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REPORT

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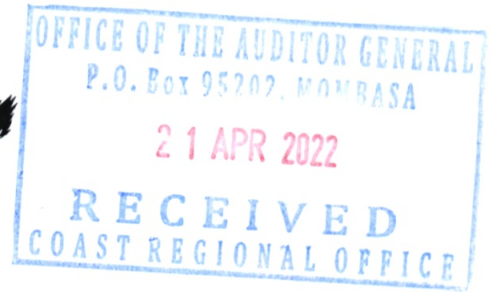
OF

THE AUDITOR-GENERAL

ON

**MOMBASA COUNTY ALCOHOLIC DRINKS
CONTROL FUND**

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



**COUNTY GOVERNMENT OF MOMBASA
ALCOHOLIC DRINK CONTROL FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2021**

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

Mombasa County Alcoholic Drink Control Fund
Reports and Financial Statements
For the year ended June 30, 2021

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Alcoholic drink control Fund is established by and derives its authority and accountability from Mombasa County Liquor Licensing Act on 2014 and administered by the Mombasa County Director of Liquor Control, subject to the general directions of the County Executive Member in charge of Department of Trade, Tourism & Investment. The Fund is wholly owned by the County Government of Mombasa and is domiciled in Kenya.

The fund's objective is to-

- Regulate the production, sale, distribution, consumption and outdoor advertising of alcoholic drinks.
- Ensure that the production, sale, distribution and consumption of alcoholic drinks conform to certain health, social and infrastructural requirements.
- Protect underage persons from access and exposure to liquor.
- Protect consumers of liquor from misleading and deceptive inducements.
- For measures to prevent illicit trade in alcoholic drinks.
- Provide for public participation in the regulation of alcoholic drinks.
- Promote public education on the lawful dealings in alcoholic drinks

b) The Fund's Principal Activities

The principal activity/mission/ mandate of the Fund is to-

- Receive and consider applications for liquor licenses in accordance with the Act.
- Provide advice to the County Executive Committee on matters of policy relating to control and regulation of liquor.
- Collaborating with relevant government agencies for effective implementation of the Act.
- Carrying out public education in collaboration with other public and private players on liquor control in the County.
- Involvement with citizen through public participation in matters related to liquor control.
- Performing any other functions as may be assigned to by the County Executive Member from time to time.

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c) Board of Trustees/Fund Administration Committee

Ref	Position	Name
	Chairman of the Board	Victor Shitakha
1	Chief Officer Tourism	Asha Abdi
2	Chief Officer finance	Asha Abdi
3	Other trustees/Committee Members	John Musuva, Dr June Mwajuma, Eng. Thomas Chula Moyo, Ilhan Abass, Pauline Oginga, Sam Ikwaye, Lilian Kalela, Reishi Parikh, Edward Juma, Stellah Sululu
4	Fund Manager/ Administrator	Veronica Gitonga

d) Key Management

Ref	Position	Name
1.	Board Chairman	Victor Shitakha
2.	Fund Manager/ Administrator	Veronica Gitonga
3	CO Finance /Ag. C.O Trade & Tourism	Asha Abdi

(Include all positions regarded as top management for the Fund).

e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

Ref	Position	Name
1	Director internal Audit	Richard Abiero
2	Internal Auditor	Milka Maina
3		

f) Registered Offices

P.O. Box 90440-80100
 Betting Control & Licensing Building
 Mombasa, KENYA

g) Fund Contacts

Telephone: (254) 41-2311531

E-mail: countysec@mombasa.go.ke

Website: www.mombasacounty.go.ke

h) Fund Bankers

Kenya Commercial Bank Limited

Treasury Square Branch,

P.O. Box 90254

GPO 80100

Mombasa, Kenya.

i) Independent Auditors

Auditor General

Office of The Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

j) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue




P.O. Box 40112

City Square 00200




Nairobi, Kenya

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2. THE BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE

Name	Details of qualifications and experience
	<p>Board Member: Asha Abdi Born; 27/8/1988 County Chief Officer- Finance and Economic Planning Ag. County Chief Officer- Trade, Tourism & Investment Bachelors of Economics Master's in Project Planning & Management</p>
	<p>Board Member: Eng. Thomas Chula Moyo Born; 5/4/1968 County Chief Officer- Infrastructure and Public Work BSC. Science- Mechanical Engineer, Registered graduate Engineer; EBK REG. NO;B5319 30 Years working experience.</p>
	<p>Fund Administrator: Veronica Gitonga Born; 1/5/1975 Director- Directorate of Liquor Control and Licensing B.ED- Maths, Economics. M.A Project Planning & Management PhD in Economics (Finalist)</p>




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	<p>Board Member: Ilhan Abass Born; 21/1/1981 County Chief Officer- Environment, Waste management and Energy MBA (Marketing) -(Ongoing) Bachelor of Business Administration(Marketing) Marketing Certificate</p>
	<p>Board Member: Dr. June Mwajuma Born; 12/6/1972 County Chief Officer- Land, Physical Planning and Housing PhD – Environmental Science MSC Microbiology BSc Botany/Zoology</p>
	<p>Board Member: Pauline Oginga Born; 21/8/1978 County Chief Officer - Public Health Master’s in Public Health Post Graduate Diploma in Monitoring and Evaluation Bachelor’s Degree in Public Health Diploma in Nursing</p>

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	<p>Board Member: Edward Juma Born;10/10/1955 Diploma in Textile Technology Currently he is the General Manager at African Cotton Industries Mombasa with 40 years' experience in different capacities.</p>
	<p>Board Member: Sam Ikwaye Born ; 09-02-1980 Bachelor's in Entrepreneurship Master's in Entrepreneurship PhD (Business Administration- (Entrepreneurship)</p>
	<p>Board Member: Lilian Kalela Born; 20/4/1985 BA Journalism and Media Studies Diploma Broadcast Journalism and Public Relations M.A Project Planning & Management- Ongoing</p>
	<p>Ag. Chairman of the Board: Victor Shitakha Born; 1/9/1964 BSC Hospitality and Tourism Management Diploma in Hotel Management Certificate in Sales & Marketing Currently he is the MD and Lead Consultant of</p>

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	<p>S&SC, a company dealing with hotel management, training, and Professional Conference and Events organization</p>
	<p>Board Member: Reishi Parikh Born; 7/1/1975 BSc in I.T, Lecture and Publisher</p>
	<p>Board Member: Stellah Sululu Born; 9/1/1989 BSC Biochemistry Project assistant in the ministry of youth and gender under KYEOP Project</p>
	<p>Board Member: John Musuva Born; 24/12/1971 County Chief Officer- Education John was appointed on the position in January 2020. He holds a Global MBA in Finance and Marketing from Eastern University, Philadelphia USA and a Bachelor of Commerce degree in Business Administration from Daystar University. He has over 28 years' experience in various sectors in Kenya and USA. He has been with the County Government of Mombasa from 2014 to date. He is also the acting CEO & Fund Administrator of Elimu Fund and is responsible of the day-to-day management, coordination and administration of the activities of the Elimu Fund.</p>

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3. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

Guidance

Through the county development plan on the ease of doing business, the county has adopted the automation of business services using E-citizen system for the application for the liquor licence. Non timely disbursement of funds by the national government continues to be a challenge as this leads to delay in execution of program planned activities thus compromising service delivery. Budget implementation continues to be a challenge due to; Unrealized local revenues, delayed exchequer releases, and tedious procurement bureaucracies.

In addition, the County Government will continue to provide leadership and coordination in county development planning, policy formulation and management, designing effective, efficient and secure systems of collecting revenue, to prudently mobilize and manage resources while ensuring compliance with policies, standards and procedures.

Introduction

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

The key development objectives of the Alcoholic Drink Control Fund for the County Government Mombasa 2020-2021 plans are to:

- a) Public Sensitization on implementation of the act
- b) Revenue Collection
- c) To develop Human Resource

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Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Public Sensitization	(a)protect the health of the individual in the light of the dangers of excessive consumption of alcoholic drinks; (b)protect the consumers of alcoholic drinks from misleading or deceptive inducements and inform them of the risks of excessive consumption of alcoholic drinks; (c)protect the health of persons under the age of eighteen years by preventing their access to alcoholic drinks; (d)inform and educate the public on the harmful health, economic and social consequences of the consumption of alcoholic drinks; (e)adopt and implement effective measures to eliminate illicit	Create awareness. On the harmful effects of alcohol and substance abuse Identify the emerging trends and Prevalence in ADSA- Alcohol, Drugs and Substance Abuse Assist the ministry/ government in managing Alcohol, drug and substance abuse through early detection and intervention Facilitate the implementation of liquor act and other related policies Create partnerships with stakeholders,	No. of ADA cases identified and sensitized. No of inter-agency meetings held No. of administration officers trained Training of primary and Secondary school Teachers on ADSA Training of members of the clergy on ADSA Formulate policy	Public sensitization forums done in six sub counties Inter-agency meeting held in the county Mombasa county Training of ; 1. Administration officers 2. Primary and Secondary school teachers 3. Members of Clergy On ADSA.

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Program	Objective	Outcome	Indicator	Performance
	<p>trade in alcohol including smuggling, illicit manufacturing and counterfeiting;</p> <p>(f)promote and provide for treatment and rehabilitation programmes for those addicted or dependent on alcoholic drinks; and</p> <p>(g)promote research and dissemination of information on the effects of alcoholic drink consumption, in particular the health risks that may arise therefrom.</p>	<p>line ministries and development partners</p> <p>Providing support services which include counselling, Treatment and rehabilitation</p> <p>Developed specific information, education and communication materials on ADSA Control</p>	<p>on Alcohol, Drug and Substance Abuse Review the policies periodically</p> <p>Establish counselling desk and resource centre No. of persons treated</p> <p>Identify specific health risks that arise from excessive alcohol consumption</p>	<p>-Amendment of Mombasa alcoholic Drinks control, 2014. -Formulate policy on alcohol, drugs and substance Abuse -Public participation meetings</p> <p>Carried out Surveys on ADSA Planned and Budgeted for treatment and rehabilitation programmes</p> <p>Providing support system that mitigate against ADSA Empowering employees with relevant information and knowledge on effects of Alcohol, Drugs and Substance Abuse</p>
Collecting Revenue	<p>(a)such licence and other fees as may be payable under this Act;</p> <p>(b)such sums as may be realized from property forfeited to the Government under this Act;</p> <p>(c)sums</p>	Compliance with Mombasa alcoholic drink act 2014	No of liquor outlets Licensed	Collected ksh 19,170,000 FY 2020/2021

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Program	Objective	Outcome	Indicator	Performance
	<p>received, including contributions, gifts or grants from or by way of testamentary bequest by any person;</p> <p>(d)moneys earned or arising from any investment of the Fund;</p> <p>(e)all other sums which may in any manner become payable to, or vested in, the Fund.</p>			
Human Resource Development	<p>Capacity Build the Staff and Board.</p> <p>(a) The County shall promote public awareness about the health consequences, addictive nature and mortal threat posed by excessive alcoholic drink consumption through a comprehensive nation-wide education and information campaign conducted by the Government through the relevant</p>	<p>. Making provisions for early detection and intervention mechanisms through capacity building and creation of a conducive environment</p>	<p>. 1. Identify skill gaps 2. Select target group 3. Identify relevant courses</p>	<p>Participate in training programmes provided by the National Authority Campaign Against Drug Abuse on Alcohol Drugs Substance Abuse Control</p>

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Program	Objective	Outcome	Indicator	Performance
	<p>Ministries, departments, authorities and other agencies including the relevant non-governmental organizations and civil society.</p> <p>(b) The education and information campaign referred to in subsection (1) shall focus on the family as the basic social unit and shall be carried out in all schools and other institutions of learning, all prisons, remand homes and other places of confinement, amongst the disciplined forces, at all places of work and in all communities in Kenya.</p> <p>(c) The relevant agency in collaboration with the Government and the relevant civil society groups shall provide training, sensitization and awareness</p>	<p>Create awareness on the harmful effects of alcohol, drugs, and substance abuse at schools, Colleges, universities, Vocational institutions</p> <p>Create partnerships with stakeholders, line ministries and development partners and relevant civil societies groups</p>	<p>No of institutions visited.</p>	<p>Created linkages and referral systems Sensitize and create awareness on ADSA.</p> <p>Commitment to maintain an alcohol, drugs and substance free county</p>

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Program	Objective	Outcome	Indicator	Performance
	<p>programmes on alcoholic drink control for community workers, social workers, media professionals, educators, decision makers, administrators and other concerned persons for proper information, dissemination and education on alcoholic drinks.</p> <p>(d) In conducting the education and information campaign referred to in this section, the relevant agency and Government shall ensure the involvement and participation of individuals and groups affected by misuse of alcoholic drinks.</p> <p>(e) Every local authority in collaboration with the civil society and the relevant agency, shall conduct education and</p>	<p>Establish a corporate culture and practices that prevent and pre-empt alcohol, drugs and substance abuse in the county</p>	<p>No. of administration officers trained Training of primary and Secondary school Teachers on ADSA Training of members of the clergy on ADSA</p>	<p>Regular inter-agency meetings meetings</p>
			<p>No of inter-agency meetings</p>	

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Program	Objective	Outcome	Indicator	Performance
	information campaigns on alcoholic drink within its area of jurisdiction		held	

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4. MANAGEMENT TEAM

Name	Details of qualifications and experience
<p>1. </p>	<p>Fund Administrator: Veronica Gitonga Born; 1/5/1975 Director- Directorate of Liquor Control and Licensing B.ED- Maths, Economics. M.A Project Planning & Management PhD in Economics (Finalist)</p>
<p>2. </p>	<p>Ag. Chairman of the Board: Victor Shitakha Born; 1/9/1964 BSC Hospitality and Tourism Management Diploma in Hotel Management Certificate in Sales & Marketing Currently he is the MD and Lead Consultant of S&SC, a company dealing with hotel management, training, and Professional Conference and Events organization</p>
<p>3. </p>	<p>Board Member: Asha Abdi Born; 27/8/1988 County Chief Officer- Finance and Economic Planning Ag. County Chief Officer- Trade, Tourism & Investment Bachelors of Economics Master's in Project Planning & Management</p>

5. BOARD/FUND ADMINISTRATION COMMITTEE CHAIRPERSON'S REPORT

It is my pleasure to present, on behalf of the Board of Trustees, the Mombasa County Alcoholic Drink Control Fund financial statements for the year ended 30th June 2021. The financial statements present the financial performance of the fund over the past year.

The Fund saw the Net assets increased to Kshs. 11,976,163 compared to Net Assets of Financial year 2018/2019 of Kshs 25,063,537.00. The net Assets for Financial year 2019/2020 is Kshs.50,235,932.00. The Revenue of the Fund increased by Kshs. 9,432,050 as compared to year 2018/2019 of Kshs. 7,032,850.00. This was attributed to improved compliance with liquor laws by Mombasa resident thus they avoided the levies. However, we had few cases where some retail owners petitioned the levies in Court of Law.

As people are not going to forsake drinking any time soon, there was need to encourage moderate drinking and help few who may become alcoholics. This was to be achieved by enforcing control mechanism through licensing to only those that obey the stipulated laws.

It has been expressed that the Mombasa County Liquor Licensing Act does not define the functions of the Fund and provide for winding up procedures. These and any other shortcomings in the law will be looked at and rectified.

Board and Management Changes

The board has noted in professional view that some recommendations from financial consultant key among them the automation of the fund's operations and the presentation of the Funds accounts in accrual basis as opposed to cash-based reporting. The organisation arrangement is expected to enhance efficiency in service delivery.

Review of performance

Income

No funds were received from the county government.

Expenditures

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The total expenditures during the period amounted to Kshs. 7,193,837 which was inclusive of the administration expenses.

Future outlook

The year 2021/2022 looks brighter. The fund focus is looking to build a robust and sustainable fund with a motivated workforce and structures that enhance efficiency and effectiveness in the service delivery. The fund looks forward to continued support from the county government, local and aspiring political leaders, with other development partners so that the Fund can realize its mandate.

Appreciation

I take this opportunity to express my sincere gratitude and appreciation to the Mombasa County Government, stakeholders, management, staff and fellow Trustees for their continued support which made us execute our mandate in managing the Fund. I look forward for another fabulous and continued support in the financial year 2021/2022.

I wish to thank all stakeholders who are giving us support to pursue this worthwhile cause and it is my belief, we shall have residents who drink responsibly.

Signed:  _____

Victor Shitakha

Ag. Chairperson of the Fund

6. REPORT OF THE FUND ADMINISTRATOR

In accordance with section 22. (1) of the Mombasa County Liquor Licensing Act 2014, which states that the Director shall ensure that the accounts for the Fund and the annual financial statements relating to those accounts comply with the requirements of the Public Finance Management Act and the Public Audit Act.

I am therefore glad to oversee the presentation of the final statements for the financial year ended 30th June 2020 which have been prepared in accordance with the accounting standards prescribed and published by the Accounting Standards Board from time to time.

Implementation challenges of strategic objectives were:

Insufficient support from NACADA; Poor working relations between the National and County Government due to some grey area in the Act; lack of key staffs especially in Accounting, Auditing, Procurement and other technical areas; inability to address several complains from the public against Liquor outlets flouting the Act due to poor work relations between the two levels of Government; reluctance by the National Government to recognize Mnazi drinks as legal Liquor.

Key Risk Management Strategies;

Successful engagement in public sensitization, workshops and crackdowns on illegal liquor outlets to educate stakeholders and public on implementation of the Act; won court cases which were brought by liquor outlet operators; support youth and cultural activities on anti-alcohol abuse thematic activities including rehabilitations; Automation on liquor licensing procedure.

This will enhance effective collection of the revenue and reduce cases of revenue loss hence sustainability of the Fund.

Future Programs;

The Fund is looking forward to carrying out advocacy and prevention programs on alcohol and drug abuse control as budgeted in the FY 2021/2022. Rehabilitation and treatment of alcoholic and drug abuse addicts, Amendment of Mombasa alcoholic control act 2014. The funds will also be used for training and capacity building of the Board and Fund's Secretariat.

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Programs Implemented	Objectives	Amount	Amount Recovered	Impact/Outcome	Remarks/Challenges
Advocacy and prevention through Public Sensitization	a) protect the health of the individual in the light of the dangers of excessive consumption of alcoholic drinks and drug abuse;	1,666,000	N/A	Create awareness. On the harmful effects of alcohol and substance abuse Identify the emerging trends and Prevalence in ADSA- Alcohol, Drugs and Substance Abuse	Public gatherings were limited by covid -19 pandemic
Treatment and Rehabilitation	To promote and provide for treatment and rehabilitation programmes for those addicted or dependent on alcoholic drinks; and	3,000,000	N/A	To identify and treat addicts of Alcohol and substance abuse.	Inadequate legislation
Revenue collection	To collect such licence and other fees as may be payable under this Act;	3,500,000	N/A	Compliance with Mombasa alcoholic drink act 2014	Most liquor outlets were closed due to covid -19 pandemic
Human Resource Development	To identify skill gaps in the target groups	1,724,000	N/A	Improved service delivery and increased efficiency	Inadequate internal system & processes to support public service delivery & departmental administration

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Financial Performance

a) Revenue

In the year ended 30th June 2021, the fund had projected revenues of Kshs. 33,294,404. Out of the projected revenue, the fund was able to realise Kshs 19,170,000 in actual collections, representing 58% performance. In the table below, we present an analysis of revenue performance during the year.

Revenue classification	Revenue budget (Kshs)	Actual (Kshs)	Realization (%)
Revenue	Kshs	Kshs	
Public contributions and donations	0	0	0%
Transfers from County Govt.	0	0	0%
Interest income	0	0	0%
Fines, penalties and other levies	33,294,404	19,170,000	58%
Total Income	33,294,404	19,170,000	58%

It is my believe that the annual financial statements presents fairly the state of affairs of the Mombasa County Alcoholic Drinks Control Fund.

Signed:  _____

Veronica Gitonga

Funds Administrator

7. CORPORATE GOVERNANCE STATEMENT

The fund is committed to ensuring compliance with regulatory and supervisory corporate governance requirements. Essential to the establishment of a corporate governance framework in the fund is a formal governance structure with the board of Trustees at its apex. The operations of the fund are governed by Mombasa County Liquor Licensing Act on 2014. The structure is designed to ensure an informed decision-making process based on accurate reporting to the board.

a. No. of Board meetings

The Board held 7 meetings in the year under review whose major agenda under discussion included: 2019/2020 Audit reports; Crackdown on unlicensed liquor outlets; Proposals of 2020/2021 budget; Mombasa county E-Services challenges 2021, Liquor Licensing progress and renewal of the board members. The quorum for the meetings was attained.

b. Succession Plan

The Board has an elaborate succession plan where incoming officers are given 6 months' probation period to undergo induction while under close supervision of the out-going officers. The Board has a lifetime of 3 years (renewable once).

c. Board Charter

The Board has initiated the process of coming up with a service charter to enable the public to understand its mandate.

d. Process of appointment and removal of trustees

The trustees are appointed by the CECM in charge of the Liquor Licensing for period of 3 years (renewable once)

e. Role and functions of the Board Committee members

The Board has the following mandate:

- To receive and consider applications for liquor licenses in accordance with the Act;
- To advise the County Executive Committee on matters of policy relating to control and regulation of liquor;
- To collaborate with relevant government agencies for effective implementation of the Act;
- To carry out public education in collaboration with other public and private players on liquor control in the County;
- To facilitate citizen participation in matters related to liquor control;
- To perform any other function as may be assigned to it by the County Executive Member as the County Executive Member may from time to time determine.

f. Induction and training, Administration Committee members and member's performance

In order to enhance performance, the board members will undertake training at Kenya School of Government (Mwongozo) as budgeted for in the Financial Year 2021/2022. In addition, the key management team will also undergo Management and Strategic Leadership Courses at Kenya School of Government.

g. Conflict of interest

Every member of the board with a personal interest in an issue coming before the Board, will be required to declare interest and will not be entitled to vote on the matter. The Fund Manager shall have the right to require his opinion to be recorded in the minutes if the decision being made is contrary to his advice or the Fund Act.

h. Board remuneration

The Board Committee members receive sitting allowances as contained in the Salary Remuneration Commission Boards and Committees Allowance Circular issued from time to time.

i. Ethics and conduct as well as governance audit undertaken:-

-Good Corporate Governance

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It is set out as the moral health of an organization to evaluate the overall integrity and embraces individual responsibility, social equity and political responsibility. The Fund incorporate good governance through; routine internal audits, risk management, reporting through maintenance of books of account, use of management system in collecting data and revenue collection.

-Accountability

The committee members ensure transparency and disclosure of the fund activities

8. MANAGEMENT DISCUSSION AND ANALYSIS

Revenue generated through online licensing of liquor outlets as shown on chart and graph

<u>ONLINE LIQUOR LICENSING REVENUE COLLECTED PER MONTH BETWEEN JULY 2020 AND JUNE 2021</u>	
Month	Amount (Kshs)
July 2020	132,000.00 /=
Aug 2020	104,000.00 /=
Sept 2020	36,000.00 /=
Oct 2020	24,000.00 /=
Nov 2020	30,000.00 /=
Dec 2020	32,000.00 /=
Jan 2021	164,000.00 /=
Feb 2021	404,000.00 /=
Mar 2021	3,020,000.00 /=
Apr 2021	4,402,000.00 /=
May 2021	4,402,000.00 /=
Jun 2021	10,598,000.00 /=
Total	19,170,000.00 /=
APPLICATIONS	

The management held seven meetings in the financial year under review whose main agenda touched on the prospects of raising revenue. In two of the meetings it was resolved that enforcement measures should be taken on unlicensed liquor outlets to increase revenue.

The members also discussed on the ways to reduce challenges faced by the liquor outlets on the issue of using the e - licensing platform.

OPERATIONAL PERFORMANCE

- The fund’s core operating activity has been of offering license to operate liquor business within Mombasa County Regulate the production, sale, distribution, consumption and outdoor advertising of alcoholic drinks. The County Government did not release any funds in the FY 2020/2021 hence no support.

Employees

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Human capital is a critical ingredient towards ensuring realisation of our key strategic objectives and mandate. As our stakeholders increase their expectations, it is imperative to ensure adequate and motivated human resource capacity is available to provide services.

During the year, the fund was understaffed and the Trustees have decided to review its organization structure that will see some staff being hired to steer the funds vision, mission, objective and strategies forward and grow its earning and portfolio thereby increasing efficiency and effectiveness to its services to its stakeholders.

During the FY 2020/2021, the fund will embark on enhanced stakeholder's sensitization awareness campaigns on underage persons from access and exposure to liquor, consumers of liquor from misleading and deceptive inducements, prevent illicit trade in alcoholic drinks, public participation in the regulation of alcoholic drinks, public education on the lawful dealings in alcoholic drinks. The Trustees will contract a qualified firm to draft this policy manual which will be approved by the Board.

Entity's key projects or investments decision implemented or ongoing

The Fund has embarked on engaging relevant agencies in collaboration with the Government and the relevant civil society groups to provide training, sensitization and awareness programmes on alcoholic drink control for community workers, social workers, media professionals, educators, decision makers, administrators and other concerned persons for proper information, dissemination and education on alcoholic drinks.

Fund's compliance with statutory requirements

The Fund fully complies with all statutory requirements as guided by the Fund Act, Public Finance Management Act and the County Government Act.

Major risks facing the Fund

The Fund has not established an Audit Committee as stipulated in the PFM Regulations 2015 (County Government). Therefore, in the absence of an audit committee, the effectiveness of the Fund's internal controls and risk management is not ascertained.

9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

Today most large companies in the alcohol industry, like other corporate sectors, undertake corporate social responsibility (CSR) initiatives. The details in ISO 26 000 is that ‘business and organizations do not operate in a vacuum. Their relationship to the society and environment in which they operate is a critical factor in their ability to continue to operate effectively’ and defines a ‘CSR initiative’ as ‘programme or activity expressly devoted to meeting a particular aim related to social responsibility’.

Some of the CSR strategies undertaken were: -

Provision of education and information through publications and media advertising outlets on issues such as personal and/or parental responsibility, moderation, under-age drinking, health effects of drinking alcohol through partnership with private manufacturers and retailers within the county.

Through activities designed to influence policy making regarding consumption and production of alcoholic drinks in the county. Such activities include and not limited to publication and dissemination of policy documents e.g. reviews of alcohol policy issues, charters, working papers and guides to policy implementation and policy tool kits; support through partnership in charities that are active in alcohol policy implementation.

Alcoholic drink control fund exists to transform lives. This is our purpose; the driving force behind everything we do. It’s what guides us to deliver our strategy, which is founded on the country Vision 2030 “Big four” pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar.

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10. REPORT OF THE TRUSTEES/ FUND ADMINISTRATION COMMITTEE

The Directorate of liquor control and licensing is established by Mombasa county liquor licensing Act, 2014. It comprises of Director, Chairman and thirteen members appointed by the county executive member of the Department of Trade, Tourism and Investment.

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2021, which show the state of the Fund affairs.

10.1 Principal activities

The principal activities of the Fund are;

- Received and considered applications for liquor license in accordance with the act.
- Advised the County Executive Committee on matter of policy relating to control a regulation of liquor.
- Carried out public education in collaboration with public & private player on liquor control in the county

10.2 Performance

The performance of the Fund for the year ended June 30, 2021, are set out on page 33..

10.3 Trustees

The members of the Board of Trustee / Administration Committee who served during the year are shown on page 4. There were no changes in the Board during the financial year.

10.4 Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General to carry out the audit of the *entity* for the year/period ended June 30, 2021 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board

.....

Name: Victor Shitakha

Chair of the Board

Date: 27/9/2021

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STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by Mombasa County Liquor Licensing Act, 2014, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Alcoholic Drink Control Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2021. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Alcoholic Drink Control Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Mombasa County Liquor Licensing Act, 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2021, and of the Fund's financial position as at that date.

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

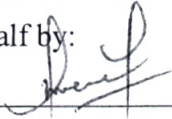
**Mombasa County Alcoholic Drink Control Fund
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In preparing the financial statements, the Administrator of the County Alcoholic Drink Control Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on 10th Aug 2021 and signed on its behalf by:



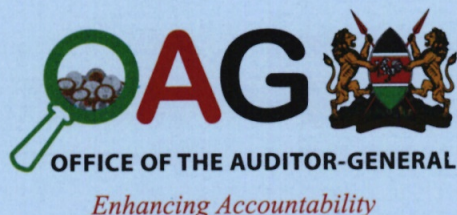
Name:

Veronica Gitonga

Fund Administrator

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 MOMBASA COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2021

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

Qualified Opinion

I have audited the accompanying financial statements of Mombasa County Alcoholic Drinks Control Fund set out on pages 34 to 75, which comprise of the statement of

financial position as at 30 June, 2021, and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 Mombasa County Alcoholic Drinks Control Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Mombasa County Liquor Licensing Act, 2014.

Basis for Qualified Opinion

Inaccuracies in the Statement of Cash Flows

The statement of cash flows reflects net cash flows from operating activities balance of negative Kshs.3,707,865 while the re-computed amount is Kshs.11,976,163, resulting to a variance of Kshs.8,268,298 which has not explained or reconciled. Further, the statement is presented using direct method yet it reflects depreciation expense of Kshs.37,132 which is a non-cash item.

In the circumstances, the accuracy of the statement of cash flows could not be confirmed.

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

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 Fund had approved revenue budget of Kshs.33,294,404 against an actual revenue of Kshs.19,170,000, resulting in unrealized revenue of Kshs.14,124,404 or 42% of the budgeted amount. Similarly, the Fund had an approved expenditure budget of

Kshs.45,000,000 against an actual expenditure of Kshs.7,193,837, resulting in under expenditure of Kshs.37,806,163 or 84% of the budget.

The underfunding and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Failure to Constitute County Liquor Licensing Review Committee

The Fund was to constitute County Liquor Licensing Review Committee to review appeal decisions made by Management. However, no evidence was provided to ascertain that the Committee had been constituted in compliance with Section 19(1) of Mombasa County Liquor Licensing Act, 2014.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Audit Committee

As previously reported, the Fund had not established an Audit Committee in line with Regulation 167(1) of the Public Finance Management (County Governments)

Regulations, 2015 which states that, “each County Government entity shall establish an audit committee”.

In the circumstances, existence of an effective governance system could not be confirmed.

2. Lack of Strategic Plan

As previously reported, the Management had not developed a Strategic Plan in line with Regulation 30(2) of the Public Finance Management (County Governments) Regulations, 2015.

In the circumstances, existence of an effective strategic direction of the Fund could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and 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 the Board of Trustees

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

In preparing the financial statements, Management is responsible for assessing the Fund'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 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.

The Board of Trustees is 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 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 Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

01 September, 2022

Mombasa County Alcoholic Drink Control Fund
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12. FINANCIAL STATEMENTS

13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2021.

	Note	2020/2021	2019/2020
		KShs	KShs
Revenue from non-exchange transactions			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Fines, penalties and other levies	3	19,170,000	28,602,050
		19,170,000	28,602,050
Revenue from exchange transactions			
Interest income	4	-	-
Other income	5	-	-
		-	-
Total revenue		19,170,000	28,602,050
Expenses			
Fund administration expenses	6	6,482,840	6,653,550
General expenses	7	710,997	14,215,996
Finance costs	8	-	3,807
Total expenses		7,193,837	20,873,353
Other gains/losses			
Gain/loss on disposal of assets	9		
Surplus/(deficit) for the period		11,976,163	7,728,697

The notes set out on pages 39 to 73 form an integral part of these Financial Statements.


Mombasa County Alcoholic Drink Control Fund
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13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Assets			
Current assets			
Cash and cash equivalents	10	72,808	273,873
Current portion of long- term receivables from exchange transactions	11	-	-
Receivables from Non- exchange transactions	12	-	-
Prepayments	13	-	-
Debtors		66,156,160	50,558,000
Inventories	14	-	-
		66,228,968	50,558,000
Non-current assets			
Long term receivables from exchange transactions	11	-	-
Property, plant and equipment	15	161,948	199,859
Intangible assets	16	-	-
		161,948	199,859
Total assets		66,390,916	51,031,731
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	672,800	795,800
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
		672,800	795,800
Non-current liabilities			
Long term portion of borrowings	19	-	-
Non-current employee benefit obligation	20	-	-
Total liabilities		672,800	795,800
Net assets		62,212,094	50,235,931
Fund balance brought forward		50,235,931	42,507,234
Reserves		-	-
Accumulated surplus		11,976,163	7,728,697
Total net assets and liabilities		62,212,094	51,031,732

**Mombasa County Alcoholic Drink Control Fund
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The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 27/9/2021 and signed by:



Administrator of the Fund
Name: Veronica Gitonga



Fund Accountant
Name: CPA Gladia Mwiru
ICPAK Member Number: 24895

Mombasa County Alcoholic Drink Control Fund
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13.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2021

	Alcoholic Drink Control Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2019	-	-	42,507,234	42,507,234
Surplus/(deficit) for the period	-*	-	7,728,697	7,728,697
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2020	-	-	50,235,931	50,235,931
Balance as at 1 July 2020	-	-	50,235,931	50,235,931
Surplus/(deficit) for the period	-	-	11,976,163	11,976,163
Funds received during the year	-	-	-	-
Revaluation gain	-	-	-	-
Balance as at 30 June 2021	-	-	62,212,094	62,212,094

(Provide details on the nature and purpose of reserves)

Xxx: Where its explicit in the Fund Regulations that interest earned should form part of the revolving fund, then this interest should be included in the statement of changes in net assets under this section and not part of interest income in the statement of financial performance.*

**Mombasa County Alcoholic Drink Control Fund
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13.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020/2021	2019/2020
		KShs	KShs
Cash flows from operating activities			
Receipts			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	-
Interest received	4	-	-
Receipts from other operating activities		19,170,000	28,602,050
Total Receipts		19,170,000	28,602,050
Payments			
Fund administration expenses	6	6,482,840	6,653,550
General expenses	7	710,997	14,215,996
Finance cost	8		3,807
Total Payments		7,193,837	20,873,353
Net cash flows from operating activities		(3,707,865)	85,377
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	15	(-)	(-)
Proceeds from sale of property, plant and equipment		-	-
Depreciation	15	37,132	53,414
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		(-)	(-)
Net cash flows used in investing activities		(37,132)	(53,414)
Cash flows from financing activities			
Proceeds from alcoholic drink control fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		(-)	(-)
Net cash flows used in financing activities		(-)	(-)
Net increase/(decrease) in cash and cash equivalents		(201,065)	138,791
Cash and cash equivalents at 1 JULY 20	10	273,873	135,082
Cash and cash equivalents at 30 JUNE 21	10	72,808	273,873

(IPSAS 2 allows an entity to present the cash flow statement using the direct or indirect method but encourages the direct method. PSASB also recommends the use of direct method of cash flow preparation. The above illustration assumes direct method)

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13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2021.

	Original budget	Adjustments	Final budget	Actual on comparable basis	% utilisation
	2021	2021	2021	2021	2021
Revenue	KShs	KShs	KShs	KShs	
Public contributions and donations	-	(-)	-	-	
Transfers from County Govt.					
Interest income	-	-	-	-	
Other income	33,294,404	-	33,294,404	19,170,000	58%
Total income	33,294,404	(-)	33,294,404	19,170,000	58%
Expenses					
Fund administration expenses	10,000,000	-	10,000,000	6,482,840	65%
General expenses	34,000,000	(-)	34,000,000	710,997	2%
Finance cost	1,000,000	(-)	1,000,000	-	-
Total expenditure	45,000,000	(-)	45,000,000	7,193,837	16%
Surplus for the period	(11,705,596)	-	(11,705,596)	11,976,163	

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis (budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

The Fund's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Fund. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2021

Standard/ Amendments : Applicable: 1 st January 2021:	Impact
a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks	There was no impact of the amendment to IPSAS 13 with respect to the current financial report
b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved	There was no impact of the amendment to IPSAS 13 and IPSAS 17 with respect to the current financial report as the entity did not apply any of the transitional provisions in the FY 2020/2021
c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.	There was no impact of the amendment to IPSAS 21 and IPSAS 26 with respect to the current financial report as the entity does not have Non-Cash Generating Assets and neither did it have impaired cash generating assets.

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<p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>	<p>There was no impact of the amendment to IPSAS 33 with respect to the current financial report</p>
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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2021

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022:</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.</p> <p>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:
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the entity’s financial performance, financial position and cash flows. <p><i>(State the impact of the standard to the entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

3. Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

4. Budget information

The original budget for FY 2020/2021 was approved by the County Assembly on April 2020. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of xxxxx (Amount) on xxxx (Date) the FY 2020/2021 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial

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performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

5. Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value. **During the year under reviews items that were recognized include** furniture & fittings at 10 % and computer & office equipment's at 30% on reducing balance method.

2. 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

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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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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.

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

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

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.

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.

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4. 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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

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

5. Provisions

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

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

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

Contingent liabilities

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

6. 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.*

7. 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.

8. 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

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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.

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

9. 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.

10. 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.

11. Related parties

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

12. 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 (*Remove if not applicable*) 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.

13. Comparative figures

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

14. Events after the reporting period

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

15. Ultimate and Holding Entity

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

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16. Currency

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. Significant judgments and sources of estimation uncertainty

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

State all judgements, estimates and assumptions made: e.g

a) Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140.

b) Useful lives and residual values

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

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

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

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

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

18. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount KShs	Fully performing KShs	Past due KShs	Impaired KShs
At 30 June 2021				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	66,156,160	-	-	-
Bank balances	72,808	-	-	-
Total	66,228,968	-	-	-
At 30 June 2020				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	50,558,000	-	-	-
Bank balances	273,873	-	-	-
Total	50,831,873	-	-	-

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

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The entity has significant concentration of credit risk on amounts due from xxx.

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Liquidity risk management

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

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

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2021				
Trade payables	-	672,800	-	672,800
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	672,800	-	672,800
At 30 June 2020				
Trade payables	-	-	795,800	795,800
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	795,800	795,800

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Market risk

The board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The Fund's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

d) Foreign currency risk

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The carrying amount of the entity's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2021			
Financial assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ receivables	-	-	-
Liabilities			
Trade and other payables	-	-	-
Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

Foreign currency sensitivity analysis

The following table demonstrates the effect on the Fund's statement of financial performance on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2021			
Euro	10%	-	-
USD	10%	-	-
2020			
Euro	10%	-	-
USD	10%	-	-

SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

Management of interest rate risk

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year.

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs xxx (2021: KShs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs xxx (2020 – KShs xxx)

f) Capital risk management

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

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SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

	2020/2021	2019/2020
	KShs	KShs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	(72,808)	(273,873)
Net debt/(excess cash and cash equivalents)	-	-
Gearing	xx%	xx%

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13. NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	2020/2021	2019/2020
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

(Provide brief explanation for this revenue)

2. Transfers from County Government

Description	2020/2021	2019/2020
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2020/2021	2019/2020
	KShs	KShs
Late payment penalties	-	-
Fines	19,170,000	28,602,050
Levies	-	-
Licences	-	-
Total	19,170,000	28,602,050

(Provide brief explanation for this revenue)

4. Interest income

Description	2020/2021	2019/2020
	KShs	KShs
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
Total interest income	-	-

(Provide brief explanation for this revenue)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Other income

Description	2020/2021	2019/2020
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income (specify)	-	-
Total other income	-	-

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified).

6. Fund administration expenses

Description	2020/2021	2019/2020
	KShs	KShs
Staff costs (Note 6a)	3,571,840	6,653,550
Loan processing costs	-	-
Professional services costs	-	-
Administration fees	2,911,000	-
Total	6,482,840	6,653,550

6A. Staff costs

Description	2020/2021	2019/2020
	KShs	KShs
Salaries and wages	3,571,840	6,653,550
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	3,571,840	6,653,550

N/B The total amount under staff costs has been included in note 6 as part of Fund Administration Expenses chiefly because most funds do not have separate employee but rather the cost would relate to allowances drawn in line fund administration.

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. General expenses

Description	2020/2021	2019/2020
	KShs	KShs
Consumables	-	931,800
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Training Expenses	-	1,032,148
Advertisement and Publication	-	3,547,164
Bank Charges	1,065	xxx
Hospitality	-	3,176,440
Depreciation and amortization costs	37,132	53,414
Board Expenses	672,800	5,475,030
Total	710,997	14,215,996

8. Finance costs

Description	2020/2021	2019/2020
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

9. Gain/(loss) on disposal of assets

Description	2020/2021	2019/2020
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. Cash and cash equivalents

Description	2020/2021	2019/2020
	KShs	KShs
Xxx Car loan account	-	-
Xxx County mortgage account	-	-
Fixed deposits account	-	-
On – call deposits	-	-
Current account	72,808	273,873
Others	-	-
Total cash and cash equivalents	72,808	273,873

(The amount should agree with the closing and opening balances as included in the statement of cash flows)

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

Financial institution	Account number	2020/2021	2019/2020
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank	-	-	-
Equity Bank, etc	-	-	-
Sub- total	-	-	-
b) On - call deposits			
Kenya Commercial bank	-	-	-
Equity Bank - etc	-	-	-
Sub- total	-	-	-
c) Current account			
Kenya Commercial bank	1171290918	72,808	273,873
Bank B	-	-	-
Sub- total	-	72,808	273,873
d) Others(specify)			
Cash in transit	-	-	-
Cash in hand	-	-	-
Mobile Money	-	-	-
Sub- total	-	-	-
Grand total	-	72,808	273,873

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. Receivables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Current Receivables		
Interest receivable	-	-
Current loan repayments due	-	-
Other exchange debtors	-	-
Less: impairment allowance	(-)	(-)
Total Current receivables		
Non-Current receivables		
Long term loan repayments due	-	-
Total Non- current receivables	-	-
Total receivables from exchange transactions	-	-

Additional disclosure on interest receivable

Description	2020/2021	2019/2020
	KShs	KShs
Interest receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due		
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. Receivables from Non-Exchange transaction

Description	2020/2021	2019/2020
	KShs	KShs
Transfer from County Executive	-	-
Transfer from XXXX Fund	-	-
Total receivables from non-exchange transactions	-	-

13. Prepayments

Description	2020/2021	2019/2020
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	-	-
Other prepayments(specify)	-	-
Total	-	-

14. Inventories

Description	2020/2021	2019/2020
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Other inventories(specify)	-	-
Total inventories at the lower of cost and net realizable value	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2019	-	-	220,000	495,000	715,000
Additions	-	-	-	-	-
Disposals	(-)	(-)	-	-	(-)
Transfers/adjustments	-	(-)	-	(-)	(-)
At 30th June 2020	-	-	-	-	-
At 1st July 2020					
Additions	-	-	-	-	-
Disposals	(-)	-	-	-	(-)
Transfer/adjustments	(-)	-	-	(-)	(-)
At 30th June 2021	-	-	-	-	-
Depreciation and impairment					
At 1 st July 2019	(-)	(-)	(72,617)	(318,409)	(390,926)
Depreciation	(-)	(-)	(18,423)	(53,277)	(71,700)
Impairment	(-)	-	-	-	(-)
At 30th June 2020	-	-		-	-
At 1st July 2020					
Depreciation	(-)	(-)	(11,296)	(25,836)	(37,132)
Disposals	-	-	-	-	-
Impairment	(-)	(-)	-	-	(-)
Transfer/adjustment	-	(-)	(-)	-	-

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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 30 th June 2021	-	-	-	-	-
Net book values					
At 30 th June 2020	-	-	112,960	86,120	199,859
At 30 th June 2021	-	-	101,664	60,284	161,948

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	2020/2021	2019/2020
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	-	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	2020/2021	2019/2020
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	672,800	795,800
Total trade and other payables	672,800	795,800

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year (1.07.2020)	-	-	-	-
Additional Provisions	-	-	-	-
Provision utilised	(-)	(-)	(-)	(-)
Change due to discount and time value for money	(-)	(-)	(-)	(-)
Transfers from non -current provisions	-	-	-	-
Balance at the end of the year (30.06.2021)	-	-	-	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	2020/2021	2019/2020
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	(-)	(-)
Repayments of domestic borrowings during the period	(-)	(-)
Balance at end of the period	-	-

The table below shows the classification of borrowings into external and domestic borrowings:

	2020/2021	2019/2020
	KShs	KShs
External Borrowings		
Dollar denominated loan from 'xxx organisation'	-	-
Sterling Pound denominated loan from 'yyy organisation'	-	-
Euro denominated loan from zzz organisation'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

The table below shows the classification of borrowings long-term and current borrowings:

Description	2020/2021	2019/2020
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

(NB: the total of this statement should tie to note 18 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed)

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Total
	KShs	KShs	KShs	KShs
Current benefit obligation	-	-	-	-
Non-current benefit obligation	-	-	-	-
Total employee benefits obligation	-	-	-	-

21. Cash generated from operations

	2020/2021	2019/2020
	KShs	KShs
Surplus/ (deficit) for the year before tax	11,976,163	7,728,697
Adjusted for:		
Depreciation	37,132	53,414
Amortisation	-	-
Gains/ losses on disposal of assets	(-)	(-)
Interest income	(-)	(-)
Finance cost	-	3,807
Working Capital adjustments		
Increase in inventory	(-)	(-)
Increase in receivables	(15,598,160)	(12,211,500)
Decrease in payables	(123,000)	2,085,320
Net cash flow from operating activities	(3,707,865)	85,377

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

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22. Related party balances

a) Nature of related party relationships

Entities and other parties related to the Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members. The fund/scheme is related to the following entities:

- a) The County Government;
- b) The Parent County Government Ministry;
- c) County Assembly;
- d) Key management;
- e) Board of Trustees; etc

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	2020/2021	2019/2020
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	2020/2021	2019/2020
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

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d) Due from related parties

	2020/2021	2019/2020
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Due from County Assembly	-	-
Total	-	-

e) Due to related parties

	2020/2021	2019/2020
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Due to County Assembly	-	-
Total	-	-

23. Contingent assets and contingent liabilities

Contingent liabilities	2020/2021	2019/2020
	KShs	KShs
Court case xxx against the Fund	-	-
Bank guarantees	-	-
Total	-	-

(Give details)

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

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

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

Guidance Notes:

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

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15. APPENDIX I: INTER-ENTITY TRANSFERS

ENTITY NAME:				
Break down of Transfers from the County Executive of xxx County Government				
FY 2020/2021				
a.	Recurrent Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total	XXX	
b.	Development Grants	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total	XXX	
c.	Direct Payments	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
			xx	
			xx	
			xx	
		Total	XXX	

The above amounts have been communicated to and reconciled with the parent Ministry.

Finance Manager
 XXX entity/Fund

Head of County Treasury at
 xxx County

Sign -----

Sign-----