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REPORT

OF

THE AUDITOR-GENERAL

ON

**MERU COUNTY ALCOHOLIC DRINKS
CONTROL BOARD**

**FOR THE YEAR ENDED
30 JUNE, 2019**

PAPERS LAID	
DATE	1/3/2022
TABLED BY	LEADER of MAJORITY
COMMITTEE	—
CLERK AT THE TABLE	M. ADJIBUDDU



MERU COUNTY ALCOHOLIC DRINKS CONTROL BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2019**

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

Meru County Alcoholic Drinks Control Board
Reports and Financial Statements
For the year ended June 30, 2019

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

The Meru County Alcoholic Drinks Control Board was established by and derives its authority and accountability from Meru County Alcoholic Drinks Control Act of 2016 of the Meru County Assembly which was repealed and re-enact by Meru County Alcoholic Drinks Control Act of 2016.

Its establishment is provided for under section 116 of the public finance management act 2012 which states that a County Executive Committee member for finance may establish other public funds with the approval of the County Executive Committee and the county assembly.

The fund's objective is to control the production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation for persons dependent on alcoholic drinks

b) Principal Activities

The Fund's principal activity is to advise the County on all matters relating to licensing and control of alcoholic drinks within the County.

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Prof. kimathi Kigatira	Chairman
2	Peter Imuru	Board Member
3	Rose Ngaku	Board Member
4	Lewis Kithinji	Board member
5	Cyprian Kalaine	Board Member
6	Kanana kimonye	Board Member

d) Key Management

Ref	Name	Position
1	Mr Paul Mwaki Arimi	CEO
2	Gitonga Akubu	Director Enforcement
3	Leah kinya	Director Admin and Rehabilitation

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e) Registered Offices

P.O. Box 120- 60200
Near YWCA
Mwendantu Road
MERU, KENYA

f) Fund Contacts

Telephone: (254) 202381720
E-mail: alcoholboard@gmail.com

g) Fund Bankers

1. Cooperative Bank of Kenya
Meru, Branch
P.O. Box 1328 - 60200
Meru, Kenya
2. Family Bank of Kenya
Meru, Branch
P.O Box
Meru, Kenya






h) Independent Auditors

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

i) Principal Legal Adviser

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




2. THE BOARD OF TRUSTEES

NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
 Prof. Kimathi Kigatira	Position: Board Chairperson DOB: 1955 Qualifications: Bachelor of Medicine & Bachelor of surgery Masters of Medicine (mental health) Experience: over 30years in University management and as an Academician.
 Peter Murungi Imuru	Position: Board Member Qualifications: O-level Experience: Over 20years in Church Ministry as a Bishop
 Rose Ngaku	Position: Board Member Qualifications: 0-level Experience: Over 20 years in Women leadership (Maendeleo ya wanawake)
 Lewis Kithinji	Position: Board Member DOB: 1984 Qualifications: Bachelors of Development studies Experience: Over 5years in Administration position at Mount Kenya University
 Cyprian Kalaine	Position: Board Member/chief officer culture DOB:1962 Qualifications: Bachelors of arts Experience: Over 20years in Parastatal Managerial position

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 <p>Dr. Kanana kimonye</p>	<p>Position: Board Member/chief officer health DOB:1986 Qualifications: Bachelor of Medicine & surgery Experience: Over 5years as a Medical Doctor at Meru Level 5 Hospital</p>
 <p>Mr Paul Mwaki</p>	<p>Position: Chief Executive Officer DOB: 1970 Qualifications: BED Arts MA linguistics Experience: Over 20years as High School teacher and a University Lecturer.</p>

3. MANAGEMENT TEAM

Name	Details of qualifications and experience
 Mr. Paul Mwaki	Position: Chief Executive Officer DOB: 1970 Qualifications: BED Arts MA linguistics Experience: Over 20years as High School teacher and a University Lecturer.
 Mr. Gitonga Akubu	Position: Head of Enforcement & Compliance DOB:1980 Qualifications: Bachelors of Business Administration Experience: Over 5years as an Administrator in County Government of Meru
 Ms. Leah Kinya	Position: Senior Administrative officer DOB:1986 Qualifications: Bachelor's degree in Education (Science) Experience: Over 6years as an Administrator in County Government of Meru

4. BOARD/FUND CHAIRPERSON'S REPORT

On behalf of the board of directors, Meru County Alcoholic Drinks Control Board, I take this opportunity to present financial statements for the period ended on 30th June 2019 in pursuant of section 10 of the Meru County Alcoholic drinks control act 2016.

The board is tasked with licencing of alcoholic drinks for the county government of Meru in pursuant to part II of the Fourth schedule of the constitution so as to control the production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation of persons dependent on alcoholic drinks.

During the year, the board undertook inspection of all liquor outlets within the county, licenced them and undertook various enforcement measures to ensure that no non-licenced outlets were operated within the year.

As a result of robust interventions by the board, there were no reported cases of death as result of consumption of illicit brew within the county. The board was able to reduce and mitigate the negative health, social and economic impact and other costs on individual and communities resulting from or associated with production, sale, supply and consumption of alcoholic drinks.

Despite all the success, the board experienced various challenges, among them limited personnel, inadequate funding, among others.

Signed:  _____

Prof. Kimathi Kigatira

5. REPORT OF THE FUND ADMINISTRATOR

The chief executive officer has day to day management responsibility of running of the board and the implementation of its strategy and policies as agreed by the board of directors. The chief executive officer has a key role in the process of setting and reviewing strategy. The chief executive officer is the vision carrier of the board's culture and standards, which include appropriate corporate governance throughout the board.

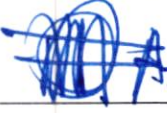
In exercising his responsibilities, the chief executive officer is supported by the staff in ensuring that timely and accurate information is provided to the board on financial and strategic performance.

The board strives to create good corporate governance in all its endeavours, to achieve these the board has continued to build its internal structures and controls to ensure that it incorporates the best practices in its day to day operations and administration.

The board has encouraged adequate systems and controls for identification and redress of grievances arising from unethical practices as well as ensuring professional standards and corporate values are put in place that promote integrity for the board, senior management and other employees.

During the year the board undertook inspection of all liquor dispensing outlets within the county to ensure that they adhere to the required standards, issued licences and made various inspections to ensure that licenced bars were not selling illicit brews to the public.

During the year, the board collected kshs **52,415,700** on liquor licencing operations and spent Ksh **51,779,795** on its various activities.

Signed: 

Mr. Paul Mwaki
Fund Administrator



6. CORPORATE GOVERNANCE STATEMENT

The practise of good corporate governance ensures the delivery of sustainable value for the board as well as meeting the needs of our stakeholders. Good corporate practice involves the adoption of ethically driven policies, procedures and processes. The board is committed to ensuring the needs of our stakeholders are met while safeguarding the boards' assets. We believe that our operations should be carried out in a fair, transparent and accountable manner. It is our integral responsibility to disclose timely and accurate information as well as provide leadership and effective governance for the board.

The board of directors is at the core of the board's governance practices for protection of long-term interests of all stakeholders. Guided by the principle of good governance, the board performs its duties in the interest of the Meru county alcoholic control board. During the year the board held meetings to deliberate on various issues affecting the boards' performance and to provide strategic leadership.

The current Alcoholic Drinks Control Board is headed by the chairman and is composed of five other members, one member a woman, one member a person drawn from the County's hospitality industry, one member a youth, one member from the Clergy, and one member from persons with disability, the board has a chief executive officer. The principal role of the chairman is to provide leadership to the board and ensure that the board is provided timely and adequate information to enable it to discharge its duties. The chief executive officer on the other hand is responsible for the day to day management of the board.

The board charter defines the roles, responsibilities, scope and functions of the board of directors in governance of the board and provides for free exercise of independent judgment. The board provides oversight to the management and ensures the staffs operate within the code of conduct.

The primary responsibility of the board of directors is to provide leadership and strategic direction to the board. The board members are expected to exercise the highest degree of care, skill and diligence in discharging their duties. The principal responsibilities of the board shall include (i) establishing short and long term goals of the board, develop strategies to achieve these goals and monitor the boards performance against the set goals; (ii) spearheading preparation of financial statements and reports; (iii) approving and reviewing budgets; (iv) overseeing affairs

of the board in light of emerging risks and opportunities and ;(v) ensuring that the board has adequate systems and internal controls together with appropriate monitoring of compliance activities

Regular training and development programme are developed to equip the board with necessary skills for the effective discharge of their mandate. Each year the board prepares a training calendar where specific training needs are identified and scheduled. During the year, the board members attended various capacity building programmes focusing on leadership, governance, finance and other relevant areas deemed necessary.

In the financial year 2018-2019, the Board Members held 29 meetings. During every board meeting, board members in attendance are entitled to a sitting allowance, lunch allowance, accommodation allowance and millage reimbursement where applicable within the set government limit. The chairman receives a monthly honorarium.

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7. MANAGEMENT DISCUSSION AND ANALYSIS

During the year, the board collected Kshs **52,415,700** from liquor licencing activities within the county against an expenditure of Ksh **51,779,795** resulting to a surplus of Kshs **635,905**. Since the boards' core mandate is advice the County on all matters relating to licencing and control of alcoholic drinks within the County all the expenditures were recurrent in nature and were geared towards supporting the board to discharge its core mandate and hence there were no projects budgeted / implemented during the period under review.

During the period under review the board faced major challenge/ risk of not having requisite technology/ know how to distinguish between genuine and contraband alcoholic drinks and relied on the expertise from the Kenya Bureau of standards. Hence there always existed a risk of existence of illicit drinks within the market which could pose an hazardous risk if consumed by the residents

KEY PROJECTS OF THE BOARD

S/NO	PROJECT	OBJECTIVE
1	Inspection of Liquor Outlets in Meru	To ensure they have complied with the stipulated requirements before they are licensed.
2	Enforcement	To ensure compliance with the Meru County Alcoholic Drinks Control Act 2016
3	Awareness and Sensitization	To create awareness and help control alcohol consumption among people in Meru County

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4	Corporate Social Responsibility – donations	To create awareness and help control alcohol consumption among youths in Meru County
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8. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

During the period the board donated funds as part of Corporate Social Responsibility which included donation to Rotary club Nkubu and Imenti South Marathon.

These activities were used to sensitize youth against drug abuse and promote behaviour change among the youth as part of its corporate social responsibility.

9. REPORT OF THE TRUSTEES

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the Meru County Alcoholic Drinks Control Board's affairs.

Principal activities

The principal activities of the Fund are to advise the County on all matters relating to licensing and control of alcoholic drinks within the County.

Results

The results of the Meru County Alcoholic Drinks Control Board for the year ended June 30, 2019 are set out on page 18-41.

Trustees

The members of the Board of Trustees who served during the year are shown on page 2 of this document.

Auditors

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

By Order of the Board



Cyprian Kalaine.

Member of the Board

Date: 15/01/2020

10. 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 Meru County Alcoholic Drinks Control Act of 2014 of the Meru County Assembly which was repealed and re-enact by Meru County Alcoholic Drinks Control Act of 2016 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Meru County Alcoholic Drinks Control Act of 2014 of the Meru County Assembly which was repealed and re-enact by Meru County Alcoholic Drinks Control Act of 2016. 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, 2019, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to

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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 15/01/2020 and signed on its behalf by:

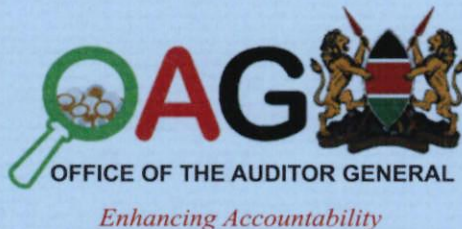


ADMINISTRATOR OF THE COUNTY PUBLIC FUND
CEO
PAUL MWAKI ARIMI



REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON MERU COUNTY ALCOHOLIC DRINKS CONTROL BOARD FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Meru County Alcoholic Drinks Control Board set out on pages 18 to 41, which comprise of the statement of financial position as at 30 June, 2019, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Meru County Alcoholic Drinks Control Board as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with Public Finance Management Act, 2012 and the Meru County Alcoholic Drinks Control Act, 2016.

Basis for Adverse Opinion

1.0 Inaccuracies in the Financial Statements

1.1 Statement of Financial Position

The statement of financial position reflects Kshs.28,370,318 in respect to total assets. However, the statement also reflects Kshs.26,510,856 in respect to accumulated surplus which ought to balance with total asset since there are no liabilities reflected in the statement resulting to an unexplained and unreconciled variance of Kshs.1,859,462 between the total asset and accumulated surplus.

In addition, statement of financial position as at 30 June, 2019 reflects Kshs.54,881,174 in respect to total assets and liabilities comprising of total assets of Kshs.28,370,318 and accumulated surplus of Kshs.26,510,856. However, this is an unclear entry since total assets are not aggregated with accumulated surplus.

In the circumstances, the accuracy of the statement of financial position as at 30 June, 2019 could not be confirmed.

1.2 Statement of Cash Flows

The statement of Cash flows reflects prior year net increase in cash and cash equivalents balance of Kshs.11,377,789. However, the re-casted balance was Kshs.9,600,439 resulting to an unreconciled and unexplained variance of Kshs.1,777,350 as at 30 June, 2019.

In the circumstances, the accuracy of the Kshs.25,208,412 cash and cash equivalents balance for the year ended 30 June, 2019 could not be ascertained.

2.0 Unsupported Expenditure - Travel and Subsistence

The statement of financial performance and Note 3 to the financial statements reflects Kshs.32,829,293 in respect to general expenses which includes Kshs.5,866,550 in respect to travel and subsistence. Included in the travel and subsistence balance of Kshs.5,866,550 is an expenditure of Kshs.869,500 whose supporting documents including invitation letters, program of activities, evidence of travel, back to office report, attendance register, and payment vouchers were not availed for audit review.

In the circumstances, the accuracy of Kshs.32,829,293 general expenditure for the year ended 30 June, 2019 cannot be confirmed.

3.0 Irregular Payment of Board Allowances

Note 2 to the financial statements for the year ended 30 June, 2019 reflects Kshs.18,950,502 in respect to staff costs which includes an expenditure of Kshs.5,771,100 in respect to other staff costs which further includes an expenditure of Kshs.2,480,000 in respect to board allowances which was paid to 8 board members using rates contained in the County Secretary internal memo referenced MC/GIM/5/273 dated 14 January, 2016. However, the rates used exceeded the Salaries and Remuneration Commission (SRC) rates contained in circular referenced SRC/ADM/CIR/1/13(122) dated 16 April, 2014 resulting to overpayment of Kshs.1,244,000 as detailed below;

No.	Number of days	Rates Used (Kshs.)	Total Paid (Kshs.)	SRC Rates (Kshs.)	Amount Payable (Kshs.)	Variance (Kshs.)
1	28	30,000	840,000	15,000	420,000	420,000
2	29	20,000	580,000	10,000	290,000	290,000
3	24	20,000	480,000	10,000	240,000	240,000
4	27	20,000	540,000	10,000	270,000	270,000
5	1	10,000	10,000	4,000	4,000	6,000
6	1	10,000	10,000	4,000	4,000	6,000

No.	Number of days	Rates Used (Kshs.)	Total Paid (Kshs.)	SRC Rates (Kshs.)	Amount Payable (Kshs.)	Variance (Kshs.)
7	1	10,000	10,000	4,000	4,000	6,000
8	1	10,000	10,000	4,000	4,000	6,000
			2,480,000		1,236,000	1,244,000

In the circumstances, the validity and propriety of Kshs.18,950,502 staff costs for the year ended 30 June, 2019 could not be confirmed.

4.0 Unsupported Other Income - Liquor

The statement of financial performance and Note 1 to the financial statements reflects Kshs.52,415,700 in respect to other income, being income from liquor license. However, the supporting documents including the type of license issued, license serial number and fees receipt issued were not provided for audit review.

In the circumstances, the validity and accuracy of the Kshs.52,415,700 in respect to liquor license for the year ended 30 June, 2019 cannot not be confirmed.

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

Budget Controls and Performance

1.1 Unbalanced Budget

The statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects Kshs.52,100,000 and Kshs.52,021,070 in respect to approved revenue and expenditure budgets respectively resulting to an unbalanced budget of Kshs.78,930. The budget imbalance is contrary to Section 31 (c) of the Public Finance Management (County Governments) Act, 2015 which states that budget revenue and expenditure appropriations shall be balanced.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS ON INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness on Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed I confirm that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1.0 Failure to Establish an Audit Committee

As previously reported, the Board did not have an audit committee in place during the year ended 30 June, 2019, contrary to Section 167(1) of the Public Finance Management (County Governments) Regulations, 2015 which states that each County Government entity shall establish an audit committee. Lack of an audit committee inhibits effective internal control as it affects the reporting structure of the internal audit department including action on the internal audit reports.

In the circumstances, the Board is in breach of the law.

2.0 Non-Establishment of an Internal Audit Department

As previously reported, the Board did not have an internal audit unit during the year under review contrary to Section 155(1) of the Public Finance Management Act, 2015,

which states that a County Government entity shall ensure that it complies with this Act by instituting appropriate arrangements for conducting internal audit according to the guidelines issued by the Accounting Standards Board.

In the absence of an internal audit department, the reliability of the internal control system could not be ascertained and consequently the risk of misappropriation of public resources entrusted to the Board is high.

In the circumstances, the effectiveness of internal controls, risk management and governance during the year under review 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 control, 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 those charged with Governance

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

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

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

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

Those charged with governance are responsible for overseeing the Board's financial reporting process, reviewing the effectiveness of how the entity 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 overall 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 policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Management.
- Conclude on the appropriateness of the Management's use of the going concern 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 Board'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 Board 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 Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


 CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

17 December, 2021

Report of the Auditor-General on Meru County Alcoholic Drinks Control Board for the year ended 30 June, 2019

12. FINANCIAL STATEMENTS

12.1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2019

	Note	2018/2019	2017/2018
		KShs	KShs
Revenue from exchange transactions			
Other income	1	52,415,700	51,186,960
Total revenue		52,415,700	51,186,960
Expenses			
Staff Costs	2	18,950,502	21,896,733
General expenses	3	32,829,293	19,636,664
Total expenses		51,779,795	41,533,397
Other gains/losses			
Gain/loss on disposal of assets			
Surplus/(deficit) for the period		635,905	9,653,563

The notes set out on pages 33 to 38 form an integral part of these Financial Statements

Meru County Alcoholic Drinks Control Board
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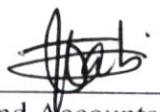
12.2. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	2018/2019 KShs	2017/2018 KShs
Assets			
Current assets			
Cash and cash equivalents	4	25,208,412	22,724,951
Non-current assets			
Property, plant and equipment	5	3,161,906	5,009,463
Total assets		28,370,318	27,734,414
Net assets		28,370,318	27,734,414
Accumulated surplus		26,510,856	25,874,951
Total net assets and liabilities		54,881,174	53,609,365

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 15/01/2020 and signed by:


 P. O. Box 120-60200
 MERU
 Administrator of the Fund
 Name: Paul Mwangi Arimi




 Fund Accountant
 Name: Joseph Chabari Kabii
 ICPAK Member Number: 14516

Meru County Alcoholic Drinks Control Board
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12.3. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2019

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
		0		
Balance as at 1 July 2017	0	0	16,221,387	16,221,387
Surplus/(deficit) for the period	0	0	9,653,563	9,653,563
Funds received during the year	0	0	-	-
Revaluation gain	0	0	-	-
Balance as at 30 June 2018	0	0	25,874,951	25,874,951
	0	0		
Balance as at 1 July 2018	0	0	25,874,951	25,874,951
Surplus/(deficit) for the period	0	0	635,905	635,905
Funds received during the year	0	0	-	-
Revaluation gain	0	0	-	-
Balance as at 30 June 2019	0	0	26,510,856	26,510,856

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12.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	2018/2019	2017/2018
		KShs	KShs
Cash flows from operating activities			
Receipts			
Licenses	1	52,415,700	51,186,960
Total Receipts		52,415,700	51,186,960
Payments			
Staff Costs	2	18,950,502	21,896,733
General expenses	3	32,829,293	19,636,664
Adjustment for depreciation	5	(2,644,556)	(3,096,875)
Total Payments		49,135,239	38,436,521
Net cash flows from operating activities		3,280,461	12,750,439
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets	5	(797,000)	(3,150,000)
Net cash flows used in investing activities		(797,000)	(3,150,000)
Net increase/(decrease) in cash and cash equivalents		2,483,461	11,377,789
Cash and cash equivalents at 1 JULY	4	22,724,951	11,347,162
Cash and cash equivalents at 30 JUNE	4	25,208,412	22,724,951

12.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2019	2019	2019	2019	2019	2019
	KShs	KShs	KShs	KShs	KShs	
Revenue						
License	52,100,000	-	52,100,000	52,415,700	315,700	100.60%
Total income	52,100,000	-	52,100,000	52,415,700	315,700	100.60%
Expenses						
Staff Costs	21,542,070	(2,541,568)	19,000,502	18,950,502	50,000	99.70%
General expenses	30,479,000	2,541,568	33,020,568	32,829,293	191,275	99.40%
Total expenditure	52,021,070		52,021,070	51,779,795	241,275	99.50%
Surplus for the period	78,930		78,930	635,905		

Budget notes

1. During the F/Y 2018-2019 there was over realization of the budgeted revenue by Ksh 315,700 bringing a difference between actual and budgeted amounts.
2. During the F/Y 2018-2019 reallocations on some of the vote items of the expenditure resulting to differences between original and final budget

12.6. 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.

2. Adoption of new and revised standards

a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2019

Standard	Impact
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019 The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations. The standard is important in reporting of the financial statements F/Y 2018-2019.

b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2019

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <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

Standard	Effective date and impact:
	<p>held;</p> <ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 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.

c) Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2019.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018/2019 was approved by the County Assembly on 25th May 2018. 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 15th March 2019 on the FY 2018/2019 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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 12.5 of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

6. Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

7. Financial instruments

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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Held-to-maturity

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

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or 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 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)

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.

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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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

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

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

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

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

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

9. Provisions

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

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

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

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.

SUMMARY OF 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.

10. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. The board did not create any reserve but plans are underway.

11. 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.

12. Employee benefits – Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

13. 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

14. 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.

15. Related parties

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

16. Cash and cash equivalents

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

17. Comparative figures

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

18. Events after the reporting period

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

19. Ultimate and Holding Entity

The entity is a County Public Fund established by Meru County Alcoholic Drinks Control Act 2016 under the Department of Culture. Its ultimate parent is the County Government of Meru.

20. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21. 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

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

Useful lives and residual values

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

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

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.

12.7. NOTES TO THE FINANCIAL STATEMENTS

1. Other income

Description	2018/2019	2017/2018
	KShs	KShs
Liquor License	52,415,700	51,186,960
Total other income	52,415,700	51,186,960

2. Staff costs

Description	2018/2019	2017/2018
	KShs	KShs
Salaries and wages	13,179,402	12,991,277
Social security contribution	-	2,918,580
Other staff costs	5,771,100	5,986,876
Total	18,950,502	21,896,733

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. General expenses

Description	2018/2019	2017/2018
	KShs	KShs
Fuel and oil costs	776,662	351,549
Motor Vehicle Repairs and Maintenance	567,963	-
Inspection	6,059,460	1,372,260
Governors Youth business challenge		4,121,800
Rental costs	-	426,600
Enforcement	4,007,600	
Travel and Subsistence	5,866,550	4,213,585
Training	-	-
Depreciation and amortization costs	2,644,556	3,096,875
Other expenses	12,906,502	6,053,995
Total	32,829,293	19,636,664

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. Cash and cash equivalents

Description	2018/2019	2017/2018
	KShs	KShs
Current account	25,208,412	22,724,951
Total cash and cash equivalents	25,208,412	22,724,951

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	2018/2019 KShs	2017/2018 KShs
a) Current account			
Cooperative Bank	01141418844301	11,615,588	18,362,588
Family Bank	063000039570	13,592,824	4,362,363
Sub- total		25,208,412	22,724,951
Grand total		25,208,412	22,724,951

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. Property, plant and equipment

	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs
At 1 st July 2016	6,401,147	1,463,884	1,578,275	9,443,306
Additions	-	-	-	-
At 30 th June 2017	6,401,147	1,463,884	1,578,275	9,443,306
Additions	3,150,000	-	-	3,150,000
At 30 th June 2018	9,551,147	1,463,884	1,578,275	12,593,306
Additions	-	497,000	300,000	797,000
At 30 th June 2019	9,551,147	1,960,884	1,878,275	13,390,306
Depreciation and impairment				-
At 1 st July 2016	1,600,287	117,111	608,720	2,243,384
Depreciation	1,600,287	117,111	525,566	2,243,484
At 30 th June 2017	3,200,574	234,222	1,134,285	4,486,868

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

At 1 st July 2017	3,200,574	234,222	1,134,285	4,486,968
Depreciation	2,387,786	182,986	526,102	3,096,875
At 30 th June 2018	5,588,361	417,208	1,578,275	7,583,844
At 1 st July 2018	5,588,361	417,208	1,578,275	7,583,844
Depreciation	2,387,786	156,870	99,900	2,644,556
At 30 th June 2019	7,976,147	574,078	1,678,175	10,228,400
Net book values				
At 30 th June 2017	3,200,574	1,229,663	526,103	4,569,080
At 30 th June 2018	3,962,786	1,046,677	-	5,009,463
At 30 th June 2019	1,575,000	1,386,806	200,100	3,161,906

6. Cash generated from operations

	2018/2019	2017/2018
	KShs	KShs
Surplus/ (deficit) for the year before tax	635,905	9,653,563
Adjusted for:		
Depreciation	2,644,556	3,096,875
Net cash flow from operating activities	3,280,461	12,750,438

13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Cash and cash equivalent	Cashbooks and bank reconciliations were prepared as required by the PFM Act. The issue was discussed during the County assembly PAC committee	Martin Mwenda-accountant	Resolved	
1.2	Opening balance on Property, Plant & equipment	There was an oversight in reporting of the opening balance	Martin Mwenda-Accountant	Not resolved	30 th june 2020
1.3	Net assets	There was a wrong treatment on net asset	Martin Mwenda-Accountant	Not resolved	30 th june 2020
2.0	Revenue customer ledgers		Martin Mwenda-Accountant	Not resolved	30 th june 2020
3.0	Unsupported expenditure		Martin Mwenda-Accountant	Not resolved	30 th june 2020

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
4.0	Irregular payment to MCAs		Paul Mwaki- CEO	Not resolved	
1.0	Omission of details and statements in the financial statements	The details have been included while preparing financial statements for F/Y 2018/19	Martin Mwenda - Accountant	Resolved	
1.0	Irregular payment for hotel services		Paul Mwaki -CEO	Not resolved	30 th june 2020
2.0	Ethnicity	The issue will be addressed progressively during future recruitments	Paul Mwaki -CEO	Not resolved	30 th june 2021
1.0	Failure to establish an Audit committee	The board is in process of establishing the Committee	Paul Mwaki -CEO	Not resolved	30 th june 2020
2.0	Non establishment of internal audit department	The board is in process of establishing the department	Paul Mwaki -CEO	Not resolved	30 th june 2020
3.0	Bank accounts signatories	The bank account signatories were changed as per audit	Paul Mwaki -CEO	Resolved	

Meru County Alcoholic Drinks Control Board
Reports and Financial Statements
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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		recommedation			
4.0	Liquor license books	The books are available	Joy Gakii-administrator	Resolved	

