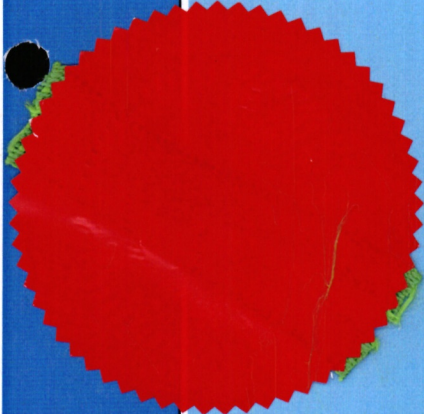


REPUBLIC OF KENYA



Enhancing Accountability



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REPORT

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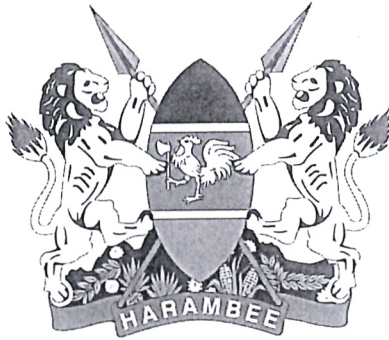
ON

**NAROK COUNTY ALCOHOLIC DRINKS
REGULATION AND CONTROL FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**

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NAROK COUNTY ALCOHOLIC DRINKS REGULATION AND CONTROL FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2020**

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

...



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1. Key Entity Information and Management

(a) Background information

Narok County Alcoholic Drinks Control and Regulation Fund is established by and derives its directorate and accountability from Narok county Alcoholic Drinks Regulation and Control Act of 20th July 2016. The Fund is wholly owned by the County Government of Narok and is domiciled in Kenya.

The history of Narok County Alcoholic Drinks Regulation and Control Act began in 20th July 2016. Its primary function is to initiate a public education and awareness campaign against alcohol abuse especially among youth in schools and other learning institutions. This was in response to a wave of violent student unrest and suspicion of devil worship, part of which was blamed on drug abuse.

The Narok County Alcoholic Drinks directorate was mandated to coordinate a multi-sectoral campaign to prevent, control and mitigate the impacts of Alcohol abuse in the County.

(b) Principal Activities

The specific functions of Narok County alcoholic Drinks as set out in the Narok county Alcoholic Drinks Regulation and Control Act on 20th July 2016 are to:

- (i) Carry out public education on alcohol abuse directly and in collaboration with other public or private bodies and institutions;
- (ii) Coordinate and facilitate public participation in the control of alcohol abuse;
- (iii) Coordinate and facilitate inter-agency collaboration and liaison among lead agencies responsible for alcohol-demand reduction;
- (iv) In collaboration with other lead agencies, facilitate and promote the monitoring and surveillance of Narok County emerging trends and patterns in the production, manufacture, sale, consumption, trafficking and promotion of alcohol prone to abuse;
- (v) In collaboration with other lead agencies, provide and facilitate the development and operation of rehabilitation facilities, programs and standards for persons suffering from alcohol use disorders;
- (vi) Subject to any other written law, license and regulate operations of rehabilitation facilities for persons suffering from alcohol use disorders;
- (vii) Coordinate and facilitate, in collaboration with other lead agencies and non-State actors, the formulation of national policies, laws and plans of action on control of alcohol abuse and facilitate their implementation, enforcement, continuous review, monitoring and evaluation;
- (viii) Develop and maintain proactive co-operation with regional and, international institutions in areas relevant to achieving the Narok County Alcoholic Drinks' objectives;
- (ix) In collaboration with other public and private agencies, facilitate, conduct, promote and coordinate research and dissemination of findings on data on alcohol abuse and serve as the repository of such data;

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- (x) In collaboration with other lead agencies, prepare, publish and submit an alcohol abuse control status report bi-annually
- (xi) Assist and support Narok County government in developing and implementing policies, laws and plans of action on control of alcoholic drinks abuse; and
- (xii) Carry out such other roles necessary for the implementation of the objects and purpose of this Act and perform such other functions as may from time to time

Vision

A County free from alcohol abuse.

Mission

To lead and coordinate the fight against alcohol abuse through prevention, advocacy, policy development, research, treatment and rehabilitation programmes, and execution of relevant statutes in Narok County.

(c) Key Management

The *Entity's* day-to-day management is under the following key organs:

- The Chairperson/Chief officer devolution and public administration;
- The Director
- Accountant
- Administrator

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1	CECM Administration, Devolution and Public Service Management	Hon. Ezekiel Rono
2	Chief Officer Devolution and Public administration	Linus Nairo
3.	Director	Esther Naisiae Pussy
4.	Accountant	Shai Ledama

(e) County Assembly of Narok;

The Narok County assembly offers overall oversight of all the fiduciary functions of the County Government of Narok. The County assembly is mandated to represent the public, prepare and pass legislations that are to ensure that there is satisfactory service delivery by the county executive and its entities. Further the Narok County Assembly provides oversight to ensure that the county executive and its entities comply with the law and regulations in all its financial and non-financial operations.

(f) Audit Committee;

The audit committee is responsible for setting standards that are to be complied with in all financial transactions. The committee evaluates the risk profile of the fund and prepares risk management policy and their implementation framework. The committee also reviews internal controls in place and gives recommendations on how the gaps are to be addressed. Narok County Alcoholic Drinks Control and Regulation Fund has its functions continuously audited by the County internal audit function which reports to the said committee above.

(g) Entity Headquarters

P.O. Box 898
Narok County Government Headquarters
info@narok.go.ke

(h) Entity Contacts

Telephone: (254) 020 268 8929/03
E-mail: info@narok.go.ke
Website: www.narok.go.ke

(i) Entity Bankers

1. *KCB Narok Branch*
P.O. Box 406-20500 *Narok City/Town*
Narok Telephone Number: 050-22576, 020-206251
Email Address:
NAIROBI, KENYA

Other Banks (state other bankers as appropriate)

(j) Independent Auditors

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

(k) Principal Legal Adviser

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

2. The Management Committee

Mr. Ezekiel Rono - CEC, Administration, Coordination of Decentralized Services, Disaster Management

Mr. Ezekiel Rono was appointed as CEC Administration, Coordination of decentralized Services and Disaster Management. He holds a Bachelor's degree in education from Kenyatta University. He also has a Master of Education from Maasai Mara University.



Esther Naisiae Pussy-Ag. Director Narok County Alcoholic drinks Control and Regulation Department

She was appointed on 4th February, 2019 as the Ag. Director Liquor Licensing Committee.

Holder of a Diploma in Education - Humanities. Worked for the Central Bank of Kenya in Financial Markets as a Senior Bank Officer. Worked in the Bank for 27 years. She is the Administrator of the Fund.



Mr. Linus Nairimo. Ag-chief officer Devolution and Public Administration

Mr Linus Nairimo was appointed as the Chief officer - Devolution and Public Administration in 2018 and is the Chairperson for the Narok County Alcoholic Drinks Control and Regulation Fund .He hold a bachelor's Degree in Political Science and MBA in Business Management.



3. Chairman's Statement

It is my pleasure to present the County Government of Narok Alcoholic Drinks Regulation and Control Fund financial statements for the year ended 30th June 2020. The financial statements present the financial performance of the Fund over the past year. The Narok county Alcoholic Drinks Regulation and Control Act requires the Committee of Directors to ensure that proper books and other records of accounts of income, expenditure, assets and liabilities of the Directorate are kept. This calls for preparation of Financial Statements.

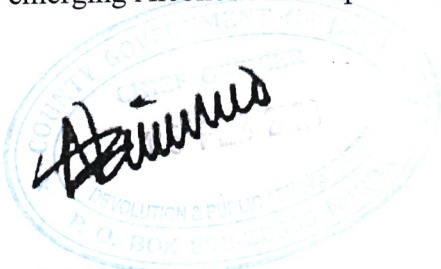
The fund generates its revenues from licencing fees levied on authorised alcohol vendors within the County. The fund derives authority to budget and apply the funds in its operations from the Act that creates it. The committee is mandated to authorize any expenditure on account of the fund. During the FY 2019-2020, funds operations were affected immensely due to the Covid-19 pandemic which required that all liquor vendors and bars to be closed.

During the FY ended 30th June 2020, the Fund raised a total of Kshs.15, 537,200 liquor licence fee and charges. A total of Kshs.14, 840,051 was spent in various activities of the fund as approved by the committee.

The Committees mandate is to ensure financial prudence in its role and therefore accepts this responsibility and therefore has prepared the attached Financial Statements as at 30th June 2020 based on prudence in judgement in accordance with the International Public Sector Accounting Standards (IPSAS).

In the opinion of the Committee, nothing has come to the attention that the directorate will not remain a going concern for at least twelve months from the date of this statement. The directorate's Act of 2016 provides the strategic direction in the campaign against alcohol drug abuse in Narok County taking into consideration national government policy provisions, devolved governance structures, as well as emerging Alcohol consumption trends.

Signed:


Mr. Linus Nairimo
Chief Officer-Devolution, Committee Chair person
County Government of Narok

4. Statement of Performance against Predetermined Objectives for FY 2019/20

Introduction

Section 164 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each County Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Committee includes a statement of the county government entity's performance against predetermined objectives.

The key targets and objectives of the Narok County Alcoholic Drinks Regulation and Control Fund for the period ended 30th June 2020 are as follows;

- a) Conduct Public Education and Advocacy through sensitization campaigns
- b) Undertake Counselling, Rehabilitation & Reintegration of identified victims
- c) Monitor adherence and Compliance to set Quality Controls and Standards in alcohol use
- d) Carry out Research, Policy and Planning programs in furtherance of its mandate
- e) Ensure Institutional Strengthening and progress in achieving its mandates
- f) Uphold Leadership and Integrity in discharging its role

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
1) Public Education and Advocacy	To carry out public education and awareness targeting 350 families on alcohol abuse directly and in collaboration with other public or private bodies and institutions	In the F/Y 2019/2020 We have allocated KSH 1,360,000 for public participation and advocacy	Family based preventive Community based preventive Workplace based preventive	Over 200 families reached and sensitised

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2) Counselling & Treatment	To provide counselling and treatment services to persons with alcohol use disorders and their families	In the F/Y 2019/2020 We have allocated KSh.2,000,000 for the Counselling and treatment	Early intervention, for addressing substance misuse problems or mild disorders by families and communities.	Counselling & Treatment engagement and manuals given to families.
3) Research policy and planning	To Coordinate and facilitate inter-agency collaboration and liaison among lead agencies responsible for alcohol reduction	In the F/Y 2019/20 We have allocated KSh.3,000,000	Enforcement and collaboration with interagency increased	
4) Compliance & Quality Controls	To Coordinate and facilitate inter-agency collaboration and liaison among lead agencies responsible for alcohol reduction;	In the F/Y 2019/20 We have allocated KSh.3,000,000	Enforcement agencies including police, County rangers and NACADA Team are working together to curb the menace.	Some unauthorised alcohol napped awaiting disposal & relevant agencies notified of the same
	To assist and support Sub-county committees in developing and implementing policies, systems and plans of action on control of alcohol abuse.	In the F/Y 2019/20 we have allocated KSh.3,100,000	Increased involvements by the sub-county committee on developing procedures and systems	Drafted regulation to be presented to executive member for approval

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<p>5) Leadership and integrity</p>	<p>To provide good leadership in Developing and maintaining proactive co-operation with regional and, international institutions in areas relevant to achieving the Narok County Alcoholic Drinks' objectives;</p>		<p>Collaboration of public and private agencies to facilitate, conduct, promote and coordinate research findings on data on Alcohol abuse and serve as the repository of such data to guide policy and programmes</p>	<p>Towards strengthening the capacity of the Sub-County Committees to fully take up the devolved Function of liquor licensing and drug control in their respective sub-counties, the Directorate trained the committees.</p>
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5. Corporate Governance Statement

Narok County Alcohol Directorate was established on 20th July 2016 and it subjects to and adheres to all the provisions and requirements of corporate governance.

The Narok County Alcohol Directorate Committee and Management entails rules and practices to ensure accountability, fairness and transparency in the directorate's relationships with its stakeholders. Narok County Alcohol Directorate stakeholders include the Devolution and Public administration, employees, public sector institutions, private sector institutions at the county level and the public.

This corporate governance framework also consists of explicit and implicit contracts between the Directorate and stakeholders for distribution of responsibility and rights; procedures for reconciling conflicting interests of stakeholders in accordance with their duties, privileges and roles; and procedures for proper supervision, control and information flow to serve as a system of checks and balances.

To ensure effective implementation, the Narok County Alcohol Directorate Committee has undergone several trainings on corporate governance which consisted of the following modules:

- a. Overview of Narok County Alcohol Dinks and regulations act of 2016
- b. The Concept & Principles of Corporate Governance
- c. The relationship and Roles of the Committee and Management
- d. Communication and reporting in Committees
- e. Effective Committees and Committee Meetings
- f. Performance Management Framework.
- g. Performance Contracting
- h. Risk Management
- i. Challenges Facing Committees in the county
- j. Ethical Issues facing Committees
- k. Practicum: Code of Conduct Best practices
- l. Action Planning, Evaluation and closure

Through this training, the Committee's capacity was built to ensure that Narok County Alcohol Directorate operations are geared towards application of principles and practices which are in the best interest of the population of Narok County. The Committee has also become more proactive in promoting issues of corporate fairness, transparency and accountability in the internal and external operations of the Authority. In order to ensure continual advancement towards the goal of an Alcohol-Free County, training on Corporate Governance has been incorporated as a priority activity for the Committee in the directorate's Strategic Plan 2019-22 and Performance Contract for FY 2019-2020.

6. Environmental and Sustainability Reporting

The directorate exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is an outline of the organisation's policies and activities that promote sustainability.

i) Sustainability strategy and profile

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

ii) Environmental performance

The Narok County Alcohol Directorate defines the environmental performance as the integration of social and environmental considerations in how we conduct our programmes and day-to-day activities. We strive to always take our stakeholders' interests into account in our decision making.

iii) Employee welfare

This policy is applicable to all staff and provides them with the principles required to uphold the CSR policy. This policy applies across all of the Authority's operations, and is incorporated into our management, campaign strategy, daily decisions and actions.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Through our commitment, the Narok County Alcohol Directorate will act with integrity to improve the quality of life of our employees and the communities we serve. We will take the steps necessary to have a positive impact on our communities by actively encouraging our staff to recognize and behave in a responsible manner by setting of good examples as an important practice.

b) Responsible Supply chain and supplier relations

The Narok County Alcohol Directorate will be responsible for:

- Collaborative engagement with our suppliers, stakeholders, and local communities in setting priorities and implementing solutions pertaining to alcohol abuse.
- Developing mutually beneficial partnerships with suppliers and the communities we serve.

c) Responsible marketing and advertisement

Guiding Principles.

- Using its influence to encourage others to limit their negative and enhance their positive alcohol impacts
- Leveraging its resources, expertise, services and relationships for the benefit of our staff and the communities it serves.
- Working with its community partners/stakeholders and use its public voice to advance solutions to alcohol abuse in our communities.

d) Product stewardship

Outline efforts to safeguard consumer rights and interests.

v) Corporate Social Responsibility / Community Engagements

Corporate social responsibility (CSR) refers to a business or organization practice that involves participating in initiatives that benefit society. As customers' awareness about global social issues continues to grow, so does the importance these customers place on CSR when choosing where to shop or engage.

The Narok County Liquor Directorate Corporate Social Responsibility Vision Statement
"To build strong, resilient and sustainable communities free from alcohol abuse."

The Narok County Alcohol Directorate Corporate Social Responsibility Mission Statement
To lead and coordinate the fight against alcohol abuse through prevention, advocacy, policy development, research, treatment and rehabilitation programmes, and execution of relevant statutes in Narok County.

The Narok County Alcohol Directorate Policy Statement

Policy Objective- The CSR policy objective sets out the philosophy and guiding principles for the Narok County Alcohol Directorate's activities and programmes.

CSR Definition- the Narok County Alcohol Directorate defines CSR as the integration of social and environmental considerations in how we conduct our programmes and day-to-day activities. We strive to always take our stakeholders' interests into account in our decision making.

Audience and scope- This policy is applicable to all staff and provides them with the principles required to uphold the CSR policy. This policy applies across all of the Authority's operations, and is incorporated into our management, campaign strategy, daily decisions and actions.

7. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020, which show the state of the Entity's affairs.

i) Principal activities

The principal activities of the Entity are campaign against Alcohol abuse.

ii) Results

The results of the Entity for the year ended June 30, 2020, are set out on page

iii) Directors

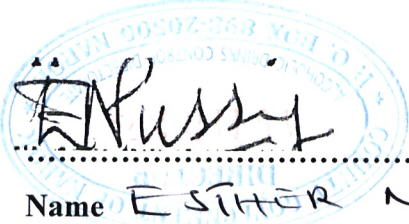
The members of the Board of Directors who served during the year are shown on page xxx. During the year xxx director retired/ resigned and xxx was appointed with effect from xxx date.

iv) Surplus remission

In accordance with Regulation 219 (2) of the Public Financial Management (National Government) Regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year.

v) Auditors

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



Name ESTHER N. PUSSY

**Director. Narok County Alcoholic Drinks Control
& Regulation fund**

8. Statement of Directors Responsibilities

Section 81 of the Public Finance Management Act, 2012 and 2012 and Narok county Alcoholic Drinks Regulation and Control Act of 20th July 2016 require the Directors to prepare financial statements in respect of that *Entity*, which give a true and fair view of the state of affairs of the *Entity* at the end of the financial year/period and the operating results of the *Entity* for that year/period. The Directors are also required to ensure that the *Entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the *Entity*. The Directors are also responsible for safeguarding the assets of the *Entity*.

The Directors are responsible for the preparation and presentation of the *Entity's* financial statements, which give a true and fair view of the state of affairs of the *Entity* for and as at the end of the financial year (period) ended on June 30, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *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 *Entity*; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

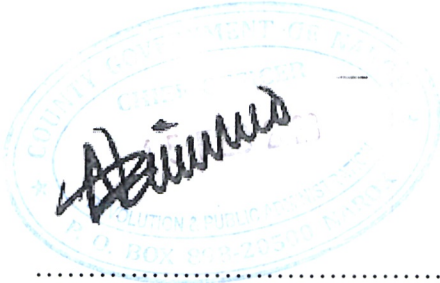
The Directors accept responsibility for the *Entity's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act) – *entities should quote applicable legislation as indicated under which they are regulated*). The Directors are of the opinion that the *Entity's* financial statements give a true and fair view of the state of *Entity's* transactions during the financial year ended June 30, 2021, and of the *Entity's* financial position as at that date.

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

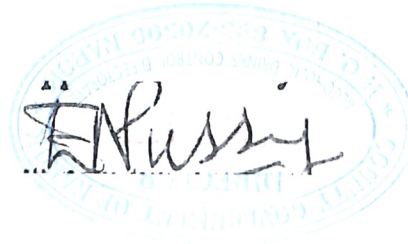
Nothing has come to the attention of the Directors to indicate that the *Entity* will not remain a going concern for at least the next twelve months from the date of this statement

Approval of the financial statements

The Narok county Alcoholic Drinks financial statements were approved by the Board on _____ 2020 and signed on its behalf by:

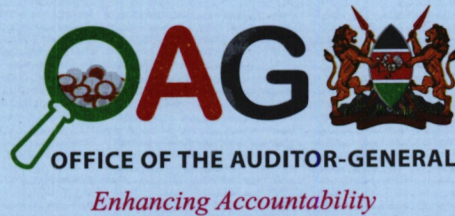


.....
Name **LINUS NAIMU**
Chairperson of the Committee



.....
Name **ESTHER N. PUSSY**
Director

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 NAROK COUNTY ALCOHOLIC DRINKS REGULATION AND CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Narok County Alcoholic Drinks Regulation and Control Fund set out on pages 1 to 27, which comprise of the statement of financial position as at 30 June, 2020 and the statement of financial performance, the statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations, which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Narok County Alcoholic Drinks Regulation and Control Fund as at 30 June, 2020 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 Public Finance Management Act, 2012 and Narok County Alcoholic Drinks (Regulation and Control) Act, 2016.

Basis for Qualified Opinion

1. Unsupported Fund Administration Expenditure

The statement of financial performance reflects use of goods and services amount of Kshs.14,840,051. However, expenses amounting to Kshs.8,438,700 was not supported by the relevant documentation and payment information as detailed below:

Particulars	Amount (Kshs.)	Missing Information
Public Participation	1,336,000	A breakdown of the expenses incurred on specific dates during the public participation
Enforcement	630,900	A sub schedule of the dates and list of the multi-agency officers paid during the exercise
Induction	2,381,000	List of persons inducted and amount paid to each on specific dates.
Utilities Supplies and Services	3,289,000	List of persons paid, invoice numbers, services rendered/ goods supplied and amount paid
Vetting Allowances	801,800	A listing showing the dates and persons paid the allowances.
Total	8,438,700	

In the circumstances, the accuracy and occurrence of use of goods and services expenses amounting to Kshs.8,438,700 for the year ended 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Narok County Alcoholic Drinks Regulation and Control Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects total income budget and actual on comparable basis of Kshs.16,190,000 and Kshs.15,537,200 respectively resulting to income shortfall of Kshs.652,800. Similarly, the Fund expended Kshs.14,806,051 against an approved budget of Kshs.16,190,000 resulting to an under-expenditure amounting to Kshs.1,383,949.

The underfunding and underutilization of approved budget affects the planned activities and may have negatively impacted on service delivery to the citizens of Narok County.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the Management is aware of the intention to terminate the Fund or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 March, 2023

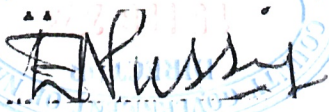
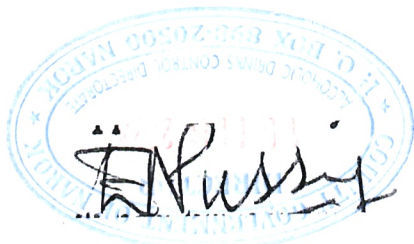
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9. Statement of Financial Performance for the year ended 30 June 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Revenue from non-exchange transactions			
Licenses and permits	6	15,537,200	
Total revenue		15,537,200	
Expenses			
Use of goods and services	7	14,840,051	
Operational Cost	8	4,907	
Total expenses		14,878,958	
Surplus/(deficit) for the period/year		692,243	

The notes set out on pages 6 to 27 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

Accounting Officer

Name: ESTHER N. PUSSY

Date 15/01/2023



Accountant

Name Shacai Ledama

Date 15/01/2023




Chairman of the Committee

Name: LINUS NTIRIMA

Date 15/01/2023

14 Statement of Financial Position as at 30 June 2020

	Notes	2019-2020	2018-2019
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	9	692,243	
Total Current Assets	9	692,243	
Total Assets		692,243	
Liabilities			
Total Liabilities			
Net Assets	9	692,243	
Total Net Assets and Liabilities		692,243	

The financial statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

.....
 Name ESTHER N. PUSSY
 Accounting Officer

Date 15/01/2023

.....
 Name LINUS NARIMO
 Chairman of the Committee

Date 15/01/2023

15 Statement of Changes in Net Assets for the year ended 30 June 2020

	Retained earnings	Total
	Kshs	Kshs
As at July 1, 2018		
As at June 30, 2019		
As at July 1, 2019		
Surplus/ deficit for the year	692,243	692,243
As at June 30, 2020	692,243	692,243

16. Statement of Cash Flows for the year ended 30 June 2020

		2019-2020	2018-2019
	Notes	Kshs	Kshs
Cash flows from operating activities			
Receipts			
Licenses and permits	6	15,537,200	
Total receipts		15,537,200	
Payments			
Use of goods and services	7	14,840,051	
Operational cost	8	4,907	
Total payments		14,878,958	
Net cash flows from/(used in) operating activities		692,243	
Net increase/(decrease) in cash & Cash equivalents			
Cash and cash equivalents at 1 July	9	692,243	
Cash and cash equivalents at 30 June	9	692,243	

(IPSAS 2 allows an Entity to present the cash flow statement using the direct or indirect method but encourages the direct method. Entities should use the direct method of cash flow preparation as shown above)

The financial statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:

.....
 Name: **Esther N. Plessy**
 Accounting Officer

Date **15/02/2023**

.....
 Name: **Linus Nammo**
 Chairman of the Committee

Date **15/02/2023**

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17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2020

	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
Revenue						
Licenses and Permits	16,190,000	-	16,190,000	15,537,200	652,800	96%
Total Income	16,190,000	-	16,190,000	15,537,200	618,800	96%
Expenses						
Use of Goods and Services	16,190,000	-	16,190,000	14,806,051	1,349,949	92%
Total Expenditure	16,190,000	-	16,190,000	14,806,051	1,349,949	92%

Budget notes

The shortfall in actual receipts of Kshs 618,800 was occasioned by several factors; one such factor is the fact that the Fund started its operations in F/Y 2019/2020 and therefore structures and mechanisms of collecting revenue were still in formation. Another factor is that during the period under COVID-19 that saw lockdowns and closure of business entities negatively affecting the operations of the Fund.

On the issue of approval of the budget, the Fund has continuously implemented controls and structures to comply with the legislative Acts in order to dispense its mandate. The current Narok County Alcoholic Drinks Act 2016 and the related Regulations and controls Act 2016 do not provide on the budgeting and budget approval process

18. Notes to the Financial Statements

1. General Information

Narok County Alcoholic drinks Control and Reg fund y is established by and derives its authority and accountability from 2016 Act. The Entity is wholly owned by the County Government of Narok and is domiciled in Kenya. The Entity's principal activity is regulating and Controlling sell and production of Alcohol

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 *Entity's* 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 2022.*

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

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

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023:</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>(State the impact of the standard to the Entity if relevant)</i></p>

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Standard	Effective date and impact:
IPSAS 42: Social Benefits	Applicable: 1st January 2023 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess: (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. <i>(State the impact of the standard to the Entity if relevant)</i>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	Applicable: 1st January 2023: a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. <i>(State the impact of the standard to the Entity if relevant)</i>
Other improvements to IPSAS	Applicable 1st January 2023 <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i>

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Standard	Effective date and impact:
	<p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. <p><i>State the impact of the standard to the Entity if relevant</i></p>
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the 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 1st 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 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 year 2019/2020.

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. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized in the statement of financial position and realised in the statement of comprehensive income 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 FY 2021-2022 was approved by the Management Committee. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the county government. 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 did not record additional appropriations on the 2021-2022 budget.

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,

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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 re-assessed 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.

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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. 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.

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-

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exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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.

i) Financial instruments

a) Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Held-to-maturity.

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

Impairment of financial assets

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

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

b) Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

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

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

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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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

l) 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.

m) Contingent assets

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

n) 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.*

o) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

p) **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.

q) **Foreign currency transactions**

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

r) **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.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) 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 Executive member, the Chief Officer- Devolution and public Administration and the directors

t) Service concession arrangements

The *Entity* analyses all aspects of service concession arrangements that it enters into 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.

u) 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.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

v) **Comparative figures**

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

w) **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, 2022.

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

Notes to the Financial Statements (Continued)

Significant Judgments and Sources of Estimation Uncertainty (Continued)

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

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

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Notes to the Financial Statements (Continued)

6. Licenses, Fees and Permits

Description	2019-2020	2018-2019
	Kshs	Kshs
Licenses –Liquor License	15,537,200	
Total	15,537,200	

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Notes to the Financial Statements (Continued)

7. Use of Goods and Services

Description	2019-2020	2018-2019
	Kshs	Kshs
Domestic travel and subsistence	2,251,100	
Inspection Allowances	510,050	
Vetting Allowances	801,800	
Induction/Training	2,381,000	
Public participation and advocacy	1,363,000	
Enforcement	598,601	
Routine maintenance – vehicles and other transport equipment	114,500	
Utilities, supplies and services	3,289,000	
Research Baseline survey	1,981,000	
Office operation Expenses	1,550,000	
TOTALS	14,840,051	

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8. Operational Cost

Description	2019-2020	2018-2019
	Kshs	Kshs
Bank charges	4,907.10	
Total finance costs	4,907.10	

**Borrowing costs that relate to interest expense on acquisition of non-current assets and do not qualify for Capitalisation as per IPSAS 5: on borrowing costs should be included under this note.)*

9. (a) Cash and Cash Equivalents

Description	2019-2020	2018-2018
	Kshs	Kshs
Current Account	692,243	
Total Cash And Cash Equivalents	692,243	

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9 (b) Detailed Analysis of the Cash and Cash Equivalents

		2019-2020	2018-2019
Financial Institution	Account number	Kshs	Kshs
a) Current Account			
Kenya Commercial Bank <i>Narok county alcoholic Drinks Reg.fund A/c</i>	1256511951	692,243	
Total		692,243	

