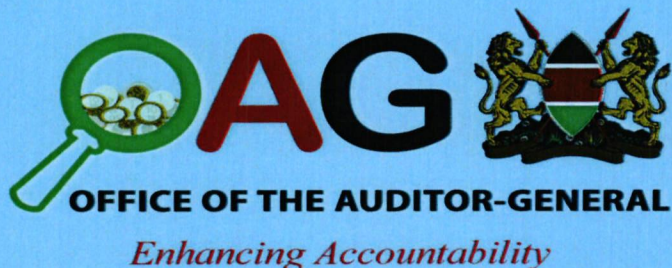
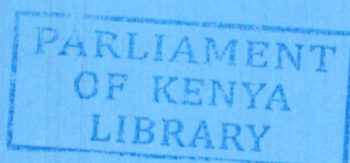


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REPUBLIC OF KENYA



**REPORT**



**OF**

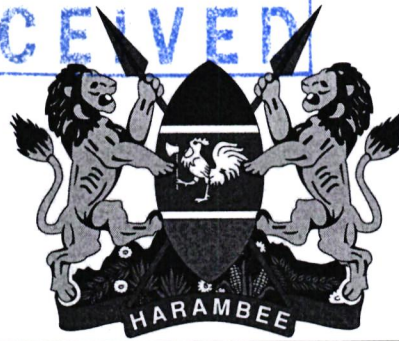
**THE AUDITOR-GENERAL**

**ON**

**NAIROBI CITY COUNTY ALCOHOLIC  
DRINKS CONTROL AND LICENSING BOARD**

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





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**NAIROBI CITY COUNTY ALCOHOLIC DRINKS AND LICENSING  
BOARD**

**REPORTS AND FINANCIAL STATEMENTS**

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

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

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

**Reports and Financial Statements**

**For the year ended June 30, 2020**

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# NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD

## Reports and Financial Statements For the year ended June 30, 2020

### 1. KEY ENTITY INFORMATION AND MANAGEMENT

#### a) Background information

Section 43 of the Nairobi City County Alcoholic Drinks Control and Licensing Act 2014 established the fund. This fund was established in line with Section 109 2(a) and (b) of the public finance management act 2012.

The above County alcohol act empowers the County Executive Committee Member for Finance as the fund manager but this power has been delegated by the act to the County Executive committee member for trade while the Chief Officer for Trade is the accounting officer

#### b) Key Management

Planning organizing, directing and overall control of all activities within the organization

#### c) Fiduciary Management

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

No.	Designation	Name
1.	Accounting Officer	- <b>Allan Igambi CECM- For trade Fund manager</b>
2.	Chief Officer	- <b>Mohamed Sahal</b>
3.	Director Liquor	- <b>HesbonAgwena</b>

#### d) Fiduciary Oversight Arrangements

- *County Audit Committee*
- *Public Accounts Committee*

#### e) Entity Headquarters

P.O. Box 30075  
Weights and measures building  
POPO Road  
Nairobi, KENYA

#### f) Entity Contacts

Telephone:(254)0716933701

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING  
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**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**g) Entity Bankers**

1. Co-operative Bank of Kenya  
City Hall  
P.O. Box 48231  
GPO 00100  
Nairobi, Kenya

**h) Independent Auditors**

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

**i) Principal Legal Adviser**

The County Attorney General  
City hall  
City hall way  
P.O. Box 30075  
City Square 00200  
Nairobi, Kenya

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

**Reports and Financial Statements  
For the year ended June 30, 2020**

**2. FORWARD BY THE DIRECTOR LIQUOR LICENSING**

**ANNUAL MONITORING & EVALUATION REPORT FOR LIQUOR BOARD FY  
2019/2020**

For the purpose of planning process, the Liquor Licensing Board is organized as follows;

**Programmes and their Objectives**

<b>Programmes</b>	<b>Objectives</b>
<b>General Administration, Planning and Support services</b>	To provide efficient and effective administrative, planning and support services to the other sections of the Liquor.
<b>Liquor Board and Sub-County Services</b>	To ensure that the national government policy on the control of alcoholic drinks as set out in the national Alcoholic Drinks Act is implemented at the County level in accordance with the requirements of Article 198 of the Constitution.
<b>Liquor enforcement services</b>	To facilitate the application and enforcement of standards on the regulation of manufacture, advertisement, sale and consumption of alcoholic drinks.

**Summary of Key Achievements 2019/2020**

- i. During the FY 2019/2020, Liquor Board managed to construct the nine Sub-County Containerized offices against a target of ten.
- ii. In order to enhance the Liquor Enforcement, the Liquor Board acquired a van in the same financial year which is now in operation.
- iii. To control the Liquor businesses in the County, Liquor Board inspected 3,800 premises and issued 4,000 Liquor licenses in the year under review.
- iv. In line with its mandate of control of alcohol and drug abuse, Liquor Board conducted 30 sensitization programmes across the County.

**2.0 Liquor Board Performance**

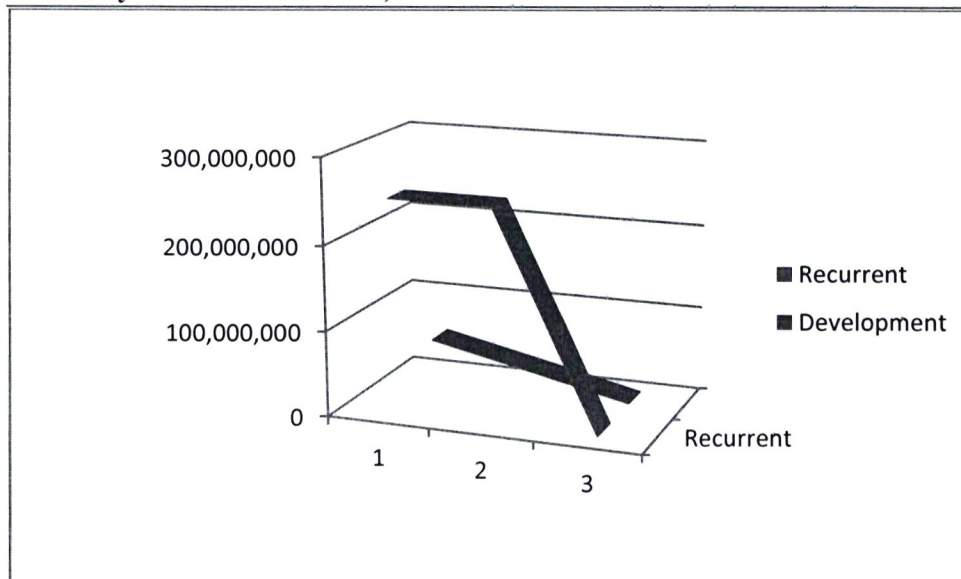
**2.1 Recurrent Expenditure**

<b>Economic Classification</b>	<b>Budgetary Allocation 2019/20 Kshs</b>	<b>Total Expenditure Kshs</b>	<b>Absorption Rate %</b>
Recurrent	251,000,000	250,848,288	99.94
Development	52,000,000	26,456,114	50.88
<b>Total</b>	<b>303,000,000</b>	<b>277,304,402</b>	<b>91.52</b>

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

**Reports and Financial Statements**

**For the year ended June 30, 2020**



**2.2 Capital Programmes**

**Implementation status of projects per programme as at 30<sup>th</sup> June, 2020**

Program me	Strategic Objective	Project Name	Description of Activities	K.P.I.	Budget Allocation Ksh.	Amount Paid Ksh.	Project Status	Remarks
General Administration, Planning and Support services	To provide efficient and effective administrative, planning and support services to the other sections of the Liquor.	Sub county offices	Construction of 10 containerized offices		19m	19M	9 offices Complete	One office rolled over to the next FY
		Drop in Centres	Construction of Drop in centres		26M	Nil	Procurement stage	Rolled over to the next FY
		Purchase of motor vehicle	Purchase of motor vehicle		7M	7M	Complete	Vehicle in operation

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

**Reports and Financial Statements  
For the year ended June 30, 2020**

**2.3 Service Delivery**

**Achievements for Liquor Licensing Board FY2019/2020**

<b>Service Area</b>	<b>Objective</b>	<b>Delivery Unit</b>	<b>K.I.P.</b>	<b>Annual Target</b>	<b>Achievement</b>	<b>Variance</b>	<b>Remarks</b>
All Sub-Counties	To control Liquor outlets	Sub-County Committees	No. of Licenses Issued	5,500	4,000	1,500	Field operations affected in Q4 by Covid 19
	To controlled Liquor outlets	Enforcement Unit	No. of Liquor premises visited	5,000	3,800	1,200	
	To facilitate the development of rehabilitation facilities. and facilitate sensitization and public participation in the control of alcohol and drug abuse	Administration	Reports on sensitization and public fora held	48 sensitization and education forums	30 Workshops conducted in various sub-counties.	18	
Members & Staff	Facilitate sensitization and public participation in the control of alcohol and drug abuse	Administration	No. of workshops conducted and training reports	Three training workshops	One training workshop done	2	
Administration	To finalize Liquor policy, and amend the Liquor Act and regulations	Administration	Draft of Liquor policy, amended Liquor Act and regulations	Review the Act and licensing regulations	Completed drafts submitted to the County Attorney's office	0	

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

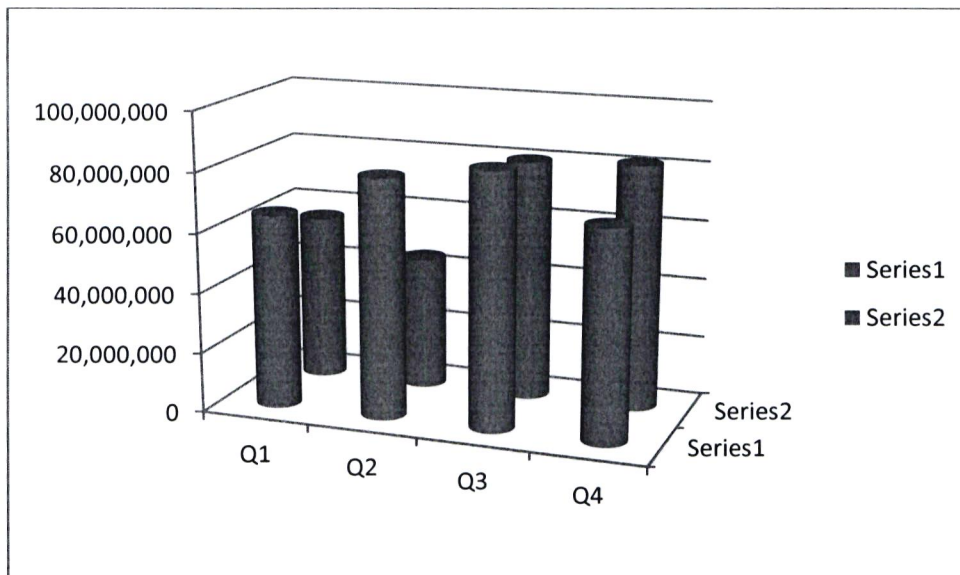
**Reports and Financial Statements**

**For the year ended June 30, 2020**

**2.4 Revenue Performance**

**Liquor Board Revenue Performance**

S/No.	Revenue Stream	Annual Target Kshs		Accumulated Achievement Ksh.	Remarks
	Liquor Licensing	Q1	65,000,000	55,873,000	Affected by the transition of Jambo pay to the current platform.
		Q2	80,000,000	44,559,000	
		Q3	85,000,000	80,598,000	
		Q4	70,000,000	81,970,000	
		<b>Total</b>	<b>300,000,000</b>	<b>263,000,000</b>	



**3.0 Institutional policy Recommendations**

It is highly recommended that the formulation of Liquor policy and the amendment of Liquor Act and regulations be finalized and implemented in order to enhance the Liquor performance

**Sign**  
**DIRECTOR LIQUOR LICENSE**  
**Nairobi County Alcoholic Drinks and License Board**

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING  
BOARD**

**Reports and Financial Statements  
For the year ended June 30, 2020**

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**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

**Reports and Financial Statements  
For the year ended June 30, 2020**

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**3. STATEMENT OF PERFORMANCE AGAINST COUNTY LIQUOR BOARD  
PREDETERMINED OBJECTIVES**

**COUNTY INTEGRATED DEVELOPMENT PLAN (CIDP)-2018-2022  
COUNTY LIQUOR AND LICENSING BOARD**

**Vision**

A Nairobi County free from alcohol and drug abuse.

**Mission**

To lead and coordinate the fight against alcohol and drug abuse through implementation of the national government policy on alcoholic drinks and for the control, licensing, advocacy, awareness creation, sale and consumption of alcoholic drinks and for connected purposes in Nairobi county.

**Development Challenges**

Alcohol and Drug abuse affects the nation as a whole-both urban and rural areas, cutting across the social class. It is not only in slums or low income areas where people are poor and unhappy but also with families living under better conditions (rich and calmer) where children are better controlled. According to the National Campaign against Drug Abuse (NACADA) the past twenty years has seen drugs and drug abuse soar to an extent that it now cuts across all sectors of life. The level of drug abuse is startling because of the fact that many young people are getting introduced to drug abuse each day. Alcohol, bhang and tobacco are increasingly being abused by school going children.

Development challenges associated with alcohol and drug abuse are: A lot of resources are channelled to manage or control the menace by the government for instance to rehabilitate addicts that could have otherwise been used for development purposes; alcohol and substance abuse results in social issues such as family break ups and immorality in families; low productivity at the work places and schools has been associated with drug abuse. This is because it results in absenteeism and inefficiency at the work place leading to job losses. In some cases it results in deaths thus reducing the labour force; traffic accidents: most of road accidents have

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

**Reports and Financial Statements  
For the year ended June 30, 2020**

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been linked to alcohol and drug abuse; crime: police records indicate relations between alcoholism and various aggressive and criminal acts. Crimes are usually planned in liquor shops and bars where alcohol is sold. People may resort to embezzlement, forgery, corruption, bribery and extortion in order to manage their drinking habits and; alcohol and drug abuse has been a major threat to savings especially in the informal sector employment. This is because most of the income is consumed in through alcohol and drugs.

The liquor licensing board has been inhibited to combat the above challenges due to the following challenges: Lack of sub-county offices; inadequate motor vehicles; inadequate resource allocation and; conversion of residential areas into commercial areas which has brought up regulation problems in the city.

In view of the aforementioned challenges, the Board has identified six strategic objectives to address the above challenges. These objectives have been converted into development outcomes which are linked to identifiable and measurable outputs and activities together with SMART indicators to measure and track performance.

**Strategic Objectives**

1. To provide and facilitate the development and operation of rehabilitation facilities, programs and standards for persons with substance use disorders through licensing and regulations in collaboration with other lead agencies;
2. To coordinate and facilitate public participation in the control of alcohol and drug abuse;
3. To coordinate and facilitate inter-agency collaboration and liaison among lead agencies responsible for alcohol and drug demand reduction;
4. To facilitate and promote the monitoring and surveillance of national and international emerging trends and patterns in the production, manufacture, sale, consumption, trafficking, promotion of alcohol and drug abuse in collaboration with other lead agencies;
5. To coordinate the formulation of county policies, laws and plans of action on control of alcohol and drug abuse in collaboration with other lead agencies and non-state actors;
6. To promote and coordinate research on alcohol and drug abuse.

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

**Reports and Financial Statements  
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**Sector Development Objectives**

SN	OBJECTIVE	OUTCOMES	INDICATORS
1	To provide and facilitate the development and operation of rehabilitation facilities, programs and standards for persons with substance use disorders	Increased licensing and regulations of rehabilitation facilities, programs and persons with substance use disorders;	No. of rehabilitation facilities licensed; No. of alcohol and drug abuse programs;
2	To coordinate and facilitate public participation in the control of alcohol and drug abuse	Increased public participation in the control of alcohol and drug abuse	No. of public participation forums
3	To coordinate and facilitate inter-agency collaboration and liaison among lead agencies responsible for alcohol and drug demand reduction	Strengthen inter-agency collaboration and liaison on alcohol and drug abuse	Annual reports on inter-agency collaboration and liaison; No. of inter-agency collaboration forums and activities held
4	To facilitate and promote the monitoring and surveillance of national and international emerging trends and patterns in the production, manufacture, sale, consumption, trafficking, promotion of alcohol and drugs of abuse in collaboration with other lead agencies	Increased monitoring and surveillance on alcohol and drug abuse;	No. of surveillances conducted;
5	To coordinate the formulation of county policies, laws and plans of action on control of alcohol and drug abuse in collaboration with other lead agencies and non-state actors	Increased control of alcohol and drug abuse; Enhanced awareness of county government policies on alcohol and drug abuse	% compliance with NCC Alcoholic Drinks Control and Licensing Act; No. of policies developed; Operational policies on alcohol and drug abuse; No. of sensitization workshops

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING  
BOARD**

**Reports and Financial Statements  
For the year ended June 30, 2020**

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**Introduction**

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

**Strategic development objectives**

The County's 2018-2022 CIDP has identified six (6) key strategic development objectives. Broadly, these objectives have been identified through a participatory process that reviewed the development priorities of the Governor's Manifesto, the National Government's "Big Four", NIUPLAN, SDGs and the MTP III.

The strategic objectives are a synthesised product of the afore-mentioned planning frameworks that amalgamate the thematic focus and development aspirations in these policy frameworks.

The key development objectives of the Nairobi County's 2018-2022 CIDP are to:

1. To provide and facilitate the development and operation of rehabilitation facilities, programs and standards for persons with substance use disorders through licensing and regulations in collaboration with other lead agencies;
2. To coordinate and facilitate public participation in the control of alcohol and drug abuse;
3. To coordinate and facilitate inter-agency collaboration and liaison among lead agencies responsible for alcohol and drug demand reduction;
4. To facilitate and promote the monitoring and surveillance of national and international emerging trends and patterns in the production, manufacture, sale, consumption, trafficking, promotion of alcohol and drug abuse in collaboration with other lead agencies;
5. To coordinate the formulation of county policies, laws and plans of action on control of alcohol and drug abuse in collaboration with other lead agencies and non-state actors;
6. To promote and coordinate research on alcohol and drug abuse.

# NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD

## Reports and Financial Statements

For the year ended June 30, 2020

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### 4. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

*Nairobi City County Alcoholic Drinks and Licensing Board exist to transform lives. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on social pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar*

#### 1. Sustainability strategy and profile

*Excessive consumption of alcohol affects human productivity and hence human health. One of the sustainable development goals is to reduce consumption of alcoholic drinks by controlling through the licenses issued. A County free from alcohol will increase good health and wellbeing of the society.*

#### 2. Environmental performance

The Nairobi City County Alcoholic Drinks Control and Licensing Board carries out monthly cleaning in their respective sub counties.

#### 3. Employee welfare

The Nairobi City County Alcoholic Drinks Control and Licensing Board ensures that employee welfare is well taken care of by encouraging staff to add to their credentials and giving them administrative days to sit for their exams. Appraisal form are filled to give an account of staff progress report and interventions required to mitigate any negative reports.

#### 4. Market place practices-

- a) The Nairobi City County Alcoholic Drinks Control and Licensing Board has a supply chain section which deals with procuring commodities for the section, budget lines and procurement plan are strictly adhered to.
- b) The Nairobi City County Alcoholic Drinks Control and Licensing Board ensure that only licenses are given to credible facilities and thus inspection has to be done before issuance of the license. This helps in safe guarding consumer rights and interests

#### 5. Community Engagements-

The Nairobi City County Alcoholic Drinks Control and Licensing Board *engages the community in Social activities like holding sports tournament and engaging the youth in extra curriculum activities. It also invests in its staff by training them in various fields of their specialization.*

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

**Reports and Financial Statements  
For the year ended June 30, 2020**

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**5. STATEMENT OF MANAGEMENT RESPONSIBILITIES**

Sections 163,164 and 165 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the County Treasury shall prepare financial statements of each County Government entity, receiver of receipts and consolidated financial statements for all County Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

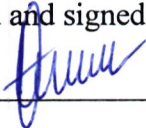
The County Executive Committee (CEC) member for finance of the County Government is responsible for the preparation and presentation of the County Government's financial statements, which give a true and fair view of the state of affairs of the County Government for and as at the end of the financial year ended on June 30, 2020. 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 County Government; (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 County Government; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The CEC member for finance accepts responsibility for the County Government's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The CEC member for finance is of the opinion that the County Government's financial statements give a true and fair view of the state of the County Government's transactions during the financial year ended June 30, 2020, and of its financial position as at that date. The CEC member for finance further confirms the completeness of the accounting records maintained for the County Government which have been relied upon in the preparation of the its financial statements as well as the adequacy of the systems of internal financial control.

The CEC member for finance confirms that the County Government has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the County Government's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the CEC member for finance confirms that the County Government's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

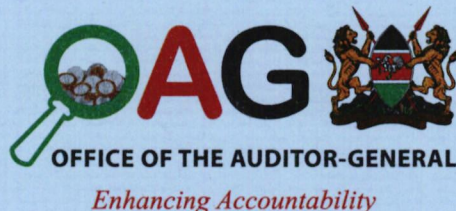
**Approval of the financial statements**

The Nairobi City County Alcoholic Drinks and Licensing Board financial statements were approved and signed by the Director License on 10<sup>th</sup> July 2020.



\_\_\_\_\_  
**Director - Liquor License**

# REPUBLIC OF KENYA



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

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

## REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD FOR THE YEAR ENDED 30 JUNE, 2021

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### PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of Nairobi City County Alcoholic Drinks Control and Licensing Board set out on pages 1 to 26, which comprise of the statement of assets and liabilities as at 30 June, 2021, and the statement of receipts and

payments, statement of cash flows and the summary statement of appropriation - recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

## **Basis for Disclaimer of Opinion**

### **1. Non-Compliance with Law on Submission of Financial Statements**

As reported in the previous year, the Board had not submitted financial statements for the year 2014/2015, 2015/2016, 2016/2017, 2017/2018 and 2018/2019 for audit. This was contrary to Section 47(1) of the Public Audit Act, 2015 which states that the financial statements required under the Constitution, the Public Finance Management Act, 2012 and any other legislation, shall be submitted to the Auditor-General within three months after the end of the fiscal year to which the accounts relate.

In the circumstances, the accuracy, validity and completeness of the comparative's balances could not be confirmed. Further, Management was in breach of the law.

### **2. Presentation and Disclosure of Financial Statements**

The financial statements prepared and presented for audit were prepared in accordance with International Public Sector Accounting Standards (Cash Basis) framework instead the prescribed International Public Sector Accounting Standards (Accrual Basis) accounting framework. Further, the statement of receipts and payments reflects Note 9 and 20 in respect to own generated receipts and other payments amounts of Kshs.369,429,434 and Kshs.294,328,552 respectively, which do not correspond to the Notes to the financial statements. In addition, Note 2 to the financial statements reflects use of goods and services amount of Kshs.294,328,552, whereas the statement of receipts and payments reflects nil amount.

In the circumstances, the financial statements are not prepared as per the format prescribed by the Public Sector Accounting Standard Board (PSASB) in accordance with Section 194(1)(d) of the Public Finance Management Act, 2012.

### **3. Lack of a Trial Balance**

The Management did not provide a trial balance for audit review to support financial statements balances.

In the circumstances, the accuracy and completeness of financial statements could not be confirmed.

#### **4. Inaccuracies in the Financial Statements**

Review of financial statements for the year ended 30 June, 2021 revealed the following anomalies:

- i. Note 9 to the financial statements on changes in receivables reflects balances for the financial year 2019/2020 and 2020/2021 of Kshs.5,800,000 and Kshs.2,450,000 respectively which do not relate to the financial statements under review.
- ii. The statements of assets and liabilities as at 30 June, 2021 reflects cash and cash equivalents balance of Kshs.3,219,756, as further disclosed in Note 21 A to the financial statements. However, the statement of cash flows reflects cash and cash equivalents at the end of the year of Kshs.75,100,882, resulting to unexplained variance of Kshs.71,881,126.
- iii. The statement of cash flows excludes cash and cash equivalents opening balance of Kshs.149,963,097.
- iv. The summary statement of appropriation - recurrent and development combined reflects actual expenditure on use of goods and services amount of Kshs.83,906,802, whereas the statement of receipts and payments reflects nil amount. Further, the summary statement of appropriation – recurrent and development combined reflects other payments' actual expenditure amount of Kshs. 210,421,750, whereas the statement of receipts and payments reflects an amount of Kshs.294,328,552 resulting to a variance of Kshs.83,906,802. The variances were not explained or reconciled.
- v. The summary statement of appropriation - recurrent reflects actual expenditure of Kshs.53,906,714 under use of goods and services while the summary statement of appropriation – development reflects a Nil amount. However, the summary statement of appropriation - recurrent and development combined reflects an amount of Kshs.83,906,802 resulting to a variance of Kshs.30,000,088 which was not explained.
- vi. The statement of appropriation - recurrent reflects actual expenditure of Kshs.240,421,838 under other payments and a nil balance in the summary statement of appropriation - development on the same item. However, the summary statement of appropriation - recurrent and development combined reflects an amount of Kshs.210,421,750 resulting to a variance of Kshs.30,000,088 which was not explained.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

#### **5. Unconfirmed Cash and Cash Equivalents Balance**

The statement of financial position as at 30 June, 2021 reflects cash and cash equivalents balance of Kshs.3,219,756, as further disclosed in Note 21A to the financial statements. However, cash book, bank reconciliation statements bank confirmation certificate and Board of Survey Report were not provided for audit review.

In the circumstances, the accuracy of cash and cash equivalents balance of Kshs.3,219,756 as at 30 June, 2021 could not be confirmed.

## **6. Payments**

The statement of receipts and payments reflects total payments amounting to Kshs.294,328,552 for the year ended 30 June, 2021. However, review of the payments records reviewed the following anomalies:

### **6.1 Irregular Procurement of Goods, Works and Services**

Review of payment vouchers revealed that during the year under review, Management incurred expenditure on procurement of various goods, works and services worth Kshs.55,401,733. However, the expenditure was not supported by relevant procurement documents including quotations, Evaluations Reports, Inspection and Acceptance Reports, LPO/LSOs, tender invitations, requisitions, appointment letters of Tender Committees and professional opinions, implying that the goods, works and services may have been directly procured. This was contrary to Section 103(1) of the Public Procurement and Asset Disposal Act, 2015 which provides that a procuring entity may use direct procurement as allowed under sub-section (2) as long as the purpose is not to avoid competition. Further, evidence of receipt of the items procured and issue to the respective user Departments were not provided for audit review.

In the circumstances, the propriety of the expenditure could not be confirmed. Management was also in breach of the law.

### **6.2 Irregular Payment of Allowances**

During the period under review, Management paid Board allowances, staff allowances, stipend allowances, per diem and field allowances to staff totalling Kshs.140,955,215. However, approvals for payment of the allowances and relevant supporting documents including minutes, attendance registers, travel evidence, evidence of recruitment of interns, evidence of field work participation and evidence of participation in workshops were not provided for audit review. Further, in some cases, officers were paid per diem and subscription fees to attend seminars and workshops of professional bodies for which they were not members and evidence of payments of the subscription fees to the professional bodies was not provided for audit.

In the circumstances, the validity of the allowances paid amounting to Kshs.140,955,215 could not be confirmed.

### **6.3 Irregular Issuance and Use of Imprest**

During the period under review, Management issued temporary imprest to staff amounting to Kshs.2,816,300. However, the officers used the imprest to among other things undertake procurement of goods, works and services, which implying, irregular direct procurement contrary to Section 103(1) of Public Procurement and Asset Disposal Act, 2015 which provides that a procuring entity may use direct procurement as allowed under sub-section (2) as long as the purpose is not to avoid competition. These imprests were not recorded in the imprest register and were not accounted for as required. This was contrary to Regulation 93(1) and (4)(c) of the Public Finance Management (County

Governments) Regulations, 2015 which states that an imprest shall be issued for a specific purpose, and any payments made from it, shall be only for the purposes specified in the imprest warrant and before issuing temporary imprests under paragraph (2), the Accounting Officer shall ensure that the applicant imprest has been recorded in the imprest register including the amount applied for.

Further, Management issued standing imprests to various officers amounting to Kshs.2,152,000 for the operations of offices. However, the imprests were not accounted for and several officers had multiple outstanding standing imprests. This was contrary Regulations 94(d) and 94(e) of the Public Finance Management (County Governments) Regulations, 2015 which provides that an officer holding an imprest shall ensure that the full amount of the imprest can be accounted for at all times in cash, stamps, money at bank and completed payment vouchers and goods purchased through imprest are taken on charge and certificate issued.

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

#### **6.4 Unsupported Training Expenses**

Note 2 to the financial statements reflects use of goods and services amount of Kshs.294,328,552, which includes training expenses amount of Kshs.27,000,000. However, examination of payment vouchers provided for audit revealed that training expenditure amounted to Kshs.29,613,770, resulting to an unexplained variance of Kshs.2,613,770. Further, the payments were not supported by relevant supporting documents including training programmes, invitation letters, boarding passes, travel documents and copies of stamped passports.

In the circumstances, the accuracy and completeness of training expenses amount of Kshs.27,000,000 could not be confirmed.

#### **6.5 Unexplained Procurement of Legal Services**

During the year under review, an amount of Kshs.19,000,000 was paid to a legal firm in respect to legal fees for a constitutional petition between the County Government of Nairobi and the Nairobi City County Alcoholic Drinks and Control and Licensing Board on one hand and the National Authority for the Campaign Against Alcohol and Drug Abuse on the other hand. However, review the case files and other records provided revealed that, instructions were given to the lawyers to represent the County in the legal suit without valid contract agreements, and the instructions were not itemized on the services required.

In the circumstances, the Board may not have achieved value for money in respect to legal fees amounting to Kshs.19,000,000.

#### **6.6 Irregular Procurement of COVID-19 Pandemic Related Goods and Services**

During the year under review, the Board procured COVID-19 pandemic related goods and services from various firms at a total cost of Kshs.165,410,477. However, the evidence of market surveys was not provided for audit and the goods and services may have been procured at inflated prices. This was contrary to Section 54(2) of the Public Procurement and Assets Disposal Act, 2015 which provides that those standard goods,

services and works with known market prices shall be procured at the prevailing market price. Further, stores records including counter receipt vouchers, stores ledgers and issues notes were not provided for audit review.

In the circumstances, the accuracy, completeness and propriety of the expenditure totalling Kshs.165,410,477 could not be confirmed.

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

### **Conclusion**

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

I do not express a conclusion on the Effectiveness of Internal Controls, Risk Management and Governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **Responsibilities of Management and those Charged with Governance**

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

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Board 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 Board's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

My responsibility is to conduct an audit of the Board's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on Lawfulness and Effectiveness in Use of Public Resources, and Internal Controls, Risk Management and Governance sections of my report.

I am independent of the Board in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

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

**Nairobi**

**29 July, 2022**

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

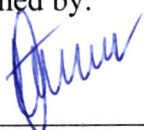
**Reports and Financial Statements  
For the year ended June 30, 2020**

**7. FINANCIAL STATEMENTS**

**7.1. STATEMENT OF RECEIPTS AND PAYMENTS**

	Notes	2019-2020 KShs	2018-2019 KShs
<b>RECEIPTS</b>			
Exchequer releases	1		
Proceeds from Domestic and Foreign Grants	2		
Transfers from Other Government Entities	3		
Proceeds from Domestic Borrowings	4		
Proceeds from Foreign Borrowings	5		
Proceeds from Sale of Assets	6		
Reimbursements and Refunds	7		
Returns of Equity Holdings	8		
Liquor Own Generated Receipts	9	427,267,499.30	515,876,790.40
Returned CRF issues	10		
<b>TOTAL RECEIPTS</b>		<b>427,267,499.30</b>	<b>515,876,790.40</b>
<b>PAYMENTS</b>			
Compensation of Employees	11		
Use of goods and services	12		
Subsidies	13		
Transfers to Other Government Units	14		
Other grants and transfers	15		
Social Security Benefits	16		
Acquisition of Assets	17		
Finance Costs, including Loan Interest	18		
Repayment of principal on Domestic and Foreign borrowing	19		
Other Payments	20	277,304,402	207,978,301.50
<b>TOTAL PAYMENTS</b>		<b>277,304,402</b>	<b>207,978,301.50</b>
<b>SURPLUS/DEFICIT</b>		<b>149,963,097.30</b>	<b>307,898,488.90</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on \_\_\_\_\_ 2020 and signed by:



Director Liquor License  
Name: Mr Hesbon Agwena



Head of Treasury  
Name: Clare Kenya  
ICPAK Member Number: 18231

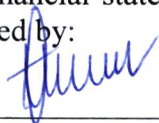
**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**


**Reports and Financial Statements  
For the year ended June 30, 2020**

**7.2. STATEMENT OF ASSETS AND LIABILITIES**

		2019-2020	2018-2019
	Notes	KShs	KShs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	21A	149,963,097.34	94,333,820.84
Cash Balances	21B		
<b>Total Cash and cash equivalent</b>		<b><u>149,963,097.34</u></b>	<b><u>94,333,820.84</u></b>
Accounts receivables – Outstanding Imprests	22	-	
<b>TOTAL FINANCIAL ASSETS</b>		<b>149,963,097.34</b>	<b>94,333,820.84</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions	23		
<b>NET FINANCIAL ASSETS</b>			
<b>REPRESENTED BY</b>			
<b>Fund balance b/fwd</b>	24		
<b>Prior year adjustments</b>	25		
<b>Surplus/Deficit for the year</b>			
<b>NET FINANCIAL POSITION</b>		<b>149,963,097.34</b>	<b>94,333,820.84</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10<sup>th</sup> July 2020 and signed by:

  
\_\_\_\_\_  
Director liquor license  
Name: Hesbon Agwena

  
\_\_\_\_\_  
Head of Treasury  
Name: Clare Kenya  
ICPAK Member Number: 18231

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

**Reports and Financial Statements**

**For the year ended June 30, 2020**

**7.3. STATEMENT OF CASHFLOWS**

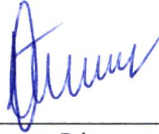
	Notes	2019-2020 KShs	2018-2019 KShs
<b>Receipts from operating income</b>			
Exchequer Releases	1		
Proceeds from Domestic and Foreign Grants	2		
Transfers from Other Government Entities	3		
Reimbursements and Refunds	7		
Returns of Equity Holdings	8		
County Liquor Own Generated Receipts	9	427,267,499.30	298,333,820.84
Returned CRF issues	10		
<b>Payments for operating expenses</b>			
Compensation of Employees	11		
Use of goods and services	12		
Subsidies	13		
Transfers to Other Government Units	14		
Other grants and transfers	15		
Social Security Benefits	16		
Finance Costs, including Loan Interest	18		
Other Payments	20	277,304,402	204,000,000
<b>Adjusted for:</b>			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	26		
Increase/(Decrease) in Accounts Payable: (deposits and retention)	27		
Other Adjustments	28		
<b>Net cash flow from operating activities</b>			
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	6		
Acquisition of Assets	17		
<b>Net cash flows from Investing Activities</b>			
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
Proceeds from Domestic Borrowings	4		
Proceeds from Foreign Borrowings	5		
Repayment of principal on Domestic and Foreign borrowing	19		
<b>Net cash flow from financing activities</b>			
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>			
<b>Cash and cash equivalents at BEGINNING of the year</b>	21		
<b>Cash and cash equivalents at END of the year</b>	24	149,963,097.30	94,333,820.84

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

**Reports and Financial Statements**

**For the year ended June 30, 2020**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 10<sup>th</sup> July 2020 and signed by:



\_\_\_\_\_  
Director Liquor License  
Name: Hesbon Agwena



\_\_\_\_\_  
Head of Treasury  
Name: Clare Kenya  
ICPAK Member Number 18231



**7.4. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

<b>Receipt/Expense Item</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilisation Difference</b>	<b>% of Utilisation</b>
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Exchequer releases						
Proceeds from Domestic and Foreign Grants						
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Reimbursements and Refunds						
Returns of Equity Holdings						
County Liquor Own Generated receipts	250,000,000	53,000,000	303,000,000	277,304,402	25,695,598	91.52
Return issues to CRF						
<b>TOTAL</b>						
<b>PAYMENTS</b>						
Compensation of Employees						
Use of goods and services				166,382,641.20		
Subsidies						
Transfers to Other Government Units						
Other grants and transfers						
Social Security Benefits						
Acquisition of Assets						
Finance Costs, including Loan Interest						
Repayment of principal on borrowings						
Other Payments				110,921,760.80		
<b>TOTAL</b>						

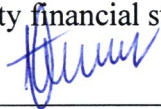
**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

**Reports and Financial Statements**

**For the year ended June 30, 2020**

<b>Receipt/Expense Item</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilisation Difference</b>	<b>% of Utilisation</b>
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>SURPLUS/(DEFICIT)</b>						

The entity financial statements were approved on \_10<sup>th</sup> July 2020 and signed by:



Director liquor license  
Name:Hesbon Agwena



Head of Treasury Accounts  
Name:Clare Kenya  
ICPAK Member Number 18231

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

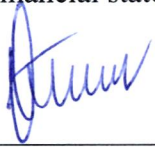
**7.5. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**

<b>Receipt/Expense Item</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilisation Difference</b>	<b>% of Utilisation</b>
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>RECEIPTS</b>						
Exchequer releases						
Proceeds from Domestic and Foreign Grants						
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Reimbursements and Refunds						
Returns of Equity Holdings						
Liquor Own Generated receipts	200,000,000	51,000,000	251,000,000	225,900,000	25,100,000	10
Return CRF issues						
<b>TOTAL</b>						
<b>PAYMENTS</b>						
Compensation of Employees						
Use of goods and services				135,540,000		
Subsidies						
Transfers to Other Government Units						
Other grants and transfers						
Social Security Benefits						
Acquisition of Assets						
Finance Costs, including Loan Interest						
Repayment of principal on borrowings						
Other Payments				90,360,000		
<b>TOTAL</b>						
<b>SURPLUS/(DEFICIT)</b>						

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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The entity financial statements were approved on 10<sup>th</sup> July 2020 and signed by:



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Director Liquor license  
Name: Hesbon Agwena



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Head of Treasury Accounts  
Name: Clare Kenya  
ICPAK Member Number: 18231

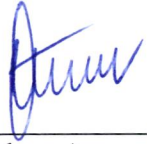
**7.6. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT**

<b>Receipt/Expense Item</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on Comparable Basis</b>	<b>Budget Utilisation Difference</b>	<b>% of Utilisation</b>
	<b>a</b>	<b>b</b>	<b>c=a+b</b>	<b>d</b>	<b>e=c-d</b>	<b>f=d/c %</b>
<b>RECEIPTS</b>						
Exchequer releases						
Proceeds from Domestic and Foreign Grants						
Transfers from Other Government Entities						
Proceeds from Domestic Borrowings						
Proceeds from Foreign Borrowings						
Proceeds from Sale of Assets						
Reimbursements and Refunds						
Returns of Equity Holdings						
Liquor Own Generated receipts	50,000,000	2,000,000	52,000,000	51,404,402	595,598	98.9
<b>TOTAL</b>						
<b>PAYMENTS</b>						
Compensation of Employees						
Use of goods and services						
Subsidies						
Transfers to Other Government Units						
Other grants and transfers						
Social Security Benefits						
Acquisition of Assets						
Finance Costs, including Loan Interest						
Repayment of principal on borrowings						
Other Payments			52,000,000			
<b>TOTALS</b>						
<b>SURPLUS/(DEFICIT)</b>						

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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The entity financial statements were approved on 10<sup>th</sup> July 2020 and signed by:



\_\_\_\_\_  
Director Hesbon Agwena  
Name:



\_\_\_\_\_  
Head of Treasury Accounts  
Name: Clare Kenya  
ICPAK Member Number: 18231





**7.7. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES**

<b>Programme/Sub-programme</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on comparable basis</b>	<b>Budget utilization difference</b>
	<b>2019/2020</b>		<b>2019/2020</b>	<b>Date, 20xx</b>	
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Programme 1</b>					
Sub-programme 1	200,000,000	51,000,000	251,000,000	225,900,000	25,100,000
Sub-programme 2					
Sub-programme 3					
<b>Programme 2</b>					
Sub-programme 1	50,000,000	2,000,000	52,000,000	51,404,402	595,598
Sub-programme 2					
Sub-programme 3					

(NB: This statement is a disclosure statement indicating the utilisation in the same format at the County budgets which are programmatic)

## **7.8. SIGNIFICANT ACCOUNTING POLICIES**

The principle accounting policies adopted in the preparation of these financial statements are set out below:

### **1. Statement of compliance and basis of preparation**

The financial statements have been prepared in accordance with Cash-basis IPSAS financial reporting under the cash basis of Accounting, as prescribed by the PSASB and set out in the accounting policy notes below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The receivables and payables are disclosed in the Statement of Assets and Liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

### **2. Reporting entity**

The financial statements are for the Nairobi City County Alcoholic Drinks Control and Licensing Board. The financial statements encompass the reporting entity as specified under section 164 of the PFM Act 2012.

### **3. Recognition of receipts and payments**

#### **a) Recognition of receipts**

The Nairobi City County Alcoholic Drinks Control and Licensing Board recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Liquor Board.

## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **County Own Generated Receipts**

These include Appropriation-in-Aid and relates to receipts such as trade licences, income generated by the Liquor Board. These are recognised in the financial statements the time associated cash is received.

#### **b) Recognition of payments**

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING  
BOARD**

**Reports and Financial Statements  
For the year ended June 30, 2020**

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Use of goods and services**

Goods and services are recognized as payments in the period when the goods/services are consumed and paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

**Acquisition of fixed assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**4. 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 at various commercial banks at the end of the financial year.

**Restriction on cash**

Restricted cash represents amounts that are limited /restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2020, this amounted to 149,963,097.30.

There were no other restrictions on cash during the year

**5. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year is treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING  
BOARD**

**Reports and Financial Statements**

**For the year ended June 30, 2020**

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**6. Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized as accounts payables. This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted and prescribed by the Public Sector Accounting Standards Board. Other liabilities including pending bills are disclosed in the financial statements.

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**7. Non-current assets**

Non-current assets are expensed at the time of acquisition while disposal proceeds are recognized as receipts at the time of disposal. However, the acquisitions and disposals are reflected in the entity fixed asset register a summary of which is provided as a memorandum to these financial statements.

**8. Pending bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they are recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the *entity* at the end of the year. Pending bill form a first charge to the subsequent year budget and when they are finally settled, such payments are included in the statement of receipts and payments in the year in which the payments are made.

**9. Contingent Liabilities**

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

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. Annex 6 of this financial statement is a register of the contingent liabilities in the year.

Section 185 (2) (i) of the PFM Act requires the County Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

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**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**10. 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.

**11. Budget**

The budget is developed on the same accounting basis (cash basis), the same accounts classification basis, and for the same period as the financial statements. The *entity's* budget was approved as required by Law and as detailed in the County Revenue Allocation Act. The original budget was approved by the County Assembly for the period 1<sup>st</sup> July 2019 to 30 June 2020 as required by law. There was one number of supplementary budgets passed in the year. A high-level assessment of the *entity's* actual performance against the comparable budget for the financial year under review has been included in an annex to these financial statements.

**12. Comparative figures**

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

**13. Subsequent events**

Events subsequent to submission of the financial year end financial statements to the National Treasury and other stakeholders with a significant impact on the financial statements may be adjusted with the concurrence of National Treasury.

**14. Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

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**NOTES TO THE FINANCIAL STATEMENTS**

**1. PROCEEDS FROM SALE OF ASSETS**

	2019 - 2020	2018 - 2019
	KShs	KShs
Receipts from the Sale of Buildings		
Receipts from Sale of Vehicles and Transport Equipment		
Receipts from Sale of Plant Machinery and Equipment		
Receipts from Sale of Certified Seeds and Breeding Stock		
Receipts from Sale of Strategic Reserves Stocks		
Receipts from Sale of Inventories, Stocks and Commodities		
Disposal and Sales of Non-Produced Assets		
<b>Total</b>		

	KShs	KShs
--	------	------

**2. USE OF GOODS AND SERVICES**

	2019 - 2020	2018 - 2019
	KShs	KShs
Utilities, supplies and services	6,550,000	7,250,000
Communication, supplies and services	1,200,000	2,000,000
Domestic travel and subsistence	4,500,000	5,680,000
Foreign travel and subsistence	8,000,000	11,000,000
Printing, advertising and information supplies & services	5,600,000	6,000,000
Rentals of produced assets	7,000,000	8,000,000
Training expenses	23,000,000	18,000,000
Hospitality supplies and services	1,500,000	2,000,000
Insurance costs	1,000,000	950,000
Specialized materials and services	10,000,000	17,000,000
Office and general supplies and services	15,000,000	11,000,000
Other operating expenses	191,954,402	112,020,000
Routine maintenance – vehicles and other transport equipment		1,600,000
Routine maintenance – other assets	2,000,000	1,500,000
<b>Total</b>	<b>277,304,402</b>	<b>204,000,000</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**3. ACQUISITION OF ASSETS**

Non-Financial Assets	2019 - 2020	2018 - 2019
	KShs	KShs
Purchase of Buildings		
Construction of Buildings		
Refurbishment of Buildings		
Construction of Roads		
Construction and Civil Works		
Overhaul and Refurbishment of Construction and Civil Works		
Purchase of Vehicles and Other Transport Equipment		
Overhaul of Vehicles and Other Transport Equipment		
Purchase of Household Furniture and Institutional Equipment		
Purchase of Office Furniture and General Equipment		
Purchase of ICT Equipment		
Purchase of Specialized Plant, Equipment and Machinery		
Rehabilitation and Renovation of Plant, Machinery and Equip.		
Purchase of Certified Seeds, Breeding Stock and Live Animals		
Research, Studies, Project Preparation, Design & Supervision		
Rehabilitation of Civil Works		
Acquisition of Strategic Stocks and commodities		
Acquisition of Land		
Acquisition of Intangible Assets		
<b>Total acquisition of non- financial assets</b>	<b>xxx</b>	<b>xxx</b>
<b>Financial Assets</b>		
Domestic Public Non-Financial Enterprises		
Domestic Public Financial Institutions		
<b>Total acquisition of financial assets</b>		
<b>Total acquisition of assets</b>	<b>xxx</b>	<b>xxx</b>

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING  
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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**4. CASH AND BANK BALANCES**

**21A. BANK BALANCES**

Name of Bank, Account No. & currency	Amount in bank account currency *	Indicate whether recurrent, Development, deposit, receipts e.t.c	Ex. rate (if in foreign currency)	2019 - 2020	2018 - 2019
				KShs	KShs
<i>Coopertive Bank, 011412230914900</i>	kshs	Reciepts		149,963,097.34	94,333,820.84
<b>Total</b>				<b>149,963,097</b>	<b>94,333,820.84</b>

**21B. CASH IN HAND**

	2019 - 2020	2018 - 2019
	KShs	KShs
Cash in Hand – Held in domestic currency		
Cash in Hand – Held in foreign currency		
<b>Total</b>		

Cash in hand should also be analysed as follows:

	2019 - 2020	2018 - 2019
	KShs	KShs
Location 1		
Location 2		
Location 3		
<b>Total</b>		

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**5. ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS**

<i>Description</i>	2019 – 2020	2018 - 2019
	KShs	KShs
Government Imprests		
Clearance accounts		
<b>Total</b>		

*[Include a breakdown of the outstanding imprest below or as an annex to the notes if the list is longer than 1 page.]*

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		KShs	KShs	KShs
<i>Name of Officer or Institution</i>	dd/mm/yy			
<i>Name of Officer or Institution</i>	dd/mm/yy			
<i>Name of Officer or Institution</i>	dd/mm/yy			
<i>Name of Officer or Institution</i>	dd/mm/yy			
<b>Total</b>				<b>Xxx</b>

**6. ACCOUNTS PAYABLE**

	2019 - 2020	2018 – 2019
	KShs	KShs
Deposits		
Retention monies		
<b>Total</b>		

*[Provide short appropriate explanations as necessary]*

**7. FUND BALANCE BROUGHT FORWARD**

	2019 - 2020	2018 – 2019
	KShs	KShs
Bank accounts	149,963,097.34	94,333,820.84
Cash in hand		
Accounts Receivables		
Accounts Payables		
<b>Total</b>	<b>149,963,097.34</b>	<b>94,333,820.84</b>

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**8. PRIOR YEAR ADJUSTMENTS** a prior period adjustment really applies to the correction of an error in the financial statements of a prior period

	Balance b/f FY 2018/2019 as per Financial statements	Adjustments	Adjusted Balance b/f FY 2018/2019
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	149,963,097.34		94,333,820.84
Cash in hand			
Accounts Payables			
Receivables			
Others ( <i>specify</i> )			

(Explain whether the prior year relates to errors noted in prior year, changes in estimates or accounting policy.)

**9. CHANGES IN RECEIVABLES**

Description of the error	2019 - 2020	2018 – 2019
	KShs	KShs
Outstanding Imprest as at 1 <sup>st</sup> July 2019 (A)		
Imprest issued during the year (B)	5,800,000	6,750,250
Imprest surrendered during the Year (C)	5,800,000	6,750,250
Net changes in account receivables D= A+B-C	-	

**10. CHANGES IN ACCOUNTS PAYABLES – DEPOSITS AND RETENTIONS**

Description of the error	2019 - 2020	2018 – 2019
	KShs	KShs
Deposit and Retentions as at 1 <sup>st</sup> July 2019 (A)		
Deposit and Retentions held during the year (B)		
Deposit and Retentions paid during the Year (C)		
Net changes in account receivables D= A+B-C		

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**7.9. OTHER IMPORTANT DISCLOSURES**

**1. PENDING ACCOUNTS PAYABLE (See Annex 2)**

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings				
Construction of civil works				
Supply of goods				
Supply of services				
<b>Total</b>				

**2. PENDING STAFF PAYABLES (See Annex 2)**

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Senior management				
Middle management				
Unionisable employees				
Others				
<b>Total</b>				

**3. OTHER PENDING PAYABLES (See Annex 3)**

	Balance b/f FY 2018/2019	Additions for the period	Paid during the year	Balance c/f FY 2019/2020
Description	Kshs	Kshs	Kshs	Kshs
Amounts due to National Government entities				
Amounts due to County Government entities				
Amounts due to third parties				
<b>Total</b>	<b>Xxx</b>	<b>xxx</b>	<b>(xxx)</b>	<b>xxx</b>

*(Provide explanations for the prior year adjustments made, their nature and effect on the fund balance of the County)*

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**4. ESTABLISHMENT OF OTHER COUNTY GOVERNMENT ENTITIES**

The PFM Act, 2012 section 182 enables the County Government to establish and dissolve County Corporations/ entities. For purposes of follow up on financial reporting, audit and disclosure, outlined below is a list of entities established by the County Government since inception.

Entity	Date Established/Date taken over	Location	Accounting Officer responsible
Nairobi City County Alcoholic Drinks and Licensing Board	2014	South c popo road	Mr Mohamed Sahal

**5. DISCLOSURE OF BALANCES IN REVENUE COLLECTION ACCOUNTS**

County Government Own source revenue is recognized in the financial statements when it has be swiped to CRF. Revenue collection account balances need to be disclosed at the end of the reporting period as below. Revenue collection accounts should be swept to CRF on reporting dates.

Name of Bank, Account No. & currency	Amount in bank account currency*	Ex. rate (if in foreign currency)	2019 - 2020	2018 - 2019
			<b>KShs</b>	<b>KShs</b>
<i>Cooperative bank, 01141230914900, kshs</i>	149,963,097.34		149,963,097.34	94,333,820.84
<b>Total</b>	149,963,097.34		149,963,097.34	94,333,820.84

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**6. PROGRESS ON FOLLOW UP ON PRIOR YEAR AUDITOR'S RECOMMENDATIONS**

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

**Guidance Notes:**

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

CEC, County Treasury

Sign.....

Date.....



**ANNEXES**

**ANNEX 1 – ANALYSIS OF TRANSFERS FROM THE EXCHEQUER**

<b>Period</b>	<b>Equitable Share</b>	<b>DANIDA</b>	<b>Level 5 hospitals allocation</b>	<b>Other transfers- Donor funds transferred through exchequer</b>	<b>Total Transfers from the National Treasury/ Exchequer</b>
Exchequer Releases for quarter 1					
Exchequer Releases for quarter 1					
Exchequer Releases for quarter 1					
Exchequer Releases for quarter 1					
<b>Total</b>					

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**ANNEX 2–ANALYSIS OF PENDING ACCOUNTS PAYABLE**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2018/2019	Outstanding Balance 2017/2018	Comments
	A	B	c	d=a-c		
<b>Construction of buildings</b>						
1.						
2.						
3.						
<b>Sub-Total</b>						
<b>Construction of civil works</b>						
4.						
5.						
6.						
<b>Sub-Total</b>						
<b>Supply of goods</b>						
7.						
8.						
9.						
<b>Sub-Total</b>						
<b>Supply of services</b>						
10.						
11.						
12.						
<b>Sub-Total</b>						
<b>Grand Total</b>						

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**ANNEX 3–ANALYSIS OF PENDING STAFF PAYABLES**

Name of Staff	Job Group	Original Amount	Date Payable Contracted	Amount Paid To-Date	Outstanding Balance 2018/2019	Outstanding Balance 2017/2018	Comments
		a	b	c	d=a-c		
<b>Senior Management</b>							
1.							
2.							
3.							
<b>Sub-Total</b>							
<b>Middle Management</b>							
4.							
5.							
6.							
<b>Sub-Total</b>							
<b>Unionisable Employees</b>							
7.							
8.							
9.							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
10.							
11.							
12.							
<b>Sub-Total</b>							
<b>Grand Total</b>							

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**ANNEX 4—ANALYSIS OF OTHER PENDING PAYABLES**

<b>Name</b>	<b>Brief Transaction Description</b>	<b>Original Amount</b>	<b>Date Payable Contracted</b>	<b>Amount Paid To-Date</b>	<b>Outstanding Balance 2018/2019</b>	<b>Outstanding Balance 2017/2018</b>	<b>Comments</b>
		A	b	c	d=a-c		
<b>Amounts due to National Govt Entities</b>							
1.							
2.							
3.							
<b>Sub-Total</b>							
<b>Amounts due to County Govt Entities</b>							
4.							
5.							
6.							
<b>Sub-Total</b>							
<b>Amounts due to Third Parties</b>							
7.							
8.							
9.							
<b>Sub-Total</b>							
<b>Others (specify)</b>							
10.							
11.							
12.							
<b>Sub-Total</b>							
<b>Grand Total</b>							

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**ANNEX 5 – SUMMARY OF FIXED ASSET REGISTER**

<b>Asset class</b>	<b>Historical Cost b/f (KShs ) 2017/2018</b>	<b>Additions during the year (KShs )</b>	<b>Disposals during the year (KShs )</b>	<b>Transfers in/(out) during the year (KShs)</b>	<b>Historical Cost c/f (KShs ) 2018/2019</b>
Land					
Buildings and structures					
Transport equipment					<b>16,500,000</b>
Office equipment, furniture and fittings					<b>7,000,500</b>
ICT Equipment					<b>2,500,000</b>
Machinery and Equipment					
Heritage and cultural assets					
Biological assets					
Intangible assets					
Infrastructure assets- Roads, Rails					
Work in progress					
<b>Total</b>					<b>26,000,500</b>

*(NB: The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the County Government. Additions during the year should tie to note 17 on acquisition of assets during the year.)*

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**ANNEX 6 – INTER-ENTITY TRANSFERS**

Ref	Entity	Quarter 1	Quarter 2	Quarter 3	Quarter 4	Amount transferred KShs	Amount Confirmed as received KShs	difference	explanation
1	County Assembly								
2	Xxx fund								
3	Xxx project								
4	Xxx board								
5	Xxx corporation								
6	Xxx								
7	Xxx								
8	Xxx								
9	<b>Total</b>								

Director of Finance  
 County Executive

Director of Finance  
 County Assembly/fund/project

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(NB: This appendix must be agreed and signed by the issuing and receiving party)



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**ANNEX 6 Contingent liabilities register**

	Nature of contingent liability	Payable to	Currency	Estimated Amount Kshs	Expected date of payment	Remarks
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						

**NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING  
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**ANNEX7 – BANK RECONCILIATION/FO 30 REPORT**

*(Attach FO 30 Reports from IFMIS)*