

REPUBLIC OF KENYA



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REPORT

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ON

**HOMABAY COUNTY ALCOHOLIC
DRINKS CONTROL FUND**

**FOR THE YEAR ENDED
30 JUNE, 2022**



HOMA BAY COUTY ALCOHOLIC DRINKS CONTROL FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2022

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

HOMA BAY COUNTY ALCOHOLIC DRINKS CONTROL FUND
Annual Report and Financial Statements for the year ended June 30, 2022

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1. Key Fund Information and Management

a) Background information

Homa Bay County Alcoholic Drinks Control Fund is established by and derives its authority and accountability from the Alcoholic and Drinks Control Act 2015. The Fund is wholly owned by the County Government of Homa Bay, Department of Trade, Industrialization, Tourism, & Cooperative Development & Marketing and is domiciled in Kenya.

Objectives of the Fund

The fund's object and purpose is to provide for the licensing of alcoholic drinks by the County Government pursuant to Part H of the Fourth Schedule to 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 persons –

- i. Protect the health of the individual in the light of the dangers of excessive consumption of alcoholic drinks;
- ii. Protect persons under the age of eighteen years from negative impact on health and social development from exposure to advertisements of alcoholic drinks;
- iii. Protect consumers of alcoholic drinks from misleading or deceptive inducements and inform them of the risks of excessive consumption of alcoholic drinks;
- iv. 2015 Homa Bay County Alcoholic Drinks Control No. 8 Protect the health of persons under the age of eighteen years by preventing their access to alcoholic drinks Inform and educate the residents in the County on the health, social and economic consequences of the consumption of alcoholic drinks;
- v. Adopt and implement effective measures to eliminate illicit trade in alcohol including smuggling, illicit manufacturing and counterfeiting;
- vi. Ensure fair and ethical business practices related to production, distribution, promotion and scale of alcoholic drinks;
- vii. Reduce and mitigate the negative health, social and economic impact on communities resulting from production, sale and consumption of alcoholic drinks;
- viii. Promote fair trade practices.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to:

- i. Issue the licences in accordance to the act
- ii. Carry out public education on alcoholic drinks control in the county directly and in collaboration with other public or private bodies and institutions
- iii. Facilitate citizen participation in matters that relate to alcoholic drinks and drug abuse in accordance to the framework for citizen participation established under County Government and National Government legislations
- iv. Facilitate and promote in collaboration with other county and National government institutions the establishment of treatment and rehabilitation facilities and programs
- v. Carry out research directly or in collaboration with other institutions and serve as the repository of data and statistics related to alcoholic drinks and drug abuse control; and maintain a register of alcoholic license within the county

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- vi. Develop in collaboration with other County and National government departments strategies and plans for implementing this Act and any other relevant National legislation relating to control of alcohol abuse and coordinate and support their implementation
- vii. Advise the executive member generally on the exercise of his/her powers and functions under the Act, and in particular on County policies and laws to be adopted in regards to the production, manufacture, sale and consumption of alcoholic drinks
- viii. In collaboration with other relevant County departments prepare and submit an alcoholic drinks status report bi- annually in the prescribed manner to the executive member which shall be transmitted to the County Executive Board and County assembly
- ix. Recommend to the executive member the formulation of laws and regulations related to alcoholic drinks.
- x. Monitoring and evaluating the implementation of the Act including the operation of the sub county committees and advising the executive member on the necessary measures to be adopted
- xi. In collaboration with other County sub- board and enforcement board prepare and submit to the executive on quarterly basis, an alcohol abuse control status report containing such matters as may be specified by the executive member
- xii. Carry out such other roles necessary for the implementation of the objects and purpose of the Act and perform other such functions as may, from time to time, be assigned by the executive member

SOURCE OF FUNDS

The Fund shall consist of-

- a) such monies as may be appropriated by the County assembly;
- b) such license and other fees as may be payable under this Act;
- c) such sums received, including contributions, gifts or grants from or by way of testamentary bequest by any person;
- d) monies earned or arising from any investment of the fund;
- e) all other sums which may in any investment of the fund;
- f) all other sums which may in any manner become payable to, or vested in the fund

EXPENDITURE OF THE FUND

The Fund shall be used for meeting the capital and recurrent expenditure relating to-

- g) carrying out the functions of the committee stipulated under section 4;
- h) assisting in the operations of the sub-county committees;
- i) any other matter incidental to the matters stated in paragraph (a) and (b).

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

There is established a committee to be known as the Alcoholic Drinks Control Committee which shall be in the department of Trade, Industrialization, Cooperatives and Investment.

The Homa Bay County Alcoholic Drinks Control Committee under the department of Trade, Industrialization, Cooperatives and Investment shall consist of the following-

**Homa Bay County Alcoholic Drinks Control Fund
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- i. The Chief Officer, Department of Trade ,Industrialization, Cooperatives and Investment who shall be the chairperson
- ii. The officer for the time being in charge of County Public Health;
- iii. The officer commanding Kenya Police services in the County;
- iv. The officer responsible for coordination of national government functions in the county (County Commissioner);
- v. One officer designated by the Committee who shall be the Secretary who shall be an ex-officio member;
- vi. Director Trade;
- vii. The officer for the time being responsible physical planning in the county;
- viii. One officer designated by the county director of education;
- ix. Eight resident of the County, one per sub-county appointed by the Executive member through a competitive process in accordance with the prescribed rules, one of whom shall be the Co-Chair/
- x. All the sub county Trade officers
- xi. All the sub county Administrators

For the period ending 30th June 2022, the membership of the committee was as shown below:

Ref	Name	Position
1	Joashua Orero	Chief Officer Trade / Chairperson
2	Bob Onimo	Co-Chairperson
3	Everlyne L. Akinyi	Member
4	Beatrice Adhiambo	Member
5	Lilian Akinyi Odoyo	Member
6	Dick Orwa Omollo	Member
7	Joseph Ogwang	Member
8	George Frank Okoth Bor	Member
9	Edward Odhiambo	Member
10	The County Commissioner	Member
11	Representative from DCC's office	Member
12	The officer commanding Kenya Police Service in the county	Member
13	Representative from County Public Health Department	Member
14	Representative from County Education office	Member
15	Representative from County physical planning office	Member
16	Director Trade or his/ her representative	Member
17	One officer designated by the Board as an ex-officio member	ex-officio member/ secretary

**Homa Bay County Alcoholic Drinks Control Fund
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d) Key Management

Ref	Name	Position
1	Aguko Juma	CEC Trade - Member
2	Joshua Orero	Chief Officer Trade- Chairperson
3	Bob Onimo	Co-Chair
4	Sam Owiyo	Director Trade

**Homa Bay County Alcoholic Drinks Control Fund
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Administration of the Fund

The Fund is administered by the chairperson of the committee (Chief Officer Trade, Industrialization, and Cooperative Development & Investment).

The chairperson may, with the approval of the Executive member (CECM Trade) for the time being responsible for finance, invest or place on a deposit account any of the monies of the fund and any interest earned on the monies so invested or deposited shall be placed to the credit of the Fund.

Functions of the administrator of the fund shall be to:

- i. supervise and control the administration of the fund;
- ii. impose conditions on the use of any expenditure personally authorized and may impose any restriction or other requirements concerning use of expenditure;
- iii. ensure the earnings of, or accruals to the fund are retained in the fund, unless the county executive member for finance and economic planning direct otherwise;
- iv. ensure that money held in the fund, including any earnings or accruals in paragraph (c) is spent only for the purposes for which the fund is established;
- v. cause to be kept proper, books of account and other books and records in relation to the Fund as well as to all the various activities and undertakings of the Funds;
- vi. prepare, sign and transmit through the executive member for finance to the Auditor General in respect of each financial year and within three (3) months after end thereof, a statement of accounts relating to the Fund in accordance with the Public Audit Act, 2003 and in such details as the County Treasury may from time to time direct;
- vii. furnish such additional information as may be required for examination and audit by the Auditor General or under any law;
- viii. ensure that the accounts of the fund and annual financial statements relating to those accounts comply with the accounting standards prescribed and established by the Accounting Standards Board from time to time;
- ix. present financial statements to the County Assembly;
- x. designate such staff as may be necessary to assist in the management of the Fund provided that such staff shall work in the department of Trade, Industrialization, Cooperatives and Investment;
- xi. Publish and publicize the fund and usage of money through the fund

e) Registered Offices

Homa Bay County Alcoholic Drinks Control Fund

P.O. Box 21

Department of Trade, Industrialization & Enterprise Development office

Behind County Commissioner Office Block

Homa Bay

KENYA

**Homa Bay County Alcoholic Drinks Control Fund
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f) Fund Contacts

C.O Trade, Industrialization: Telephone: (254) 722739501

E-mail: hbcgrtrade22@gmail.com

Website:

g) Fund Bankers

Equity Bank (K) Ltd- Homa Bay Branch

h) Independent Auditors

Auditor General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GOP 00100

Nairobi, Kenya

i) Principal Legal Adviser

The County Attorney

Homa Bay County Headquarters

P.O.Box 469

Homa Bay

The Attorney General

State Law Office

Harambee Avenue

P.O. Box 40112

City Square 00200

Nairobi, Kenya

Homa Bay County Alcoholic Drinks Control Fund
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2. Fund Chairperson's Report

The Homa Bay County Alcoholic Drinks Control Fund has in its functions of controlling quality of liquor produced and sold, controlling consumption of liquor, mitigating the adverse effect of excess intake of alcoholic drinks as well as protecting the public against operations of bars near schools and other prohibited areas, has in the financial year 2021-2022 achieved a milestone in comparison to previous years.

The fund changed its structure by including all the Sub County Administrators and Trade officers to be members of the board both at the County and the Sub county levels. This was to bring the services of the board closer to the people by also involving the DCC, OCPD, Chiefs and Ward Administrators in operations of the board.

In review of the routine functions, the board in collaboration with partners and other stakeholders has a planned to set up a treatment and rehabilitation centre in Homa Bay. This plan will boost the lives and social stature of the affected individuals in the county once implemented.

The fund however had as a short term plans of identify the liquor addicts in the county of Homa Bay and send them to already existing treatment /rehabilitation centres before completion of the Homa Bay County Rehabilitation and treatment centre.

In the period 2021-2022, the fund collected a total of KES. 1,606,000 from its operations and spent KES. 1,468,011 on its day to day activities. This position is expected to improve in the coming Financial Year as the new cashless system of revenue collection is rolled out.

The fund in its day to day operations has faced numerous challenges eg

- i. Lack of proper budget
- ii. Lack of master register of liquor stores in the county
- iii. Smuggled alcoholic drinks from the neighboring countries of Uganda and Tanzania
- iv. Effects of Covid 19 which reduced business hence less collections
- v. Difficulty in getting grants and development partners
- vi. Reluctance on the side of National government in sparing structural development
- vii. Resistance on new collection system

The fund is now seeking high levels of cooperation and partnership with other stakeholders and the national government in achieving bigger goals.



Name: Mr. Joshua Orero (Chief Officer Trade)

Chairperson



**Homa Bay County Alcoholic Drinks Control Fund
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3. 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 Fund Government entities in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the county government Fund's performance against predetermined objectives.

The key development objectives of the Fund as per the strategic plan for 2021-2022 FY are to:

- a) *Provide quality physical infrastructure in terms of Rehabilitation and Treatment Centre in the County*
- b) *Provide proper protection to consumers of Alcoholic drinks by maintaining high quality of products in the market.*
- c) *Provide protection to manufactures and traders of Alcoholic drinks against illicit and poor quality products*
- d) *Protection of learning institution against operation of Liquor stores near those institutions and prohibiting sale of alcohol to under age.*
- e) *Prompt review of Alcoholic drinks Control Policies to respond to rising challenges of alcohol manufacturing, sale, consumption and promotion within the county.*

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Formation of sub county Liquor control committee	To bring all the functions closer to the people and increase level of activities.	Increased efficient collection of liquor fees and high level protection of the public	30% of new stores identified, regulated and incremental revenue collected	In FY 21/22 we increased Revenue collection and well controlled Liquor outlets by 30% Rangwe and Rachuonyo South Sub counties demonstrated high levels of efficiency in activities
Adoption of Cashless Revenue Collection System	To reduce cash mismanagement at the Source	Efficient and safe system of collection of revenue to be installed and operated by all sub counties	40% Increase in collection and activities to be realised	The increase cash collected to be transferred to the Board for the up to 40% increased activities
Youth Sensitization activities	To educate youths on effects of alcohol, help them avoid abuse of alcohol by introducing other	30% new youths trained and joins tournaments organised by the board	2 Tournaments in the county and 1 Sensitization campaign in 8 sub counties.	Increased awareness in all sub counties and several talented sports persons identified among the youths to play youths from other counties

**Homa Bay County Alcoholic Drinks Control Fund
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	activities to keep them busy				
Rehabilitation and Treatment of addicts	To correct the addicts and the alcohol related challenges in the county	Improved health status	Planned development of treatment centre under way	Several persons expected to benefit from the rehabilitation and treatment centres.	expected from the planned and

**Homa Bay County Alcoholic Drinks Control Fund
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4. Report of the Committee

The committee submit their report together with the audited financial statements for the year ended June 30, 2022 which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund are *set out in pages iii- xi*

Results

The results of the Fund for the year ended June 30, 2022 are set out on pages 1 to 20

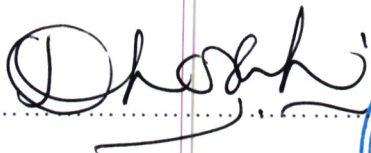
Committee

The members of the committee who served during the year are shown on page vii to ix. The changes in the Board during the financial year are as shown below:

Auditors

The Auditor General is responsible for the statutory audit of the Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015. OR [XYZ Certified Public Accountants were nominated by the Auditor General to carry out the audit of the *Fund* for the year/period ended June 30, 2022 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Committee



Chair of the Committee

Date:



**Homa Bay County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

5. Statement of Management's Responsibilities

Section 167 of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Administrator of a County Public Fund established by The Homa Bay County Alcoholic Drinks Control Act 2015 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

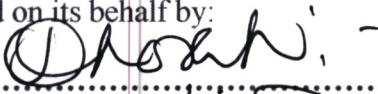
The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) 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 Homa Bay County Alcoholic Drinks Control Act 2015. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Fund's financial statements were approved by the Board on _____ 2022 and signed on its behalf by:



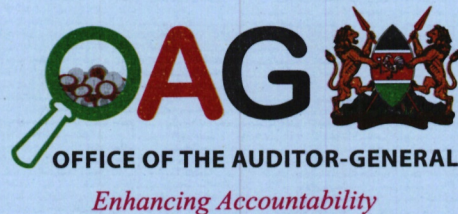
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Administrator of the Homa Bay County Alcoholic Drinks Control Fund



REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON HOMABAY COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the 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 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 Government achieves value for money and that such funds are applied for the intended purpose.
- 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, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 Homabay County Alcoholic Drinks Control Fund set out on pages 1 to 20, which comprise the statement of financial position as at 30 June, 2022, 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

Report of the Auditor-General on Homabay County Alcoholic Drinks Control Fund for the year ended 30 June, 2022

of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Homabay County Alcoholic Drinks Control Fund as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Homa Bay County Alcoholic Drinks Control Act, 2015.

Basis for Qualified Opinion

1. Fine, Penalties and Other levies

The statement of financial performance reflects Kshs.1,606,000 in respect of fines, penalties and other levies and as disclosed in Note 1 to financial statements. However, audit review of the records in respect of liquor licensing fees and other levies collected revealed the following anomalies:

- i. Management had not mapped all the businesses operating within the County and failed to maintain a register of all registered liquor businesses;
- ii. Failure by revenue collectors to acknowledge in the counter foil receipt book register the receipt books issued to them for the purpose of collecting Liquor Licenses fees. In addition, it was noted that the revenue collectors were re-issued with receipt books before properly accounting for the previously issued or filled up copies;
- iii. Failure to maintain collection control sheets with serial numbers of receipt books for the licenses provided;
- iv. Lack of official receipts issued in respect of cash collections for liquor licensing from the outlets in support of the amounts collected; and
- v. Lack of reconciliations between total revenue collected and revenue banked. In addition, banking by the collectors were not verifiable and there were rampant cases of spending revenue at source before banking.

In the circumstance, the accuracy, validity and completeness of revenue balance of Kshs.1,606,000 could not be confirmed.

2. Unsupported Committee Allowance

The statement of financial performance reflects use of goods and services expenditure balance of Kshs.1,468,011 which as disclosed in Note 2 to the financial statements includes Committee allowances of Kshs.487,500. However, Management did not provide for audit review the recommended rates of remuneration of the Committee Members.

In the circumstances, the propriety of revenue of Kshs.487,500 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Homabay County Alcoholic Drinks Control Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis of Conclusion

Lack of an Approved Budget

Review of the statement of comparison of budget and actual amount for the period ended 30 June, 2022 revealed that the Fund did not have an approved budget contrary to the provision of Regulation 31(a) of the Public Finance Management Regulations (County Governments), 2015 which requires that all revenue and expenditure to be entered in the budget estimates.

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

Basis of 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, based on the procedures performed, except for the matters described in the Basis for Conclusions on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis of Conclusion

1. Anomalies in Procurement and Stores Management System

Audit review of procurement processes revealed the following anomalies:

- i. Lack of pre-qualified list of suppliers and providers of various categories of goods and services or minutes of the procurement proceedings through which the suppliers were shortlisted;
- ii. Failure to maintain critical procurement documents like tender/quotation opening registers/minutes, evaluation minutes/reports that indicating due diligence during award and adjudication stage including but not limited to assessing company's beneficial ownership, financial capacity and past experiences; certificates of professional opinions by the head of procurement and executed contract documents;
- iii. Goods procured and delivered were not taken on charge in the store's ledgers for controlled issuance to the user departments; and
- iv. Use of cash in the form of temporary imprests to procure goods and services.

In the circumstances, there was lack of internal controls and equity in the procurement of goods and services.

2. Ineffective Audit Committee

Audit review of records revealed that the Audit Committee did not deliberate upon and adopt the reports finalized by the internal audit unit.

In the circumstance, oversight of the Management function of internal controls, risk management and governance were lacking.

Basis of Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 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 such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or 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 Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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


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

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgment 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to 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

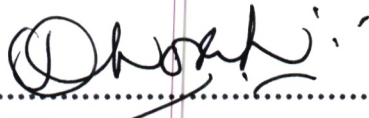
31 March, 2023

HOMA BAY COUNTY ALCOHOLIC DRINKS CONTROL FUND
Annual Report and Financial Statements for the year ended June 30, 2022

7. Statement of Financial Performance for the Year Ended 30th June, 2022

	Note	2021-2022
		Kshs
Revenue From Non-Exchange Transactions		
Fines, penalties and other levies	1	1,606,000
Total Revenue		1,606,000
Expenses		
Use of goods and services	2	1,468,011
Total Expenses		1,468,011
Surplus For The Period		137,989

(The notes set out on pages 6 to 19 form an integral part of these Financial Statements)


 Name:

Administrator of the Fund




 Name:

Fund Accountant


ICPAK Member Number:

**Homa Bay County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

8. Statement of Financial Position As At 30 June 2022

	Note	2021-2022 Kshs
Assets		
Current Assets		
Cash and Cash Equivalents	3	178,872
Total Assets		178,872
Net Assets		
Accumulated Surplus		178,872
Total Net Assets and Liabilities		178,872

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The Fund financial statements were approved on _____ 2022 and signed by:



.....
Name:

Administrator of the Fund



.....
Name:

Fund Accountant

ICPAK Member Number:



HOMA BAY COUNTY ALCOHOLIC DRINKS CONTROL FUND
Annual Report and Financial Statements for the year ended June 30, 2022

9. Statement Of Changes in Net Assets for the year ended 30th June 2022

	Accumulated surplus	Total
	Kshs	Kshs
Balance As At 1 July 2021	40,883	40,883
Surplus For the Period	137,989	137,989
Balance As At 30 June 2022	178,872	178,872

Dhokhi

.....
Name:

Administrator of the Fund



[Signature]

.....
Name:

Fund Accountant

ICPAK Member Number:

HOMA BAY COUNTY ALCOHOLIC DRINKS CONTROL FUND
Annual Report and Financial Statements for the year ended June 30, 2022

10. Statement of Cash Flows for the Year Ended 30 June 2022

	Note	2021-2022
		Kshs
Cash flows from operating activities		
Revenue From Non-Exchange Transactions		
Fines, penalties and other levies	1	1,606,000
Total receipts		1,606,000
Payments		
Use of Goods and Services	2	1,468,011
Net cash flows from operating activities		137,989
Net Increase in Cash and Cash Equivalents		137,989
Cash and Cash Equivalents as at 1 July 2021		40,883
Cash and Cash Equivalents as at 30 June 2022	3	178,872

(IPSAS 2 allows an Fund 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)



.....
 Name:
 Administrator of the Fund

.....
 Name:
 Fund Accountant
 ICPAK Member Number:

HOMA BAY COUNTY ALCOHOLIC DRINKS CONTROL FUND
Annual Report and Financial Statements for the year ended June 30, 2022

11. Statement of Comparison of Budget and Actual Amounts for the Period

Receipt/Payments	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Realization Difference	% of Realization
	a	B	c=a+b	d	e=c-d	f=d/c %
Receipts	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Fines, penalties and other levies	0	0	0	1,606,000	0	
Total Receipts	0	0	0	1,606,000	0	
Payments						
Use of Goods and Services	0	0	0	1,468,011	0	
Total Payments	0	0	0	(1,468,011)	0	
Balance	0	0	0	137,989	0	

Budget notes

1. Provide explanation of differences between actual and budgeted amounts (10% over/ under) IPSAS 24.14
2. Provide an explanation of changes between original and final budget indicating whether the difference is due to reallocations or other causes. (IPSAS 24.29)
3. Where the total of actual on comparable basis does not tie to the statement of financial performance totals due to differences in accounting basis(budget is cash basis, statement of financial performance is accrual) provide a reconciliation.

12. Notes to the Financial Statements

1. General Information

Homa Bay County Alcoholic Drinks Controls Fund is established by and derives its authority and accountability from Alcoholic Drinks Control Act 2015. The Fund is wholly owned by the Homa Bay County Government and is domiciled in Kenya. The Fund's principal activity is to protect the public from the effect of alcoholic drinks while giving the traders on this substances a regulated platform to operate their businesses.

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

(i) Relevant new standards and amendments to published standards effective for the year ended 30 June 2022

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023: 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 Fund'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"> • 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; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Fund's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.

**Homa Bay County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard		Effective date and impact:
IPSAS 42: Benefits	Social	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Fund provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Fund;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Fund's financial performance, financial position and cash flows.</p>
Amendments to Other resulting from IPSAS 41, Financial Instruments	to IPSAS Financial	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS		<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> • <i>IPSAS 39: Employee Benefits</i> <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p>
IPSAS 43		<p>Applicable 1st January 2025</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 cashflows of an Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Current Assets	Non-Held	<p>Applicable 1st January 2025</p> <p>The Standard requires,</p>

**Homa Bay County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Standard		Effective date and impact:
for Sale Discontinued Operations	and	<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>

(iii) Early adoption of standards

The Fund did not early – adopt any new or amended standards in year 2022.

Homa Bay County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2022

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 Fund 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.

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly on 30 June 2021. 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 Fund upon receiving the respective approvals in order to conclude the final budget.

The Fund'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 11 of these financial statements.

Summary Of Significant Accounting Policies (Continued)

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 Fund 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.

a) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

**Homa Bay County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Summary Of Significant Accounting Policies (Continued)

Held-to-maturity

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

Impairment of financial assets

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

- The debtors or a Fund of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Fund determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

Loans and borrowing

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

Homa Bay County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2022

Summary Of Significant Accounting Policies (Continued)

b) 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 Fund.

c) Provisions

Provisions are recognized when the Fund 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 Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The Fund does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Summary Of Significant Accounting Policies (Continued)
Contingent assets

The Fund 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 Fund 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.

d) Nature and purpose of reserves

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

e) Changes in accounting policies and estimates

The Fund recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

f) Employee benefits – Retirement benefit plans

The Fund provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an Fund pays fixed contributions into a separate Fund (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.

g) 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.

**Homa Bay County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Summary Of Significant Accounting Policies (Continued)

h) 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.

i) Related parties

The Fund regards a related party as a person or an Fund with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

j) 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.

k) Comparative figures

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

l) Events after the reporting period

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

m) Ultimate and Holding Fund

The Fund is a County Public Fund established by Homa Bay County Alcoholic Drinks Control Act, 2015 under the Department of Trade, Industrialization, Cooperative and Investment. Its ultimate parent is the County Government of Homa Bay.

n) Currency

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

Summary Of Significant Accounting Policies (Continued)

4. Significant judgments and sources of estimation uncertainty

The preparation of the Fund'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 Fund 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 Fund. 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 Fund
- 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 xxx.

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

HOMA BAY COUNTY ALCOHOLIC DRINKS CONTROL FUND
Annual Report and Financial Statements for the year ended June 30, 2022

10. Statement of Cash Flows for the Year Ended 30 June 2022

	Note	2021-2022
		Kshs
Cash flows from operating activities		
Revenue From Non-Exchange Transactions		
Fines, penalties and other levies	1	1,606,000
Total receipts		1,606,000
Payments		
Use of Goods and Services	2	1,468,011
Net cash flows from operating activities		137,989
Net Increase in Cash and Cash Equivalents		137,989
Cash and Cash Equivalents as at 1 July 2021		40,883
Cash and Cash Equivalents as at 30 June 2022	3	178,872

(IPSAS 2 allows an Fund 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)



[Handwritten signature]

.....
 Name: _____
 Administrator of the Fund

[Handwritten signature]

.....
 Name: _____
 Fund Accountant
 ICPAK Member Number: _____



**Homa Bay County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Other Disclosures

4. 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 Homa Bay County Government;
- b) The Department of Trade, Industrialization, Cooperative Development and Investment;
- c) Key management;
- d) Board of Trustees/ Alcoholic Drinks control committee; etc

b) Related party transactions

	2021-2022
	Kshs
Transfers From Related Parties'	0
Transfers To Related Parties	0

c) Key management remuneration

	2021-2022
	Kshs
Board Of Trustees	0
Key Management Compensation	0
Total	0

d) Due from related parties

	2021-2022
	Kshs
Due From Parent Ministry	0
Due From County Government	0
Total	0

**Homa Bay County Alcoholic Drinks Control Fund
Annual Report and Financial Statements for the year ended June 30, 2022**

Other Disclosures Continued

e) Due to related parties

	2021-2022
	Kshs
Due To Parent Ministry	0
Due To County Government	0
Due To Key Management Personnel	0
Total	0

5. Financial risk management

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

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

a) Credit risk

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

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Bank Balances	178,872	178,872	0	0
Total	178,872	178,872	0	0

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

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uncollectible amounts that the Fund has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

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

b) 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 Fund capital structure comprises of the following funds:

	2021-2022
	Kshs
Accumulated surplus	178,872
Total funds	178,872
Total borrowings	0
Less: cash and bank balances	(178,872)
Net debt/(excess cash and cash equivalents)	-
Gearing	0.0%

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13. Progress on Follow up of Prior Year Auditor's Recommendations

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

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)

This is the first time the Fund is being audited

Shahidi





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