itself with the communities within the County for purpose of achieving a balance of economic, environmental and social imperatives.

Behaviour Change Communication and Development Programme

The directorate initiated and is the coordinator for the programme which has continued to benefit 100 Community Based Groups and 3 Community Based Organisations in Butere, Lugari, Lurambi and Ikolomani. The purpose of the community based initiative is to build a sustainable behaviour change process that will yield supply suppression and demand reduction for alcohol and other psychotropic substances especially alcohol and tobacco use. This is facilitated through public awareness and education programme of the Directorate. A total of 94 groups in Butere Sub County registered a Savings and Credit Cooperative in May 2021. The SACCO received County Government support of 0.5 million during the financial year 2021/2022. The groups have also benefited from the Anglican Development Organization, a church based Non-Governmental Organization.

The purpose is to encourage the members to change their attitude regarding *chang'aa* business in preference for other income generating activities.

Institution Based Programme

This is a strategy which targets the young people in County Polytechnics and Schools within Kakamega County. The objective is to reach out to as many young people as possible and sensitize them on prevention of alcohol and drug abuse. Our goal is to achieve delay in early initiation of children and young people into use of alcohol and psychotropic drugs.

During the Financial year the programme was adversely affected by lack of a vehicle to facilitate staff transportation..

Public Education/Awareness

The Directorate has developed its own Information and Educational Communication materials. Its staff have been involved in facilitation of meetings, youth conferences and handling individuals afflicted with substance use disorders. The Directorate has set up an ongoing public awareness programme and is working in liaison with the national and county administration, Public Health Department and Churches.

During the Financial year the programme was adversely affected by budget constraints and lack of a vehicle.

Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Workplace Alcohol Drug Abuse Prevention and Management Programme

The directorate coordinates the implementation of the County Employee Assistance Programme.

During the Financial year 2022/2023, the 14 appointed workplace department ADA committees were sensitized. Sensitization meetings were also held for staff in the departments of Agriculture, County Public Service Board, Social Services, Public Health, Finance and Trade on adverse effects of alcohol and drug abuse.

A total of 120 staff benefited from the Counselling services and residential rehabilitation which is being coordinated by the Directorate.

9. Management Discussion and Analysis

Kakamega County Alcoholic Drinks Control Fund was established in the year 2014. It is domiciled in the ministry of Public Service and Administration. The Alcoholic Drinks Control Fund Account at National Bank of Kenya is the directorate's main revenue collection account. All the money received from applications and licensing is swiped to Kakamega County Revenue Fund Account at Central Bank. Total revenue received from liquor licences as at 30th June, 2023 was **Ksh.18,665,500**. As at 30th June 2023 comprised the cash and cash equivalents amounting to Ksh. 17,842,024.50. The fund is viewed as a going concern and it's expected to perform better in the coming years.

10. Environmental and Sustainability Reporting

Kakamega 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 5 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 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.

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

11. Report of the Trustees

The Trustees submit their report together with the audited financial statements for the year ended June 30th, 2023 which show the state of the Fund affairs.

Principal activities

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

Results

The results of the Fund for the year ended June 30th, 2023 are set out on pages 1 to 5

Trustees

The fund does not have trustees

Auditors

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

By Order of the Board



.....
Fund Administrator

Date: 30/6/2023

**Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

12. Statement of Management’s Responsibilities

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

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund’s financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2023. 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. 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, 2023, and of the Fund’s financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund’s financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund’s ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. OR

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

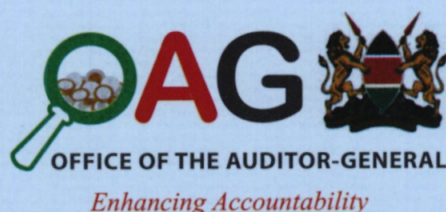
The Fund’s financial statements were approved by the Board on 30/6/23 2023 and signed on its behalf by:



.....
**Administrator
Kakamega County Alcoholic Drinks Control Fund**

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2023

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

Qualified Opinion

I have audited the accompanying financial statements of Kakamega County Alcoholic Drinks Control Fund set out on pages 1 to 40 which comprise of the statement of financial

Report of the Auditor-General on Kakamega County Alcoholic Drinks Control Fund for the year ended 30 June, 2023

position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kakamega County Alcoholic Drinks Control Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kakamega County Alcoholic Drinks Control Fund Act, 2014.

Basis for Qualified Opinion

1. Inaccuracy in the Opening Balance of Cash and Cash Equivalents

The statement of cash flows and statement of financial position reflects a cash and cash equivalents opening balance of Kshs.18,877,125. However, the balance is at variance with the closing balance of Kshs.18,598,911 reflected in the audited statement of cash flows for the year ended 30 June, 2022. The variance of Kshs.278,214 has not been explained or reconciled.

In the circumstances, the accuracy and completeness of the cash and cash equivalents opening balance of Kshs.18,877,125 could not be confirmed.

2. Inaccuracy of Property Plant and Equipment

The financial statements reflects Kshs.539,085 in respect of property, plant and equipment as disclosed in Note 8. However, during the year under review, the Fund did not maintain an updated fixed assets register which shows details relating to: name of asset, date of acquisition, supplier, cost, unique identification number, location, accumulated depreciation and net book value.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.539,085 shown in the statements of financial position could not be confirmed.

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

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budget Control and performance

The statement of comparison of budget and actual amounts reflects approved budget and actual on comparable basis amounts of Kshs.32,665,660 and Kshs.18,665,500 respectively, resulting to under-funding of Kshs.14,000,160 or 43% of the budget. Similarly, the statement reflects actual expenditure of Kshs.19,795,623 against approved budget of Kshs.32,665,660 resulting to under-performance of Kshs.12,870,037 or 39% of the budget.

The under-funding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion, however, is not modified on this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Failure to Establish Alcoholic Treatment and Rehabilitation Facilities and Programs

The Fund did not establish alcoholic treatment and rehabilitation facilities and programmes as required by Section 5(1) of the Kakamega County Alcoholic Drinks Control Act, 2014 which requires the establishment of treatment and rehabilitation facilities and programs for persons dependent on alcoholic drinks in each Ward.

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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance

about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 overall 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 its operations.

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors

compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

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

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


 FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

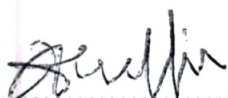
31 January, 2024

Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023

14. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Revenue From non Exchange Transactions			
Transfers From the County Government	1	-	2,610,265
Revenue From Exchange Transactions			
Fines, Penalties and Other Levies	2	18,665,500	18,598,911
		18,665,500	21,209,176
Total Revenue		18,665,500	21,209,176
Expenses			
Use of goods and services	3	600	2,610,265
Depreciation and Amortization Expense	4	95,023	146,973
Finance Costs	5	-	-
Transfer to CRF	6	19,700,000	
Total Expenses		19,795,623	2,757,238
Surplus/(Deficit) for the year		(1,130,123)	18,451,939

(The notes set out on pages 18 to 27 form an integral part of these Financial Statements)



.....
Name: Mr. Benson Ochomo
Administrator of the Fund



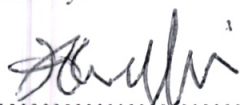
.....
Name: CPA Omeno Jemimah Anzabwa
Fund Accountant
ICPAK Member Number: 17535

Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023

15. Statement of Financial Position As at 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	7	17,842,025	18,877,125
Total current assets		17,842,025	18,877,125
Non-Current Assets			
Property, Plant and Equipment	8	539,085	634,108
Total non- current assets		539,085	634,108
Total Assets		18,381,110	19,511,233
Liabilities			
Current Liabilities			
		-	-
Total current liabilities		-	-
Non-Current Liabilities			
Long Term Portion of Borrowings		-	-
Total Liabilities		-	-
Net Assets		18,381,110	19,511,233
		-	-
Accumulated Surplus		18,381,110	19,511,233
Total Net Assets and Liabilities		18,381,110	19,511,233

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 30/06/2023 and signed by:



.....
Name: BENSON OTUMORO
Administrator of the Fund



.....
Name: CPD Jemima Omoro
Fund Accountant
ICPAK Member Number: 17535

Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023

16. Statement Of Changes in Net Assets for the year ended 30th June 2023

Description	Accumulated Fund	Accumulated surplus	Total
	Kshs	Kshs	Kshs
Balance As At 1 July 2021	4,837,560	(3,778,266)	1,059,294
Surplus/(Deficit) For the Period		18,451,939	18,451,939
Funds Received During the Year		-	-
Transfers		-	-
Revaluation Gain		-	-
Balance As At 30 June 2022	4,837,560	14,673,673	19,511,233
Balance As At 1 July 2022	4,837,560	14,673,673	19,511,233
Surplus/(Deficit) For the Period		(1,130,123)	(1,130,123)
Funds Received During the Year	-		
Transfers		-	-
Revaluation Gain	-	-	-
Balance As At 30 June 2023	4,837,560	13,543,550	18,381,110

(Provide details on the nature and purpose of reserves)

**Kakamega County Alcoholic Drinks Control Fund
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17. Statement of Cash Flows for The Year Ended 30 June 2023

Description	Note	2022/2023	2021/2022
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Transfers From the County Government (Payments made through IFMIS)	1	-	2,610,265
Receipts from other operating activities	2	18,665,500	18,598,911
Total receipts		18,665,500	21,209,176
Payments			
Use of Goods	3	(600)	(2,757,238)
Transfer to CRF	6	(19,700,000)	-
Finance cost		-	-
Net cash flows from operating activities		(1,035,100)	18,451,939
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Proceeds from revolving fund receipts		-	146,973
Net cash flows used in financing activities		-	146,973
Net increase/(decrease) in cash & cash Equivalents		(1,035,100)	-
Cash and cash equivalents at 1 July,2022		18,877,125	278,214
Cash and cash equivalents at 30 June,2023	7	17,842,025	18,598,911

(PSASB has prescribed the direct method of cash flow preparation/ presentation for all entities under the IPSAS accrual basis of accounting.)

Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023

18. Statement Of Comparison Of Budget And Actual Amounts For The Year ended 30th June, 2023

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Transfers From County Government	7,985,063	(319,403)	7,665,660	-	7,665,660	-
Fines, Penalties and Other Levies	25,000,000	-	25,000,000	18,665,500	6,334,500	75%
Total Income	32,985,063	(319,403)	32,665,660	18,665,500	14,000,160	57%
Expenses						
Use of goods and services	7,985,063	(319,403)	7,665,660	600	7,665,060	0.008
Depreciation and Amortization Expense	-	-	-	95,023	(95,023)	-
Transfer to CRF	25,000,000	-	25,000,000	19,700,000	5,300,000	79%
Finance cost	-	-	-	-	-	-
Total Expenditure	32,985,063	(319,403)	32,665,660	19,795,623	12,870,037	61%
Surplus For the year	-	-	-	(1,130,123)	-	-
Capital expenditure	9,500,000	-	9,500,000	-	9,500,000	-

Budget notes

1. The fund could not achieve the targeted revenue because of non-disbursements of funds from county treasury and lack of capacity
2. The fund could not spent above 90% because of challenges occasioned by delayed disbursement of exchequer and county treasury funds.
3. The depreciation component had not been budgeted but going forward the management of the fund will be providing for depreciation and amortisation expense.

19. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

Kakamega County Alcoholic Drinks Control Fund is established by and derives its authority and accountability from Alcoholic Drinks Control Act 2014. The entity is wholly owned by the Kakamega County Government and is domiciled in Kenya. The entity's principal activity is to regulate production, sale and consumption of alcoholic drinks within the County through licensing process and law enforcement activities.

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) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</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. 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

Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	<p>cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> • 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>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</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"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity’s financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were

Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Standard	Effective date and impact
	<p>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>
Other improvements to IPSAS	<p><i>Applicable 1st January 2023</i></p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st 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> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

**Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires, 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> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

4. Summary of 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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The original budget for FY 2022/2023 was approved by the County Assembly on 30/06/2023. 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. Accordingly, the Fund recorded additional appropriations of Nil on the FY 2022/2023 budget following the governing body's approval.

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.

Summary of Significant Accounting Policies (Continued)

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 xxx of these financial statements.

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.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an xx-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.**(entity to amend appropriately)** Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Summary of Significant Accounting Policies (Continued)

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

g) 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.

h) 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.

i) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

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

k) 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.*

l) 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.

m) 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.

Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) 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.

q) Cash and cash equivalents

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

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgements and sources of estimation uncertainty

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgements, 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. 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)

Kakamega County Alcoholic Drinks Control Fund
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6. Notes To The Financial Statements Continued

1. Transfers from County Government

Description	2022/2023	2021/2022
	Kshs	Kshs
Transfers From County Government	-	2,610,265
Payments By County On Behalf Of The Entity	-	-
Unconditional Development grants	-	-
Total	-	2,610,265

2. Fines, penalties and other levies

Description	2022/2023	2021/2022
	Kshs	Kshs
Fines, penalties and other levies	18,665,500	18,598,911
Total	18,665,500	18,598,911

3. Use of Goods and Services

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Electricity	-	61,556
Water expenses and Sewerage	-	8,000
Telephone	-	47,000
Travel Cost	-	101,405
Accommodation-Domestic	-	488,150
Daily Subsistence Allowance	-	592,050
Publishing and Printing services	-	59,600
Advertisement, Awareness and Public campaign	-	68,800
Accommodation Allowance	-	-
Scholarship and other educational benefits	-	-
Motor vehicles maintenance	-	-
Catering Services	-	396,254
Boards and Committees	-	637,450
Contracted professional services	-	150,000
Bank Charges	600	-
Total	600	2,610,265

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4. Depreciation and Amortization Expense

Description	2022/2023	2021/2022
	Kshs.	Kshs.
Property Plant and Equipment	95,023	146,973
Intangible Assets	-	-
Total	95,023	143,973

5. Finance costs

Description	2022/2023	2021/2022
	Kshs	Kshs
Interest On Loans From Banks	-	-
Total	-	-

6. Transfer to CRF

Description	2022/2023	2021/2022
	Kshs	Kshs
Transfer to CRF	19,700,000	
	-	-
Total	19,700,000	-

7. Cash and cash equivalents

Description	2022/2023	2021/2022
	Kshs	Kshs
Current Account	17,842,025	18,877,125
Total Cash And Cash Equivalents	17,842,025	18,877,125

Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes to the Financial Statements Continued

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

Financial Institution	Account number	2022/2023	2021/2022
		Kshs	Kshs
a) Current Account			
National Bank	1020110619200	17,842,025	18,877,125
Grand Total		17,842,025	18,877,125

Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023

Notes To The Financial Statements (Continued)

8. Property, plant and equipment

NOTE 17. PROPERTY, PLANT AND EQUIPMENT

	Land and Building	Motor vehicles	Furniture and fittings	Computers and Office Equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1 st July 2021	0	0	704,202.50	76,878.00	781,080.50
Additions		0	0	0	0
Disposals		0	0	0	0
Transfers/adjustments		0	0	0	0
At 30 th June 2022	0	0	704,202.50	76,878.00	704,202.50
At 1 st July 2022	0	0	704,202.50	76,878.00	781,080.50
Additions	0	0	0	0	0
Disposals	0	0	0	0	0
Transfer/adjustments	0	0	0	0	0
At 30 th June 2023	0	0	704,202.50	76,878.00	781,080.50
Depreciation and impairment					
At 1 st July 2021	0	0	0	0	0
Depreciation	0	0	146,972.00	0	146,972.00
Impairment	0	0	0	0	0
At 30 th June 2022	0	0	146,972.00	0	146,972.00
At 1 st July 2022	0	0	146,972.00	0	146,972.00
Depreciation	0	0	69,654.00	25,370.00	95,023.00
Disposals	0	0	0	0	0
Impairment	0	0	0	0	0
Transfer/adjustment	0	0	0	0	0
At 30 th June 2023	0	0	216,626.00	25,370.00	241,995.00
Net book values					
At 1 st July 2022	0	0	557,230.00	76,878.00	634,109.00
At 30 th June 2023	0	0	487,576.25	51,508.26	539,084.51

Assets are depreciated as follows using reduced balance method:

- I. Furnitures and Fittings - 12.5%
- II. Computers----- 33%

Kakamega County Alcoholic Drinks Control Fund
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Notes To The Financial Statements (Continued)

9. Cash generated from operations

Description	2022/2023	2021/2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	25,095,365	21,209,176
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Funds administration expenses	26,225,488	2,757,238
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	(1,130,123)	18,451,939

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

Kakamega County Alcoholic Drinks Control Fund
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Notes To The Financial Statements (Continued)

10. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counter-party will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
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)

**Kakamega County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2023**

Notes To The Financial Statements (Continued)

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 on amounts due.

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

b) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June (Current FY)				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June (Comparative FY)				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

**Kakamega County Alcoholic Drinks Control Fund
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Notes To The Financial Statements (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.

i. Foreign currency risk

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

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:

Description		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June (Current FY)			
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.

Kakamega County Alcoholic Drinks Control Fund
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Notes To The Financial Statements (Continued)

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.

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
(Current FY)			
Euro	10%	-	-
USD	10%	-	-
(Comparative FY)			
Euro	10%	-	-
USD	10%	-	-

ii. 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 (2022: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (2021 – Kshs xxx).

Kakamega County Alcoholic Drinks Control Fund
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Notes To The Financial Statements (Continued)

d) Capital risk management.

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:

Description	2022/2023	2021/2022
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	%	%

11. Events after the reporting period

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

12. Ultimate and Holding Entity

The entity is a County Public Fund established by xxx Act (*state the legislation establishing the Fund*) under the Ministry of xxx. Its ultimate parent is the County Government of XXX.

13. Currency

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

**Kakamega County Alcoholic Drinks Control Fund
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20. Annexes

Annex I: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
Basis of adverse opinion 1.1	Variances Between the Financial Balances and Comparative Balances	The management having carefully reviewed the above audit query states that the management captured correctly the comparative figures from the previous FY 2020/2021 financial statements into the current year’s financial statements. Therefore, there were no variances as indicated by the auditor.	Not Resolved	2023/2024
1.2	Statement of Financial Position	The management takes note of the auditor’s observation, however, the figures referred to by the auditor do not relate to the Statement of Financial Position nor the Statement of Financial Performance as indicated. They relate to	Not Resolved	2023/2024

**Kakamega County Alcoholic Drinks Control Fund
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>the Statement of Changes in Net Assets which were clearly disclosed in the audited financial statements. The Accumulated Fund balance of Kshs.4,837,560 and the Accumulated Surplus of Kshs.14,673,673 as at the end of 30 June, 2022 though well disclosed in the Statement of Changes in Net Assets was not disclosed on the face of the Statement of Financial Position. Management takes note of this omission and commits to ensure such do not occur again in the subsequent financial statements.</p>		
1.3	Statement of Changes in Net Assets	<p>The management is not privy to the two figures stated above, that's Kshs.25,078,127 and Kshs.20,240,567 in the</p>	Not Resolved	2023/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Statement of Changes in Net Assets as indicated by the auditor. However, the Statement of Changes in Net Assets reflects Kshs.19,511,233 as total Net Assets for the period under review with a Surplus of Kshs.18,451,939 properly disclosed.		
1.4	Statement of Comparison of Budget and Actual Amount	The unexplained and unreconciled variance of Kshs.3,583,800 was as a result of casting error on the part of management. The management will consider a prior year adjustment in consultation with the auditor during the audit window period of the FY2022/2023. The management, as well, commits to ensure subsequent financial	Not Resolved	2023/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		statements are free from such errors by building the financial reporting skills of the officers involved in preparation of the financial reports of the fund as well as put in place a mechanism of quality review of the financial statements by the County Treasury and National Treasury reporting units before submission to the Office of the Auditor General.		
2	Unsupported Property, Plant and Equipment	The Asset Register provided reflected Kshs.7,100,000 as the cost of the Assets. The unexplained and unreconciled variance of Kshs.6,465,892 is accumulated depreciation since acquisition of the assets. Since the Fund prepares its financial	Not Resolved	2023/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>statements under IPSAS Accrual basis, the Netbook value of the Property, Plant and Equipment as at 30th June, 2021 was reported as Kshs.781,080.50, less depreciation expense for the year under review of Kshs.146.972.5 leaving a net book closing balance of Kshs.634,108 as at 30th June, 2022. The management now updating the Fixed Assets Register with the details required since the Fund inherited most of the assets from the parent ministry which is the custodian of the procurement details that relate to the assets.</p>		

**Kakamega County Alcoholic Drinks Control Fund
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
3	Unsupported Imprest	We take note of the audit finding on the above subject matter. However, during the year under review upto the end of the FY2022/2023, all imprest related to the fund were captured in the imprest register for the parent ministry of Public Service and Administration. The management commits to implement the recommendation of the auditor by keeping its separate imprest register starting from the new FY 2023/2024.	Not Resolved	2023/2024
Other Matters 1	Budgetary Control and Performance	The underfunding of Kshs.8,216,152 was majorly attributed to unmet revenue from liquor license fees of Kshs.6,401,089 and late disbursement of	Not Resolved	2023/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>exchequer funds by the National Treasury which led to the County treasury delay in releasing the last instalment of Kshs.1,815,063 to the Fund. The fund has put in place the following measures to enhance its revenue collection from liquor license fees: (i) Mapping of all the alcoholic drinks outlets within Kakamega County every year; (ii) Involvement of Community Administrators and the County Enforcement personnel in enforcement of revenue collection; (iii) Deployment of one clerical officer per Sub County to undertake monitoring of alcoholic drinks revenue, prepare monthly returns and ensure safe custody of</p>		

Kakamega County Alcoholic Drinks Control Fund
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Reference No. on the external audit Report	Issue/ Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>essential revenue documents; (iv) Automation of the liquor licensing and revenue collection processes; and (v) Use of National Police Service officers to apprehend license defaulters and those selling illicit alcoholic drinks.</p> <p>The under absorption of Kshs.1,815,063 was occasioned by late disbursement of exchequer by the National Treasury which in turn saw the County treasury delay in transferring the last instalment to the Alcoholic Fund. The County received its last exchequer instalment for June 2022 of Kshs.991,152,975 on 27th July, 2022. The</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Management requests the National Treasury to be releasing exchequer on time.		
Other matters 2	1. Unresolved Prior Year Matters	The management is working on resolving the prior year issues raised by the auditor and commits to fully comply with the reporting standards as required by the Public Sector Accounting Standards Board template and the National Treasury Circulars by ensuring the progress of prior year audit issues are fully disclosed in the subsequent financial statements.	Not Resolved	2023/2024
Basis of Conclusion 1	1. Non-Compliance with the Public Sector Accountin	The management has reviewed the audit issue raised above and noted the omissions on the Statement of Changes in Net Assets and Note 15 to	Not Resolved	2023/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	g Standards Board Requirement	the financial statements. The management commits to build the technical capacity of the officers involved in financial reporting of the entity to enhance the quality of the financial reports and to ensure full compliance to the Public Sector Accounting Standards in subsequent financial years.		
2	Unbalanced Budget	The budget imbalance of Kshs.25,000,000 was what the fund had projected to collect from the liquor license fees during the year under review. With the assumption that this money will be swiped to the County Executive CRF account and utilized at the executive level, the fund management omitted it from the expenditure budget. The fund management is now well	Not Resolved	2023/2024

**Kakamega County Alcoholic Drinks Control Fund
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		guided by the auditor and shall ensure the revenue budget and the expenditure budget balance in our subsequent financial statements.		
3	Failure to Establish Alcoholic Treatment and Rehabilitation Facilities and Programmes	The management has noted the auditor's observation on the above subject matter. However, scarce resources have been the major impediment in realization of the above section of the law. Construction of sixty (60) treatment and rehabilitation facilities across the county (one in each ward) as envisaged by the quoted section of the act requires huge capital investment and may not be realistic in the long run. The Fund management is looking into amending the said section of the law to provide for a few serious rehabilitation centers in	Not Resolved	2023/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>line with the proposed three centers in the third generation County Integrated Development Plan (CIDP) 2023-2027. The management will allocate resources starting next FY2023/2024 towards the construction of the three proposed treatment and rehabilitation facilities (one in the Northern Region, one in Central Region and one in Southern Region) that will take care of the people affected by alcohol and drug abuse.</p>		
4	<p>Failure to Establish a Fund Committee</p>	<p>Section 7(1) of the Kakamega Alcoholic Drinks Control Act 2014 stipulates that the Fund is to be administered by the Directorate in conjunction with the Minister for Finance</p>	Not Resolved	2023/2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>and Minister for Public Service and Administration.</p> <p>However, we take note of the auditor's observation and advise and commit to ensure an amendment of the Act to provide for the Fund Board Committee that shall oversee the operations of the fund so that it is aligned to the provisions of Section 162(b) of the PFM Act, 2012.</p>		



Fund Administrator

Date.....30/6/2023.....

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Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		