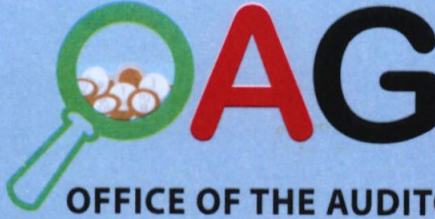


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

*Enhancing Accountability*

REPORT

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ON

TOBACCO CONTROL BOARD

FOR THE YEAR ENDED  
30 JUNE, 2024

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 09 APR 2025 DAY: Wednesday

TABLED BY: Hon. Shadrach Osiro MP  
Majority Party Whip

CLERK AT THE TABLE: A. Shisubho



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**TOBACCO CONTROL BOARD**

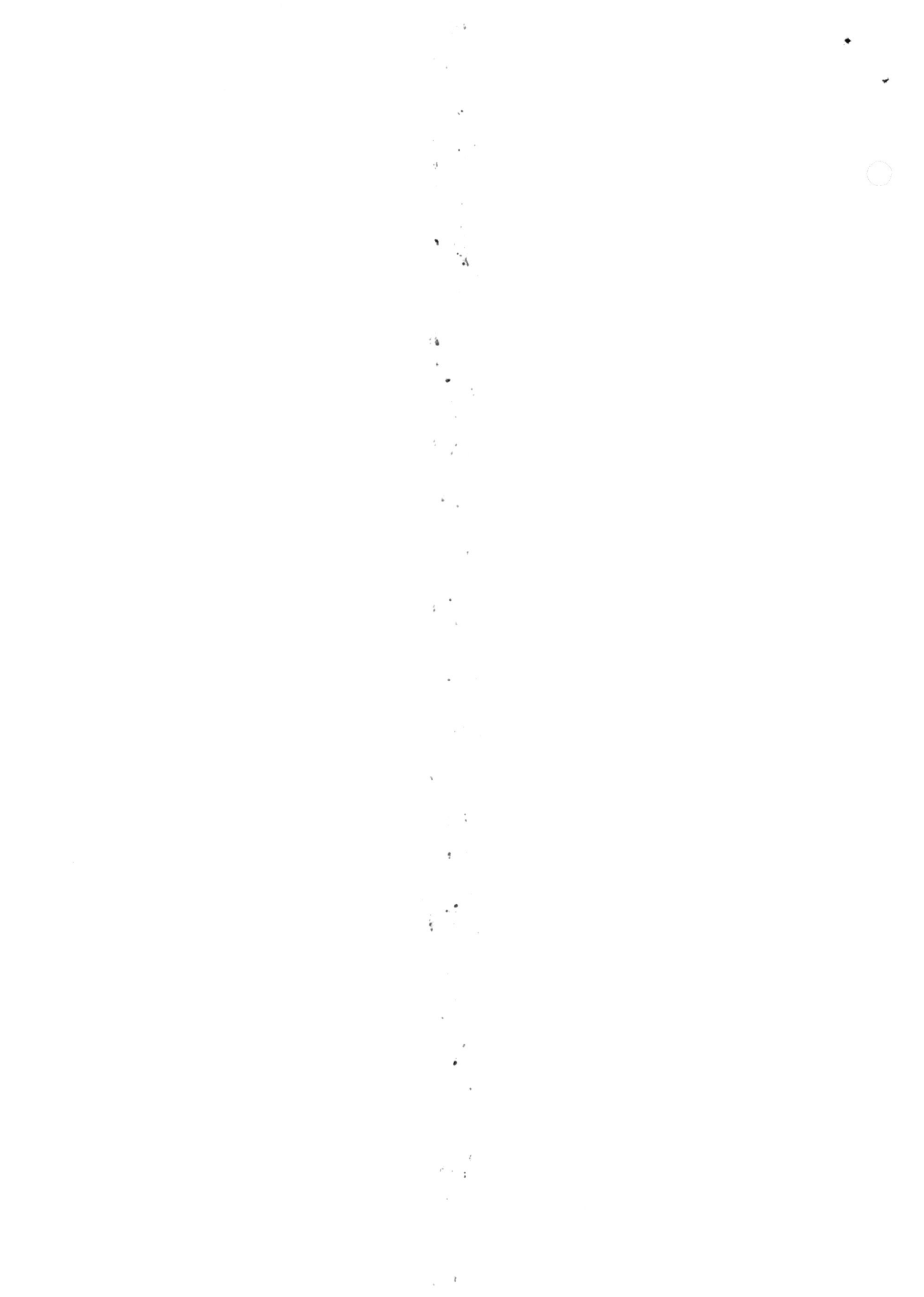
**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30<sup>TH</sup> JUNE 2024**

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



**Tobacco Control Board  
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**1. Acronyms and Definition of Key Terms**

**A: Acronyms**

CEO	Chief Executive Officer
DG	Director General
CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
TCB	Tobacco Control Board
NT	National Treasury
OAG	Office of the Auditor General
OSHA	Occupational Safety and Health Act of 2007
PFM	Public Finance Management
PPE	Property Plant & Equipment
CSR	Corporate Social Responsibility

**B: Definition of Key Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organization.

**Comparative Year-** Means the prior period.

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

### **a) Background information**

The Tobacco Control Board was established under Section 5 of the Tobacco Control Act 2007, with a broad mandate of advising the Cabinet Secretary for Health on National Tobacco Control Policy, Regulations relating to production, manufacture, sale, labelling, advertising, promotion and sponsorship of tobacco products, and generally on implementation of the Act.

### **b) Principal Activities**

The principal activity of the Tobacco Control Board is to oversee the implementation of tobacco control laws and policies, primarily focusing on reducing tobacco consumption and harmful effects on public health. This includes regulating tobacco advertising, packaging, sales, and use in accordance with the Tobacco Control Act, 2007, and ensuring compliance with Kenya's obligations under World Health Organization's Framework Convention on Tobacco Control. The Board also works on public education, research, and enforcement of restrictions on smoking in public places.

### **c) Directors**

The Directors who served the entity during the year/period were as follows:

- |     |                            |            |                           |
|-----|----------------------------|------------|---------------------------|
| 1.  | Hon. Dr. Naomi Shaban. EGH | - Chairman | - Appointed on 27/11/2023 |
| 2.  | Mr. Antony Wainaina        | Secretary  | - Appointed on 9/06/2023  |
| 3.  | Ms. Sophie Matu            |            | - Appointed on 3/08/2022  |
| 4.  | Dr. Ephantus Maree         |            | - Appointed on 6/09/2022  |
| 5.  | CPA. Rodgers Mulemi        |            | - Appointed on 3/08/2022  |
| 6.  | Ms. Mary Kitoo             |            | - Appointed on 3/08/2022  |
| 7.  | Dr. Leon Ogoti             |            | - Appointed on 3/08/2022  |
| 8.  | Mr. John Ngugi             |            | - Appointed on 3/08/2022  |
| 9.  | Mr. Jackson Mwangi         |            | - Appointed on 1/12/2022  |
| 10. | Mr. Mohammed Kahiya, EBS   |            | - Appointed on 3/08/2022  |
| 11. | Ms. Munanie Mbatha         |            | - Appointed on 3/08/2022  |
| 12. | Mr. Kevin Okumu            |            | - Appointed on 10/05/2023 |
| 13. | Mr. Douglas Kangi          |            | -Appointed on 3/08/2022   |

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**d) Board Secretary**

Mr. Anthony Wainaina  
P.O. Box 30016- 00100  
Nairobi

**e) Registered Office**

Afya House Building  
Cathedral Road  
P.O. Box 30016-00100  
Nairobi, KENYA

**f) Ministry of Health Headquarters**

P.O. Box 30016- 00100  
AFYA House Building  
Cathedral Road  
Nairobi, KENYA

**g) Corporate Contacts**

Telephone: (254)723775021  
E-mail: tobaccocontrolboard@gmail.com  
Website: <https://www.tcb.go.ke>

**h) Corporate Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Kenya Commercial Bank  
Milimani Branch  
P.o Box 69695- 00400  
Nairobi, Kenya

**i) Independent Auditors**



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

**j) Principal Legal Advisers**





1. The Attorney General  
State Law Office and Department of Justice  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

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**3. The Board of Directors/Council**

SN	Directors		Details
1.	Hon. Dr. Naomi Shaban, EGH		<ul style="list-style-type: none"> <li>- Bachelor of dental surgery -UON</li> <li>-Executive MBA –KU</li> <li>DOB: 9<sup>th</sup> Sept. 1963</li> <li>2022-date; Chairperson TCB</li> <li>2018-2022; Vice Chair Parliamentary Service Commission</li> <li>2013-2017;Deputy leader of majority National Assembly</li> <li>2011-2017; High level taskforce for women and girls on gender &amp; Hiv in Eastern Africa and South Africa</li> <li>2010-2013;Minister Gender, children and social development</li> <li>2008-2013- Minister special programs</li> <li>2003-2022; MP Taveta Constituency</li> <li>1995-2002; Private practice dental surgery</li> <li>1988-1995; Dental Surgeon Ministry of Health</li> </ul>
2.	Mr. Anthony Wainaina		<ul style="list-style-type: none"> <li>-Secretary</li> <li>-Environmental Health Expert</li> <li>Master of Public Health; Epidemiology &amp; Population Health (Maseno University),</li> <li>Bachelor’s Degree in Environmental Health (Kenyatta University),</li> <li>Higher National Diploma in Environmental Health (KMTC),</li> <li>Ordinary Diploma in Environmental Health (KMTC),</li> </ul>
3.	Ms. Sophie Matu		<ul style="list-style-type: none"> <li>Board Member TCB</li> <li>- Scientist</li> <li>- Representing KEMRI</li> <li>- -DOB: 18/04/1972</li> </ul>
4.	Dr. Ephantus Maree		<ul style="list-style-type: none"> <li>Board MemberTCB</li> <li>-Medical Doctor</li> <li>- Representing DG H health</li> <li>-DOB: 29/09/1966</li> </ul>

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5.	CPA. Rodgers Mulemi		<p>Board Member TCB - Finance Committee Chairperson - Independent member representing Kenya Chamber of Commerce &amp; Industry Masters in business administration. University of Birmingham (UK) Certified public accountant (Kenya) Director Kenya national chamber of commerce and industry. Self employed. Distribution of fast-moving consumer goods. Born 17th January 1964</p>
6.	Ms. Mary Kitoo		<p>Board Member TCB Advocate Legal, Governance and Committee Chairperson on - Independent member representing Law Society of Kenya -DOB: 27/04/1990</p>
7.	Dr. Leon Ogoti		<p>Board Member TCB - Medical Doctor - Independent member representing Kenya Medical Association Technical Committee Chairperson Date of Birth: 11th August 1988 Academic Qualification: Bachelor of Medicine and Surgery Work Experience: Asst. Director Medical Services, Machakos County.</p>
8.	Mr. John Ngugi		<p>Board Member TCB - Independent member representing NGO Council Academic qualifications: Bachelor of Development Studies - MKU  Date of Birth: 29/12/1982  Work experience: Program Manager - Gender Sensitive Initiatives (2017-Todate) Rapporteur - ICGLR Regional CSO Forum (2015-Todate) Director - National Council of NGOs (2015-2021) Director - Silver Bridge Institute (2021-Todate)</p>

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9.	Mr. Jackson Mwangi		Board Member TCB Advocate -Representing State Department of Devolution
10.	Mr. Mohamed Kahiya, EBS		Board Member - Independent member representing SUPKEM - DOB:12/08/1978 Qualifications; Bsc communications and public relations MA Diplomacy and Foreign Policy Master of Public Policy and Administration Pursuing PHD in Leadership and Governance  -With close of two decades of profession work experience within County and National Government functions, the Non- Governmental Organizations, held Legislative role, Executive functions and senior level positions including but not limited, overseeing officers in various levels of management, developing and implementing new policies, while extending knowledge to successfully define goals, build relationships and provide high level solutions to complex problems.
11.	Capt. Munanie Mbatha		Board Member TCB - Pilot: Airplane and Helicopter -Academic: BSc Information Systems and Technology - Independent member representing National Women Council of Kenya -DOB: 23/07/1981 2 years banking 3 years ICT 10+ years Aviation
12.	Mr. Kevin Okumu		Board Member TCB - Representing AG -Advocate
13.	Mr. Douglas Kangi		Board Member TCB -Representing State Department from Crops --DOB: 1968

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**4. Key Management Team**

SN	Management	Title	Academic/Professionals qualifications	Passport Size	Details
1.	Anthony Wainaina	Secretary	Master of Public Health; Epidemiology & Population Health (Maseno University), Bachelor's Degree in Environmental Health (Kenyatta University), Higher National Diploma in Environmental Health (KMTTC), Ordinary Diploma in Environmental Health (KMTTC),		<p><b>Strategic Vision:</b> Developing and communicating the organization's vision, mission, and overall strategy.</p> <p><b>Leadership:</b> Leading the executive team and fostering a positive corporate culture.</p> <p><b>Decision-Making:</b> Making high-level decisions about policy and strategy, including finances and operations.</p> <p><b>Financial Oversight:</b> Overseeing the organization's financial performance.</p> <p><b>Stakeholder Engagement:</b> Communicating with the board of directors, customers, and the public to build trust and maintain transparency.</p> <p><b>Risk Management:</b> Identifying potential risks to the organization and developing strategies to mitigate them.</p> <p><b>Resource Allocation:</b> Ensuring the efficient use of resources, including capital and personnel to support the organization's objectives.</p> <p><b>Compliance and Governance:</b> Ensuring the organization adheres to legal and regulatory requirements, and promoting ethical standards.</p>

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					Roles and Responsibilities
2.	Lilian Ousa	Secretariat	BSC- Public Health Diploma Environmental Health		<ul style="list-style-type: none"> <li>-Advocacy for the formulation and review of policies.</li> <li>- Advocate for the development of regulations and guidelines</li> <li>-Capacity building of the health workforce and other stakeholders</li> <li>-Coordination and partnership</li> <li>-Resource mobilization</li> <li>-Social mobilization and awareness creation including public education.</li> </ul>
3.	Caren Sang	Secretariat	Masters in Business Administration Bachelors in Business Administration		<ul style="list-style-type: none"> <li>-Support Board meetings</li> <li>-Annual Work Plan development</li> <li>-Strategic Planning</li> <li>-Record keeping and documentation</li> <li>-Support execution of Board directives</li> <li>-Support M&amp;E activities</li> <li>-Administration and logistical duties</li> <li>-Support resource mobilization and partnerships</li> <li>-Client support</li> <li>-Any other duty assigned by the Board Secretary</li> <li>-Report to the Board Secretary</li> </ul>
4.	Monicah Burugu	Secretariat	Associate Degree in Business Administration CPA Section 6 'A' Level 'O' Level KCPE		<ul style="list-style-type: none"> <li>- Financial reporting for the Boards activities and operations.</li> <li>- Budgeting, assisting in preparation of budgets and monitoring expenditures to ensure compliance with financial guidelines.</li> <li>- Auditing, ensuring that all financial transactions comply with legal and regulatory standards.</li> <li>- Managing tax filings and ensuring that the organization complies with all tax regulations relate to tobacco control activities.</li> </ul>

## **5. Chairman's Statement**

As we reflect on the past year, we recognize the ongoing challenges and achievements in our commitment to public health and tobacco control. Our efforts to reduce tobacco consumption and protect communities have led to meaningful progress in creating healthier environments.

We have implemented robust policies, increased public awareness campaigns, and collaborated with various stakeholders to strengthen our initiatives. Despite facing obstacles, we remain steadfast in our mission to minimize the impact of tobacco on our society.

Looking ahead, we will continue to advocate for enhanced legislative framework to support innovative strategies to combat tobacco and nicotine use especially in light of Novel and Emerging Tobacco and Nicotine products (NENTPs).

I wish to express sincere gratitude to the Cabinet Secretary, Ministry of Health and Principal Secretary State Department for Public Health for their outstanding leadership and immense support provided to the Tobacco Control Board enabling us to attain our mandate.



Hon. Dr. Naomi Shaban, EGH  
**Chairperson, Tobacco Control Board**

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**6. Report of the Chief Executive Officer**

As we conclude another year, I am proud to reflect on the significant strides we have made in our efforts to combat tobacco use and promote public health. This year has been marked by innovative initiatives, effective partnerships, and a renewed commitment to our mission.

We have successfully implemented demand and supply reduction strategies aimed at ensuring the highest attainable standard of Health for all Kenyans. The Board was faced with challenges of limited resources due to austerity measures across Government, hence the need to strengthen resource mobilization and partnership

I want to express my gratitude to the able leadership of the Ministry of Health, the stewardship of the Board Chairperson and dedication of Board Members as well as our secretariat team. I also acknowledge all our stakeholder whose passion and collaboration have driven our progress.

As we move forward, we remain focused on enhancing our strategies, advocating for stronger regulations, and fostering an environment where the dangers of tobacco are widely recognized.



Anthony Wainaina  
**Secretary, Tobacco Control Board**

## **7. Statement of Performance against Predetermined Objectives for FY 2023/2024**

Tobacco Control Board has a broad mandate of advising the Cabinet Secretary for Health on national tobacco control policy, regulations relating to production, manufacture, sale, labelling, advertising, promotion and sponsorship of tobacco products, and generally on implementation of the Act.

The Board developed three (3) advisories in the year under review. They are; Advisory on Novel and Emerging Nicotine and Tobacco Products, Packaging and labelling of tobacco and nicotine products and Tobacco products seized at JKIA. These advisories yielded policy action including the appointment of a national multi-agency taskforce by the Cabinet Secretary for Health.

Other achievements included the dissemination of the Tobacco Alcohol and substances of Abuse (TADSAS) survey report (National Status Report on Tobacco Use in Kenya , 2022) which was disseminated through MOH and Board website and the Tobacco control Data Platform hosted by a partner.

In cognizance of the novel and emerging tobacco and nicotine products, the Board in collaboration with the State Department for Public Health and Professional Standards and key partners like the World Health Organization, reviewed the existing legislation to identify gaps in the regulation of novel products. The Board submitted its position for consideration by the stakeholders.



The process of review of Act is on-going with the drafters currently developing the draft amendment bill.

Further, the Board in collaboration with the State Department for Public Health commemorated the World No Tobacco Day in Mombasa on 31<sup>st</sup> May 2023. This provided a platform for awareness creation among children of Khadija Primary School, Mombasa and the general public.

During the same period, robust awareness creation was done through social media so as to reach the youth who are the main target by the tobacco industry.

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The Board also spearheaded public participation forums held in seven regions namely; (Kisumu, Kakamega, Uasin Ngishu, Nyeri, Embu, Mombasa and Machakos). This was preceded by two stakeholder engagement meetings in Nairobi on the third batch of Graphic Health Warnings to be used on tobacco and nicotine products.



The Board in consultation with NACADA commissioned enforcement activities in Nairobi and Mombasa Counties to enhance implementation and compliance of tobacco control laws.

In conclusion, the Board in cognizance of the impact of tobacco and nicotine products on health, environment and socio-economic aspects of Kenyans, has put in place and is executing robust strategies to ensure that it contributes to attainment of universal health coverage and a healthy society for all.

## **8. Corporate Governance Statement**

The Board held four statutory Board meetings in the year namely; Q1 10th August 2023, Q2:16th December 2023 and Q3 18th April 2024. The Q4 meeting is proposed to take place on 4th July 2024. These meetings were preceded by Board Committee meetings. The Board further held 4 special meetings in the year to address emerging issues these were held on 2nd November 2023, 20th February 2024, 23rd February 2024 and 7th March 2024. Attendance to these meetings were remarkable with close to 90% attendance by members.

The Board developed its Charter in 2020 and reviewed the same in FY 2023/2024. The Charter stipulates key governance matters specifically providing for the Board's three committees namely; Technical Committee, Finance Committee and Audit, Legal and Administration.

Pursuant to Section 6 of the Tobacco Control Act, the functions of the Board are to: -

Advise the Minister on the national policy to be adopted with regard to the production, manufacture, sale, advertising, promotion, sponsorship and use of tobacco and tobacco products;

- a. Advise the Minister generally on the exercise of his powers and the performance of his functions under this Act, and in particular to recommend to the Minister the permissible levels of the constituents of tobacco products or their emissions required to be prescribed under section
- a. advise the Minister on the harmful constituents and ingredients of tobacco products required to be prohibited under section

assist the Minister in determining the test methods to be used in testing tobacco products and their emissions in order to test conformity with the requirements of this Act and any regulations made thereunder

advise the Minister on the information that manufacturers shall provide, including information on tobacco products and their derivatives

b. Advise the Minister on the labelling, packaging, sale, distribution, promotion or advertising of tobacco products;

(c) Advise the Minister on matters relating to the administration of the Fund;

(d) Recommend to the Minister and to participate in the formulation of the regulations to be made under section 53

(e) Perform such other functions as may from time to time, be assigned by the Minister

Pursuant to the Tobacco Control Regulations 2014, the Board is required to convene annual public hearings at the national and county level to receive reports, public views and comments from any interested persons on matters related to the implementation of the Act and to monitor the implementation of the Act and prepare and submit to the cabinet Secretary, an annual status report on the implementation of the Act.

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**9. Management Discussion and Analysis**

Over the last five financial years, the Tobacco Control Board has maintained steady operations with quarterly funding of Ksh 7.5m, totalling to 30 million annually. These funds have supported key tobacco control initiatives, including regulatory reinforcement, public health awareness campaigns and research activities.

Notable projects include intensified compliance monitoring, leading to 15% increase in adherence to tobacco regulations. Public health awareness campaigns have reached over 2 million people across the country, while ongoing research has generated critical data for tobacco use reduction strategies.

The Board implemented policy revisions to address emerging risks in the tobacco sector. The Board has also ensured adherence to statutory requirements, including reporting obligations and regulatory enforcement, although remittances have been experienced due to budget constraints.

The Board faces several risks, including financial strains due to austerity measures and economic downturn. This has impacted operational costs.

Another significant risk is non-compliance by some industry players, which continues to challenge enforcement efforts, moreover arrears in statutory obligations, including board members allowances, training, and honoraria, have accumulated, posing additional financial pressure.

Performance wise, tobacco control board has managed its limited funds effectively, but the high inflation and increased costs has reduced the real value of the quarterly budgetary allocations.

The current economic climate poses challenges, as operational costs for enforcement, awareness campaigns, and research have risen significantly.

Despite economic difficulties, the Tobacco control sector has seen regulatory improvements, with better compliance from industry players, the Board plans to enhance surveillance and continue promoting public health education. Future projects will focus on adapting to economic challenges posed by harsh economic times, while ensuring financial stability and operational efficiency

## **10. Environmental and Sustainability Reporting**

The primary mandate of Tobacco control Board is to regulate and monitor the tobacco industry, ensuring that public health safety while addressing economic and environmental concerns. The Boards overarching goal is to minimize the harmful effects of tobacco on public health by implementing policies that limit tobacco consumption, promote public awareness, and restrict access to tobacco products, particularly to the vulnerable populations.

The Board enforces regulations that align with global health standards and treaties, such as the World Health Organization's Framework Convention on Tobacco Control. This approach involves balancing public health concerns with economic realities of tobacco production, which is often a significant contributor to national economies.

- i) The Tobacco Control Board's sustainability strategy Sustainability strategy integrates environmental responsibility with public health initiatives, the top management especially the accounting officer and the staff members of the Division of Environmental Health and Tobacco control has been relentlessly joined the other state department staff in tree planting, Epuka Uchafu initiatives in the semi-arid areas like the west Pokot, Isiolo and Mandera and Samburu Counties. These efforts address the environmental degradation often associated with tobacco arming, promoting sustainable land use and at the same time reducing airborne diseases brought by drought and dust.

**ii) 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.*

**iii) Employee welfare\*\*\***

Guided by the public service commission rules and regulations. The board is yet to draft human resource instrument,

**iv) Market place practices**

The Tobacco Control Board employs marketplace practices that regulate practices that regulate the tobacco products to reduce public health risks. Key practices include enforcing packaging regulations, such as graphic health warnings on cigarettes packs, restricting advertising and sponsorships, and imposing taxes to reduce consumption. For example, Kenya Tobacco control Act mandates that tobacco packaging display

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health warnings covering at least 30% of the surface area, aiming to discourage smoking.

The Board also works to eliminate illicit tobacco trade, collaborating with customs authorities to curb smuggling. These measures help promote public health while regulating tobacco industry practices.

**a) Responsible competition practice.**

The Tobacco Control Board is committed to fostering a marketplace that upholds responsible competition practices. It ensures adherence of ethical standards by addressing issues such as anti-corruption, responsible political involvement, fair competition, and respect for competitors. The combats corruption by enforcing transparency and accountability in the tobacco industry, working to eliminate unethical practices that could undermine the sector's integrity.

In terms of political involvement, the board advocated for responsible engagement, ensuring that political activities within the industry are conducted lawfully and ethically, without undue influence or manipulation. Fair competition is promoted by the board through enforcement of regulations that prevent monopolistic behavior and encourage an open competitive market that benefits both businesses and consumers.

**b) Responsible supply chain and supplier relations**

The Tobacco Control Board upholds responsible business practices by ensuring ethical and transparent management of its supply chain and supplier relationships. It maintains high standards of integrity by honoring contracts and adhering to fair payment practices, ensuring that suppliers are treated with respect and fairness. Contracts are designed to be clear, equitable, and enforceable, reflecting mutual commitments between the board and its suppliers.

To promote responsible supplier relations, the board ensures timely and accurate payments, recognizing the importance of financial stability for its partners.

**c) Responsible marketing and advertisement**

Efforts to safeguard consumer rights and interests include enforcing transparent labelling of ingredients, ensuring product safety, and promoting informed decision-

making. Regulatory bodies mandate clear labelling of ingredients and potential health risk, especially in food, pharmaceutical and tobacco sectors. Legal frameworks, such as consumer protection laws, provide recourse

**d) Product stewardship**

Efforts to safeguard consumer rights and interests focus on enforcing product safety, transparent labelling, and fair-trade practices. Education campaigns empower consumers with knowledge to make informed choices.

Independent watchdog organizations monitor businesses for compliance, advocating for accountability and ethical practices. The combined efforts help protect consumers from harm, ensure fair competition, and promote trust in the marketplace.

**v) Corporate Social Responsibility / Community Engagements**

Corporate social responsibility (CSR) activities focus on contributing positively to society while aligning with organizations goals. The tobacco Control Board's corporate social responsibility focuses on promoting public health, environmental sustainability, and raising awareness about the dangers of tobacco use.

One key CSR initiative is the board's active engagement in community outreach programs aimed at reducing smoking rates and preventing the harmful effects of tobacco. For example, the board conducts public speaking training for community leaders, educators and youth, equipping them with skills to advocate against smoking. These trainings help local influencers effectively communicate the health risks associated with tobacco use and engage the communities in meaningful discussions about smoking prevention. The board also organize community outreach initiatives, such as organizing film screenings, flyers and community forums that highlight the dangers of smoking.

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**11. Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the *entity's* affairs.

**i) Principal activities**

The principal activities of the entity are (continue to be) ....

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<b>Result Area</b>	<b>Strategic Objectives</b>	<b>Strategy.</b>
Policy formulation	To review the regulatory framework on tobacco control to address emerging trends and concerns on tobacco and tobacco products.	To align the policies and strategies to WHO FCTC.
		Review and update tobacco control Legislation and Regulations to be responsive to emerging trends of tobacco and tobacco products.
		Develop a framework for Identification response to emerging trends of Tobacco and Tobacco products.
		Establish a framework for the operationalization Tobacco Control Fund.
Resource mobilization	To Strengthen resource mobilization for tobacco control activities	Establish a framework for the operationalization of the Tobacco Control Fund.
		Develop a framework for resource mobilization.
		Advocate for enhancement of resource allocation from the government.
coordination/partnership	To establish collaboration and partnership for implementation of Tobacco Control Laws.	Foster harmonized actions and synergy in tobacco control to accomplish local, sub-regional, regional and global common goals
		Develop a PPP framework.
		Develop framework for engagement with Tobacco Control Actors and county governments.
Standards, Quality and Advisory	To strengthen the advisory role of the Board on all matters related to Tobacco Control in the Country.	Develop mechanism for determining the permissible levels of the constituents of tobacco products or their emissions.
		Develop advisory guidelines on the harmful constituents and ingredients of tobacco and tobacco products.
		Establishing the framework for determining the test methods to be used in testing tobacco products and their emissions.
		Establish framework on the information that manufacturers and importer shall provide as required by the law.
		Provide an advisory on the labeling and packaging with regards to Graphic Health Warning of tobacco and tobacco products
		Develop a system to enhance Tobacco Control communication.
Research, Monitoring and Evaluation	To scale up Tobacco Control Research for effective decision making.	Develop research Agenda on Tobacco Control.
		Develop framework for approval and funding of research Agenda.
		Undertake publication of research findings on tobacco control issues in Kenya.
	To strengthen Monitoring and Evaluation of Tobacco Control Interventions	Design Tobacco Control Monitoring Tools.
		Institutionalizing Tobacco Control Activities into the DHIS
Capacity building	To recommend ways of attracting, improving and retaining personnel , skills and	Recommend the establishment of skilled and comprehensive secretariat for Tobacco Control.
		Strengthen the capacity of the Board and the secretariat.
		Strengthen the involvement of TCB in Local and International policy forum and trainings.

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	infrastructure for implementation.	Recommend the establishment of an online Information/Knowledge hub for Tobacco Control and in particular ITP
		Enhance human resource and infrastructure for the TCB.

**ii) Auditors**

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

By Order of the Board



Name *Anthony Labanina*

Corporation Secretary/Secretary to the Board

## **12. Statement of Directors Responsibilities**

Section 81 of the Public Finance Management Act, 2012 and (*section 14 of the State Corporations Act, - (entities should quote the applicable legislation under which they are regulated)*) require the Directors to prepare financial statements in respect of that Tobacco Control Fund, which give a true and fair view of the state of affairs of the Tobacco Control Fund at the end of the financial year/period and the operating results of the Tobacco Control Fund for that year/period. The Directors are also required to ensure that the Tobacco Control Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Tobacco Control Fund . The Directors are also responsible for safeguarding the assets of the Tobacco Control Fund y.

The Directors are responsible for the preparation and presentation of the Tobacco Control Fund financial statements, which give a true and fair view of the state of affairs of the Tobacco Control Fund for and as at the end of the financial year (period) ended on June 30, 20xx. 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 entity, (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 Tobacco Control Fund, (v) selecting and applying appropriate accounting policies, and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors responsibility for the Tobacco Control Fund financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – (*entities should quote applicable legislation as indicated under which they are regulated*).

**Tobacco Control Board  
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**Statement of Directors' Responsibilities (Continued)**

The Directors are of the opinion that the Tobacco Control Fund financial statements give a true and fair view of the state of Tobacco Control Fund transactions during the financial year ended June 30, 2024, and of the Tobacco Control Fund financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Tobacco Control Fund, which have been relied upon in the preparation of the Tobacco Control Fund financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Directors have assessed the entity's ability to continue as a going concern) OR


Nothing has come to the attention of the Directors to indicate that the Tobacco Control 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**

Tobacco Control Board financial statements were approved by the Board on 30/6/ 2024 and signed on its behalf by:



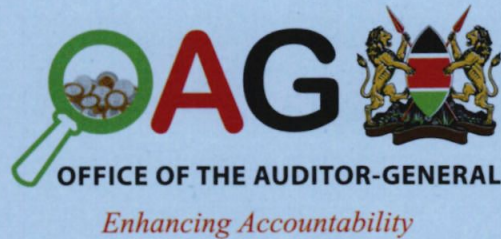
.....  
**Hon. Dr. Naomi Shaban, EGH**  
**Chairperson of the Board**



.....  
**Dr Anthony Wainaina**  
**Accounting officer**

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON TOBACCO CONTROL BOARD FOR THE YEAR ENDED 30 JUNE, 2024

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities 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

#### Opinion

I have audited the accompanying financial statements of the Tobacco Control Board set out on pages 1 to 35, which comprise of the statement of financial position as at

30 June, 2024 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, the financial statements present fairly, in all material respects, the financial position of Tobacco Control Board as at 30 June, 2024 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 Tobacco Control Act, 2007 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Tobacco Control Board 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 opinion.

### **Key Audit Matters**

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

### **Other Information**

The Management is responsible for the other information set out on page iv to xxv which comprise of Key Entity Information and Management, The Board of Directors, Key Management Team, Chairman's Statement, Report of the Chief Executive Officer, Statement of Performance against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Directors and Statement of Directors Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Board's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

# REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

## **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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**

### **1. Failure to Make Full Allocation**

Review of corroborative information revealed that Tobacco Control Trust Fund received an amount of Kshs.600,036,882 in the year under review. However, the Board received only recurrent grants amounting to Kshs.20,000,000 as reflected in Note 6 to the financial statements which is less than 10% of the amount in the Trust Fund. This was contrary to Chapter 3 Section 3.8.2 of the Tobacco Control Fund Operations Manual, 2020 which states that the board shall allocate 10% of monies in the Fund for each financial year to support the attainment of the Board's mandate.

In the circumstances, Management was in breach of the provisions of the Tobacco Control Fund Operations Manual, 2020.

### **2. Late Submission of the Financial Statements**

The financial statements for the year ended 30 June, 2024 were submitted on 8 October, 2024 instead of on or before the statutory deadline of 30 September, 2024. This was contrary to Section 68(2)(k) of the Public Finance Management Act, 2012 which requires an accounting officer to prepare annual financial statements for each financial year within three months after the end of the financial year, and submit them to the Controller of Budget and the Auditor-General for audit, and in the case of a national government entity, forward a copy to the National Treasury.

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

### **3. Lack of a Procurement Plan**

The Board did not have a procurement plan during the year under review. This was contrary to Section 53(2) of the Public Procurement and Asset Disposal Act, 2015 which states that an accounting officer shall prepare an annual procurement plan which is realistic in a format set out in the Regulations within the approved budget prior to commencement of each financial year as part of the annual budget preparation process.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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, except for the effect of the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **1. Weaknesses In Internal Controls, Risk Management and Governance**

Review of the Board documents and internal controls process revealed the following weaknesses in internal controls, risk management and governance:

##### **1.1 Lack of Strategic Plan and Organizational Structure**

The Board did not have a strategic plan and organizational structure. Management did not provide satisfactory explanation for the failure to develop strategic plan and an organizational structure.

In the circumstances, it was not possible to confirm whether the Board's policies, practices and strategic plans were aligned with Government directives, national policies and national development goals.

##### **1.2 Lack of an Audit Committee and Internal Audit Department**

During the year under review, the Board did not have an internal audit unit in place. This was contrary to Section 73(1)(a) of the Public Finance Management Act, 2012 which provides that every national government entity shall ensure that it complies with this Act and has appropriate arrangements in place for conducting internal audit according to the guidelines of the Accounting Standards Board. In addition, the Board did not have an internal audit committee. This was contrary to Regulation 73(5) of the Public Finance

Management (National Government) Regulations, 2015 which states that every National Government public entity shall establish an audit committee.

In the circumstances, it was not possible to confirm the effectiveness of governance systems, checks and balances in the Board.

### **1.3 Lack of Risk Management and Information Communication Technology Policy**

The Board did not have risk management and information communication technology policy. In addition, Management did not carry out risk assessment. This was contrary to Regulation 165 of the Public Finance Management (National Government) Regulations, 2015 which states that the Accounting Officer shall ensure that the National Government entity develops (a) risk management strategies which include fraud prevention mechanism and (b) a system of risk management and internal controls that builds robust business operations.

In the circumstances, the effectiveness of risk management systems and information technology controls could not be confirmed.

### **1.4 Failure to Carry out Board Evaluation**

During the year under review, the Board of Directors did not carry out board evaluation. This was contrary to section 1.12.1(b) of Mwongozo Code of Governance for State Corporation, 2015 which states that the Board should undertake an annual evaluation of its performance.

In the circumstances, the effectiveness of governance structures could not be confirmed.

### **1.5 Lack of Imprest Register**

Management did not maintain an imprest register. This was contrary to Regulation 93(4)(c) of the Public Finance Management (National Government) Regulations, 2015 which provides that before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that the applicant has been recorded in the imprest register including the amount applied for.

In the circumstances, the effectiveness of internal controls on management of imprest could not be confirmed.

## **2. Inadequate Staffing**

Audit review of the Board's operations revealed that the Finance, Procurement and Information Technology Services Departments did not have staff. The Board's activities were handled by staff seconded from the State Department for Public Health. Further, human resource instruments were not in place to guide on the terms of service of officers on secondment and the required staffing needs of the Board.

In the circumstances, the effectiveness of internal controls on the management of human resource matters could not be confirmed.

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 controls, 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 the Management and Board of Directors**

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 controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Board '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 cease operations.

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

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

The Board is responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48

of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

**24 December, 2024**

**Tobacco Control Board  
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**14. Statement of Financial Performance for the year ended 30 June 2024**

	Notes	2023/2024
		Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from other governments entities	6	20,000,000
		<b>20,000,000</b>
<b>Total revenue</b>		<b>20,000,000</b>
<b>Expenses</b>		
Use of goods and services	7	17,131,102
Employee costs	8	1,048,360
Board Expenses	9	1,794,508
<b>Total expenses</b>		<b>19,973,970</b>
<b>Surplus/(deficit) for the period/year</b>		<b>26,030</b>

The notes set out on pages 6 to 36 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 36 were signed on behalf of the Board of Directors by:

.....  
**Name:** Anthony Kleneme  
**Accounting Officer**

**Date** 30.06.2024

.....  
**Name:** Monica Buryu  
**Head of Finance**

**ICPAK M/No:** 39780  
**Date** 30/6/2024

.....  
**Name:** Dr. Nadmi N-Shaban, EGH  
**Chairman of the Board**


**Date** 30/6/2024

**Tobacco Control Board  
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**15 Statement of Financial Position as at 30 June 2024**

	Notes	2023/2024
		Kshs
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash equivalents	10	26,030
<b>Total Current Assets</b>		26,030
<b>Total Assets (A)</b>		26,030
<b>Liabilities</b>		
<b>Current Liabilities</b>		
<b>Total Non- Current Liabilities</b>		00
<b>Total Liabilities (B)</b>		00
<b>Net Assets (A-B)</b>		00
<b>Represented by:</b>		
Reserves		
Accumulated Surplus		26,030
Capital Fund		
<b>Net Assets</b>		<b>26030</b>


The financial statements set out on pages 1 to 36 were signed on behalf of the Board of Directors by:

  
.....  
Name **Anthony Klammer**  
Accounting Officer

Date **30.06.2024**

  
.....  
Name **Monica Bungu**  
Head of Finance

ICPAK Member Number:  
39780  
Date **30/6/2024**

  
.....  
Name **DR. NAOMI N. SITABAN, EG H**  
Chairman of the Board

Date **30/6/2024**

**Tobacco Control Board  
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**16. Statement of Changes in Net Assets for the year ended 30 June 2024**

Description	Ordinary share capital	Revaluation reserve	Fair value adjustment reserve	Retained earnings	Proposed dividends	Capital / Development Grants /Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, 2023	00	00	00	0	00	00	00
Surplus/ (deficit) for the year	-	-	-	26,030	-	-	26,030
As at June 30, 2024	00	00	00	26,030	00	00	26,030

**17. Statement of Cash Flows for the year ended 30 June 2024**

	Notes	2023/2024
		Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from other governments entities		20,000,000
<b>Total receipts</b>		<b>20,000,000</b>
<b>Payments</b>		
Use of goods and services		17,131,102
Employee costs		1,048,360
Board Expenses		1,794,508
<b>Total payments</b>		<b>19,973,970</b>
<b>Net cash flows from/(used in) operating activities</b>	50	<b>26,030</b>
<b>Cash flows from investing activities</b>		
<b>Net cash flows from/(used in) investing activities</b>		
<b>Cash flows from financing activities</b>		
Proceeds from borrowings		
Repayment of borrowings		
Proceeds from issue of shares		
<b>Net cash flows from financing Activities</b>		
<b>Net increase/(decrease) in cash &amp;</b>		<b>26,030</b>

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	2023/2024	
	Notes	Kshs
<b>Cash equivalents</b>		
Cash and cash equivalents at 1 July 2024	29	
<b>Cash and cash equivalents at 30 June 2024</b>	29	<b>26,030</b>

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**18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Transfers from Other Governments entities	30,000,000	(10,000,000)	20,000,000	20,000,000	0.00	100%
<b>Total Income</b>	<b>30,000,000</b>	<b>(10,000,000)</b>	<b>20,000,000</b>	<b>20,000,000</b>	<b>0.00</b>	<b>100%</b>
<b>Expenses</b>						
Use of goods and services			17,131,102	17,131,102	0.00	100%
Employee costs			1,048,320	1,048,320	0.00	100%
Board Expenses			300,000	300,000	0.00	100%
<b>Total Expenditure</b>	<b>30,000,000</b>	<b>(10,000,000)</b>	<b>19,973,970</b>	<b>19,973,970</b>	<b>0.00</b>	<b>100</b>
<b>Surplus for the period</b>			<b>26,030</b>	<b>26,030</b>	<b>0.00</b>	

## **19. Notes to the Financial Statements**

### **1. General Information**

TCB Entity is established by and derives its authority and accountability from TCB Act. The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Entity's principal activity is TCB.

### **2. Statement of Compliance and Basis of Preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *TCB* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Entity*. *The* financial statements have been prepared in accordance with the PFM Act, the State Corporations Act (*include any other applicable legislation*), and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

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**Notes to the Financial Statements (Continued)**

**3. Adoption of New and Revised Standards**

*i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There were no new and amended standards issued in the financial year.

*ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024*

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 45- Property	<p><i>Applicable 1<sup>st</sup> January 2025</i></p>

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Standard	Effective date and impact:
Plant and Equipment	<p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 46 Measurement	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 47- Revenue	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non-exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users</p>

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Standard	Effective date and impact:
	<p>of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 48- Transfer Expenses</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
<p>IPSAS 49- Retirement Benefit Plans</p>	<p><b><i>Applicable 1<sup>st</sup> January 2026</i></b></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</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.)*

**Notes to the financial statements (continued)**

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

The *Entity* recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Entity and the fair value of the asset can be measured reliably.

**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. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

**ii) Revenue from exchange transactions**

**Rendering of services**

The Entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the *Entity*.

**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 the Current FY was approved by the National Assembly on xxx. 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 Entity recorded additional appropriations of xxx on the 20xx budget following the governing body's approval.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Budget information (continued)**

The *Entity's* budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

**c) Taxes**

**Current income tax**

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the *Entity* operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**Deferred tax**

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *Entity* and the same taxation authority.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

***Sales tax***

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included  
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

**d) 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 based on the model adopted)* 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. Transfers are made to or from investment property only when there is a change in use.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**e) 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.

**f) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the *Entity*. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The *Entity* also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the *Entity* will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the *Entity*. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**g) 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. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**h) Research and development costs**

The *Entity* expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the *Entity* can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**i) 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.

**a) 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.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**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.

**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.

**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.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**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.

**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*.

**b) Financial liabilities**

**Classification**

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

**j) 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:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) 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,

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

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**k) 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.

**l) 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.

**m) 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.

**n) 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,

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the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**o) 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.*

**p) 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.

**q) 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. *(the entity to retain information relating to defined benefits or contributions, where both schemes are managed full policy applies)*

**r) 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

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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.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**s) 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.

**t) 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. (Entity to amend accordingly)*

**u) Service concession arrangements**

The *Entity* analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

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**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**v) 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.

**w) Comparative figures**

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

**x) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 20xx.

**Notes to the Financial Statements (Continued)**

**Summary of Significant Accounting Policies (Continued)**

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**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

**Useful lives and residual value**

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

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

**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 40. Provisions are measured at the management's best estimate of the expenditure required to settle

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the obligation at the reporting date and are discounted to present value where the effect is material.

**Notes to the Financial Statements (Continued)**

**6. Transfers from Other Government entities**

Description	2023/2024
	KShs
<b>Unconditional Grants</b>	
Other Grants	20,000,000
<b>Total Unconditional Grants</b>	<b>20,000,000</b>
<b>Total Government Grants And Subsidies</b>	<b>20,000,000</b>

**7. Use of Goods and Services**

Description	2023/2024
	Kshs
Advertising	150,000
Admin Fees	15,486,971
Conferences and Delegations	703,931
Fuel and Oil	300,000
Insurance	251,058
Bank charges	120,622
Communication supplies	68,520
Printing and Stationery	50,000
<b>Total use of goods</b>	<b>17,131,102</b>

**8. Employee Costs**

Description	2023/2024
	Kshs
Salaries and wages	1,048,320
<b>Employee costs</b>	<b>1,048,360</b>

**9. Board Expenses**

Description	2023/2024
	Kshs
Chairman/Directors' Honoraria	450,000
Sitting Allowances	350,000
Medical Insurance	251,508
Induction and Training	0.00
Travel and Accommodation	698,000

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Other Allowances	45000
<b>Total</b>	<b>1,794,508</b>

**10. Cash and Cash Equivalents**

Description	2023/2024
	Kshs
Current Account	26,069.37
<b>Total Cash And Cash Equivalents</b>	<b>26,069.37</b>

**Detailed Analysis of the Cash and Cash Equivalents**

Financial Institution	Account number	2023/2024
		Kshs
a) Current Account	4569710138	
NCBA BANK		26,069.37
<b>Grand Total</b>		<b>26,069.37</b>

**Financial Risk Management**

The Entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Entity'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 Entity 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 Entity's financial risk management objectives and policies are detailed below:

**i) Credit risk**

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by

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the Entity's management based on prior experience and their assessment of the current economic environment.

**Financial Risk Management**

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	Fully performing	Past due	Impaired
	Kshs	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2024</b>				
Receivables from exchange transactions	00	00	00	00
Receivables from non-exchange transactions	00	00	00	00
Bank balances	00	00	00	00
<b>Total</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>As at 30 June 2023</b>				
Receivables from exchange transactions	00	00	00	00
Receivables from non-exchange transactions	00	00	00	00
Bank balances	00	00	00	00
<b>Total</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

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

**Financial Risk Management**

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 significant concentration of credit risk on amounts due from xxx. The board of directors sets the Entity's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

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Ultimate responsibility for liquidity risk management rests with the Entity's directors, who have 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 Entity 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
<b>As at 30<sup>th</sup> June 2024</b>				
Trade payables	00	00	00	00
Current portion of borrowings	00	00	00	00
Provisions	00	00	00	00
Deferred income	00	00	00	00
Employee benefit obligation	00	00	00	00
<b>Total</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>As at 30<sup>th</sup> June 2023</b>				
Trade payables	00	00	00	00
Current portion of borrowings	00	00	00	00
Provisions	00	00	00	00
Deferred income	00	00	00	00
Employee benefit obligation	00	00	00	00
<b>Total</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

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**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

**iii) Market risk**

The *Entity* 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 Entity'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 way it manages and measures the risk.

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

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**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

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:

**Current FY**

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2024</b>			
<b>Financial Assets</b>	00	00	00
Investments	00	00	00
Cash	26,030	00	26,030
Debtors	00	00	00
<b>Total Financial Assets</b>	<b>26,030</b>	<b>00</b>	<b>26,030</b>
<b>Financial Liabilities</b>			
Trade And Other Payables	00	00	00
Borrowings	00	00	00
<b>Total Financial Liabilities</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Net Foreign Currency Asset/(Liability)</b>	<b>00</b>	<b>00</b>	<b>00</b>

**Foreign currency sensitivity analysis**

**Current FY**

Description	In Kshs	Other currencies	Total
	Kshs	Kshs	Kshs
<b>As at 30<sup>th</sup> June 2024</b>			
<b>Financial Assets</b>	00	00	00
Investments	00	00	00
Cash	00	00	00
Debtors	00	00	00
<b>Total Financial Assets</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Financial Liabilities</b>			
Trade And Other Payables	00	00	00
Borrowings	00	00	00
<b>Total Financial Liabilities</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>Net Foreign Currency Asset/(Liability)</b>	<b>00</b>	<b>00</b>	<b>00</b>

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**Financial Risk Management**

The following table demonstrates the effect on the Entity's statement of comprehensive income 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 Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
<b>2023/2024</b>			
Euro	10%	00	00
USD	10%	00	00
<b>2022/2023</b>			
Euro	10%	00	00
USD	10%	00	00

**b) 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 Entity to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Entity'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.

**Financial Risk Management**

**Sensitivity analysis**

The Entity 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 (Current FY: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (Current FY – Kshs xxx)

**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the *Entity's* market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The *Entity* considers relevant and observable market prices in its valuations where possible.

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**Notes to the Financial Statements (Continued)**

**Financial Risk Management**

The following table shows an analysis of financial and non-financial instruments recorded at fair value by level of the fair value hierarchy:

Description	Level 1	Level 2	Level 3	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30 June 2024</b>				
<b>Financial Assets</b>				
Quoted Equity Investments	00	00	00	00
<b>Non- Financial Assets</b>				
Investment Property	00	00	00	00
Land And Buildings	00	00	00	00
<b>Total</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>
<b>As at 30<sup>th</sup> June 2023</b>				
<b>Financial Assets</b>				
Quoted Equity Investments	00	00	00	00
<b>Non- Financial Assets</b>				
Investment Property	00	00	00	00
Land And Buildings	00	00	00	00
<b>Total</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

**iv) Capital Risk Management**

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

Description	Insert Current 2- 2023/2024	Insert 2022/2023
	Kshs	Kshs
Revaluation Reserve	00	00
Retained Earnings	00	00
Capital Reserve	00	00
<b>Total Funds</b>	<b>00</b>	<b>00</b>
Total Borrowings	00	00
Less: Cash and Bank Balances	00	00
Net Debt/(Excess Cash And Cash Equivalents)	00	00
<b>Gearing</b>		

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**11. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

**Other related parties include:**

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Xxx.
- v) Key management.
- vi) Board of directors.

Description	2023/2024	Insert 2022/2023
	Kshs	Kshs
<b>Transactions with related parties</b>		
<b>a) Sales to related parties</b>		
Sales of electricity to govt agencies	00	00
Rent income from govt. Agencies	00	00
Water sales to govt. Agencies	00	00
Others (specify) e.g. interest and bank charges	00	00
<b>Total</b>	<b>00</b>	<b>00</b>
<b>B) purchases from related parties</b>		
Purchases of electricity from KPLC	00	00
Purchase of water from govt service providers	00	00
Rent expenses paid to govt agencies	00	00
Training and conference fees paid to govt. Agencies	00	00
Others (specify)	00	00
<b>Total</b>	<b>00</b>	<b>00</b>

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<b>Description</b>	<b>2023/2024</b>	<b>Insert 2022/2023</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>b) Grants /transfers from the government</b>		
Grants from national govt	00	00
<b>Total</b>	<b>00</b>	<b>00</b>
<b>c) Expenses incurred on behalf of related party</b>		
Payments of salaries and wages for xxx employees	00	00
Payments for goods and services for xxx	00	00
<b>Total</b>	<b>00</b>	<b>00</b>
<b>d) Key management compensation</b>		
Directors' emoluments	00	00
Compensation to key management	00	00
<b>Total</b>	<b>00</b>	<b>00</b>

**12. Segment Information**

*(Where an organisation operates in different geographical regions or in departments, IPSAS 18 on segmental reporting requires an Entity to present segmental information of each geographic region or department to enable users understand the Entity's performance and allocation of resources to different segments)*

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**Appendix IV: Transfers from Other Government Entities**

Name of the MDA/Donor Transferring the funds	Date received as per bank statement	Nature: Recurrent/Development/Others	Total Amount - KES	Statement of Financial Performance	Where Recorded/recognized				Total Transfers during the Year
					Capital Fund	Deferred Income	Receivables	Others - must be specific	
Ministry of Planning and Devolution	00	Recurrent	00	00	00	00	00	00	00
Ministry of Planning and Devolution	00	Development	00	00	00	00	00	00	00
USAID	00	Donor Fund	00	00	00	00	00	00	00
Ministry of Planning and Devolution	00	Direct Payment	00	00	00	00	00	00	00
<b>Total</b>			<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>	<b>00</b>

