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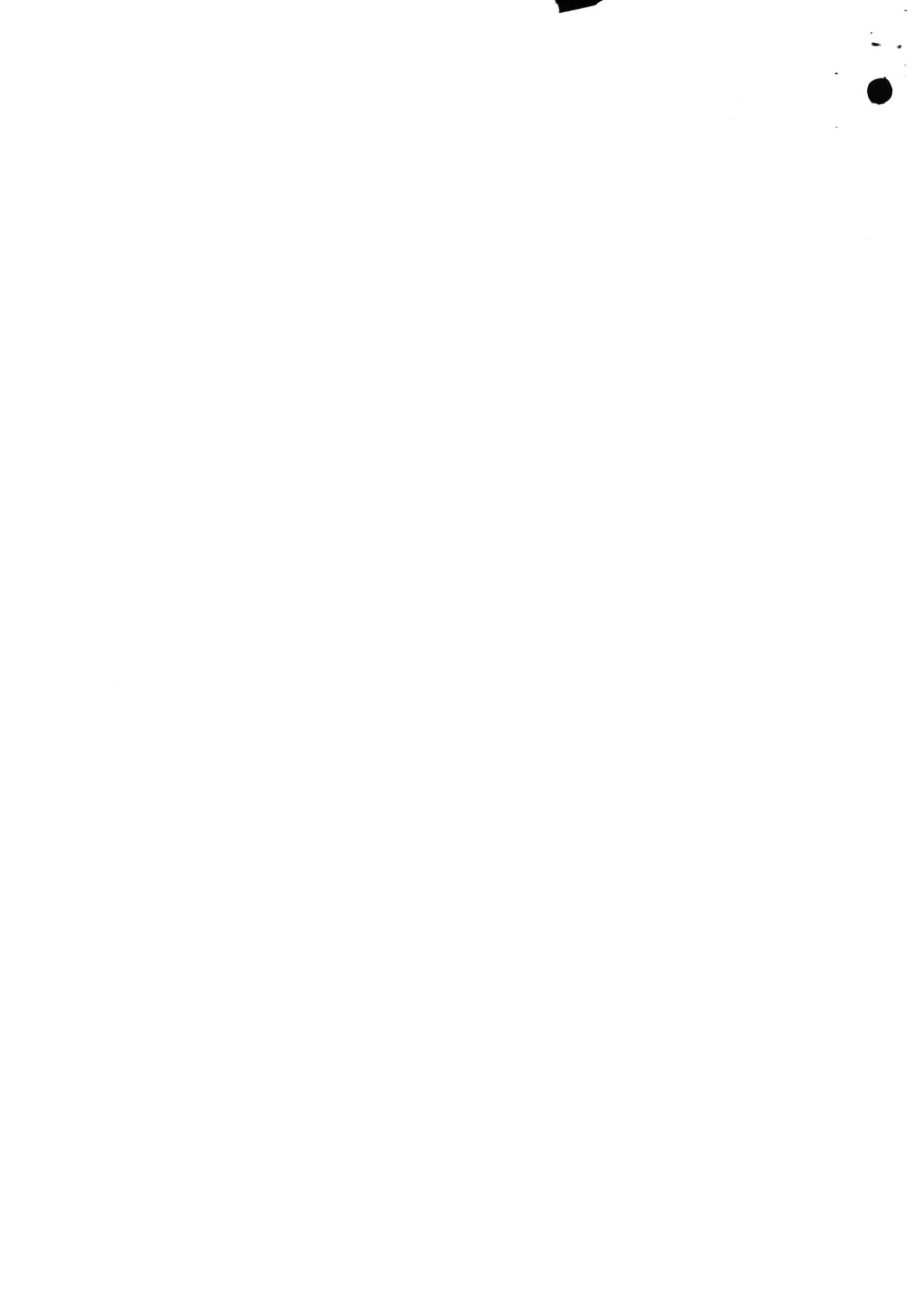
OF

THE AUDITOR-GENERAL

ON

KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND

FOR THE YEAR ENDED 30 JUNE, 2017





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

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
JUNE 30, 2017**

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

**Kakamega County Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2017**

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Kakamega County Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2017

1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

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

b) Principal Activities

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

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

c) Key Management

Ref	Name	Position
1	Gabriel Kinaiya	Director
2	Evelyn Mulunji	Chief Officer, Finance
3	Dr.Beldina Otieno	Chief Officer, Public Service & Administration

d) Registered Offices

P.O. Box 36 -50100
Sahajanand Building 1st Floor
MumiasRoad.
Kakamega, Kenya

e) Fund Contacts

Telephone: 05631850/31852/31853
E-mail: doadc@kakamega.go.ke
Website: www.kakamega.go.ke

f) Fund Bankers

National Bank of Kenya
Along Kisumu-Kakamega road
P.O Box1773-50100
Kakamega-Kenya

g) Independent Auditors

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

h) Principal Legal Adviser

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

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

Introduction

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

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

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

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Coordination of alcoholic drinks control activities in all sub counties.	To regulate supply, sale and consumption of alcoholic drinks within the County	Controlled distribution, sale and consumption of alcoholic drinks	Number of licensed outlets. No of outlets closed.	In FY 2016/17; Total number of traders were 960. The Directorate in conjunction with sub county Administrators continued with surveillance measures in all sub counties to ensure compliance.
County alcohol and drug abuse prevention	Coordinate public awareness and education on	Increased awareness and participation	No of community based activities	Outreach activities for 23

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	adverse effects of alcohol and drug abuse within the County	by all stakeholders and vulnerable groups. Individuals come out to denounce abuse of alcohol and illicit drugs	No of groups participating in the ADA prevention activities	psychosocial/ behaviour change groups
County treatment and rehabilitation services	Operationalize the County treatment and rehabilitation centre	Treatment and rehabilitation services available for the residents of Kakamega County afflicted with substance use disorders	No of individuals treated and supported; No of technical and medical staff engaged; Amount of resources committed to the facility	Erection of building for the rehabilitation facility completed
Build Directorate capacity	Enhance the Directorate's effectiveness in its service delivery.	Improved efficiency; Increased no of services; Availability of research information	Improved record keeping; No of research activities done	Undertook survey to ascertain prevalence of alcohol consumption within the County Undertook writing of strategic plan for the Directorate.

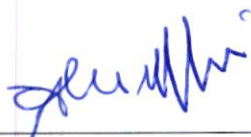
3. BOARD/FUND CHAIRPERSON'S REPORT

Core activities of the Directorate of Alcoholic Drinks Control include:-

- a) Regulation of production, sale and use of alcohol within the County through the licensing process and law enforcement activities.
- b) Undertake public education on adverse effects of alcohol and drug abuse within the County and conduct public participation on pertinent issues.
- c) Undertake research and be repository of information on issues relating to alcohol and drug abuse and develop programs for treatment and rehabilitation services within the County

During the 2016/2017 licencing cycle the Directorate received a total of Ksh.11,213,465 from Alcoholic Drinks Licences. The total expenditure incurred was Ksh.2, 321,133. The current assets comprised the cash and cash equivalents amounting to ksh.13, 972,281. Non-current assets comprised PPE valued at ksh.386, 060. Capital fund amounted to Ksh.5, 466,007 and the accumulated surplus for the period was Ksh.8, 892,332

Signed: _____



Ben Namayi Ochomo

4. REPORT OF THE FUND ADMINISTRATOR

The Directorate of Alcoholic Drinks Control is an agency of the County Government of Kakamega established in the year 2014 after the enactment of the Kakamega Alcoholic Drinks Control Act 2014.

Mandate

The mandate of the Directorate is based on the Alcoholic Drinks Control Act 2014 and includes:

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


Management of funds

The Directorate's main source of revenue includes income from issuance of licences and any additional disbursements from the county treasury as provided by section 4 of the Kakamega Alcoholic Drinks Control Act 2014

Operation of the fund

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

Signed: _____



Ben Namayi Ochomo

5. CORPORATE GOVERNANCE STATEMENT

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

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

The Directorate operates through committees established by the Kakamega Alcoholic Drinks Control Act 2014. The committees include the 12 Sub County Alcoholic Drinks Regulation Committees, the County Alcoholic Drinks Administrative Review Committee, and the County Enforcement Coordinating Committee. The 12 Sub County Committees handle the licensing process and law enforcement. The Administrative Review Committee handles appeal cases arising from the licensing and law enforcement process. Enforcement coordinating committee is responsible for deliberating on matters related to alcohol abuse and which require law enforcement and advising the CEC Member.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Kakamega County Alcoholic Drinks Control Fund was established in the year 2014. It is domiciled in the ministry of Public Service and Administration. The Alcoholic Drinks Control Fund Account at National Bank of Kenya is the directorate's main revenue collection account. All the money received from applications and licencing is swiped to Kakamega County Revenue Fund Account at Central Bank.

Total revenue received from liquor licences in the year 2016/2017 was Ksh.11, 213,465. The directorate was in the FY2016/2017 was allocated Ksh.18, 413,031 for recurrent expenditure and ksh.5, 000,000 for development expenditure totalling to ksh.23, 413,031 by the ministry of Public Service and Administration. The directorate did not utilise the budget because there was an order from the county treasury stopping the directorate spending from the fund since it contravened the PFM Act 2012. the budgeted activities of the directorate came to a halt during this period hence the under absorption. As at 30th June 2017, the directorate had incurred an expenditure of Ksh.2, 321,133 inclusive of bank charges of ksh.40, 545. The current assets comprised the cash and cash equivalents amounting to Ksh.13, 972,281. Non-current assets comprised PPE valued at Ksh.386, 060 Capital fund amounted to Ksh. 5,466,007 and the accumulated surplus for the period was Ksh. 8,892,332

The fund is viewed as a going concern and it's expected to perform better in the financial year 2017/2018. The fund is compliant with statutory requirements including the PFM Act that requires funds to swipe unspent amounts back to the exchequer at the end of the financial year.

**CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY
REPORTING**

Under the behaviour change communication and empowerment program, the Directorate initiated formation of behaviour change advocacy groups and continued to pursue outreach activities for 23 psychosocial groups.

The agency has arranged and trained the participants on table banking, entrepreneurship and other relevant life skills. The purpose was to empower community based participants to support the government initiative for prevention of abuse of alcohol and illicit substances within the county.

The programme also targeted the young people in County Polytechnics and Schools within Kakamega County. The objective is to reach out to as many young people as possible and sensitize them. Our goal is to achieve delay in early initiation of children and young people into use of alcohol and psychotropic drugs.

7. REPORT OF THE TRUSTEES

The Director submits his report for the year ended June 30th, 2017 which show the state of the Fund affairs.

Principal activities

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

Results

The results of the Fund for the year ended June 30th, 2017.

Trustees

The fund does not have trustees

Auditors

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

Date: _____

3/3/2021

8. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by section 116(1) of the Public Finance Management Act, shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the year ended on June 30th, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Kakamega county alcoholic drinks control Act 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the year ended June 30th, 2017, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the County Public Fund has assessed the Fund's ability to continue as a going concern and disclosed, as applicable, matters relating to the use of going concern basis of preparation of the financial statements. Nothing has come to the

**Kakamega County Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2017**

attention of the Administrator to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's amended financial statements were approved and signed by the director on

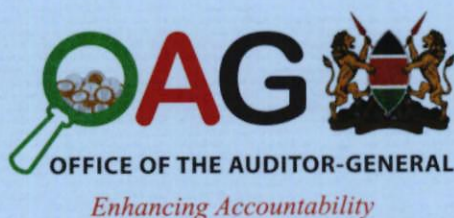
3rd March 2021



Administrator of the County Public Fund

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2017

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kakamega County Alcoholic Drinks Control Fund set out on pages 15 to 24, which comprise the statement of financial position as at 30 June, 2017, 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, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kakamega County Alcoholic Drinks Control Fund as at 30 June, 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and Kakamega County Alcoholic Drinks Control Act, 2014.

Basis for Adverse Opinion

1.0 Presentation, Accuracy and Disclosure

The financial statements have not been prepared in accordance with International Public Sector Accounting Standards, using Accrual Basis and in the format prescribed by the Public Sector Accounting Standards Board (PSASB) in the areas detailed below:

1.1 Management Team, County Alcoholic Drinks Regulation Administrative Review and Sub-County Committees

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

1.2 Financial Statements for 2015/2016

The financial statements for the year under review have comparative figures for 2015/2016 for which financial statements have not been prepared and submitted for audit. The origin and correctness of the comparative balances reflected in the year under review could not be ascertained.

1.3 Statement of Financial Performance

1.3.1 Receipts from Liquor Licenses

The amount of receipts from liquor licenses of Kshs.11,213,465 as reflected in the statement of financial performance and disclosed in Note 2 could not be confirmed as the Fund did not maintain a record of all alcoholic drinks outlets in the twelve Sub-Counties. No explanation was given for failure to maintain such an important record as no effective work can be carried out by the Directorate without knowledge of alcoholic outlets in their jurisdiction and their license status.

In the circumstances, it was not possible to ascertain completeness and accuracy of the figures reflected in the financial statements for the year under review.

2.0 General Expenses

2.1 Irregular and Unaccounted for Expenditure

The statement of financial performance reflects general expenses figure of Kshs.2,321,133 out which payments totalling Kshs.1,756,383 that were reviewed during the audit had not been authorized by the Accounting officer. The remaining payment vouchers together with the supporting documents with values totalling Kshs.564,750 as summarized below were not provided for audit review.

Payee	Details	Cheque No.	Amount (Kshs.)
Godfrey Mbandu	Catering	76	145,650
Godfrey Mbandu	Catering	91	97,800
Godfrey Mbandu	Board	86	321,300
Total			564,750

Consequently, the validity and accuracy of the general expenses figure of Kshs.2,321,133 for the year ended 30 June, 2017 could not be confirmed.

3.0 Statement of Financial Position - Accruals

The financial statements do not disclose payables or receivables despite the Fund having the mandate to collect license fees in arrears. As a result, the financial statements have excluded significant information on the state of execution of the Fund's mandate.

4.0 Property, Plant and Equipment

The property, plant and equipment in the statement of financial position of Kshs.386,060 comprise furniture and fittings, and computers and office equipment as shown in Note 6.

However, no depreciation and/or impairment has been applied on the cost of these items and there is no disclosure on accounting policy adopted by the Fund for recording and valuation of these assets. The figure of Kshs.386,060 may therefore not be a fair valuation of the furniture, fittings, computers and office equipment.

In the circumstances, it was not possible to ascertain completeness and accuracy of the property and plant and equipment figure of Kshs.386,060 reflected in the financial statements for the year under review.

5.0 The Statement of Changes in Net Assets

This statement of changes in net assets has been poorly prepared with unexplained opening capital fund balance of Kshs.1,386,060 on 1 July, 2015, which is also the closing balance on 30 June, 2016 but on 1 July, 2016 the opening balance is reflected as Kshs.5,466,007. Both figures could not be traced to the records and statements of the Fund.

In the circumstances, it was not possible to ascertain accuracy of the opening balances reflected in the financial statements under review.

6.0 Significant Accounting Policies and Other Disclosures

The Fund has not customized policies to its operations. The summary of significant accounting policies does not reflect the nature and operations of the Fund and give relevant information about the financial statements to the intended users of the financial statements.

Consequently, the financial statements as presented do not comply with the format prescribed by the Public Sector Accounting Standards Board (PSASB).

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts shows that the Fund budgeted to collect Kshs.29,231,000 for the year ended 30 June, 2017 against which only Kshs.11,213,465 was collected resulting into an under-collection of Kshs.18,017,535 or

61.64% of the budget. Likewise, the total expenditure budget was Kshs.23,413,031 out of which Kshs.2,321,133 was utilised leaving unutilised amount of Kshs.21,091,898 or 90% of the budget. The reason advanced for this state of affairs was that the budget did not take into account the capacity of the Directorate. However, no details have been provided of the required capacity/resources and why the same could not be achieved for optimum operation of the Fund.

Consequently, the Fund did not implement planned activities and perform its functions as envisaged in the enabling Act.

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, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Administration of the Fund

Section 7(1) of The Kakamega Alcoholic Drinks Control Act, 2014, provides that the Fund shall be administered by the Directorate in conjunction with the CEC for Finance and CEC for Public Service. However, the roles/responsibilities of the three have not been clearly identified or defined.

Consequently, there is likely to be a conflict of roles which may compromise good corporate governance of the Fund.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify

my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue 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

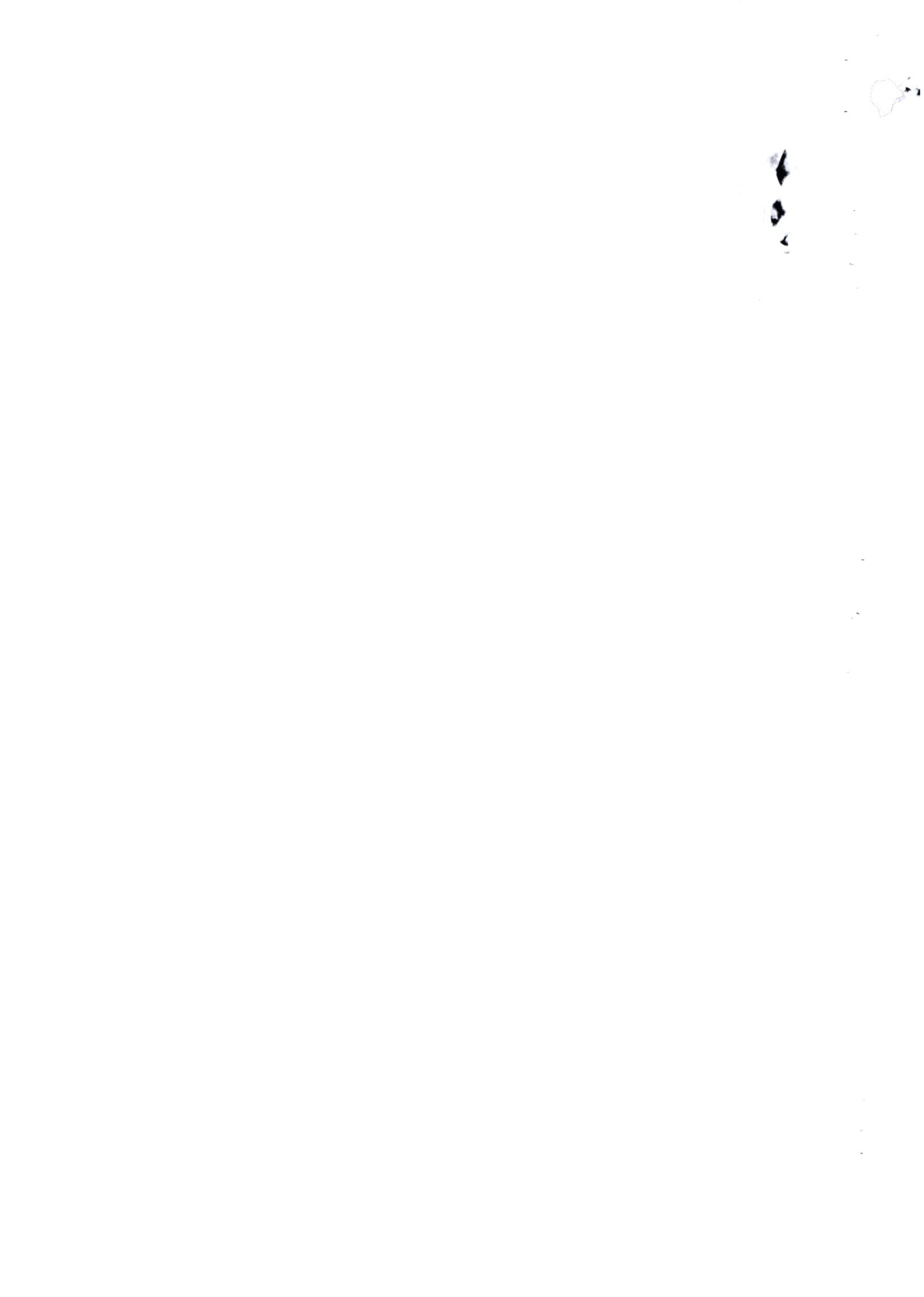
11 January, 2022

**Kakamega County Alcoholic Drinks Control Fund
 Reports and Financial Statements
 For the year ended June 30, 2017**

10. FINANCIAL STATEMENTS

**10.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH
 JUNE 2017**

	Note	FY2016/2017	FY2015/2016
Revenue from non-exchange transactions			
Transfers from the County Government to alcoholic drinks control fund	1	-	4,450,050.00
Income from liquor licenses	2	11,213,465.00	7,965,500.00
Total revenue		11,213,465.00	12,415,550.00
Expenses			
General expenses	3	2,280,588.00	7,335,603.00
Finance costs	4	40,545.00	-
Total expenses		2,321,133.00	7,335,603.00
Surplus/(deficit) for the period		8,892,332.00	5,079,947.00



**Kakamega County Alcoholic Drinks Control Fund
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10.2. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2017

	Note	FY2016/2017	FY2015/2016
			KShs
Assets			
Current assets			
Cash and cash equivalents	5	13,972,281.00	5,079,947.00
Non-current assets			
Property, plant and equipment	6	386,060.00	386,060.00
Total assets		14,358,341.00	5,466,007.00
Liabilities			
Current liabilities		-	
		-	
Non-current liabilities			
Total liabilities		-	-
Net assets			
Capital Fund		5,466,007.00	5,079,948.00
Accumulated surplus		8,892,332.00	386,059.00
Total net assets and liabilities		14,358,341.00	5,466,007.00

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 3/3 2021 and signed by:



Administrator of the Fund
Name: Benson Ochomo



Fund Accountant
Name: Ruth Makhaya
ICPAK Member Number: 20912

Kakamega County Alcoholic Drinks Control Fund
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10.3. STATEMENT OF CHANGES IN NET ASSETS AS AT 30TH JUNE 2017

	Capital fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 JULY 2015	1,386,060.00	-	1,386,060.00
Surplus/(deficit) for the period		-	-
Funds received during the year		-	-
Revaluation gain		-	-
Balance as at 30 June 2016	<u>1,386,060.00</u>	-	<u>1,386,060.00</u>
Balance as at 1 July 2016	5,466,007.00	-	5,466,007.00
Surplus/(deficit) for the period		8,892,332	8,892,332.00
Funds received during the year		-	-
Revaluation gain	-	-	-
Balance as at 30th June 2017	<u>5,466,007.00</u>	<u>8,892,332</u>	<u>14,358,339.00</u>



Administrator of the Fund
 Name: *Benson Ochomo*



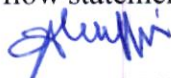
Fund Accountant
 Name: *Ruth Makaya*
 ICPAK Member Number: *20912*

Kakamega County Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2017

10.4. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2017

	Note	FY2016/2017	FY2015/2016
			KShs
Cash flows from operating activities			
Receipts			
Transfers from the County Government	1	-	4,450,050.00
Income from liquor licensing	2	11,213,465.00	7,965,500.00
Total Receipts		11,213,465.00	12,415,550.00
Payments			
General expenses	3	2,280,588.00	6,949,543.00
Finance cost	4	40,545.00	-
Total Payments		2,321,133.00	6,949,543.00
Net cash flows from operating activities		8,892,332.00	5,466,007.00
Cash flows from investing activities			
Purchase of property, plant and equipment	6	0	(386,060.00)
Net cash flows used in investing activities		-	(386,060.00)
Cash flows from financing activities			-
		0	
Net cash flows used in financing activities		0	-
Net increase/(decrease) in cash and cash equivalents		8,892,332.00	5,079,947.00
Cash and cash equivalents at 1 JULY	5	5,079,947.00	-
Cash and cash equivalents at 30 JUNE	5	13,972,279.00	5,079,947.00

The Cash flow statement has been prepared using direct method.



 Administrator of the Fund



 Fund Accountant

10.5. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30TH JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% utilisation
	2016/2017	2016/2017	2016/2017	2016/2017	2016/2017	2016/2017
	KShs	KShs	KShs	KShs	KShs	
Revenue						
Payments by the county on behalf of the directorate	23,363,031.00	-	23,363,031.00	-	23,363,031.00	0
Revenue from liquor licensing	29,231,000.00	-	29,231,000.00	11,213,465.00	18,017,535.00	38
Total income	52,594,031.00	-	52,594,031.00	11,213,465.00	41,380,566.00	21
Expenses						
General expenses	23,363,031.00	-	23,363,031.00	2,280,588.00	21,082,443.00	10
Finance cost	50,000.00	-	50,000.00	40,545.00	9,455.00	81
Total expenditure	23,413,031.00	-	23,413,031.00	2,321,133.00	21,091,898.00	10
Surplus for the period	29,181,000.00	-	29,181,000.00	8,892,332.00	20,288,668.00	30

10.6. 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. 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.

3. Budget information

The original budget for FY 2016/2017 was approved by the County Assembly on 26th June 2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

4. 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.

5. Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. 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.

6. 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 Director, Chief Officer Finance and the chief officer Public Service and Administration.

7. 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.

8. Comparative figures

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

9. Ultimate and Holding Entity

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

10. Currency

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

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

10.7. NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from the County Government to Kakamega County Alcoholic Drinks Control Fund

Description	FY2016/2017	FY2015/2016
		KShs
Transfer to Kakamega County Alcoholic Drinks Control Fund	-	4,450,050
Total	-	4,450,050

2. Income from liquor licences

Description	FY2016/2017	FY2015/2016
		KShs
Income from liquor licenses	11,213,465.00	12,415,550.00
Total Income	11,213,465.00	12,415,550.00

3. General expenses

Description	FY2016/2017	FY2015/2016
		KShs
Acquisition of assets	-	386,060.00
Use of goods and services	2,280,588.00	6,949,543.00
Total	2,280,588.00	7,335,603.00

4. Finance costs

Description	FY2016/2017	FY2015/2016
	Ksh	KShs
Bank charges	40,545.00	
Total	40,545.00	-

5. Cash and cash equivalents

Description	FY2016/2017	FY2015/2016
		KShs
Current account	13,972,281.00	5,079,947.00
Total cash and cash equivalents	<u>13,972,281.00</u>	5,079,947.00

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

Financial institution	Account No	FY2016/2017	FY2015/2016
c) Current account			
NATIONAL BANK	01020110619200	13,972,281.00	5,079,947.00
Grand total		13,972,281.00	5,079,947.00

6. Property, plant and equipment

Cost	Land and Buildings	Furniture and fittings	Computers and office equipment	Total
	KShs	KShs	KShs	KShs
At 1st July 2015				
Additions		245,280.00	140,780.00	386,060.00
Disposals				
Transfers/adjustments				
At 30th June 2016		245,280.00	140,780.00	386,060.00
At 1st July 2016				
Additions				
Disposals				
Transfer/adjustments				
At 30th June 2017		245,280.00	140,780.00	386,060.00
Depreciation and impairment				
At 1st July 2016				
Depreciation				
Impairment				
At 30th June 2017				
Net book values				
At 30th June 2016		245,280.00	140,780.00	386,060.00
At 30th June 2017		245,280.00	140,780.00	386,060.00