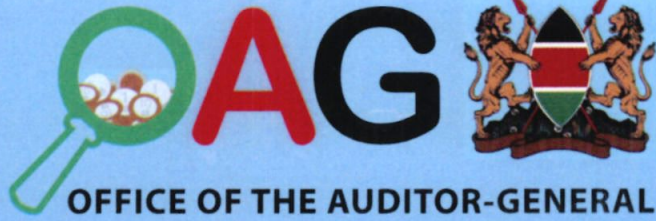


REPUBLIC OF KENYA



*Enhancing Accountability*

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

**SIAYA COUNTY ALCOHOLIC DRINKS  
CONTROL FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2024**



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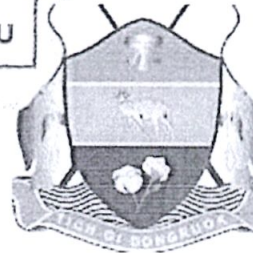
OFFICE OF THE AUDITOR GENERAL

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*Revised 30<sup>th</sup> June 2024*

P. O. BOX 1188, KISUMU



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**SIAYA COUNTY GOVERNMENT  
SIAYA COUNTY ALCOHOLIC DRINKS CONTROL FUND**

**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
JUNE 30TH, 2024**

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

***Siaya County Alcoholic Drinks Control Fund***  
**Annual Report and Financial Statements for the year ended June 30<sup>th</sup>, 2024**

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## 1. Acronyms and Glossary of Terms

### a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs.	Kenya Shillings

### b) Glossary of Terms

Hon. Grace Agola-CECM  
Hon. Michael Oliech-Chief Officer  
Mr. Philemon Ang'ila-Fund Administrator  
Mr. Edward Onyango-Fund Accountant

## 2. KEY ENTITY INFORMATION AND MANAGEMENT

### a) Background information

Siaya County was established by The Constitution of Kenya 2010 and is divided into six sub counties namely Alego Usonga, Ugenya, Gem, Rarieda, Bondo and Ugunja.

The County provides services to its residents including those from devolved functions.

His Excellency the Governor James Aggrey Orenge heads the County and is responsible for general Administration, Policy and Strategic direction of the County. This he does with the support of the Executive Committee as per the Constitution. These funds are created by the County Executive Committee Member for Finance and Planning.

Siaya County Alcoholic Drinks Control Act 2016 was operationalized in 2017. The fund is domiciled in Enterprise and Industrial Development Department situated at the Siaya County, Siaya Town.

Its activities involve inspection of liquor vendors' premises for compliance, licensing, enforcement and conducting committee meetings to approve vendors' application. These committees are headed by Sub County Administrators chairmen of these committees.

Its activities include:

1. Normal committee meetings for administration and planning purposes.
2. Committee meetings for vetting of applicants to consider them for approval.
3. Inspection of premises to ensure compliance before issuance of licenses and during operations.
4. Enforcement/crackdown to ensure adherence to the laws and regulations
5. Sensitization and awareness creation to inform the public and other stakeholders on the activities of the directorate and involve public participation principles. All stakeholders are involved including NACADA.

Other activities include prevention and control of alcohol and drug abuse and setting up of rehabilitation centres.

Once the applications are approved, the vendors are invoiced and the amount due to the County is deposited in KCB bank Account Number I206483431 Siaya branch and a license is then issued.

These activities were previously done by NACADA and were later transferred to the County.

**b) Principal Activities**

The main activities of this fund are licensing and regulation, sale, distribution, consumption and outdoor advertising of Alcoholic Drinks.

Other activities include control and management of use of alcoholic drinks, drug abuse and the promotion of research, treatment and rehabilitation of person's dependent on alcoholic drinks.

**c) Board of Trustees/Fund Administration Committee**

Ref	Name	Position
1	Mrs. Grace Agola	CECM
2	Mr. Philemon Ang'ila	Fund Administrator
3	Mr. Benedict Abonyo Omollo	CECM
4	Mr. Jacktone Odinga	Chief Officer Finance
5	Mr. Edward Onyango	Fund Accountant

**d) Key Management Team**

Ref	Position	Name
1	CECM	Mrs. Grace Agola
2	Chief Officer	Mr. Michael Oliech
3	Fund Administrator/Director	Mr. Philemon Ang'ila
4	Fund Accountant	Mr. Edward Onyango

**Key Entity and Management (Continued)**

**e) Fiduciary Oversight Arrangements**

*Fiduciary oversight is carried out by County Treasury Head of Accounting services and Internal Audit unit.*

Ref.	Position	Name
1	Directorate Internal Audit	CPA. Michael Ogola
2	Head of Accounting Services	CPA. Geoffrey Ochieng
	Office of Auditor General	

**f) Registered Offices**

P.O. Box 803-40600  
Trade Building  
Siaya, KENYA

**g) Fund Contacts**

Telephone: (254) 722785687  
E-mail: [info@siaya.go.ke](mailto:info@siaya.go.ke)/ [mondayjohns@yahoo.com](mailto:mondayjohns@yahoo.com)  
Website: [www.siaya.go.ke](http://www.siaya.go.ke)

**h) Fund Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya
2. Kenya Commercial Bank  
Siaya Branch  
Siaya Town

**Key Entity and Management (Continued)**

**i) Independent Auditors**

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





**j) Principal Legal Adviser**


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

**k) County Attorney**

The Siaya County Attorney  
Governor's Annex Building  
P.O. Box 803-40600,  
Siaya, Kenya

**3. BOARD OF TRUSTEES/ FUND ADMINISTRATION COMMITTEE (OR ANY OTHER CORPORATE GOVERNANCE BODY FOR THE FUND)**

	Passport-size Photo	Name	Position	Qualifications
1		Mrs. Grace Agola	CECM-Enterprise	Bachelor Degree Business Administration, Finance option. Vast Experience in Public Finance Management
2		Mr. Michael Oliech	Chief Officer <i>(Responsible department)</i>	M.Sc. In Leadership and Governance Bachelor's Degree Entrepreneurship and Small Business Management
3		Mr. Jack Odinga	Chief Officer finance	Bachelor's Degree in Accounting, Vast of Experience in Public Finance Mgt.
5		Mr. Edward Onyango	Fund Accountant	B.com Accounting Option CPA(K) CPS(K) MBA More than 15 years of Public Finance Accounting

6		Mr. Philemon Angila	Fund Manager/ Administrator	BSc. (Hons) Physics Post Graduate Diploma in Legal Metrology and Vast Experience in Public Finance Management
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#### 4. MANAGEMENT TEAM

Name	Designation	Responsibility
1. Mrs. Grace Agola	CECM	Overall oversight
2. Mr. Michael Oliech	Chief Officer	Accounting officer
3. Mr. Philemon Angila	Fund Administrator/ Director	Overall supervision and Administration of the fund
4. Mr. Edward Onyango	Fund Accountant	Maintains proper books of accounts and records in relation to the fund.

## 5. BOARD/FUND CHAIRPERSON'S REPORT

It's my pleasure to present the annual report of Siaya County Alcoholic Drinks Control Fund which as created by the Siaya County Alcoholic Drinks Control Act 2016. The fund was created primarily to provide for licensing of alcoholic drinks by County Government pursuant to Part II of the Fourth Schedule of the Constitution so as to control the production, sale, distribution, promotion and use of alcoholic drinks and the promotion of research, treatment and rehabilitation for person's dependent on alcoholic drinks.

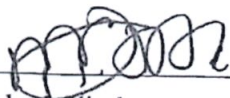
There is established in the County the Alcoholic Drinks Control Directorate charged with the responsibility of managing day to day operation of the Fund. The directorate is headed by a Director who is the Fund Administrator.

The Fund still suffers from the effects of High Cost of living and continuous protested within the Country in realisation of its annual revenue collection targets. The inadequate revenue collections have compromised achievement of planned activities and establishment of treatment and rehabilitation facilities and programmes.

The Directorate has put measures to enforce compliance to the Act through regular enforcement and public education.

Moving forward we intend to mobilise resources to ensure establishment of treatment and rehabilitation facilities. Also, of concern is to enhance our revenue collection mechanisms to meet set targets.

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



Hon. Michael Oliech

*Chief Officer- Trade, Cooperatives, Enterprise and Industrialization*

Date:

## 6. REPORT OF THE FUND ADMINISTRATOR

There is established in the County the Alcoholic Drinks Control Directorate charged with the responsibility of managing day to day operation of the Fund. The directorate is headed by a director who is the Fund Administrator.

The Fund still suffers from the effects of High Cost of living and continuous protested within the Country in realisation of its annual revenue collection targets. The inadequate revenue collections have compromised achievement of planned activities and establishment of treatment and rehabilitation facilities and programmes.


The Directorate has put up measures to enforce compliance to the Act through regular enforcement and public education.

During the period under review, we collected a total of Kshs. 9,311,400 against an expenditure of Kshs. 9,272,438.25 resulting a surplus of Kshs. 38,961.75 compared to previous year where we collected a total of Kshs. 8,988,700 and incurred an expenditure amounting to Kshs... 9,014,864 resulting to net deficit of Kshs. 26,164. At the beginning of the financial year there was Kshs. 65,932.5 brought forward.

Liquor revenue collections streams are liquor application and license fees.

The County carried out training/ induction of stakeholders and public education alcoholic drinks control.

Moving forward we intend to mobilise resources to ensure establishment of treatment and rehabilitation facilities. Also enhance our revenue collection mechanisms.

Signed:   
Mr. Philemon Ang'ila- Fund Administrator/ Director

Date 11/11/2024

**7. STATEMENT OF PERFORMANCE AGAINST THE COUNTY FUND'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.

Below we provide the progress on attaining the stated objectives of the Siaya County Alcoholic Drinks Control Fund for the period ended 30<sup>th</sup> June 2024 plan:

<b>ACTIVITY</b>	<b>DETAILS</b>	<b>REMARKS</b>
Requisition of Accountable Documents	Still being requisitioned from the Central stores.	
Preparation of Financial Reports	Fund accountant has complied to improve our accountability efforts.	Compliance with SCADCA, Art 7(3).
Partnership with NACADA	Very effective especially on policy issues.	
Sensitization. Awareness Creation and Publicity	A continues exercise that must be enhanced.	A vehicle for the Directorate is needed.
Enforcement/Inspection Activities Conducted	Planned and random enforcement including a special one from the headquarter by the Directorate.	Island and beaches inspection is a challenge.

Review of Liquor Act (in progress) & other policy documents	Basically, on the operations of busaa production and sale.	KEBS standards are not easy to adhere to in busaa production thus not easy to regulate.
Mapping Review	Identification of outlets in terms of location and contacts very critical as we go digital in this area.	A tool is being polished to help us adopt this exercise in 2025.
Rehabilitation Program	Identification of a site and construction of the center is a necessity. Meanwhile a pilot program targeting vulnerable Chang'aa traders is in the offing.	NACADA is ready to equip such a center if completed. Economic empowerment is necessary to change lives.

## 8. CORPORATE GOVERNANCE STATEMENT

The Act provides for the establishment of the following committees;

- i. Sub-County Alcoholic Drinks Regulation Committee
- ii. County Alcoholic Regulation Administrative Review Committee and
- iii. County Enforcement Committee

The Sub-County Alcoholic Drinks Regulation Committee is operational and is the body that does the vetting of applications for liquor licensing. The County Enforcement Committee is responsible for ensuring compliance to the Act by liquor Vendors and the public.

The County is yet to establish Alcoholic Regulation Administrative Review Committee.

Meanwhile no application has been made that require be reviewed. The Sub-County Alcoholic Drinks Regulation Committee has been able to handle all applications before it.

Regular trainings and inductions are being carried out. The committees also meet as scheduled.

## 9. MANAGEMENT DISCUSSION AND ANALYSIS

*On the operational and financial performance of the Fund/Board during the period, The Directorate collected a total of Kshs. 9,311,400 and incurred an expenditure amounting to Kshs. 9,272,438.25 resulting to surplus of Kshs. 38,961.75 compared to previous year where we collected a total of Kshs. 8,988,700 and incurred an expenditure amounting to Kshs. 9,014,864 resulting to net deficit of Kshs. 26,164. At the beginning of the financial year amount brought forward was Kshs. 65,932.5*

- a. Entity's key projects or investments decision implemented or ongoing.  
-There were no projects carried out.*
- b. Fund's compliance with statutory requirements.  
-The funds management has always endeavour to comply with statutory requirements.*
- c. Major risks facing the Fund, material arrears in statutory and other financial obligations.  
-The monies collected from liquor license are not adequate to fund the Directorate programmes.*

## **11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES**

Section 167 of the Public Finance Management Act, 2012 and the Siaya County Alcoholic Drinks Control Act under which the fund is regulated, requires the Fund Administrator/Director to prepare, sign and transmit to the Auditor-General in respect of each financial year and within three (3) months after the end thereof, a statement of the accounts relating to the fund in accordance with Public Audit Act, 2003. The fund administrator shall cause to be kept proper books of account and other books and records in relation to the fund which disclose with reasonable accuracy the financial position of the fund. The financial statements have been prepared in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Fund Administrator 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 30th, 2024. 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 Fund Administrator 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 Siaya County Alcoholic Drinks Control Act, 2016. The Fund Administrator 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 30th, 2024, and of the Fund's financial position as at that date.

## **10. REPORT OF THE TRUSTEES/FUND ADMINISTRATION COMMITTEE**

The fund management team submit their report together with the un-audited financial statements for the Period Ended June 30th, 2024, which show the state of the Fund affairs.

### **10.1 Principal activities**

The principal activities of the Fund are for meeting the capital and recurrent expenditure relating to carrying out the functions of the Directorate and assisting in the operation of the Sub- County Committees.

### **10.2 Performance**

The performance of the Fund for the period ended June 30th, 2024, are set out on pages 1-6

### **10.3 Fund Management team**

The Fund Management team who served during the year are shown on page (x).

### **10.4 Auditors**

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

Sign:



Name: Mr. Philemon Ang'ila

*Fund Administration Committee*

Date: 11/11/2024

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.

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

**Approval of the financial statements**

The Fund's financial statements were approved by the management team on 8/8/2024 and signed on its behalf by:

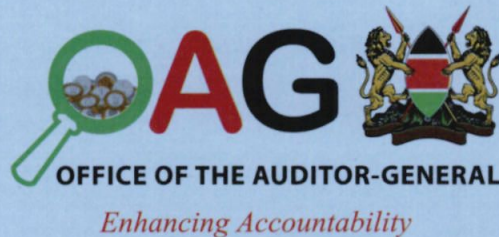


Mr. Philemon Ang'ila

**Fund Administrator-Alcoholic Drinks Control Siaya**

# REPUBLIC OF KENYA

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Email: 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 SIAYA COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2024

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of Siaya County Alcoholic Drinks Control Fund set out on pages 1 to 29, which comprise of the statement of financial

position as at 30 June, 2024 and the statement of financial performance, statement of net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Siaya County Alcoholic Drinks Control Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Siaya County Alcoholic Drinks Control Act, 2016 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Failure to Collect Revenue**

The statement of financial performance reflects an amount of Kshs.9,311,400 in respect of fines, penalties and other levies and as disclosed in Note 3 to the financial statements, which includes license fees of Kshs.8,664,400. However, review of documents provided for audit revealed that Management failed to collect Kshs.367,000 in respect of license fees due to failure to charge the approved rates.

In the circumstances, the accuracy and completeness of fines, penalties and other levies amounting to Kshs.9,311,400 could not be confirmed.

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

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects total revenue totaling to Kshs.9,311,400 against final budget of Kshs.20,000,000 resulting to under collection of Kshs.10,688,600 or 53% of the budgeted revenue. Similarly, the project had budgeted to spend Kshs.15,000,000 but utilized an amount of Kshs.9,272,438 resulting to an under expenditure of Kshs.5,727,562 or 38% of the budget. The under expenditure which mainly occurred under transfer to CRF and NACADA was contrary to the Public Finance Management (County Government) Regulations, 2015 regulation 29(2) states ensuring

that the Accounting Officer is responsible, in particular for ensuring that all services which can be reasonably foreseen are included in the estimates.  
Further, Management did not provide any explanations for variances as required by the Public Sector Accounting Standards Board reporting template.

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

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

### **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management had not resolved the issues as at 30 June, 2024.

### **Other Information**

### **Conclusion**

The Management is responsible for the Other Information set out on page iii to xvii which comprise of Key Entity Information and Management, Board of Trustees/Fund Administration Committee, Management Team, Report of the Administrator, Statement of Performance Against Fund's Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Trustees and Statement of Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

### **Basis for Conclusion**

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

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

## **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect(s) of the matter(s) described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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**

### **1. Irregular Borrowing from the Fund**

The statement of financial performance reflects use of goods and services of Kshs.8,179,758 which includes consultancy services/borrowings expenditure of Kshs.3,696,400. The expenditure further includes Kshs.1,946,000 being a borrowing by the Department of Agriculture, Irrigation and Blue Economy for use in value chain engagement exercise for cotton textile and apparel engagement. However, the consultancy service/borrowing was not supported by approvals from the County Assembly or the County Executive Committee Member-Finance and Economic Planning and the expenditure incurred was not in line with the activities of the fund. This was contrary to Section 149(1)(a) of the Public Finance Management Act, 2012, which states that the County Assembly may authorize short-term borrowing by county government entities for cash management purposes only.

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

### **2. Lack of an Approved Budget**

The statement of comparison of budget and actual amounts reflects final budget and actual expenditure of Kshs.15,000,000 and Kshs.9,272,438 respectively. However, no evidence was provided that the Fund budget was approved by the Departmental Chief Officer and onward submission to the County Executive Committee Member for Finance for submission and approval by the County Assembly. This was contrary to Section 130(1) of the Public Finance Management Act, 2012 states that the County Executive Committee Member for Finance shall submit to the County Assembly the following documents in respect of the budget for every financial year a budget summary that includes a summary of budget policies.

In the circumstances, the regularity of the expenditure of Kshs.9,272,438 could not be confirmed.

### **3. Irregular Expenditure on Members of County Assembly**

The statement of financial performance reflects an amount of Kshs.8,179,758 relating to use of goods and services, which as disclosed in Note 3 includes an amount of Kshs.1,073,100 paid as allowances to Members of the County Assembly (MCAs) being facilitation to Kisumu City to discuss the alcoholics drinks control regulations. The amount

was issued as imprests to the Fund Accountant. However, the Management did not provide evidence as to why the MCAs were facilitated by the Fund despite the County Assembly having its own budget and resources for such activities. This was contrary to Section 149(1)(a) of the Public Finance Management Act, 2012, which requires an Accounting Officer to ensure that the resources of an entity are used in a way that is lawful and authorized.

In the circumstances, the regularity of the expenditure of Kshs.1,073,100 could not be confirmed.

#### **4. Lack of Value for Money on Collection, and Accounting for Own Generated Revenue**

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects Kshs.9,311,400 in respect of fines, penalties and other levies. The Fund spent an amount of Kshs.8,356,758.25 which was 89.75% of the total collection for the year. This was contrary to Section 6 (5) of the Siaya County Alcoholic and Drinks Act, 2016 which states that 10% shall be shared for administration of the fund by the Directorate.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 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 controls, risk Management and overall 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 the Management and Trustees**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual

Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

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

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

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

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

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


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi


18 December, 2024


**Siaya County Alcoholic Drinks Control Fund**  
**Annual Report and Financial Statements for the year ended June 30<sup>th</sup>, 2024**

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

	Note	2023/2024	2022/2023
		Kshs.	Kshs.
<b>Revenue From Non-Exchange Transactions</b>			
Public Contributions and Donations			-
Transfers From the County Government			-
Fines, Penalties and Other Levies	1	9,311,400	8,988,700
		<b>9,311,400</b>	<b>8,988,700</b>
<b>Revenue From Exchange Transactions</b>			
Interest Income			-
Other Income			-
<b>Total Revenue</b>		<b>9,311,400</b>	<b>8,988,700</b>
<b>Expenses</b>			
Employee Costs	2	177,000	88,000
Use of goods and services	3	8,179,758.25	6,187,576.00
Transfer to NACADA	6	203,484	2,180,224
Transfer to County Revenue Fund (CRF)	6	712,196	559,064
Depreciation and Amortization Expense		-	-
Finance Costs		-	-
<b>Total Expenses</b>		<b>9,272,438.25</b>	<b>9,014,864.00</b>
<b>Other Gains/Losses</b>			
Gain/Loss on Disposal of Assets		0	0
Gain /Loss on fair value of investments		0	0
<b>Surplus/(Deficit) for the Period</b>		<b>38,961.75</b>	<b>(26,164.00)</b>

The entity financial statements were approved on 8/8/2024 and signed by:

  
 Fund Administrator  
 Mr. Philemon Ang'ila

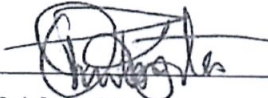
 M No. 12100  
 Fund Accountant  
 Mr. Edward Onyango


*Siaya County Alcoholic Drinks Control Fund*  
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**14. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024**

	Note	2023/2024	2022/2023
		Kshs.	Kshs.
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	104,894.25	65,932.50
Current Portion of Long- Term Receivables From Exchange Transactions		-	-
Prepayments		-	-
Inventories		-	-
Investments in financial assets		-	-
<b>Total current assets</b>		<b>104,894.25</b>	<b>65,932.50</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment		-	-
Intangible Assets		-	-
Long Term Receivables from Exchange Transactions		-	-
Investment Property		-	-
<b>Total non- current assets</b>		<b>-</b>	<b>-</b>
<b>Total Assets</b>		<b>104,894.25</b>	<b>65,932.50</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and Other Payables from Exchange Transactions		-	-
Current Portion of Borrowings		-	-
Employee Benefit Obligations		-	-
Social benefit liabilities		-	-
<b>Total current liabilities</b>		<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>			
Long Term Portion of Borrowings		-	-
Non-Current Employee Benefit Obligation		-	-
Social benefit liabilities		-	-
<b>Total Liabilities</b>		<b>-</b>	<b>-</b>
<b>Net Assets</b>		<b>-</b>	<b>-</b>
Revolving Fund		-	-
Reserves		-	-
Accumulated Surplus		104,894.25	65,932.50
<b>Total Net Assets and Liabilities</b>		<b>104,894.25</b>	<b>65,932.50</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 8/8/2024 and signed by:

  
\_\_\_\_\_  
Fund Administrator  
Mr. Philemon Ang'ila

  
\_\_\_\_\_  
Fund Accountant MND  
Mr. Edward Onyango 12/00

*Siaya County Alcoholic Drinks Control Fund*  
**Annual Report and Financial Statements for the year ended June 30<sup>th</sup>, 2024**

**15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2024**

Description	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July (Previous FY)	-	-	92,096.50	92,096.50
Deficit For the Period	-	-	26,164	26,164
Funds Received During the Year	-	-		-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June (2022/2023)	-	-	65,932.50	65,932.50
Balance As At 1 July (2023/2024)	-	-	65,932.50	65,932.50
Surplus/(Deficit) For the Period		-	38,961.75	38,961.75
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June (2023/2024)	-	-	104,894.25	104,894.25

(Provide details on the nature and purpose of reserves)

*\*: Where its explicit in the Fund Regulations that interest earned should form part of the revolving fund, then this interest should be included in the statement of changes in net assets under this section and not part of interest income in the statement of financial performance (Provide details on the nature and purpose of reserves)*

**16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2024**

Description	Note	Current FY	Current FY
		Kshs	Kshs
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Public contributions and donations		-	-
Transfers from the county government		-	-
Interest received		-	-
Receipts from other operating activities		9,311,400	8,988,700
<b>Total receipts</b>		<b>9,311,400</b>	<b>8,988,700</b>
<b>Payments</b>			
Fund administration expenses		177,000	88,000
General expenses		8,179,758.25	6,187,576.00
Transfer to CRF		712,196	2,180,224
NACADA		203,484	559,064
Finance cost		-	-
Other payments		-	-
<b>Net cash flows from operating activities</b>		<b>9,272,438.25</b>	<b>9,014,864.00</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale of property, plant & equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
<b>Net cash flows used in investing activities</b>		<b>-</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from revolving fund receipts		-	-
Additional borrowings		-	-
Repayment of borrowings		-	-
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>-</b>
<b>Net increase/(decrease) in cash &amp; cash Equivalents</b>	5	<b>38,961.75</b>	<b>-26,164.00</b>
Cash and cash equivalents at 1 July 2023/2022		65,932.50	92,096.50
<b>Cash and cash equivalents at 30 June 2024/2023</b>		<b>104,894.25</b>	<b>65,932.50</b>

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

*Siaya County Alcoholic Drinks Control Fund*  
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**17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD**

Description	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>		0				
Public Contributions and Donations	-	0	-	-	-	
Transfers From County Govt.	-	0	-	-	-	
Interest Income	-	0	-	-	-	
Other Income	20,000,000	0	20,000,000	9,311,400	10,688,600	46.6
<b>Total Income</b>	<b>20,000,000</b>	<b>0</b>	<b>20,000,000</b>	<b>9,311,400</b>	<b>10,688,600</b>	<b>46.6</b>
<b>Expenses</b>		0				
Fund Administration Expenses	300,000	0	300,000	177,000	123,000	59.0
General Expenses	9,500,000	0	9,500,000	8,179,758.25	1,320,242	86.1
Transfer to CRF	4,000,000	0	4,000,000	712,196	3,287,804	17.8
NACADA	1,150,000	0	1,150,000	203,484	946,516	17.7
Finance Cost	50,000	0	50,000	0	50,000	0.0
<b>Total Expenditure</b>	<b>15,000,000</b>	<b>0</b>	<b>15,000,000</b>	<b>9,272,438.25</b>		
<b>Surplus For the Period</b>				<b>38,961.75</b>		

**Budget notes**

1. The Directorate collected a total revenue of 9,311,400 in the Period Ended under review.

\*Under General expenditure include a hiring professional contracted services/consultancy Amounting to Kshs. 1,750,000 which was transferred to during Environmental and Social Impact Assessment for Proposed Rehabilitation Centre Exercise and a Borrowing Kshs. 1,946,400 by the Department of Agriculture during Engagement Exercise.

**18. NOTES TO THE FINANCIAL STATEMENTS**

**1. General Information**

Siaya County Alcoholic Drinks Control Fund was established by Siaya County Government under the Ministry of Trade, Enterprise and Industrial Development and derives its authority and accountability from Siaya County Alcoholic Drinks Control Act. The entity is wholly owned by the Siaya County Government and is domiciled in Trade Department. The entity’s principal activity involves inspection of liquor vendors’ premises for compliance, licensing, enforcement and conducting committee meetings to approve vendors’ application

**2. 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.

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

Standard	Effective date and impact
<p><b>IPSAS 41: Financial Instruments</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2024</b></p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity’s future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <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</li> </ul>

Standard	Effective date and impact
	<p>that is applicable to all financial instruments subject to impairment testing; and</p> <ul style="list-style-type: none"> <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 strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p><b>IPSAS 42: Social Benefits</b></p>	<p><b>Applicable: 1<sup>st</sup> January 2023</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> <ul style="list-style-type: none"> <li>(a) The nature of such social benefits provided by the Entity;</li> <li>(b) The key features of the operation of those social benefit schemes; and</li> <li>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</li> </ul> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p><b>Applicable: 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>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.</li> <li>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</li> <li>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</li> </ul> <p>Amendments to IPSAS 33, to update the guidance on classifying</p>

*Siaya Car loan/Mortgage fund  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2024*

Standard	Effective date and impact
	<p>financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p><i>(State the impact of the standard to the Entity if relevant)</i></p>
Other improvements to IPSAS	<p><b>Applicable 1<sup>st</sup> January 2023</b></p> <ul style="list-style-type: none"> <li>• <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i></li> </ul> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> <li>• <i>IPSAS 39: Employee Benefits</i></li> </ul> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> <li>• <b>IPSAS 29: Financial instruments: Recognition and Measurement</b></li> </ul> <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1<sup>st</sup> January 2023.</p> <p><i>State the impact of the standard to the Entity if relevant</i></p>

*(i) New and amended standards and interpretations in issue but not yet effective in the year ended 30<sup>th</sup> June 2024.*

Standard	Effective date and impact:
IPSAS 43	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>
IPSAS 44: Non-Current Assets Held	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The Standard requires,</p>

*Staya Car loan/Mortgage fund  
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Standard	Effective date and impact:
for Sale and Discontinued Operations	<p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p><i>State the expected impact of the standard to the Entity if relevant</i></p>

**(ii) Early adoption of standards**

The Entity did not early – adopt any new or amended standards in the financial year or *the entity adopted the following standards early (state the standards, reason for early adoption and impact on entity's financial statements.)*

## **2. Significant Accounting Policies**

### **a) 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.

##### **Dividends**

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

##### **Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

### **b) Budget information**

The original budget for FY 2023/24 was approved by the County Assembly on\_(Date). 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 \_(Amount)on the FY 2024 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.

**Summary of Significant Accounting Policies (Continued)**

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.

**c) 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.

**d) 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.

## Summary of Significant Accounting Policies (Continued)

### e) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. (amend as appropriate).* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

#### Financial assets

##### Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

##### Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Summary of Significant Accounting Policies (Continued)**

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note \_*.

**Significant Accounting Policies (Continued)**

**Financial liabilities**

**Classification**

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**f) 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.

**g) 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.

**h) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**Summary of Significant Accounting Policies (Continued)**

**i) 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.

**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.

**j) Nature and purpose of reserves**

The Entity creates and maintains reserves in terms of specific requirements. *Entity to state the reserves maintained and appropriate policies adopted.*

**k) 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.

**l) 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.

**Summary of Significant Accounting Policies (Continued)**

**m) 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.

**n) 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.

**o) 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.

**p) 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.

**q) Comparative figures**

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

**Summary of Significant Accounting Policies (Continued)**

**5. Significant judgments and sources of estimation uncertainty**

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

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

**a) Estimates and assumptions –**

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

**b) Useful lives and residual values**

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

- 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

**c) Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 21.

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

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

**6. NOTES TO THE FINANCIAL STATEMENTS**

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

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Late payment penalties		-
Fines		-
Licenses	8,664,400	8,473,700
Other levies(application fee)	647,000	515,000
<b>Total</b>	<b>9,311,400</b>	<b>8,988,700</b>

(Other levies refers to revenue from application and liquor licences fees payable by Liquor vendors.)

**2. Employees Costs**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Salaries And Wages	-	-
Staff Gratuity	-	-
Fund Administrative Expenses	177,000	88,000
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other ( <i>Specify</i> )	-	-
<b>Total</b>	<b>177,000</b>	<b>88,000</b>

*N/B Fund administration expenses relates to sitting allowances paid to sub county committees'*

**3. Use of goods and services/General Expenses**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Electricity and water expenses		-
Fuel and oil costs	556,000	780,920
Postage		
Printing and stationery	98,300	42,200
Rental costs		
Repairs and Maintenance		25,000
Telecommunication		
Bank Charges	10,368.25	10,526
Hospitality	754,840	574,200
Depreciation and amortization costs		-
Regulation Reviews	1,073,100	-
Consultancy Services/borrowings	3,696,400	-
Sensitization and Awareness Campaign	573,000	1,706,150
Crackdown/Enforcement Activities	542,000	1,769,580
Inspection Activities	784,750	981,250
Invoicing /Vetting	91,000	297,750
<b>Total</b>	<b>8,179,758.25</b>	<b>6,187,576.00</b>

*Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42*

**4. Cash and cash equivalents**

Description	2023/2024	2022/2023
	Kshs.	Kshs.
Fund Car Loan Account	-	-
Siaya County Mortgage Account	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	104,894.25	65,932.5
Others ( <i>Specify</i> )		-
<b>Total Cash And Cash Equivalents</b>	<b>104,894.25</b>	<b>65,932.5</b>

**NOTES TO THE FINANCIAL STATEMENTS CONTINUED**

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

Financial institution	Account number	2023/2024	2022/2023
		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		104,894.25	65,932.5
Bank B			-
<b>Sub- total</b>			-
<b>d) Others(specify)</b>			-
Cash in transit			-
Cash in hand			-
Mobile Money			-
<b>Sub- total</b>			-
<b>Grand total</b>		<b>104,894.25</b>	<b>65,932.5</b>

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

**5. Cash generated from operations**

	2023/2024	2022/2023
	Kshs.	Kshs.
<b>Surplus/ (deficit) for the Period Ended before tax</b>	<b>38,961.75</b>	<b>(26,164)</b>
<b>Adjusted for:</b>		
Depreciation	-	-
Amortisation	-	-
Gains/ losses on disposal of assets	-	-
Interest income	-	-
Finance cost	-	-
<b>Working Capital adjustments</b>		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in payables	-	-
<b>Net cash flow from operating activities</b>	<b>38,961.75</b>	<b>(26,164)</b>

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

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

**6. 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.

**b) Related party transactions**

	2023/2024 Kshs.	2022/2023 Kshs.
Transfers from related parties'	-	-
Transfers to related parties	-	-
Transfer to NACADA	203,484	2,180,224
Transfer to County Revenue Fund (CRF)	712,196	559,064

**c) Key management remuneration**

**d) Due from related parties**

**Other Disclosures Continued**

**e) Due to related parties**

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 (date)\_

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.

**a) Liquidity risk management**

*Siaya Car loan/Mortgage fund*  
*Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2024*

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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.

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

**b) 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:

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

### **Foreign currency sensitivity analysis**

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

### **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 of Kshs. \_ (2024: Kshs. \_). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs. \_ (2024 – Kshs. \_).

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

**c) 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:

**7. Events after the reporting period**

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

**8. Ultimate and Holding Entity**

The entity is a County Public Fund established by Siaya County Alcoholic Drinks Control Act 2016 under the Ministry of Trade, Enterprise and Industrial Development Siaya. Its ultimate parent is the County Government of Siaya.

**9. Currency**

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

19. ANNEXES

**ANNEX I: 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.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Delay in the establishment of rehabilitation centre	Establishment of a treatment and rehabilitation facility has been provided in the budget proposal for the financial year 2022/2023.	Not resolved	FY 2022/2023
	Lack of approved budget	The management undertakes to ensure that such monies as may be appropriated by the County Assembly are included in subsequent budgets.	Not resolved	FY 2022/2023
	Non Establishment of Administration and Review Committees	There exist the County Enforcement Team consisting of the officers from National Government as mentioned in the act who are responsible for coordinating enforcement and compliance and undertake to formalize the appointments to include other mentioned officers	Not resolved	FY 2022/2023
	Non- Automated	The county through	Not resolved	FY 2022/2023

*Siaya Car loan/Mortgage fund  
Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2024*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved/ Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Revenue Collection System	department of Finance and Economic Planning is in process automating revenue collection		
	Lack of Trial Balance	Management wish to state that the Trial Balance has been prepared and Attached	Resolved	FY 2022/2023
	Revenue from Non Exchange Transactions	Management wish to state that Registers has been attached	Not Resolved	FY 2022/2023

**Guidance Notes:**

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

Fund Manager/Accounting Officer

Mr. Philemon Ang'ila

Date.....

**Annex II: Inter-Fund Confirmation Letter**

ENTITY NAME:				
Break down of Transfers from the County Executive of Siaya County Government				
FY 2023/2024				
a.	Recurrent Grants	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		<b>Total</b>	-	
b.	Development Grants	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		<b>Total</b>	-	
c.	Direct Payments	Bank Statement Date	Amount (Kshs)	Indicate the FY to which the amounts relate
			-	
			-	
			-	
		<b>Total</b>	-	

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

Fund Accountant  
Siaya County Alcoholic Drinks Control Fund

Head of County Treasury at  
Siaya County

Sign



Sign-----

MNO 12100