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## REPORT

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OF

**THE AUDITOR-GENERAL**

**ON**

**KAKAMEGA COUNTY ALCOHOLIC  
DRINKS CONTROL FUND**

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



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**COUNTY GOVERNMENT OF KAKAMEGA  
KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

**Kakamega County Alcoholic Drinks Control Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

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**TABLE OF CONTENTS**

1.	Key entity information and management .....	2
2.	Statement of performance against county entitys predetermined objectives.. .....	4
3.	Board chaiperson’s report .....	6
4.	Report of the fund administrator .....	7
5.	Corporate governance statement .....	8
6.	Management discussion and analysis.....	9
7.	CSR statement/sustainability reporting.....	10
8.	Report of the trustees.....	11
9.	Statement of management’s responsibilities .....	12
10.	Report of the independent auditor .....	13
11.	Financial statements .....	14
11.1.	Statement of financial performance .....	14
11.2.	Statement of financial position.....	15
11.3.	Statement of changes in net assets .....	16
11.4.	Statement of cash flows.....	17
11.5.	Statement of comparison of budget and actual amounts.....	18
11.6.	Summary of significant accounting policies .....	19
11.7.	Notes to the financial statements.....	23

## 1. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background information

Directorate of Alcoholic drinks is established by and derives its authority and accountability from Kakamega County Alcoholic Drinks Control Act 2014. The Fund is wholly owned by the County Government of Kakamega under the Ministry of Public Service and Administration and is domiciled in Kenya.

The fund's objective is to meet the capital and recurrent expenditure of the directorate

The Fund's principal activity is to assist in the operations of the sub-county committees in regulating alcohol production, distribution, sale and consumption within Kakamega County.

### b) Principal Activities

The core mandate of the Fund is to facilitate regulation in terms of production, distribution, sale and consumption of alcohol; campaign against alcohol abuse and provide interventions for minimizing the harm and mitigating the impact of alcohol on individual users, families and the community of Kakamega County

### c) Key Management

Ref	Name	Position
1	Ben Ochomo	Director
2	John Imbogo	Chief Officer, Finance
3	Peter Lukoye	Chief Officer, Public service

**d) Registered Offices**

P.O. Box 36 -50100  
Sahajanand Building 1<sup>st</sup> Floor  
Mumias Road.  
Kakamega, Kenya

**e) Fund Contacts**

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E-mail: [doadc@kakamega.go.ke](mailto:doadc@kakamega.go.ke)  
Website: [www.kakamega.go.ke](http://www.kakamega.go.ke)

Fund Bankers  
National Bank of Kenya  
Along Kisumu Kakamega –road  
P.O Box 1773-50100  
Kakamega-Kenya

**f) Independent Auditors**

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

**g) Principal Legal Adviser**

Moses Sande -County Attorney  
County Government of Kakamega  
Kakamega town  
P.O. Box 36-50100  
Kakamega, Kenya

## 2. STATEMENT OF PERFORMANCE AGAINST COUNTY ENTITY'S PREDETERMINED OBJECTIVES

### Introduction

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

The key development objectives of the Directorate of Alcoholic Drinks Control 2016-2020 plan are to:

- a) Regulate production, sale and consumption of alcoholic drinks within the County.
- b) Coordinate public awareness and education on adverse effects of alcohol and drug abuse.
- c) Coordinate Implementation of County Workplace Policy on prevention and management of alcohol and drug abuse
- d) Operationalize County treatment and rehabilitation Centre
- e) Undertake research activities and build the capacity of the Directorate.

### Progress on attainment of Strategic development objectives

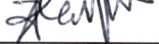
Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
<b>Coordination of alcoholic drinks control activities in all sub counties.</b>	To regulate supply, sale and consumption of alcoholic drinks within the County by way of licensing and law enforcement	Controlled production, distribution, sale and consumption of alcoholic drinks	Managed number of licensed outlets.  Number of outlets recommended	In FY 2018/2019; Total number of traders were 973.  The Directorate in conjunction with sub county committees carried out several enforcement exercises in the respective sub counties to ensure maintenance of order and law abidance.
<b>County alcohol and drug abuse</b>	Coordinate public awareness and	Increased awareness and	No of community based	Visits to schools, and colleges, Addressed 11 church based

<b>prevention</b>	education on adverse effects of alcohol and drug abuse within the County	participation by all stakeholders and vulnerable groups.	activities No of groups participating in the ADA prevention activities	meetings/conferences  Outreach activities for 42 psychosocial/ behaviour change groups
<b>Workplace ADA programme</b>	Coordinate implementation of the workplace policy	ADA awareness among county staff	Reduced number of ADA cases at the workplace	Held sensitization meetings with staff in 4 Departments  Held capacity building workshop for workplace committees  Started counselling services for staff identified with substance use dependence syndrome
<b>County treatment and rehabilitation services</b>	Operationalize the County treatment and rehabilitation centre	Treatment and rehabilitation services available for the residents of Kakamega County afflicted with substance use disorders	No of individuals treated and supported;  Amount of resources committed to the facility	
<b>Build Directorate capacity</b>	Enhance the Directorate's effectiveness in its service delivery.	Improved efficiency;  Increased no of services;  Availability of research information	Improved record keeping;  No of research activities done	Undertook survey to determine prevalence of alcohol and drug abuse among the county residents

### 3. BOARD/FUND CHAIRPERSON'S REPORT

The former director Mr. Gabriel Kinaiya went on retirement. We received a new director Mr. Ben Namayi Ochomo. The directorate had incurred an expenditure of Ksh.11,350,461 under the Ministry of Public Service and Administration as at 30<sup>th</sup> June 2019. Total revenue received was Ksh.18,670,243 as at 30<sup>th</sup> June 2019. Bank charges amounted to Ksh.29, 100. General expenses amounted to Ksh.11,586,767.50. A total of Ksh.18,800,000 had been transferred to the county revenue account at Central bank as at 30<sup>th</sup> June 2019. The current assets comprised the cash and cash equivalents amounting to ksh.59,033.50. Non-current assets comprised PPE valued at ksh.1,164,359.50. The accumulated surplus as at 30<sup>th</sup> June 2019 was Ksh.3,614,167.

Signed:  \_\_\_\_\_ -

#### 4. REPORT OF THE FUND ADMINISTRATOR

The Directorate of Alcoholic Drinks Control is an agency of the County Government of Kakamega established in the year 2014 after the enactment of the Kakamega Alcoholic Drinks Control Act 2014. It is domiciled in the Department of Public Service and Administration.

##### **Mandate**

The mandate of the directorate includes:

- Development of strategies and plans for implementation of the Act in collaboration with county and other National Government Departments and agencies.
- Regulation of manufacture, distribution, promotion, sale and consumption of alcohol
- Establishment of treatment, rehabilitation, and harm mitigation programs for persons with substance use disorders.
- Advocacy, public education and awareness on alcoholic drinks control and drug abuse.
- Facilitate citizen participation in matters related to the Alcoholic Drinks Control and in relation to the established legal framework.

##### **Management of funds**

The Directorate's main source of revenue includes income from issuance of licences and disbursements from the county treasury based on approved annual budgets of the department and as provided by section 4 of the Kakamega Alcoholic Drinks Control Act 2014

##### **Operation of the fund**

The Alcoholic Drinks Control Fund Account at National Bank of Kenya is the directorate's main revenue collection account. All the money received from applications and licencing is swiped to Kakamega County Revenue Fund Account at Central Bank. Total receipts as at 30<sup>th</sup> June 2019 was Ksh18,670,243. Total amount transferred to the main revenue account was Ksh.18,800,000. The cash and cash equivalents as at 30<sup>th</sup> June 2019 was Ksh.59,033.50

Signed: \_\_\_\_\_



BEN NAMAYI OCHOMO

Ag. Director

## **5. CORPORATE GOVERNANCE STATEMENT**

Corporate governance activities of the Directorate are based on the approved budget, annual work plans, performance contract signed by the CEC Member Public Service and Administration with H.E the Governor in accordance with the Alcoholic Drinks Control Act 2014.

The agency also recognizes all relevant statutes for instance the Public Finance Management Act, Alcoholic Drinks Control Act 2010, Chang'aa Prohibition Act, NACADA and the Kenya Revenue Authority Guidelines besides the Constitution of Kenya 2010.

The Directorate operates through committees established by the Kakamega Alcoholic Drinks Control Act 2014.

The committees include the 12 Sub County Alcoholic Drinks Regulation Committees, the County Alcoholic Drinks Administrative Review Committee, and the County Enforcement Coordinating Committee. The 12 Sub County Committees handle the licensing process and law enforcement. The Administrative Review Committee handles appeal cases arising from the licensing and law enforcement process. Enforcement coordinating committee is responsible for deliberating on matters related to alcohol abuse and which require law enforcement and advising the CEC Member.

The members to the committees are appointed by the CEC Public Service and Administration. Members to the Enforcement Coordination Committee are appointed by the Governor.

The committees Board meetings are held quarterly or whenever there is need.

Remuneration of member's allowances is based on the guidelines of The Salaries and Remuneration Commission. Removal of the Members is as provided for by the Alcoholic

## **6. MANAGEMENT DISCUSSION AND ANALYSIS**

The Alcoholic Drinks Control Fund Account at National Bank of Kenya is the directorate's main revenue collection account. All the money received from applications and licencing is swiped to Kakamega County Revenue Fund Account at Central Bank.

Total receipts as at 30<sup>th</sup> June 2019 was Ksh.18,670,243. General expenses amounted to Ksh.11,570,264.80. The finance costs amounted to Ksh.29,100. The accumulated surplus as at 30<sup>th</sup> June 2019 was Ksh.3,614,167. The cash and cash equivalents as at 30<sup>th</sup> June 2019 was Ksh.59,033.50.

The directorate received a donation from NACADA in form of medical equipment and other items for the rehabilitation centre valued at Ksh.1,087,500.

The fund is viewed as a going concern and it's expected to perform better in the financial year 2019/2020 due to the introduction of new licence rates slightly higher than the current rates. The fund is compliant with statutory requirements including the PFM Act that requires funds to swipe unspent amounts back to the exchequer at the end of the financial year.

## **7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

### **Behaviour Change Program**

The Directorate continued to coordinate the community based program for Behaviour change within the county.

The purpose of the initiative was to achieve positive change, supply suppression and demand reduction in respect to production and use of alcohol and illicit drugs. A total of 42 psychosocial support groups for people with substance disorders were formed in Shinyalu, Lugari, Butere and Ikolomani sub-counties.

### **Counselling Services**

The agency has continued to offer free counselling services to the general public including teachers, students from school and Colleges besides County Government staff.

### **Public education/awareness**

The goal of the Directorate was to increase activities that would achieve prevention of alcohol and drug abuse through public education and awareness.

The agency continued to work in collaboration with the Anglican Church of Kenya, Butere and Maseno North Dioceses to reach out to more groups of people especially the youth.

The objective was to reach out to as many people as possible to sensitize them on the adverse effects of alcohol and drug abuse.

### **Employee Assistance Program**

The Directorate made progress in the process of implementation of the Workplace policy on Alcohol and Drug Abuse in all departments of the county Government. Capacity building training of all workplace committees in 10 County Departments was done to improve their efficiency and effectiveness.

## 8. REPORT OF TRUSTEES

The Director submits his report for the year ended 30<sup>th</sup> June 2019 which show the state of the Fund affairs.

### Principal activities

The principal mandate of the Fund is to facilitate regulation, production, distribution, sale and consumption of alcohol; campaign against alcohol abuse and provide interventions for minimizing the harm and mitigating the impact of alcohol on individual users, families and the community of Kakamega County.

### Results

The results of the Fund for the year ended March 30<sup>th</sup>, 2019 are set out on page 13, 14, 15, and 16

### Trustees

The fund does not have trustees

### 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

Ben Namayi Ochomo

Director

Date: 30/3/21

## 9. 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 section 116(1) of the Public Finance Management Act, 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 year ended on June 30<sup>th</sup>, 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 The Kakamega county alcoholic drinks control 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 year ended June 30<sup>th</sup>, 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 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

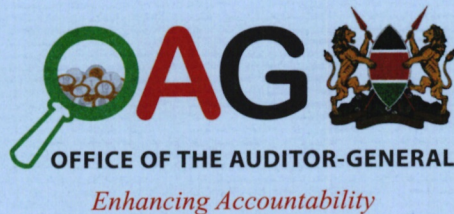
The Fund's amended financial statements were approved by the Board on 30/3/2021 2021 and signed on its behalf by:



\_\_\_\_\_  
Administrator of the County Public Fund

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2019**

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### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Adverse Opinion**

I have audited the accompanying financial statements of Kakamega County Alcoholic Drinks Control Fund set out on pages 14 to 30, which comprise 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 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 Kakamega County Alcoholic Drinks Control Fund 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 the Public Finance Management Act, 2012 and Kakamega County Alcoholic Drinks Control Act, 2014.

#### **Basis for Adverse Opinion**

##### **1.0 Presentation, Accuracy and Disclosure**

The financial statements have not been prepared in accordance with International Public Sector Accounting Standards - Accrual Basis as prescribed by the Public Sector Accounting Standards Board in the areas which are detailed below:

##### **1.1 Disclosures and Other Information**

The report has not disclosed the membership and details of the Management Team, County Alcoholic Drinks Regulation Administrative Committee and the Sub-County Committees as created by the Kakamega County Alcoholic Drinks Control Act, 2014.

Also, figures in the financial statements have not been rounded off to the nearest shilling.

## **1.2 Previous Financial Statements**

The financial statements for 2015/16 were not prepared by the Fund while the subsequent statements for 2016/2017 and 2017/2018 had material misstatements which have not been addressed. The misstatements in the previous financial statements therefore continue to be carried through the current and future reports of the Fund until when the issues shall be addressed.

## **1.3 Statement of Financial Performance**

### **1.3.1 Payments by County on Behalf of the Directorate (Transfers from the County Government)**

The statement of financial performance reflects payments of Kshs.11,350,461 made by the County on behalf of the Directorate, described as transfers from the County Government as shown in Note 2, while the report and financial statements of the County Executive of Kakamega for the year ended 30 June, 2019 did not record any amounts transferred to the Fund. The source of the transfers has not been explained.

### **1.3.2 Income from Liquor Licenses**

The statement of financial performance has income from liquor licenses of Kshs.18,670,243 compared to Kshs.12,705,801 for the previous year. However, the amount could not be confirmed as the Fund did not maintain a record of all alcoholic drinks outlets in the twelve sub counties. No explanation was given for failure to maintain such an important record as no effective work can be carried out by the directorate without knowledge of alcoholic outlets in their jurisdiction and their license status.

In addition, from a sample of receipts in bank statements provided for audit it was revealed that fourteen outlets paid license fee totalling Kshs.102,240.

However, there was no evidence to confirm that the premises for the outlets were inspected and approved; the registered name and location of the businesses; the amount payable during the year as per the invoice provided by the committee and whether the payments as reflected is the final amount payable as per the second schedule of the Kakamega County Alcoholic Drinks Control Act, 2014.

In the absence of the information, it was not possible to confirm that income from liquor licence amounting to Kshs.18,670,243 during the year under review is fairly stated.

### **1.3.3 General Expenses**

The general expenses of Kshs.11,586,768 as listed in Note 5 include expenditure totalling Kshs.2,185,173 whose payment vouchers together with the supporting documentation have not been availed for audit review.

No explanation has been provided for failure to avail records that should be maintained by the Fund as per the law and regulations.

In the absence of these records, the expenditure of Kshs.2,185,173 could not be confirmed as a proper charge on public funds.

#### **1.4 Statement of Financial Position - Accruals**

The statement of financial position discloses no payables or receivables recognized, despite the Fund having the mandate to collect license fees in arrears. As a result, significant information on the state of execution of the Fund's mandate is excluded.

Consequently, the financial statements do not present a true and fair state of affairs and operations of the Fund and do not comply with the format prescribed by the Public Sector Accounting Standards Board (PSASB).

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kakamega County Alcoholic Drinks Control Fund 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.

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

#### **Conclusion**

As required by Article 229(6) of the Constitution, because of the significance of the matter discussed in the Basis for Conclusion on Lawfulness and Effective Use of Public Resources, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

#### **Basis for Conclusion**

##### **1.0 Transfers to County Revenue Fund**

The statement of financial performance and Note 4 to the financial statements reflect transfers to the county revenue fund of Kshs.18,800,000 which were made contrary to

Regulation 6(5) of the Kakamega County Alcoholic Drinks Control Act, 2014 which provides that receipts, earnings or accruals of the Fund and its balances at the close of each financial year shall not be paid into the County Revenue Fund, but shall be retained for the purposes of the Fund. According to Section 7(2) of the Act, such revenue should be possibly invested as directed by the CEC member for finance.

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

## **2.0 Consultancy Services on Alcoholic Drinks Baseline Mapping in Kakamega County**

Included in the general expenses balance of Kshs.11,586,767 is an expenditure of Kshs.1,473,171 on consultancy for alcoholic drinks baseline mapping in Kakamega County . However, the legality of the expenditure could not be ascertained as the bills of quantities filled by the two respective bidders were not submitted in addition to tender opening minutes, company profiles, amount quoted by each company, tender advert, evaluation reports, contract agreement and recommendations, if any.

Also, acceptance letter from the bidder was dated 19 April, 2019 while the service invoice was dated 16 May, 2019. This implies the work was done within 26 days. This is however not possible as the work was quite substantial since it involved preparation of the questionnaire, identifying enumerators, interviewing targeted 385 respondents (users of different brands of drugs and alcohol) of various age groups and compilation of the report for all the 12 sub counties.

Further, although it is recorded that different users of cigarettes, tobacco, bang and alcohol were interviewed, it was however not possible to confirm whether the responses were genuine given that usage of some of this stuff is illegal. It is not clear how such respondents were accessed and responses obtained from them.

No explanation was provided on whether the report has been discussed, approved and implemented

In the absence of detailed explanation and evidence, it was not possible to ascertain whether the County got value for money.

## **3.0 Irregular Payments**

Also included in the general expenses are amounts paid vide Payment Voucher Numbers R8760 and R2876 for facilitation fees and printing respectively. The facilitation fee was paid to four members of staff for 9 days at a rate of Ksh.4,900 totalling Kshs.176,400 for the preparation of financial statements. However, the preparation of financial statements is part of their routine jobs and therefore do not require facilitation.

Further, Kshs.150,000 was paid to the Government Printer for printing of Kakamega Alcoholic Drinks Control Amendment Bill, 2018 but no evidence of the payment was availed for review.

Consequently, the Fund may not have obtained value from the expenditure of Kshs.326,400 incurred on facilitation and printing.

#### **4.0 Property, Plant and Equipment**

Contrary to the requirement that before procurement of any goods, the management must ascertain that there is need for the same and a formal requisition is made, and that once the purchase is made and delivered, it should be put to use as intended. However, it was observed that, as at the time of audit in January, 2021, the Directorate purchased computers and sewing machines at a cost of Kshs.197,000 and also obtained donations from NACADA which included industrial gas, a generator and medical equipment valued at Kshs.890,000 all totalling Kshs.1,087,500 that have been stored for over one year from date of acquisition.

Management explained that the items could not be put to use because of a land case No. 41 of 2016 which has not been concluded to date. No reason was provided for procuring the items when it was known that they could not be used while the case was still active.

Therefore, the Fund has not received value from the property, plant and equipment donated/purchased and which continue to be subjected to wear and tear.

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, because of the significance of the matter discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

#### **Basis for Conclusion**

#### **Administration of the Fund**

Section 7(1) of the Kakamega Alcoholic Drinks Control Act, 2014, provides that the Fund shall be administered by the Directorate in conjunction with the County Executive

Committee Members for Finance and for Public Service. However, the roles/responsibilities of the three have not been clearly identified or defined.

Such ambiguities may result into conflicts that compromise good governance in the Fund.

Also, the Fund has not been able to engage a substantive director competitively sourced as per section 4(3) of the Act, which also weakens the governance and functionality of the Fund.

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 governance.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a

basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 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 as a going concern or to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**13 January, 2022**

## 11. FINANCIAL STATEMENTS

### 11.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2019

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	1,087,500.00	-
Payments by county on behalf of the directorate	2	11,350,461.00	3,434,740.00
Income from Liquor licenses	3	18,670,243.00	12,705,801.00
<b>Total revenue</b>		<b>31,108,204.00</b>	<b>16,140,541.00</b>
<b>Expenses</b>			
Transfer to County Revenue Fund	4	18,800,000.00	26,449,821.00
General expenses	5	11,586,767.50	3,507,634.50
Finance costs	6	29,100.00	10,370.50
<b>Total expenses</b>		<b>30,415,867.50</b>	<b>29,967,826.00</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets		-	-
<b>Surplus/( deficit) for the period</b>		<b>692,336.50</b>	<b>(13,827,285.00)</b>

The notes set out on pages 23 to 30 form an integral part of these Financial Statements



Administrator of the Fund

Name: *Namayi Ochiemo*



Fund Accountant

ICPAK Member Number: *20912*

**Kakamega County Alcoholic Drinks Control Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

**11.2 STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2019**

	Note	FY2018/2019 KShs	FY2017/2018 KShs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	7	59,033.50	217,890.50
<b>Non-current assets</b>			
Property, plant and equipment	8	1,164,359.50	313,166.00
<b>Total assets</b>		<b>1,223,393.00</b>	<b>531,056.50</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
<b>Non-current liabilities</b>			
<b>Total liabilities</b>		-	-
<b>Net assets</b>			
Accumulated Fund		4,837,560.00	4,837,560.00
Accumulated surplus		-	-
		3,614,167.00	4,306,503.50
<b>Total net assets and liabilities</b>		<b>1,223,393.00</b>	<b>531,056.50</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 30/3/2021 and signed by:



Administrator of the Fund

Name: Namayji Ochomo



Fund Accountant

Name: Ruth Mwachaye  
ICPAK Member Number: 20912

### 11.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30<sup>TH</sup> JUNE 2019

	Accumulated Fund	Accumulated surplus	Total
		KShs	KShs
<b>Balance as at 1 July 2017</b>	<b>4,837,560</b>	<b>9,520,781</b>	<b>14,358,341</b>
Surplus/(deficit) for the period		(13,827,285)	(13,827,285)
Funds received during the year			-
Revaluation gain			-
<b>Balance as at 30 June 2018</b>	<b>4,837,560</b>	<b>(4,306,504)</b>	<b>531,057</b>
<b>Balance as at 1st July 2018</b>	<b>4,837,560</b>	<b>(4,306,504)</b>	<b>531,057</b>
Surplus/(deficit) for the period	-	692,337	692,337
Funds received during the year			
Revaluation gain			
<b>Balance as at 31st June 2019</b>	<b>4,837,560</b>	<b>(3,614,167)</b>	<b>1,223,393</b>

  
Administrator of the Fund

Name: *Namayi Ochamo*

  
Fund Accountant

Name: *Ruth Mardany*  
ICPAK Member Number: *20912*

**Kakamega County Alcoholic Drinks Control Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**11.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019**

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations	1	1,087,500.00	0
Payments by county on behalf of the directorate	2	11,350,461.00	3,434,740.00
Income from liquor licensing	3	18,670,243.00	12,705,801.00
<b>Total Receipts</b>		<b>31,108,204.00</b>	<b>16,140,541.00</b>
<b>Payments</b>			
Transfer to County Revenue Fund	4	(18,800,000.00)	(26,449,821.00)
General expenses	5	(11,586,767.50)	(3,507,634.50)
Finance cost	6	(29,100.00)	(10,370.50)
<b>Total Payments</b>		<b>(30,415,867.50)</b>	<b>(29,967,826.00)</b>
<b>Net cash flows from operating activities</b>		<b>692,336.50</b>	<b>13,827,285.00</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	8	(1,087,500.00)	-
Depreciation		236,306.50	72,894.50
<b>Net cash flows used in investing activities</b>		<b>(851,193.50)</b>	<b>72,894.50</b>
<b>Cash flows from financing activities</b>			
			-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>158,857.00</b>	<b>(13,754,390.50)</b>
Cash and cash equivalents at 1 JULY	-	217,890.50	13,972,281.00
<b>Cash and cash equivalents at 30 JUNE</b>	7	<b>59,033.50</b>	<b>217,890.50</b>

The Cash flow statement has been prepared using direct method.

**Kakamega County Alcoholic Drinks Control Fund  
Reports and Financial Statements  
For the year ended June 30, 2019**

**11.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30<sup>th</sup> JUNE 2019**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2018	2018	2018	2019	2018	2018
	KShs	KShs	KShs	KShs	KShs	
Public contributions and donations	1,798,000.00	-	1,798,000.00	1,087,500.00	710,500.00	60
Payments by county on behalf of the directorate	9,171,704.00	5,000,000.00	14,171,704.00	11,350,461.00	2,821,243.00	80
Interest income	-	-	-	-	-	
Income from liquor licencing	30,107,930.00	-	30,107,930.00	18,670,243.00	11,437,687.00	62
<b>Total income</b>	<b>41,077,634.00</b>	<b>5,000,000.00</b>	<b>46,077,634.00</b>	<b>31,108,204.00</b>	<b>14,969,430.00</b>	<b>68</b>
<b>Expenses</b>						
Transfer to CRF	30,057,930.00	-	30,057,930.00	18,800,000.00	11,257,930.00	63
Staff costs	-	-	-	-	-	
General expenses	14,171,704.00	-	14,171,704.00	11,586,767.50	2,584,936.50	82
Finance cost	50,000.00	-	50,000.00	29,100.00	20,900.00	58
<b>Total expenditure</b>	<b>44,279,634.00</b>	<b>-</b>	<b>44,279,634.00</b>	<b>30,415,867.50</b>	<b>13,863,766.50</b>	<b>69</b>
<b>Surplus for the period</b>	<b>(3,202,000.00)</b>	<b>5,000,000.00</b>	<b>1,798,000.00</b>	<b>692,336.50</b>	<b>1,105,663.50</b>	<b>39</b>

**Kakamega County Alcoholic Drinks Control Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**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.

**Kakamega County Alcoholic Drinks Control Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**2. Budget information**

The original budget for FY 2018/2019 was approved by the County Assembly on 30<sup>th</sup> June 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.

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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**3. 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.

**Kakamega County Alcoholic Drinks Control Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**4. Comparative figures**

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

**5. Ultimate and Holding Entity**

The entity is a County Public Fund established by Alcoholic Drinks Control Act 2014 under the Ministry of Public Service and Administration. Its ultimate parent is the County Government of Kakamega.

**6. Currency**

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

**Kakamega County Alcoholic Drinks Control Fund  
 Reports and Financial Statements  
 For the year ended June 30, 2019**

**11.6 NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

Description	FY2018/2019	FY2017/2018
Donation from NACADA	KShs	KShs
Sawing Machines	40,000.00	-
Gas Industrial	255,000.00	-
Generator	320,000.00	
Medical Equipment	315,500.00	
Computers and IT equipment	157,000.00	
<b>Total</b>	<b>1,087,500</b>	<b>-</b>

**Kakamega County Alcoholic Drinks Control Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

**2. Transfers from County Government**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from County Govt. – operations		
Payments by County on behalf of the entity		3,507,635
Water and sewerage charges	29,000.00	
Internet connections	80,000.00	
Courier and postal services	23,800.00	
Travel costs	396,150.00	
Publishing and printing services	585,555.00	
Advertising,Awareness and Publicity	588,000.00	
Catering services	1,652,352.00	
Boards,Committes,conferences	1,943,275.00	
Sanitary and cleaning materials	290,768.00	
Refined fuels and lubricants for transport	419,900.00	
Contracted professional services	1,598,487.00	
General office supplies	334,995.00	
Maintenance expenses motor vehicle	377,996.00	
Telephone	381,300.00	
Daily subsistence	880,000.00	
Furnitures	330,000.00	
Computer accessories	28,600.00	
Office equipments	268,000.00	
Games equipment	75,000.00	
Iron box	25,000.00	

**Kakamega County Alcoholic Drinks Control Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

Electricity	70,333.00	
Accomodation domestic travel	971,950.00	
<b>Total</b>	<b>11,350,461</b>	<b>3,507,635</b>

**3. Income from Liquor Licences**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Income from liquor licenses	18,670,243.00	12,705,801.00
<b>Total Income</b>	<b>18,670,243.00</b>	<b>12,705,801.00</b>

**4. Transfer to County Revenue Fund**

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfer to County Revenue Fund	18,800,000.00	26,449,821.00
<b>Total</b>	<b>18,800,000.00</b>	<b>26,449,821.00</b>

**Kakamega County Alcoholic Drinks Control Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

**5. General expenses**

<b>General expenses</b>	
Water and sewerage charges	29,000.00
Internet connections	80,000.00
Courier and postal services	23,800.00
Travel costs	396,150.00
Publishing and printing services	585,555.00
Advertising, Awareness and Publicity	588,000.00
Catering services	1,652,352.00
Boards, Committes, conferences	1,943,275.00
Sanitary and cleaning materials	290,768.00
Refined fuels and lubricants for transport	419,900.00
Contracted professional services	1,598,487.00
General office supplies	334,995.00
Maintenance expenses motor vehicle	377,996.00
Depreciation	236,306.50
Telephone	381,300.00
Daily subsistence	880,000.00
Furniture's	330,000.00
Computer accessories	28,600.00
Office equipment	268,000.00
Games equipment	75,000.00
Iron box	25,000.00
Electricity	70,333.00

**Kakamega County Alcoholic Drinks Control Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

Accommodation domestic travel	971,950.00
<b>TOTAL</b>	<b>11,586,767.50</b>

**6. Finance costs**

Description	FY2018/2019 KShs	FY2017/2018 KShs
Bank charges	29,100.00	10,370.50
Interest on loans from banks	-	-
<b>Total</b>	<b>29,100.00</b>	<b>10,370.50</b>

**7. Cash and cash equivalents**

Description	FY2018/2019 KShs	FY2017/2018 KShs
Current account	59,033.50	217,890.50
Others	-	-
<b>Total cash and cash equivalents</b>	<b>59,033.50</b>	<b>217,890.50</b>

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

Financial institution	Account number	FY2018/2019 KShs
<b>c) Current account</b>	1020110619200.00	
National Bank of Kenya		59,033.50
<b>Total</b>		<b>59,033.50</b>

**Kakamega County Alcoholic Drinks Control Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

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

**8. Property, plant and equipment**

**Property, plant and equipment**

	<b>Furniture and fittings</b>	<b>Computers and office equipment</b>	<b>Total</b>
<b>Cost</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 1st July 2017</b>	<b>245,280.00</b>	<b>140,780.00</b>	<b>386,060.00</b>
Additions	-	-	-
Disposals	-	-	-
Transfers/adjustments	-	-	-
<b>At 30th June 2018</b>	<b>245,280.00</b>	<b>140,780.00</b>	<b>386,060.00</b>
<b>At 1st July 2018</b>	<b>245,280.00</b>	<b>140,780.00</b>	<b>386,060.00</b>
Additions	930,500.00	157,000.00	1,087,500.00
Disposals	-	-	-
Transfer/adjustments	-	-	-
<b>At 30th June 2019</b>	<b>1,175,780.00</b>	<b>297,780.00</b>	<b>1,473,560.00</b>
<b>Depreciation and impairment</b>			
<b>At 1st July 2017</b>	-	-	-
Depreciation	30,660.00	42,234.00	72,894.00
Impairment			
<b>At 30th June 2018</b>	<b>30,660.00</b>	<b>42,234.00</b>	<b>72,894.00</b>

**Kakamega County Alcoholic Drinks Control Fund**  
**Reports and Financial Statements**  
**For the year ended June 30, 2019**

<b>At 1st July 2018</b>	<b>30,660.00</b>	<b>42,234.00</b>	<b>72,894.00</b>
Depreciation	146,972.50	89,334.00	236,306.50
Disposals	-	-	-
Impairment	-	-	-
Transfer/adjustment	-	-	-
<b>At 30th June 2019</b>	<b>177,632.50</b>	<b>131,568.00</b>	<b>309,200.50</b>
<b>Net book values</b>			
<b>At 30th June 2018</b>	<b>214,620.00</b>	<b>98,546.00</b>	<b>313,166.00</b>
<b>At 30th June 2019</b>	<b>998,147.50</b>	<b>166,212.00</b>	<b>1,164,359.50</b>