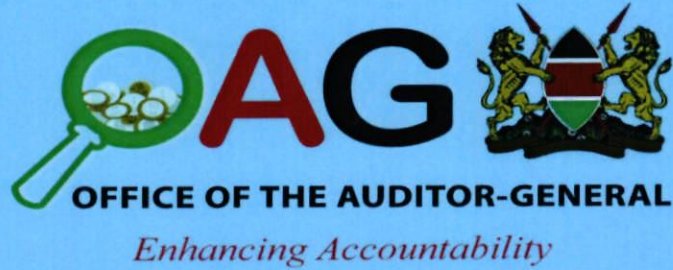


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REPORT

OF

THE AUDITOR-GENERAL

ON

**KIRINYAGA COUNTY EXECUTIVE
ALCOHOLIC DRINKS CONTROL FUND**

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

	16/02/2022
TABLED BY	LEADER OF MAJORITY
COMMITTEE	
CLERK AT THE TABLE	M. ADJIBODOU



KIRINYAGA COUNTY EXECUTIVE ALCOHOLIC DRINKS CONTROL FUND

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)**

Kirinyaga County Alcohol Fund
Reports and Financial Statements
For the year ended June 30, 2019

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

Alcohol Fund is established by and derives its authority and accountability from Public finance Management Acton 2012The Fund is wholly owned by the County Government of Kirinyaga and is domiciled in Kenya.

The fund's objective is to ensure the Directorate carry out its function as stipulated in section 4 of Kirinyaga Alcoholic control 2014 as follows;

- (i) Facilitate and support the principle fight against alcohol drug and abuse in the county.
- (ii) The funds also assist in the operation of the sub County committee and the department

b) Principal Activities

The principal activity of the fund is to support and facilitate Sub-county committee in carrying out public/citizen participation.

-Educate youth/County residents on issues relating to Alcoholic drug and substance abuse' 'Public Education Training''

-Facilitate the department to carry out research relating to drug use, Alcohol use and substance abuse.

-Set up a rehabilitation centre in the county and facilitate the treatments and rehabilitation services are offered to persons dependent on Alcohol drugs and substance abuse use.

**Kirinyaga County Alcohol Fund
Reports and Financial Statements
For the year ended June 30, 2019**

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1		
2	N/A	N/A
3		
4		
5		

d) Key Management

Ref	Name	Position
1	Mr.DenisMucimi	CECM
2	Mr.Johnson Waweru	C.O
3	Mr.SammyM.Muriithi	Directorate
4	M/s Martha W.Wachira	Programme Officer
5		

e) Registered Offices

Kirinyaga County

Department of Finance & Economic

County headquarters Building, ground floor

P.O. Box 260
Kutus, Kenya

f) Fund Contacts

Telephone: (254) 720380870
E-mail: Kirinyaga.go.ke
Website: www.kirinyaga.go.ke

g) Fund Bankers

1. Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya

2. Co-operative bank
P.O Box 635-10300
Kerugoya

...

h) Independent Auditors

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

i) Principal Legal Adviser

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





**Kirinyaga County Alcohol Fund
Reports and Financial Statements
For the year ended June 30, 2019**

2. THE BOARD OF TRUSTEES (or any other corporate governance body for the Fund)

Name	Details of qualifications and experience
1. Insert each Trustee's passport-size photo and name	Provide a concise description of each Trustee's date of birth, key academic and professional qualifications and work experience. Indicate whether the trustee is independent or an executive director and which committee of the Board the trustee chairs where applicable.
2. Trustee 2	
3. Trustee 3	
4. Trustee 4	
5. Etc.	

NB; not applicable. No existing board in the Alcoholic Fund Administration board.
Recommendation; a board to be formed.

3. MANAGEMENT TEAM

NAME /PHOTO	DETAILS OF ACADEMIC QUALIFICATION AND EXPERIENCE
 Mr. Dennis MuciimiGichobi	County executive committee Member-Sports, Culture and Social services Date of Birth- 12/12/1989 Academic Qualification Bachelor of Finance & Banking Over 6 years of experience
 Mr. Johnson Waweru Ndege	Chief Officer-Sports, Culture and Social services Date of Birth- 22/05/1984 Academic Qualification PHD(Finance)-ongoing Masters in Finance (MBA) Bachelor of Business Administration and IT CPA (K) 10 years of experience in Finance and Accounting
 Mr. Samuel Mwangi Muriithi	Director-Alcoholic, Drinks & Culture Date of Birth- 08/01/1974 Academic Qualification Bachelor of Arts Over 15 years of experience
 Miss. Martha Wakuthii Wachira	Programme Officer Alcoholic, Drinks Control Date of Birth- 10/10/1988 Academic Qualification Bachelor of Science in Public Health 6 years of experience

4. BOARD/FUND CHAIRPERSON'S REPORT

THE CECMS REPORT ON THE ALCOHOLIC DRINKS CONTROL FUND

The Alcoholic drinks control Fund is established by the Kirinyaga county Alcoholic Drinks Control Act 2014. The Fund functions include but not limited to

- A) Carrying out the functions of the directorate as stipulated in the act
- B) Assisting in the Operation of the Sub county committees
- C) Any other matter incidental to matters states in the Act and other matters approved by the County executive Committee

Currently the Fund is facing challenges both financial and operational due to lack of support from the County Assembly. Specifically, the Fund needs to have a Board of trustees appointed and approved. The Fund does not get allocation as per the regulation which stipulates 60:40 sharing ratio for the monies collected from alcohol outlets. This has made it difficult for the fund to pay allowances for the various committees. Further the budget allocation for allowances was described as inadequate making it difficult for SRC to sanction the rates for the allowances paid to the Committee members.

The department of Sports, Culture and Social services however is working closely with the County Assembly to have all the outstanding issues resolved. Further the regulations governing the operations of the Fund need to be reviewed with an aim of strengthening the financial prudence and management of the Fund.

Despite the challenges faced, the Fund has managed an estimated 56% performance in its functions which the department has set 80% performance indicator as the target in the next financial year. The most immediate goal for the Fund is to Establish Rehabilitation Centre in the County through its Funding and that of collaborators. This is one of the Key functions which has not been achieved but is the Funds main target in the next Financial Year.

Signed: _____



HON. Dennis Mucini

COUNTY EXECUTIVE COMMITTEE MEMBER

SPORTS, CULTURE AND SOCIAL SERVICES

5. REPORT OF THE FUND ADMINISTRATOR

The Alcoholic drinks control fund was established to perform among others carrying out the functions of the directorate which was are broad, and assisting in the operations of the sub county committees

However, the fund is usually allocated very little money despite efforts of the administrator and the management to cover in the county Assembly to increase the allocation.

It is important to note that the funds highest allocation was 4.5Million in the financial year 2015/2016.

The funds regulation stipulate that the fund should be allocated 60%of the revenue collected which has never been executed. The fund receives less than 10% in all the financial years.

The low allocation has hindered the operation of the Sub county advisory committee and other vital functions like establishment of rehabilitation centres in the country.

The allowances of the committee are yet to be harmonised by SRC because the committee indicated the money set aside for the allowances of the members is too little hence the members of the committee are paid lunches other than sitting allowance. The fund has however conducted various trainings and sensitization activities with the minimal funds available. These activities include secondary school-based sensitization programmes on drugs, youth meetings and seminars etc.

The fund management is however determined to ensure that the fund is adequately funded by making the necessary changes in the Alcoholic drinks control fund regulation 2015.

Further the fund management will engage the county Assembly committee in charge of department with an aim of conveying clear information regarding the functions of the fund with an aim of having more allocation for the fund.

CONCLUSION

The fund has great potential to provide services to the wananchi hence this can only be achieved if adequate funding is provided.

Signed: FRD -

Samuel Muriithi

Fund Administrator

1. CORPORATE GOVERNANCE STATEMENT

Pursuant to Kirinyaga County Alcoholic Drinks Control Act 2014, the department is mandated to facilitate and support all the committee/boards constituted as per the Acts. Subsequently the acts outline the board/committee as follows;

(i) BOARDS

County Liquor Licensing Committee comprises of (12) members which include;

- a) County Commissioner
- b) County Public Health Person
- c) County Police Commander
- d) Chairperson
- e) 4 sub county Administrator-two members of the County Executive members
- f) C.E.C Trade
- g) C.E.C Sport Culture and Social Services
- h) One representative from the county Chamber of Commerce
- i) 2 ex official
- j) A youth
- k) Person with disability
- l) The secretary Directorate

APPOINTMENTS.

The chairman of the board and the two ex-official members are appointed by Her Excellency the Governor or in her absence the Deputy Governor and approved by the County Assembly of Kirinyaga.

BOARD MEETINGS/ATTENDANCE

The county Liquor Licensing Committee should hold a maximum of 14 meetings annually. However, during 2018/2019 financial year the board held a total of 8 meetings in the year ended 30th June 2019.

FUNCTIONS OF THE BOARD

- j) To issue License (Liquor Licenses in accordance to Kirinyaga Alcoholic drink control
- ii) Carry out inspections
- iii) Ensure there is effective participation by the citizens in matters pertaining to Alcohol, drug and substance abuse.

ADVISORY COMMITTEES

The sub county liquor Advisory committee is under the county licensing committee.

It consists of six members in each

- i) The sub county Administrator-Chair
- ii) The secretary-Directorate
- iii) Sub county public health
- iv) Sub county police commander
- v) Sub county administration police
- vi) Sub county representative and chamber of commerce

2. MANAGEMENT DISCUSSION AND ANALYSIS

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The fund shall carry out Public Education on Alcoholic drinks control in the County directly and in collaboration with other public or private bodies and institutions.

Facilitate citizen participation in matters relating to Alcoholic drinks control in accordance to the framework for citizen participation established under the county government Act.

Facilitate and promote in collaboration with other Counties and National Government institutions the establishment of treatment and rehabilitation facilities and programmes.

The fund shall carry out research directly or in collaboration with other institutions and serve as the repository of data and statistics related to Alcoholic drinks control.

4. 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 Fund affairs.

Principal activities

The principal activities of the Fund are *set on page 1*

Results

The results of the Fund for the year ended June 30, 2019 are set out on page

Trustees

The members of the Board of Trustees who served during the year are shown on page 1 (*refer to the key entity information and management page*). The changes in the Board during the financial year are as shown below:

Auditors

The Audit report according to section 4(1) of the public Audit act 2015 which establishes the office of Auditor General (OAG) to carry out the audit of the *entity* for the year/period ended June 30 2019 empowers the Auditor General to appoint an auditor to audit on his behalf].

By Order of the Board



Member of the Board

Date: 30 SEP 2019.

5. 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 *Kirinyaga Alcoholic Drinks Control Act 2014 Section 6*. 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 *Kirinyaga Alcoholic Drinks Control Act 2014 Section 6*. 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 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.

Kirinyaga County Alcohol Fund
Reports and Financial Statements
For the year ended June 30, 2019

Approval of the financial statements

The Fund's financial statements were approved by the Board on
30th Sept 2019 and signed on its behalf by:

Foa 
Administrator of the County Public Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KIRINYAGA COUNTY EXECUTIVE ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Kirinyaga County Executive Alcoholic Drinks Control Fund set out on pages 16 to 63, which comprise the statement of financial position as at 30 June, 2019, and the 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Kirinyaga County Executive 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 comply with the Public Finance Management Act, 2012 and Kirinyaga County Alcoholic Drinks Control Act, 2014.

Basis for Qualified Opinion

1.0 Accuracy of the Financial Statements

1.1 Statement of Cashflows

The statement of cashflows for the year ended 30 June, 2019 reflects Kshs.8,141 in respect to cash and cash equivalents as at 30 June, 2019. However, the statement of financial position and Note 11 to the financial statements reflect a nil cash and cash equivalents balance as at 30 June, 2019. In addition, casting of the statement reflects Kshs.8,104 resulting to un-reconciled and un-explained variance of Kshs.37.

In the circumstances, the accuracy of the statement of cash flows for the year ended 30 June, 2019 could not be ascertained.

1.2 Statement of Financial Position

The statement of financial position as at 30 June, 2019 reflects a nil total assets balance and total reserves balance of Kshs.8,141 and therefore the statement of financial position was not balanced.

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

2.0 Cash and Cash Equivalents

Note 11 to the financial statements reflects a nil cash and cash equivalents balance as at 30 June, 2019. However, review of the bank reconciliation as at 30 June, 2019 revealed unpresented cheques amounting to Kshs.217,177 out of which Kshs.8,429 were stale cheques which had not been reversed in the cash book therefore understating the cash and cash equivalents balance by Kshs.8,429.

Further, the bank reconciliation statement reflects Kshs.4,000 in respect to receipts in the bank statements not recorded in the cash books and therefore understating the cash and cash equivalents by the same amount. In addition, bank reconciliation statement reflects Kshs.840 in respect to payments in bank statement not entered in cashbooks.

In the circumstances, the accuracy and completeness of cash and cash equivalents as at 30 June, 2019 could not be ascertained.

3.0 Unsupported General Expenses

The statement of financial performance reflects Kshs.2,555,246 in respect to general expenses for the year ended 30 June, 2019 as detailed in Note 8 to the financial statements. Included in this amount is Kshs.2,050,346 whose respective payment vouchers were not provided for audit review. In addition, the general expense ledger did not have the respective dates when payments amounting to Kshs.2,050,346 were made.

Consequently, the accuracy and regularity of the Kshs.2,555,246 in respect to general expenses for the year ended 30 June, 2019 could not be ascertained.

4.0 Presentation of Financial Statements

The Public Sector Accounting Standards Board (PSASB) template issued in June, 2019 stipulates that the company's financial statements should contain some minimum information. However, the following gaps were noted;

- i) The company's financial statements should reflect management discussion and analysis containing the Fund's report on the operational and financial performance during the period. However, the section on management discussion and analysis

at page 10 of the financial statements is blank and does not contain the required information.

- ii) The cover page of the financial statements reflects Kirinyaga County Executive Alcoholic Drinks Control Fund instead of Kirinyaga County Executive Alcoholic Drinks & Substance Control Fund as stipulated in Section 6(1) of the Kirinyaga County Alcoholic Drinks Control Act, 2014.
- iii) The statement of cash flows did not indicate the corresponding notes to the financial statement balances for transfers from County Government and general expenses. In addition, page 8 of the financial statements reflect corporate governance statement which has been numbered (1) instead of (6) and therefore affecting the subsequent numbering of headings in the financial statements.

In the circumstances, the Fund's financial statements for the year under review are not prepared in accordance with the Public Sector Accounting Standards Board (PSASB) format.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Kirinyaga County Executive 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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Other Matter

Budgetary Control and Performance

Expenditure Analysis

The Fund's statement of comparison of budget and actual amounts for the year ended 30 June, 2019 reflects Kshs.2,384,000 in respect to budgeted expenditure and actual expenditure of Kshs.2,555,246 resulting to an over-expenditure of Kshs.171,246 or 7%. Evidence for the approval of the over expenditure of Kshs.171,246 was not provided for audit review. This is contrary to Section 43(2) of Public Finance Management (County Governments) Regulations, 2015 which states that County Government entities shall execute their approved budgets based on the annual appropriation legislation and the

approved annual cash flow plan with the exception of unforeseen and avoidable spending dealt with through the Contingencies Fund of supplementary estimates.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

Failure to Submit Financial Statements

As previously reported, according to the Kirinyaga County Alcoholic Drinks Control Act, 2014 and related Regulations 2015, the Fund was established in the year 2014.

However, the Fund administrator has to date not submitted for audit, the financial statements for the financial year 2014/2015. This is contrary to section 167 of the Public Finance Management Act, 2012 and Section 7(3)(c) of the Alcoholic Drinks Control Act, 2014. No satisfactory explanation has been provided for the persistent breach of Law. In addition, failure to submit for audit the financial statements for the financial year 2014/2015 implies that the accuracy of all subsequent comparative balances including the same for the year under review cannot be confirmed.

In the circumstances, the Fund is in breach of the law and the accuracy of the financial statement's comparative balances for the year under review could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion

section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

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 going concern and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

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

Those charged with governance are responsible for overseeing the Kirinyaga County Alcoholic Fund's 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 with limited assurance as to 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 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's policies and procedures may deteriorate.


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

29 November, 2021

Kirinyaga County Alcohol Fund
Reports and Financial Statements
For the year ended June 30, 2019

7. FINANCIAL STATEMENTS

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

	Note	FY2018/2019	FY2017/2018
		KShs	KShs
Revenue from on-exchangetransactions			
Publiccontributionsanddonations	1	-	-
Transfers from the County Government	2	2,384,000	1,490,000
Fines, penalties and other levies	3	-	-
		2,384,000	1,490,000
Revenuefromexchangetransactions			
Interest income	4	-	-
Otherincome	5	-	-
		2,384,000	1,490,000
Totalrevenue		2,384,000	1,490,000
Expenses			
Fund administration expenses	6	-	-
Staff Costs	7	-	-
Generalexpenses	8	2,555,245.50	1,316,392.50
Financecosts	9	-	-
Totalexpenses		2,555,245.50	1,316,392.50
Other gains/losses			
Gain/loss on disposal of assets	10		
Surplus/(deficit)fortheperiod		(171,245.50)	173,607.50

The notes set out on pages 46 to 64 form an integral part of these Financial Statements

Kirinyaga County Alcohol Fund
Reports and Financial Statements
For the year ended June 30, 2019

b. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	FY2018/2019 KShs	FY2017/2018 KShs
Assets			
Current assets			
Cash and cash equivalents	11	-	179,350
Current portion of long term receivables from exchange transactions	12	-	-
Prepayments	13	-	-
Inventories	14	-	-
		-	179,350
Non-current assets			
Property, plant and equipment	15	-	-
Intangible assets	16	-	-
Long term receivables from exchange transactions	12	-	-
		-	179,350
Total assets		-	179,350
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	17	-	-
Provisions	18	-	-
Current portion of borrowings	19	-	-
Employee benefit obligations	20	-	-
		-	-
Non-current liabilities			
Non-current employee benefit obligation	20	-	-
Long term portion of borrowings	19	-	-
		-	-
Total liabilities		-	-
Net assets		-	-
Revolving Fund		179,350	173,607.50
Reserves			-
Accumulated surplus		(171,245.50)	5742.50
Total net assets and liabilities		8,140.50	179,350

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 30th Sept 2019 and signed by:

For: 

Administrator of the Fund
Name: Samuel Muriithi



Fund Accountant
Name: Annjoy K. Mburu
ICPAK Member Number: 11003

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c. STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2019

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		KShs	KShs	KShs
Balance as at 1 July 2017	-	-	5742.50	5,742.50
Surplus/(deficit) for the period	-	-	173,607.50	173,607.50
Funds received during the year	-	-	-	0
Revaluation gain	-	-	-	0
Balance as at 30 June 2018	-	-	179,350	179,350
Balance as at 1 July 2018	-	-	179,350	179,350
Surplus/(deficit) for the period		-	(171,245.50)	(171,245.50)
Funds received during the year	-	-	-	0
Revaluation gain	-	-	-	0
Balance as at 30 June 2019	-	-	8,140.50	8,140.50

(Provide details on the nature and purpose of reserves)

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d. STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2019

	Note	FY2017/2018 KShs	FY2016/2017 KShs
Cashflowsfromoperatingactivities			
Receipts			
Publiccontributionsanddonations		-	-
Transfers from the County Government		2,384,000	1,490,000
Interest received		-	-
Receipts from other operating activities		-	-
Total Receipts		2,384,000	1,490,000
Payments			
Fund administration expenses		-	-
General expenses		2,555,245.50	1,316,392.50
Financecost		-	-
Total Payments		2,555,245.50	1,316,392.50
Netcash flowsfromoperatingactivities	21	(171,245.50)	173,607.50
Cash flows from investing activities			
Purchase of property, plant, equipment and intangibleassets		(-)	(-)
Proceedsfromsaleofproperty, plantand equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		(-)	(-)
Netcash flows usedininvestingactivities		(-)	(-)
Cash flowsfromfinancingactivities			
Proceedsfromrevolving fund receipts		-	-
Additional borrowings		-	-
Repaymentofborrowings		(-)	(-)
Netcash flowsusedin financing activities		(-)	(-)
Netincrease/(decrease)incashandcash equivalents		(171,245.50)	173,607.50
Cashandcashequivalentsat1JULY	11	179,350	5,742.50
Cashandcashequivalentsat30 JUNE	11	8,140.50	179,350

e. 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
	2018	2018	2018	2018	2018	2018
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Public contributions and donations	-	-	-	-	-	
Transfers from County Govt.	2,384,000		2,384,000	2,384,000		100%
Interest income	-	-	-	-	-	
Other income	-	-	-	-	-	
Total income	2,384,000		2,384,000	2,384,000		100%
Expenses						
Fund administration expenses	-	-	-	-	-	
Staff costs	-	-	-	-	-	
General expenses	2,384,000	-	2,384,000	2,555,245.50		107%
Finance cost	-	-	-		-	
Total expenditure	2,384,000	-	2,384,000	2,555,245.50		107%
Surplus for the period				(171,245.50)		

Budget notes

1. We utilised 107% of the budget though Ksh.179,350 was rolled over from the previous year

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	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.

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 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 which are covered purely under Public Sector combinations as amalgamations.

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- c) **Early adoption of standards.** The entity did not early – adopt any new or amended standards in year 2018.

**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 30th 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. Accordingly, the Fund recorded additional appropriations of 179,350 on the 2018-2019 budgets 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.

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In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

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 costs 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 fairvalue.

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 classifieds 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

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

- The debtors or an 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.

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.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.

11.Employee benefits– Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are postemploymentbenefit 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 fundobligations for the payment of retirement benefits are charged against income in the year in which they becomepayable.

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 arerecovered 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.

12.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

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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)

13. 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.

14. 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.

15. 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.

16. Comparative figures

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

17. Events after the reporting period

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

18. Ultimate and Holding Entity

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

19. Currency

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

20. 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.

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

21. Financial risk management

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

a) Credit risk

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

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

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

	Total amount KShs	Fully performing KShs	Pa st du e K Sh s	Impaired KShs
At 30 June 2019				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-

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Bank balances	-	-	-	-
Total	-	-	-	-
At 30 June 2018				
Receivables from exchange transactions	-	-	-	-
Receivables from non exchange transactions	-	-	-	-
Bank balances	-	-	-	-
Total	-	-	-	-

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

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

The entity has significant concentration of credit risk on amounts due from the fund.

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

b) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	KShs	KShs	KShs	KShs
At 30 June 2019				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

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At 30 June 2018				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Employee benefit obligation	-	-	-	-
Total	-	-	-	-

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

		Other currencies	Total
	KShs	KShs	KShs
At 30 June 2019			
Financial assets (investments, cash ,debtors)	-	-	-
Liabilities			
Trade and other payables	-	-	-

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Borrowings	-	-	-
Net foreign currency asset/(liability)	-	-	-

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

Foreign currency sensitivity analysis

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

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	KShs	KShs	KShs
2019			
Euro	10%	-	-
USD	10%	-	-
2018			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)

d) Capital risk management

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

	2019		2018
	KShs		KShs
Revaluation reserve	-		-
Revolving fund	-		-
Accumulated surplus	-		-
Total funds	-		-
Total borrowings	-		-
Less: cash and bank balances	(-)		(-)
Net debt/(excess cash and cash equivalents)	-		-
Gearing	-0%		-0%

12.7 NOTES TO THE FINANCIAL STATEMENTS

1. Public contributions and donations

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
Total	-	-

2. Transfers from County Government

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from County Govt. – operations	2,384,000	1,490,000
Payments by County on behalf of the entity	-	-
Total	2,384,000	1,490,000

3. Fines, penalties and other levies

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Late payment penalties	-	-
Fines	-	-
Total	-	-

4. Interest income

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest income from loans(mortgage or car loans	-	-
Total interest income	-	-

5. Other income

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Insurance recoveries	-	-
Income from sale of tender documents	-	-
Miscellaneous income		
Total other income	-	-

6. Fund administration expenses

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Loan processing costs	-	-
Professional services costs	-	-
Total	-	-

7. Staff costs

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Salaries and wages	-	-
Staff gratuity	-	-
Staff training expenses	-	-
Social security contribution	-	-
Other staff costs	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. General expenses

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumables	2,555,245.50	1,308,730
Electricity and water expenses	-	-
Fuel and oil costs	-	-
Insurance costs	-	-
Postage	-	-
Printing and stationery	-	-
Rental costs	-	-
Security costs	-	-
Telecommunication	-	-
Hospitality	-	-
Depreciation and amortization costs	-	-
Other expenses	-	7,662.50
Total	2,555,245.50	1,316,392.50

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. Finance costs

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Interest on Bank overdrafts	-	-
Interest on loans from banks	-	-
Total	-	-

10. Gain on disposal of assets

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

11. Cash and cash equivalents

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Fixed deposits account	-	-
On – call deposits	-	-
Current account	-	-
Others	-	179,350
Total cash and cash equivalents	-	179,350

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Financial institution	Account number	FY2018/2019	FY2017/2018
		KShs	KShs
a) Fixed deposits account			
Kenya Commercial bank		-	-
Equity Bank, etc		-	-
Sub- total		-	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc		-	-
Sub- total		-	-
c) Current account			
Kenya Commercial bank		-	-
Cooperative Bank		+	-
Sub- total		-	-
d) Others(specify)			
Cash in transit		-	-
Cash in hand		-	179,350
M Pesa		-	-
Sub- total		-	179,350
Grand total		-	179,350

12.Receivables from exchange transactions

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Current Receivables		
Interest receivable	-	-
Current loan repayments due	-	-
Otherexchangedebtors	--	-
Less:impairmentallowance	(-)	(-)

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Total Current receivables		
Non Current receivables		
Long term loan repayments due	-	-
Total Non current receivables	-	-
Totalreceivables from exchange transactions	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. Prepayments

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Prepaid rent	-	-
Prepaid insurance	-	-
Prepaid electricity costs	(-)	(-)
Total	-	-

14. Inventories

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Consumable stores	-	-
Spare parts and meters	-	-
Catering	-	-
Total inventories at the lower of cost and net realizable value	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. Property, plant and equipment

	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	KShs	KShs	KShs	KShs	KShs
At 1st July 2017	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	(-)	(-)	-	-	(-)
Transfers/adjustments	-	(-)	-	(-)	(-)
At 30th June 2018	-	-	-	-	-
At 1st July 2018					
Additions	-	-	-	-	-
Disposals	(-)	-	-	-	(-)
Transfer/adjustments	(-)	-	-	(-)	(-)
At 30th June 2019	-	-	-	-	-
Depreciation and impairment					
At 1 st July 2017	(-)	(-)	(-)	(-)	(-)
Depreciation	(-)	(-)	(-)	(-)	(-)
Impairment	(-)	-	-	-	(-)
At 30th June 2018	-	-	-	-	-
At 1st July 2018					
Depreciation	(-)	(-)	(-)	-	(-)
Disposals	-	-	-	-	-
Impairment	(-)	(-)	-	-	(-)
Transfer/adjustment	-	(-)	(-)	-	-

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At 30th June 2019	-	-	-	-	-
Net book values					
At 30th June 2018	-	-	-	-	-
At 30th June 2019	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets-software

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Cost		
At beginning of the year	-	-
Additions	-	-
At end of the year	--	-
Amortization and impairment		
At beginning of the year	-	-
Amortization	-	-
At end of the year	-	-
Impairment loss	-	-
At end of the year	-	-
NBV	-	-

17. Trade and other payables from exchange transactions

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Trade payables	-	-
Refundable deposits	-	-
Accrued expenses	-	-
Other payables	-	-
Total trade and other payables	-	-

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18. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. Borrowings

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Balance at beginning of the period	-	-
External borrowings during the year	-	-
Domestic borrowings during the year	-	-
Repayments of external borrowings during the period	(-)	(-)
Repayments of domestics borrowings during the period	(-)	(-)
Balance at end of the period	-	-

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

	FY2018/2019	FY2017/2018
	KShs	KShs
External Borrowings		
Dollar denominated loan from organization'	-	-
Sterling Pound denominated loan from organization'	-	-
Euro denominated loan from organization'	-	-
Domestic Borrowings		
Kenya Shilling loan from KCB	-	-
Kenya Shilling loan from Barclays Bank	-	-
Kenya Shilling loan from Consolidated Bank	-	-
Borrowings from other government institutions	-	-
Total balance at end of the year	-	-

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

Description	FY2018/2019	FY2017/2018
	KShs	KShs
Short term borrowings(current portion)	-	-
Long term borrowings	-	-
Total	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. Employee benefit obligations

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

21. Cash generated from operations

	FY2018/2019	FY2017/2018
	KShs	KShs
Surplus for the year before tax		
Adjusted for:		
Depreciation	-	-
Gains/losses on disposal of assets	(-)	(-)
Interest income	(-)	(-)
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	(-)	(-)
Increase in receivables	(-)	(-)
Increase in payables	-	-
Net cash flow from operating activities	-	-

22. Related party balances

a) Nature of related party relationships

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

b) Related party transactions

	FY2018/2019	FY2017/2018
	KShs	KShs
Transfers from related parties'	-	-
Transfers to related parties	-	-

c) Key management remuneration

	FY2018/2019	FY2017/2018
	KShs	KShs
Board of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

	FY2018/2019	FY2017/2018
	KShs	KShs
Due from parent Ministry	-	-
Due from County Government	-	-
Total	-	-

e) Due to related parties

	FY2018/2019	FY2017/2018
	KShs	KShs
Due to parent Ministry	-	-
Due to County Government	-	-
Due to Key management personnel	-	-
Total	-	-

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23. Contingent assets and contingent liabilities

Contingent liabilities	FY2018/2019	FY2017/2018
	KShs	KShs
Court case xxx against the Fund	-	-
Bank guarantees	-	-
Total	-	-

8. 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)
External Audit 2017/2018	Unsupported Expenditure on use of goods and services	Payment vouchers were availed to the Auditors	Samuel Muriithi Director Alcohol	Resolved	
External Audit 2017/2018	Disclosures and presentation of the financial statements	Financial statements were amended as per the audit recommendations	Samuel Muriithi Director Alcohol	Resolved	
External Audit 2017/2018	Failure to submit financial statement	During fy 2014/2015 the fund was not in operation.	Samuel Muriithi Director Alcohol		

Guidance Notes:

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

