



PARLIAMENT  
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**OFFICE OF THE AUDITOR-GENERAL**

*Enhancing Accountability*

# REPORT

OF

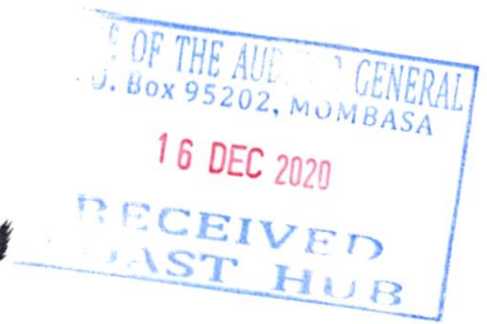
**THE AUDITOR-GENERAL**

ON

PAPERS LAID	
DATE	23/02/2022
TABLED BY	SML
COMMITTEE	
CLERK AT THE TABLE	GETRUDE

**MOMBASA COUNTY ALCOHOLIC  
DRINKS CONTROL FUND**

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



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**MOMBASA COUNTY**  
**ALCOHOLIC DRINKS CONTROL FUND**  
**FOR THE FINANCIAL YEAR ENDED**  
**JUNE 30, 2020**

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

**MOMBASA COUNTY ALCOHOLIC DRINKS CONTROL FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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# MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND

## Reports and Financial Statements

For the year ended June 30, 2020

### 1. KEY ENTITY INFORMATION AND MANAGEMENT

#### a) Background information

The Fund is constituted as per the Mombasa County Liquor Licensing Act, 2014 and is administered by the Director, subject to the general directions of the County Executive Member in charge of Trade, Tourism & Investment.

The fund's objective is to control growth of alcoholic retail outlets and rehabilitate alcoholics.

The Fund's principal activity is levying fees on alcoholic outlets to control their growth and using the funds obtained to educate and rehabilitate alcoholics.

#### b) Principal Activities.

The Board has the following activities/ mandate:

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

**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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**c) Board of Trustees/Fund Administration Committee**

Reference No.	Name	Position
1	Victor shitaka	Ag Chairperson
2	Farrah Abdulrahim	Board Member
3	Dr.June Mwajuma	Board Member
4	Eng. Albert Keno	Board Member
5	Ilhan Abass	Board Member
6	Asha Abdi	Board Member
7	Aisha Abubakar	Board Member
8	Sam Ikwaye	Board Member
9	Lilian Kalela	Board Member
10	Reishi Parikh	Board Member
11	Stellah Sululu	Board Member
12	Edward Juma	Board Member
13	Veronica Gitonga	Director

**d) Key Management**

Ref.	Name	Position
1.	Veronica Gitonga	Director
2.	Asha Abdi	Ag. C.O Trade & Tourism (February 2020- To date )
3	Jaffer Mosseh	C.O Tourism ( July 2019- Jan 2020)

**e) Registered Offices**

Betting Control & Licensing Building  
Near Mombasa Hospital

**f) Fund Contacts**

P.O. Box 90440-80100  
Mombasa, KENYA.  
Telephone: (254) 41-2311531  
E-mail: [countysec@mombasa.go.ke](mailto:countysec@mombasa.go.ke)  
Website: [www.mombasacounty.go.ke](http://www.mombasacounty.go.ke)

**g) Fund Bankers**

Kenya Commercial Bank Limited  
Treasury Square Branch,  
P.O. Box 90254  
GPO 80100  
Nairobi, Kenya

**h) Independent Auditors**

Auditor General  
Kenya National Audit Office  
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

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**2. THE BOARD OF TRUSTEES**

NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
 <p><b>Asha Abdi</b></p>	<p><b>BOARD MEMBER</b></p> <p>Ex Officio Board member 2019.            Bachelors of Economics            Master's in Project Planning &amp; Management</p>
 <p><b>Ilhan Abass</b></p>	<p><b>BOARD MEMBER</b></p> <p>Bachelor's degree in Marketing            MBA (Ongoing)</p>
 <p><b>Veronica Gitonga (Director)</b></p>	<p>B.ED- Maths, Economics.            MA in PPM. PHD in Economics (Ongoing)</p>

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**Dr June Mwajuma**

PhD – Environmental Science



**Jaffer Mosseh**

Bachelor's Degree in Architecture



**Eng Keno**

BSC. Science- Civil Engineer,  
Registered graduate Engineer.







**Aisha Abubakar**


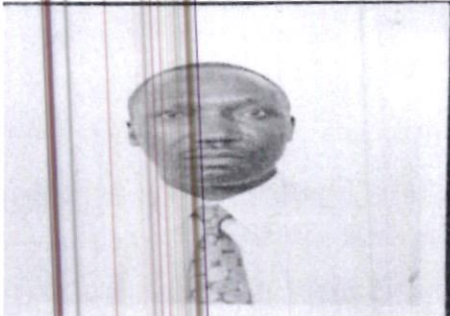
Chief Officer Public Health  
Bsc- Nursing



**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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 <p><b>Sam Ikwaye</b></p>	<p>Bachelor's in Entrepreneurship Master's in Entrepreneurship</p>
 <p><b>Lilian Kalela</b></p>	<p>Bachelor's degree in Journalism and Media Studies</p>
 <p><b>Victor Shitakha</b></p>	<p>BSC Hospitality and Tourism Management Associate Degree in Administration</p>
 <p><b>Reishi Parikh</b></p>	<p>BSc in I.T, Lecture and Publisher</p>

**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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 <p><b>Stellah Sululu</b></p>	<p>BSC Biochemistry Master's in Public Health (Ongoing)</p>
 <p><b>Edward Juma</b></p>	<p>Diploma in Textile Technology</p>

**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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**3. 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 Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government entity's performance against predetermined objectives.

The key development objectives of the Mombasa County Alcoholic Drinks Control Fund's 2019-2022 plans are to:

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

**Progress on attainment of Strategic development objectives**

Below we provide the progress on attaining the stated objectives:

<b>Program</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Public Sensitization	(a)protect the health of the individual in the light of the dangers of excessive consumption of alcoholic drinks;	Create awareness. On the harmful effects of alcohol and substance abuse	No. of ADA cases identified and sensitized.	Public sensitization forums done in six sub counties
	(b)protect the consumers of alcoholic drinks from misleading or deceptive inducements and inform them of the risks of excessive consumption of alcoholic drinks;	Identify the emerging trends and Prevalence in ADSA- Alcohol, Drugs and Substance Abuse	No of inter-agency meetings held	Inter-agency meeting held in the county
	(c)protect the health of persons under the age of eighteen years by preventing	Assist the ministry/ government in managing Alcohol, drug and substance abuse through	No. of administration officers trained Training of primary and Secondary	Mombasa county Training of ; 1. Administration officers



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	<p>may be payable under this Act;</p> <p>(b) such sums as may be realized from property forfeited to the Government under this Act;</p> <p>(c) sums received, including contributions, gifts or grants from or by way of testamentary bequest by any person;</p> <p>(d) moneys earned or arising from any investment of the Fund;</p> <p>(e) all other sums which may in any manner become payable to, or vested in, the Fund.</p>	<p>alcoholic drink act 2014</p>		
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**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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<p>Human Resource Development</p>	<p>Capacity Build the Staff and Board.  (a) The Government shall promote public awareness about the health consequences, addictive nature and mortal threat posed by excessive alcoholic drink consumption through a comprehensive nation-wide education and information campaign conducted by the Government through the relevant Ministries, departments, authorities and other agencies including the relevant non-governmental organizations and civil society.</p> <p>(b) The education and information campaign referred to in subsection (1) shall focus on the family as the basic social unit and shall be carried out in all schools and other institutions of learning, all prisons, remand</p>	<p>. Making provisions for early detection and intervention mechanisms through capacity building and creation of a conducive environment</p> <p>Create awareness on the harmful effects of alcohol, drugs, and substance abuse at schools, Colleges, universities, Vocational institutions</p>	<p>. 1. Identify skill gaps  2. Select target group  3. Identify relevant courses</p> <p>No of institutions visited.</p>	<p>Participate in training programmes provided by the National Authority Campaign Against Drug Abuse on Alcohol Drugs Substance Abuse Control</p> <p>Created linkages and referral systems  Sensitize and create awareness on ADSA.</p>
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**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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	<p>homes and other places of confinement, amongst the disciplined forces, at all places of work and in all communities in Kenya.</p> <p>(c) The relevant agency in collaboration with the Government and the relevant civil society groups shall provide training, sensitization and awareness programmes on alcoholic drink control for community workers, social workers, media professionals, educators, decision makers, administrators and other concerned persons for proper information, dissemination and education on alcoholic drinks.</p> <p>(d) In conducting the education and information campaign referred to in this section, the relevant agency and Government shall ensure the involvement and participation of</p>	<p>Create partnerships with stakeholders, line ministries and development partners and relevant civil societies groups</p>	<p>No. of administration officers trained          Training of primary and Secondary school Teachers on ADSA          Training of members of the clergy on ADSA</p>	<p>Commitment to maintain an alcohol, drugs and substance free county</p>
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**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**

**Reports and Financial Statements**




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

	<p>individuals and groups affected by misuse of alcoholic drinks.</p> <p>(e) Every local authority in collaboration with the civil society and the relevant agency, shall conduct education and information campaigns on alcoholic drink within its area of jurisdiction</p>	<p>Establish a corporate culture and practices that prevent and pre-empt alcohol, drugs and substance abuse in the county</p>	<p>No of inter-agency meetings held</p>	<p>Regular inter-agency meetings meetings</p>
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MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND  
 Reports and Financial Statements  
 For the year ended June 30, 2020

4. MANAGEMENT TEAM

NAME	DETAILS OF QUALIFICATIONS AND EXPERIENCE
 <p data-bbox="459 869 683 904"><b>Veronica Gitonga</b></p>	<p data-bbox="922 633 1082 667"><b>DIRECTOR</b></p> <p data-bbox="898 678 1393 757">B.ED-Maths &amp; Economics, M.A-PPM. PHD in economics (Ongoing)</p>
 <p data-bbox="459 1317 635 1344"><b>Jaffer Mosseh</b></p>	<p data-bbox="906 1081 1313 1115">Bachelor's Degree in Architecture</p>
 <p data-bbox="499 1742 635 1769"><b>Asha Abdi</b></p>	<p data-bbox="1050 1350 1305 1384"><b>BOARD MEMBER</b></p> <p data-bbox="898 1451 1449 1563">Ex Officio Board member 2019. Bachelors of Economics Master's in Project Planning &amp; Management.</p>

**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
**Reports and Financial Statements**  
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**5. FUND CHAIRPERSON REPORT**

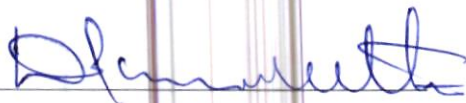
The fund has been managed for the last one year of the financial year by acting Chairperson who has competently ensured the smooth running of Fund activities

The Fund saw the Net assets reduced to Kshs.7, 728,697.00 compared to Net Assets of Financial year 2018/2019 of Kshs 25,063,537.00. The net Assets for Financial year 2019/2020 is Kshs.50, 235,932.00. The Revenue of the Fund increased by Kshs. 7,487,800.00 as compared to year 2018/2019 of Kshs. 7,032,850.00. This was attributed to improved compliance with liquor laws by Mombasa resident thus they avoided the levies. However, we had few cases where some retail owners petitioned the levies in Court of Law.

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

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

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



Victor Shitakha.

**Ag. Chairperson of the Fund**

**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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**6. REPORT OF THE FUND ADMINISTRATOR**

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

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

Notable achievements during the Period were:

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

Implementation challenges of strategic objectives were:

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

On the way forward, the Fund is enhancing revenue collection through automation to seal collection leakages.

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



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Veronica Gitonga

**Funds Administrator**

**7. CORPORATE GOVERNANCE STATEMENT**

**a. No. of Board meetings**

The Board held 6 meetings in the year under review whose major agenda under discussion included: 2019/2020 Audit reports; Crackdown on unlicensed liquor outlets; Proposals of 2020/2021 budget; Mombasa County E-Services challenges/2020, Liquor Licensing progress and renewal of the board members. The quorum for the meetings was attained.

**b. Succession Plan**

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

**c. Board Charter**

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

**d. Process of appointment and removal of trustees**

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

**e. Role and functions of the Board**

The Board has the following mandate:

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

**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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**For the year ended June 30, 2020**

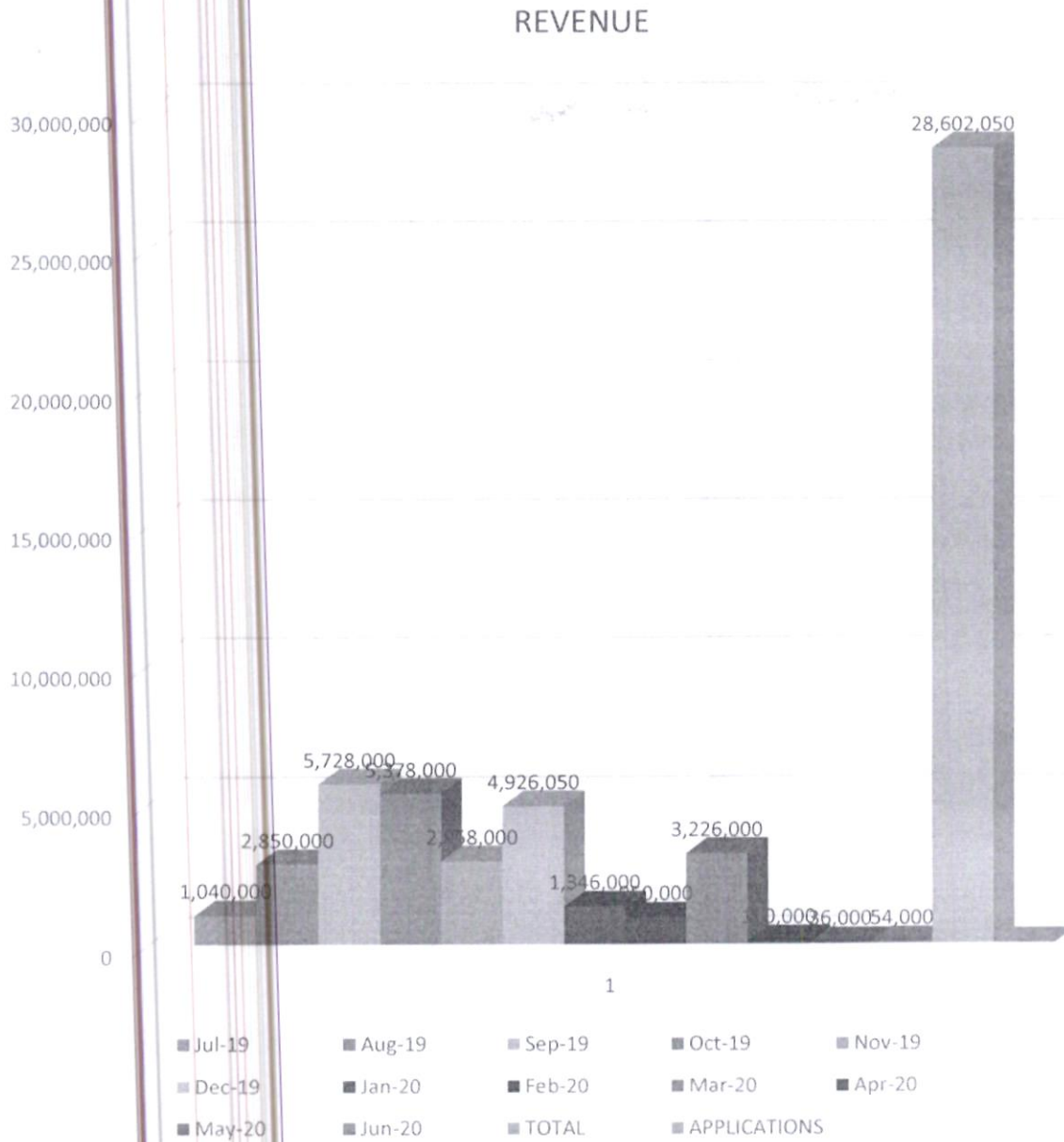
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**8. MANAGEMENT DISCUSSION AND ANALYSIS**

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

<b><u>ONLINE LIQUOR LICENSING REVENUE COLLECTED PER MONTH BETWEEN</u></b> <b><u>JULY 2019 AND JUNE 2020</u></b>	
<b>Month</b>	<b>Amount (Kshs)</b>
Jul-19	1,040,000
Aug-19	2,850,000
Sep-19	5,728,000
Oct-19	5,378,000
Nov-19	2,958,000
Dec-19	4,926,050
Jan-20	1,346,000
Feb-20	950,000
Mar-20	3,226,000
Apr-20	110,000
May-20	36,000
Jun-20	54,000
<b>TOTAL</b>	<b>28,602,050</b>
<b>APPLICATIONS</b>	<b>869</b>

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

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

**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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**9. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING**

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

Some of the CSR strategies undertaken were: -

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

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

**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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**10. REPORT OF THE TRUSTEES**

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the Fund affairs.

**Principal activities**

The principal activities of the Fund continue to be administering the County Alcoholic Drink Control, educating and information campaigns on alcoholic drink within its area of jurisdiction.

**Results**

The results of the Fund for the year ended June 30, 2020 are set out on page 27

**Trustees**

The members of the Board of Trustees who served during the year are shown on page 4 . The changes in the Board during the financial year are as shown below:

**Auditors**

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. The Auditor General is to carry out the audit of the alcoholic Funds for the year/period ended June 30, 2020 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



**Member of the Board**

Date: 28/9/2020



**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
**Reports and Financial Statements**  
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**11. STATEMENT OF MANAGEMENT RESPONSIBILITIES**

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

The Administrator of the Mombasa County Alcoholic Drink Control Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 Mombasa County Alcoholic Drink Control Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and Mombasa County Liquor Licensing Act, 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2020 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.

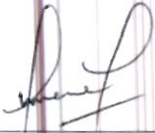
In preparing the financial statements, the Administrator of the Mombasa County Alcoholic Drink Control Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**Approval of the financial statements**

The Fund's financial statements were approved by the Board on 28<sup>th</sup> Sept 2020 and signed on its behalf by:



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Veronica Gitonga  
**Fund Administrator**

# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON MOMBASA COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2020**

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### REPORT ON THE FINANCIAL STATEMENTS

#### **Opinion**

I have audited the accompanying financial statements of Mombasa County Alcoholic Drinks Control Fund set out on pages 27 to 59, which comprise of the statement of financial position as at 30 June, 2020, 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, the financial statements present fairly, in all material respects, the financial position of the Mombasa County Alcoholic Drinks Control Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Mombasa County Liquor Licensing Act, 2014 and the Public Finance Management Act, 2012.

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

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement are of most significance in the audit of financial statements. There were no key audit matters to report in the year under review.

## **Other Matter**

### **1. Unresolved Prior Year Matters**

In the report of the previous year, several paragraphs were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in Use of Public Resources and Report on Effectiveness of Internal controls, Risk Management and Governance. However, there is only one issue disclosed under progress on follow up of auditor's recommendation section of the financial statements. The Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: No. AG.4/16/3 Vol.1(9) dated 24 June, 2020.

### **2. Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.60,000,000 and Kshs.28,602,050 respectively resulting to a revenue shortfall of Kshs.31,397,950 or 52% of the budget. Similarly, the Fund spent Kshs.20,873,353 against an approved budget of Kshs.23,005,000 resulting to an under-expenditure of Kshs.2,131,647 or 9% of the budget.

The underfunding and under-expenditure affected the planned activities and may have impacted negatively on activities and strategies aimed at controlling liquor consumption in Mombasa County.

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **Inadequacy of the Enabling Legislation**

As previously reported, audit review of the Mombasa County Alcoholic Drinks Control Fund revealed the following inconsistencies in the Act:

- i. Section 21 of the Mombasa County Liquor Licensing Act, 2014 does not define the functions of the Fund in line with Regulation 197(1)(e) of the Public Finance Management (County Governments) Regulations, 2015 which requires that the County Executive Committee Member responsible for the county government entity shall certify in writing that the functions and the public services to be delivered through the Fund cannot be delivered through the structure of budget appropriations,

- ii. Contrary to Regulation 198 of the Public Finance Management (County Governments) Regulations, 2015, the Act does not provide for the winding up procedure of the Fund.

In the circumstances, the enabling legislation is not consistent with the Public Finance Management (County Governments) Regulations, 2015.

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, I confirm that, nothing 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 Board of Trustees**

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

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

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the

activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Trustees is responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.


Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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**

**07 February, 2022**

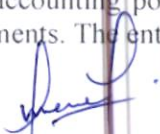
**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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**13. FINANCIAL STATEMENTS**

**13.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED**  
**30<sup>th</sup> JUNE 2020**

	Note	FY2019/2020	FY2018/2019
		Kshs	KShs
<b>Revenue from non-exchange transactions</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	3,627,436
Fines, penalties and other levies	3	28,602,050	24,050,564
<b>Total</b>		<b>28,602,050</b>	<b>27,678,000</b>
<b>Revenue from exchange transactions</b>			
Interest income	4	-	-
Other income	5	-	-
<b>Total revenue</b>		<b>28,602,050</b>	<b>27,678,000</b>
<b>Expenses</b>			
Fund administration expenses	6	6,653,550	2,539,120.00
General expenses	7	14,215,996	71,701.00
Finance costs	18	3,807.00	3,604.00
<b>Total expenses</b>		<b>20,873,353</b>	<b>2,614,425.00</b>
<b>Other gains/losses</b>			
Gain/loss on disposal of assets	9	-	-
<b>Surplus/( deficit) for the period</b>		<b>7,728,697</b>	<b>25,063,575</b>

The accounting policies and explanatory notes on page 32 to 59 form an integral part of the financial statements. The entity financial statements were approved on 28/06/2020 and signed by:



**Fund Administrator**  
Name: Veronica Gitonga



**Fund Accountant**  
Name: Joshua Rume Otieno  
ICPAK Member Number: 21152

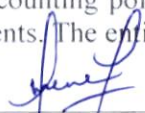


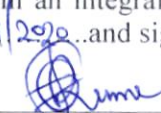
**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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**13.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020**

	Note	FY2019/2020	FY 2018/2019
		Kshs	KShs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	10	273,873	135,081
Current portion of long-term receivables from exchange transactions	9	-	-
Debtors	10	50,558,000	45,000,000
Inventories	11		
<b>Total Current Assets</b>		<b>50,831,873</b>	<b>45,135,081</b>
<b>Non-current assets</b>			
Property, plant and equipment	12	199,859	253,273
Intangible assets	13	-	-
Long term receivables from exchange transactions	11	-	-
<b>Total Assets</b>		<b>51,031,732</b>	<b>45,388,354</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables from exchange transactions	14	795,800	2,881,120
Employee benefit obligations	17	-	-
<b>Total Current Liabilities</b>		<b>795,800</b>	<b>2,881,120</b>
<b>Non-Current Liabilities</b>			
Non-current employee benefit obligation	17	-	-
<b>Total Liabilities</b>		<b>795,800</b>	<b>2,881,120</b>
<b>Net Assets</b>		<b>50,235,932</b>	<b>42,507,234</b>
Fund Balance brought forward		42,507,234	17,443,697.00
Reserves			-
Accumulated surplus		7,728,697	25,063,575.00
<b>Total Net Assets And Liabilities</b>		<b>51,031,732</b>	<b>42,507,234.00</b>

The accounting policies and explanatory notes on pages 32 to 59 form an integral part of the financial statements. The entity financial statements were Approved on ...28/09/2020...and signed by:

  
**Fund Administrator**  
 Name: Veronica Gitonga

  
**Fund Accountant**  
 Name: Joshua Rume Otieno  
 ICPAK Member Number: 21152

**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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**13.3 STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2020**

	Alcoholic Fund	Revaluation	Accumulated surplus	Total
		KShs	KShs	KShs
<b>Balance as at 1 July 2017</b>	-	-	<b>2,128,283</b>	<b>2,128,283</b>
Surplus/(deficit) for the period	-	-	14,807,414	14,807,414
Prior Year Adjustment	-	-	500,000	500,000
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2018</b>	-	-	<b>17,443,697</b>	<b>17,443,697</b>
<b>Balance as at 1 July 2018</b>	-	-	<b>17,443,697</b>	<b>17,443,697</b>
Surplus/(deficit) for the period	-	-	25,063,575	25,063,575
Prior Year Adjustment	-	-	8,000.00	8,000.00
Revaluation gain	-	-	-	-
<b>Balance as at 30 June 2019</b>	-	-	<b>42,507,234</b>	<b>42,507,234</b>
<b>Balance as at 1 July 2019</b>			<b>42,507,234</b>	<b>42,507,234</b>
Surplus/(deficit) for the period			7,728,697	7,728,697
Prior Year Adjustment				0
Revaluation gain				0
<b>Balance as at 30 June 2020</b>			<b>50,235,931</b>	<b>50,235,931</b>

**MOMBASA COUNTY ALCOHOLIC DRINK CONTROL FUND**  
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**13.4 STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2020**

	Note	FY 2019/2020	FY2018/2019
		Kshs	KShs
<b>Cash flows from operating activities</b>			
<b>Revenue</b>			
Public contributions and donations	1	-	-
Transfers from the County Government	2	-	3,627,436
Interest received			-
Fines, penalties and other levies	3	28,602,050	24,050,564
<b>Total Revenue</b>		<b>28,602,050</b>	<b>27,678,000</b>
<b>Expenses</b>			
Fund administration expenses	6	-6,653,550	-2,539,120
General expenses	7	-14,215,996	-75,343
Finance cost	8	-3807	-
<b>Total Expenses</b>		<b>-20,873,353</b>	<b>-2,614,463</b>
Prior Year Adjustments			
Decrease/(Increase) in Debtors/Prepayments	12	-5,558,000	-27,678,000
(Decrease)/Increase in Payables	16	-2,085,320	2,539,120
<b>Net cash flows from operating activities</b>		<b>85,377</b>	<b>-75,343</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets	14		-
Depreciation	14	53,414	71,701
Loan disbursements paid out			-
<b>Net cash flows used in investing activities</b>		<b>53,414</b>	<b>71,701</b>
<b>Cash flows from financing activities</b>			
Proceeds from fund receipts			
<b>Net cashflows used in financing activities</b>			
<b>Net increase/(decrease)in cash and cash equivalents</b>		<b>138,791</b>	<b>-3,643</b>
Cash and cash equivalents at 1July		135,082	138,723
<b>Cash and cash equivalents at 30 June</b>	10	<b><u>273,873</u></b>	<b><u>135,081</u></b>

**MOMBASA COUNTY ALCOHOLIC DRINKS CONTROL FUND**

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**13.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2020**

	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	% utilization
	2020 KShs	2020 KShs	2020 KShs	2020 KShs	2020 KShs	2020
<b>Revenue</b>						
Public contributions and donations						
Transfers from County Govt.	30,000,000	0	30,000,000	-	30,000,000	0
Interest income						
Other income	30,000,000	0	30,000,000	28,602,050	1,397,950	95
<b>Total income</b>	<b>60,000,000</b>	<b>0</b>	<b>60,000,000</b>	<b>28,602,050</b>	<b>31,397,950</b>	<b>52</b>
<b>Expenses</b>						
Fund administration expenses	8,000,000	0	8,000,000	6,653,550	1,346,450	83
General expenses	15,000,000	0	15,000,000	14,215,996	784,004	94
Finance cost	5000		5000	3,807	1,193	76
Acquisition of Assets						
<b>Total expenditure</b>	<b>23,005,000</b>	<b>0</b>	<b>23,005,000</b>	<b>20,873,353</b>	<b>2,131,647</b>	<b>91</b>
<b>Surplus for the period</b>	<b>36,995,000</b>	<b>0</b>	<b>36,995,000</b>	<b>7,728,697</b>	<b>29,266,303</b>	<b>21</b>

**Budget notes**

1. **Transfer from County Government**-Was under absorbed as Mombasa County has not remitted back the Funds revenue (Kshs.50,558,000)
2. **EXPENSES**-Was under absorbed as Mombasa County has not remitted back the Funds revenue (Ksh. 50,558,000) deposited in its accounts.

**MOMBASA COUNTY ALCOHOLIC DRINKS CONTROL FUND**  
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**13.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**2. Adoption of new and revised standards**

**a) Relevant new standards and amendments to published standards effective for the year ended 30 June 2020**

Standard	Impact
IPSAS 40: Public Sector Combinations	<b>Applicable: 1<sup>st</sup> January 2019</b> The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.

**b) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020**

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management</li> </ul>

Standard	Effective date and impact:
	strategies and the accounting treatment for instruments held as part of the risk management strategy.
<b>IPSAS 42: Social Benefits</b>	<p><b>Applicable: 1<sup>st</sup> January 2022</b></p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p><b>Applicable: 1st January 2022:</b></p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other Improvements to IPSAS	<p><b>Applicable: 1<sup>st</sup> January 2021:</b></p> <p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

**MOMBASA COUNTY ALCOHOLIC DRINKS CONTROL FUND**  
**Reports and Financial Statements**  
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Standard	Effective date and impact:
	IPSAS 40, Public Sector Combinations. Amendments to include the effective date paragraph which were inadvertently omitted when IPSAS 40 was issued

**c) Early adoption of standards**

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

**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 2019/2020 was approved by the County Assembly on 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 the FY 2019/2020 budget following the governing body's approval.

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

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

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



**MOMBASA COUNTY ALCOHOLIC DRINKS CONTROL FUND**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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

**5. Property, plant and equipment**

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

**6. Intangible assets**

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

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

**7. Financial instruments**

*Financial assets*

*Initial recognition and measurement*

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

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

***Held-to-maturity***

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

***Impairment of financial assets***

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

- The debtors or 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.

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**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.

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

*Contingent assets*

The Entity does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

**10. Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements as per company policies. 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 post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

**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 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.

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**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 Mombasa alcoholic control drinks Act, 2014 under the department of tourism. Its ultimate parent is the County Government of Mombasa.

**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.

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

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

**Useful lives and residual values**

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

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

**Provisions**

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

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

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**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.

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

**a) Credit risk**

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

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

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:

	<b>Total amount KShs</b>	<b>Fully performing KShs</b>	<b>Past due KShs</b>	<b>Impaired KShs</b>
<b>At 30 June 2020</b>				
Receivables from exchange transactions				
Receivables from non-exchange transactions	50,558,000	50,558,000		
Bank balances	273,873	273,873		
<b>Total</b>	<b>50,831,873</b>	<b>50,831,873</b>		
<b>At 30 June 2019</b>				
Receivables from exchange transactions				
Receivables from non-exchange transactions	45,000,000	45,000,000		
Bank balances	135,081	135,081		
<b>Total</b>	<b>45,135,081</b>	<b>45,135,081</b>		

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**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 entity has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The entity has significant concentration of credit risk on amounts due from county government of Mombasa.

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.

	<b>Less than 1 month</b>	<b>Between 1-3 months</b>	<b>Over 5 months</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2020</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
<b>Total</b>				
<b>At 30 June 2019</b>				
Trade payables				
Current portion of borrowings				
Provisions				
Employee benefit obligation				
<b>Total</b>				



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**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:

		<b>Other currencies</b>	<b>Total</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>At 30 June 2020</b>			
Financial assets			
Investments			
Cash			
Debtors/ receivables			
<b>Liabilities</b>			
Trade and other payables			
Borrowings			
Net foreign currency asset/(liability)			

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

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

**Foreign currency sensitivity analysis**

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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.

	<b>Change in currency rate</b>	<b>Effect on surplus/ deficit</b>	<b>Effect on equity</b>
	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>2020</b>			
Euro	10%		
USD	10%		
<b>2019</b>			
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 entity's interest rate risk arises from bank deposits. This exposes the Fund to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the Fund's deposits.

##### *Management of interest rate risk*

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

##### *Sensitivity analysis*

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

Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase comprehensive income (2020: KShs 28,602,050) A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of (2019– KSh27,678,000)

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**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:

	2019/2020	2018/2019
	KShs	KShs
Revaluation reserve		
Revolving fund		
Accumulated surplus		
<b>Total funds</b>		
Total borrowings		
Less: cash and bank balances	(273,873)	(135,081)
Net debt/(excess cash and cash equivalents)		
<b>Gearing</b>	0	0

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**13.7 NOTES TO THE FINANCIAL STATEMENTS**

**1. Public contributions and donations**

Description	2019/2020	2018/2019
	KShs	KShs
Donation from development partners	-	-
Contributions from the public	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

**2. Transfers from County Government**

Description	2019/2020	2018/2019
	KShs	KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity		3,627,436
<b>Total</b>		<b>3,627,436</b>

**3. Fines, penalties and other levies**

Description	2019/2020	2018/2019
	KShs	KShs
Late payment penalties	-	-
Fines and other levies	28,602,050	27,678,000
<b>Total</b>	<b>28,602,050</b>	<b>27,678,000</b>

**4. Interest income**

Description	2019/2020	2018/2019
	KShs	KShs
Interest income from Mortgage loans	-	-
Interest income from car loans	-	-
Interest income from investments	-	-
Interest income on bank deposits	-	-
<b>Total interest income</b>	<b>-</b>	<b>-</b>

**5. Other income**

Description	2019/2020	2018/2019
	KShs	KShs
Insurance recoveries	--	--
Income from sale of tender documents	--	--
Miscellaneous income	--	--
<b>Total other income</b>	<b>--</b>	<b>--</b>

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**6. Fund administration expenses**

Description	2019/2020	2018/2019
	KShs	KShs
Staff costs (Note 6.1)	6,653,550	2,539,120
Loan processing costs		
Professional services costs		
Administration fees		
<b>Total</b>	<b>6,653,550</b>	<b>2,539,120</b>

**6.1 Staff costs**

Description	2019/2020	2018/2019
	KShs	KShs
Salaries and wages	6,653,550	2,539,120
Staff gratuity		
Staff training expenses		
Social security contribution		
Other staff costs		
<b>Total</b>	<b>6,653,550</b>	<b>2,539,120</b>

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

**7. General expenses**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Board Expenses	5,475,030	
Hospitality Expenses	3,176,440	
Training Expenses	1,032,148	
Advertisement and Publication	3,547,164	
Office and General Supplies	931,800	
Depreciation and Amortization costs	53,414	71,701
<b>Total</b>	<b>14,215,996</b>	<b>71,701</b>

**8. Cash and cash equivalents**

Description	2019/2020	2018/2019
	KShs	KShs
Mombasa county Car loan account	-	-
Mombasa County mortgage account	-	
Fixed deposits account	-	-
On – call deposits	-	-
Current account	273,873	135,081
Others		
<b>Total cash and cash equivalents</b>	<b>273,873</b>	<b>135,081</b>

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

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

		2019/2020	2018/2019
Financial institution	Account number	KShs	KShs
<b>a) Fixed deposits account</b>			
Kenya Commercial bank			
Equity Bank, etc			
<b>Sub- total</b>			
<b>b) On - call deposits</b>			
Kenya Commercial bank			
Equity Bank – etc			
<b>Sub- total</b>			
<b>c) Current account</b>			
Kenya Commercial bank	1171290918	273,873	135,081
Bank B			
<b>Sub- total</b>		273,873	135,081
<b>d) Others(specify)</b>			
Cash in transit			
Cash in hand			
M Pesa			
<b>Sub- total</b>			
<b>Grand total</b>		<b>273,873</b>	<b>135,081</b>

**9. Receivables from exchange transactions**

Description	2019/2020	2018/2019
	KShs	KShs
<b>Current Receivables</b>		
Interest receivable		
Current loan repayments due		
Other exchange debtors		
Less: impairment allowance		
<b>Total Current receivables</b>		
<b>Non-Current receivables</b>		
Long term loan repayments due		

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Total Non- current receivables		
Total receivables from exchange transactions		

**Additional disclosure on interest receivable**

Description	2019/2020	2018/2019
	KShs	KShs
<b>Interest receivable</b>		
Interest receivable from current portion of long-term loans of previous years		
Accrued interest receivable from of long-term loans of previous years		
Interest receivable from current portion of long-term loans issued in the current year		
<b>Current loan repayments due</b>		
Current portion of long-term loans from previous years		
Accrued principal from long-terms loans from previous periods		
Current portion of long-term loans issued in the current year		

**10. Debtors**

Description	FY2019/2020	FY2018/2019
	KShs	KShs
Prepaid rent		
Prepaid insurance		
Prepaid electricity costs		
Mombasa County Executive	50,558,000	45,000,000
<b>Total</b>	<b>50,558,000</b>	<b>45,000,000</b>

**Revenue from Non-exchange transactions**

Description	2019/2020	2018/2019
	KShs	KShs
Transfer to County Executive		
Transfer to other Fund		
<b>Total receivables from non-exchange transactions</b>		



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

**Prepayments**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Prepaid rent		
Prepaid insurance		
Prepaid electricity costs		
Other prepayments(specify)		
<b>Total</b>		

**11. Inventories**

<b>Description</b>	<b>2019/2020</b>	<b>2018/2019</b>
	<b>KShs</b>	<b>KShs</b>
Consumable stores		
Spare parts and meters		
Catering		
Other inventories(specify)		
<b>Total inventories at the lower of cost and net realizable value</b>		

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

**12. Property, plant and equipment**

	Land and Buildings KShs	Motor vehicles KShs	Furniture and fittings KShs	Computers and office equipment KShs	Total KShs
<b>Cost</b>					
At 1 <sup>st</sup> July 2018			220,000	495,000	715,000
Additions					
Disposals					
Transfers/adjustments					
At 30 <sup>th</sup> June 2019			220,000	495,000	715,000
At 1 <sup>st</sup> July 2019			220,000	495,000	715,000
Additions					
Disposals					
Transfer/adjustments					
At 30 <sup>th</sup> June 2020					
<b>Depreciation and impairment</b>					
At 1 <sup>st</sup> July 2018					
Depreciation					
Impairment					
At 30 <sup>th</sup> June 2019					
At 1 <sup>st</sup> July 2019			72,617	318,309	390,926
Depreciation			18,423	53,277	71,701
Disposals					
Impairment					
Transfer/adjustment					
At 30 <sup>th</sup> June 2020			107,160	408,880	516,041
<b>Net book values</b>					
At 30 <sup>th</sup> June 2019			128,960	124,314	253,273
At 30 <sup>th</sup> June 2020			112,840	86,120	199,859

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

**13. Intangible assets-software**

Description	2019/2020	2018/2019
	KShs	KShs
<b>Cost</b>		
At beginning of the year		
Additions		
<b>At end of the year</b>		
<b>Amortization and impairment</b>		
At beginning of the year		
Amortization		
<b>At end of the year</b>		
Impairment loss		
<b>At end of the year</b>		
<b>NBV</b>		

**14. Trade and other payables from exchange transactions**

Description	2019/2020	2018/2019
	KShs	KShs
Trade payables		
Refundable deposits		
Accrued expenses		
Other payables	795,800	2,881,120
<b>Total trade and other payables</b>	<b>795,800</b>	<b>2,881,120</b>

**15. Provisions**

Description	Leave provision	Bonus provision	Other provision	Total
	KShs	KShs	KShs	KShs
Balance at the beginning of the year(1.07.2018)				
Additional Provisions				
Provision utilized				
Change due to discount and time value for money				
Transfers from non -current provisions				
<b>Balance at the end of the year (30.06.2020)</b>				

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

**16. Borrowings**

Description	2019/2020	2018/2019
	KShs	KShs
<b>Balance at beginning of the period</b>		
External borrowings during the year		
Domestic borrowings during the year		
Repayments of external borrowings during the period		
Repayments of domestics borrowings during the period		
<b>Balance at end of the period</b>		

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

	2019/2020	2018/2019
	KShs	KShs
<b>External Borrowings</b>		
Dollar denominated loan from 'other organization'		
Sterling Pound denominated loan from 'other organization'		
Euro denominated loan from other organization'		
<b>Domestic Borrowings</b>		
Kenya Shilling loan from KCB		
Kenya Shilling loan from Barclays Bank		
Kenya Shilling loan from Consolidated Bank		
Borrowings from other government institutions		
<b>Total balance at end of the year</b>		

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

Description	2019/2020	2018/2019
	KShs	KShs
Short term borrowings(current portion)		
Long term borrowings		
<b>Total</b>		

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

**CHANGES IN RECEIVABLE**

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Account receivable as at 1 <sup>st</sup> July 2019 (A)	45,000,000	
Account receivable issued during the year (B)	28,602,050	
Account receivable settled during the Year (C)	23,044,050	
Net changes in account receivables D= A+B-C	<b>50,558,000</b>	<b>45,000,000</b>

**CHANGES IN ACCOUNTS PAYABLE**

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Accounts Payable as at 1 <sup>st</sup> July 2019 (A)	2,881,120	
Accounts Payable held during the year (B)	453,800	
Accounts Payable paid during the Year (C)	2,539,120	
Net changes in account receivables D= A+B-C	<b>795,800</b>	

**17. 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				
<b>Total employee benefits obligation</b>				



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

**18. Cash generated from operations**

	2019/2020	2018/2019
	KShs	KShs
<b>Surplus/ (deficit) for the year before tax</b>	<b>7,728,697</b>	<b>25,063,375</b>
<b>Adjusted for:</b>		
Depreciation	(53,414)	71,701
Amortisation		
Gains/ losses on disposal of assets		
Interest income		
Finance cost	(3,807)	(3,604)
<b>Working Capital adjustments</b>		
Increase in inventory		
Increase in receivables	(12,211,550)	27,678,000
Increase in payables	(2,085,320)	2,539,120
<b>Net cash flow from operating activities</b>	<b>85,377</b>	<b>68,058</b>

**19. 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

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

**b) Related party transactions**

	2019/2020	2018/2019
	KShs	KShs
Transfers from related parties'		
Transfers to related parties		

**c) Key management remuneration**

	2019/2020	2018/2019
	KShs	KShs
Board of Trustees		
Key Management Compensation		
<b>Total</b>		

**d) Due from related parties**

	2019/2020	2018/2019
	KShs	KShs
Due from parent Ministry		
Due from County Government		
<b>Total</b>		

**e) Due to related parties**

	2019/2020	2018/2019
	KShs	KShs
Due to parent Ministry		
Due to County Government		
Due to Key management personnel		
<b>Total</b>		

**20. Contingent assets and contingent liabilities**

<b>Contingent liabilities</b>	2019/2020	2018/2019
	KShs	KShs
Court case xxx against the Fund		
Bank guarantees		
<b>Total</b>		

*(Give details)*

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

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

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1.	Inadequacy of enabling legislation of use in goods and services	The act is under a review	Director liquor control board.	Not yet resolved	Before the FY 2020/2021

**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.