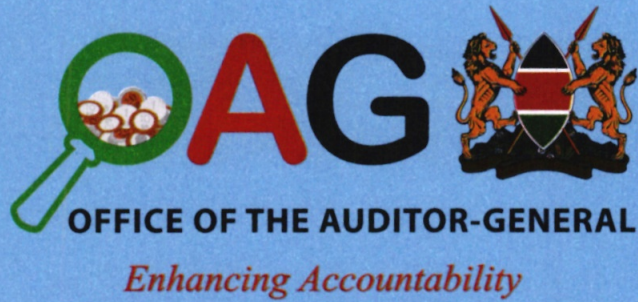


REPUBLIC OF KENYA



REPORT

OF

PARLIAMENT
OF KENYA
LIBRARY

THE AUDITOR-GENERAL

ON

**KERICHO COUNTY ALCOHOLIC DRINKS
CONTROL FUND**

**FOR THE YEAR ENDED
30 JUNE, 2023**

	PAPERS LAID
DATE	12/03/2024
TABLED BY	MAZORIT LEADER
COMMITTEE	FINANCE
CLERK AT THE TABLE	CAPROP



COUNTY GOVERNMENT OF KERICHO

KERICHO COUNTY ALCOHOLIC DRINKS CONTROL FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED JUNE 30, 2023

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

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

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**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

1. Acronyms and Glossary of Terms

a) Acronyms

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

b) Glossary of Terms

Fiduciary Management The key management personnel who had financial responsibility
*Provide a list of Acronyms and Key terms used in the financial report as per above example.
The list to be exhaustive)*

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

2. Key Entity Information and Management

a) Background information

Kericho County Alcoholic Drinks Fund is established by and derives its authority and accountability from Kericho County Alcoholic Drinks Act, 2014. The Fund is wholly owned by the County Government of Kericho and is domiciled in Kenya.

The fund's objective is to provide for licensing of alcoholic drinks by the County Government pursuant to Part II 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 dependent on alcoholic drinks in order to :-

- (a) Protect the health of the individual in the light of the dangers of excessive consumption of alcoholic drinks;
- (b) Protect persons under the age of eighteen years from negative impact on health and social development from exposure to advertisements of alcoholic drinks;
- (c) Protect consumers of alcoholic drinks from misleading or deceptive inducements and inform them of the risks of excessive consumption of alcoholic drinks;
- (d) Protect the health of persons under the age of eighteen years by preventing their access to alcoholic drinks;
- (e) Inform and educate the residents in the county on the harmful health, economic and social consequences of the consumption of alcoholic drinks;
- (f) Adopt and implement effective measures to eliminate illicit trade in alcohol including smuggling, illicit manufacturing and counterfeiting;
- (g) Ensure fair and ethical business practices related to production, distribution, promotion and sale of alcoholic drinks;
- (h) Reduce and mitigate the negative health, social and economic impact on communities resulting from production, sale and consumptions of alcoholic drinks.

b) Principal Activities

The principal activity/mission/ mandate of the Fund is to meeting the capital and recurrent expenditure relating to carrying out the functions of the Alcoholic Drinks Control Department as stipulated under section 4 of the Act and facilitate the operations of the Sub-County, Review and Enforcement Committees.

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

a) Fund Administration Committee

Ref	Name	Position
1	Chairperson- Ag. CECM Trade	Hon. Edna Tonui
2	Secretary- CO Trade	Mr. Willy Rop
3	Programme Officer	Joseph Rotich
4	Finance Officer	Evaline Too
5	Licensing Officer	Sharon Boit
6	Research Officer	Reuben Langat

b) Key Management Steam

Ref	Name	Position
1	Chairperson- Ag. CECM Trade	Hon. Edna Tonui
2	Secretary- CO Trade	Mr. Willy Rop
3	Programme Officer	Joseph Rotich
4	Finance Officer	Evaline Too
5	Licensing Officer	Sharon Boit
6	Research Officer	Reuben Langat

Key Entity and Management (Continued)

c) Fiduciary Oversight Arrangements

SN	Position	Name
1	Directorate Internal Audit	Caroline Chepkemoi
2		
3		

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

d) Registered Offices

P.O. Box 112-20200
Trade Building
Next to Uhuru Gardens
Kericho, KENYA.

e) Fund Contacts

E-mail: info@kericho.go.ke
Web: www.kericho.go.ke
Telephone: (254) 722 877 413

f) Fund Bankers

Equity Bank
Kericho Branch
P.O. Box 1562-20200
Kericho, Kenya

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

Key Entity and Management (Continued)

g) Independent Auditors

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




h) Principal Legal Adviser

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

i) County Attorney




**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

3. Fund Administration Committee

Name		Details of qualifications and experience	Passport size photo
1.	Hon. Tonui Edna	She is the Ag. County Executive Committee Member for Trade, Industrialization, Innovation, Tourism and Wildlife and the Fund's Chairperson.	
2.	Mr. Willy Rop	He is the Chief Officer- Trade, Industrialization, Innovation, Tourism and Wildlife and the Secretary to the Fund	
3.	Joseph Rotich	He is the Ag. Director Trade, Industrialization & Innovation. He holds a Master's Degree in Business Administration (Strategic Management) and the Program Officer to the Fund	
4.	Evaline Too	She the Accountant to the Department. She Holds a BCOM (Accounting), CPA (K) and the Finance Officer to the Fund	
5.	Sharon Boit	She is a Sub County Trade Development Officer. She holds a Master's Degree in Business Information Administration (Strategic Management) and the Licensing Officer to the Fund	
6.	Reuben Langat	He is the Administrator in the Department. He holds a CPS II and the Research Officer to the Fund	

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

4. Management Team

Name	Details of qualifications and experience	
1. Hon. Edna Tonui	She is the Ag. County Executive Committee Member for Trade, Industrialization, Innovation, Tourism and Wildlife and the Fund's Chairperson.	
2. Mr. Willy Rop	He is the Chief Officer- Trade, Industrialization, Innovation, Tourism and Wildlife and the Secretary to the Fund	
3. Joseph Rotich	He is the Ag. Director Trade, Industrialization & Innovation. He holds a Master's Degree in Business Administration (Strategic Management) and the Program Officer to the Fund	
4. Evaline Too	She the Accountant to the Department. She Holds a BCOM (Accounting), CPA (K) and the Finance Officer to the Fund	
5. Sharon Boit	She is a Sub County Trade Development Officer. She holds a Master's Degree in Business Information Administration (Strategic Management) and the Licensing Officer to the Fund	
6. Reuben Langat	He is the Administrator in the Department. He holds a CPS II and the Research Officer to the Fund	

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**


7. Fund Chairperson's Report

Kericho County Alcoholic Drinks Fund is established by and derives its authority and accountability from the Kericho County Alcoholic Drinks Act, 2014. The Fund is wholly owned by the County Government of Kericho and its objective is to provide for licensing of alcoholic drinks premises by the County Government of Kericho pursuant to Part II of the Fourth Schedule of the Constitution of Kenya 2010.

The Act states that the department shall in collaboration with other relevant county and national government agencies establish treatment and rehabilitation facilities and programs for person's dependent on liquor in each sub-county. This is one of the very important functions of the Fund that is geared towards alleviating the suffering of many people who have fallen victim of alcohol addiction. In this regard the department has identified relevant partners to operationalize the same. A suitable site for the county rehabilitation centre has also been identified.

Waste Management has become a significant business issue for bars in recent years. Costs have grown dramatically; landfill capacity has become increasingly scarce and expensive. Stringent legislation has been introduced around the world to ensure optimum waste management practices in bar businesses. Opportunities have to be found to reduce, re-use and recycle waste streams, while ensuring residual waste is managed in a responsible and efficient manner in compliance with the relevant legislation.

In order to improve compliance of the liquor Act, the department will work closely with the sub county committees especially on the enforcement of the liquor regulations. This will go a long way in increasing revenue collection and providing a conducive environment for the premises dealing in liquor business.


Hon. Edna Tonui

**Ag. County Executive Committee Member
Trade, Industrialization, Innovation, Tourism & Wildlife**

Date 30.9.2023.....

Chairperson of the Fund

8. Report of the Fund Administrator

This is the County Government of Kericho Annual Report for the Kericho County Alcoholic Drinks Fund. This report was prepared and presented as required by Section 168 of the Public Financial Management (PFM) Act 2012. The report expounds on local collections and transfers in relation to liquor licensing.

The guiding legislation is the Kericho County Alcoholic Drinks Fund, 2014 that was assented to on 29th April, 2014 and commenced on 16th May, 2014. The Fund Administrator is CEC Finance and Economic Planning and its primary purpose is meet capital and recurrent expenditure in carrying out operations of Alcoholic Drinks section under the Department of Trade, Industrialization, Innovation, and Tourism & Wildlife.

The Department experienced an increase in licence fees collections since centralizing licensing in the middle of the financial year 2022-23. The County Government will endeavour to engage liquor operators to ensure timely collection and sensitise them on matters related to the Act and relevant regulations.

The coming into effect of the enforcement committee assisted a great deal in enforcing the Act and making sure most outlets operate within the law. However, there is still a lot of ground to be covered to ensure all stakeholders adhere to the set rules.



Mr. Willy Rop

Chief Officer

Trade, Industrialization, Innovation, Tourism & Wildlife

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

9. Statement of Performance against the County Fund's Predetermined Objectives

Introduction

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

The fund's objective is to provide for licensing of alcoholic drinks by the County Government pursuant to Part II 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 dependent on alcoholic drinks in order to: –

- (a) Protect the health of the individual in the light of the dangers of excessive consumption of alcoholic drinks;
- (b) Protect persons under the age of eighteen years from negative impact on health and social development from exposure to advertisements of alcoholic drinks;
- (c) Protect consumers of alcoholic drinks from misleading or deceptive inducements and inform them of the risks of excessive consumption of alcoholic drinks;
- (d) Protect the health of persons under the age of eighteen years by preventing their access to alcoholic drinks;

Progress on attainment of Strategic development objectives

Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Induction of the Enforcement Committee Members	To impact the necessary skills to the enforcement committee members	No. of enforcement committee members inducted	% of the committee members inducted	During FY 2022-23, 6 members of the committee underwent induction on best practices in enforcement
Public education on liquor matters	To sensitize the liquor operators on best practices in the sector	No. of liquor operators educated	% of liquor operators educated	In the FY 2022-23, 220 liquor operators received education on emerging trends and regulation in the sub sector

10. Corporate Governance Statement

The Kericho County Alcoholic Drinks Act, 2014 establishes four committees as follows;

County Alcoholic Drinks Control Department

Composition:

- a) Chairperson who shall be the executive member;
- b) Chief Officer who shall be the secretary
- c) Programme Officer
- e) Research Officer
- d) Finance Officer
- f) Licensing Officer

Sub County Alcoholic Drinks Regulation Committee

Composition:

- (a) Sub-county administrator appointed under the County Governments Act who shall be the chairperson;
- (b) The sub-county public health officer;
- (c) The officer commanding Kenya Police Services in the sub-county;
- (d) The officer commanding Administration Police in the sub-county;
- (e) One officer designated by the Department who shall be the Secretary and who shall be an ex officio member;
- (f) The officer responsible for coordination of national government functions in the sub-county;
- (g) the officer responsible for physical planning in the sub-county;
- (h) Three residents of the county appointed by the executive member

County Alcoholic Drinks Regulations Administrative Review Committee

Composition:

- a) Chairperson who shall be the executive member;
- b) Chief Officer who shall be the secretary
- c) Programme Officer
- d) Research Officer
- e) Finance Officer

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

County Alcoholic Drinks Control Enforcement Coordinating Committee

Composition:

- (a) The chief officer who shall be the chairperson of the Committee
- (b) The officer responsible for coordination of national government functions in the county
- (c) The County Public Health Officer
- (d) The officer in charge of Kenya Police Services in the county
- (e) The officer in charge of Administration Police Services in the county
- (f) *One officer appointed by Kenya Revenue Authority*
- (g) *One officer appointed by Kenya Bureau of Standards;*
- (h) *One officer appointed by Anti-Counterfeit Agency;*
- (i) *One officer appointed by Department of Weights and Measures;*
- (j) *Any other officers as the Governor may designate with the approval of the county assembly*

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

11. Management Discussion and Analysis

The Fund committee during the period ensured that the capital and recurrent expenditure related to carrying out the functions of the Alcoholic Drinks Control Department as stipulated under section 4 of the Kericho County Alcoholic Drinks Act, 2014 was implemented in compliance with statutory requirements and to facilitate the operations of the Sub-County, Review and Enforcement Committees.

12. Environmental and Sustainability Reporting

The Kericho County Alcoholic Drinks Fund exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy, which is founded on four pillars: putting the customer/Citizen first, delivering relevant goods and services, and improving operational excellence. Below is a brief highlight of our achievements in each pillar

1. Sustainability strategy and profile -

The top management especially the accounting officer made reference to sustainable efforts, broad trends in political and macroeconomics affecting sustainability priorities, referred to international best practices and key achievements and failures.

2. Environmental performance

Outlined clearly, environmental policy guiding the organisation, providing evidence of the policy. Outlined successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

3. Employee welfare

Gave account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explained efforts made in improving skills and managing careers, appraisal and reward systems. Disclosed the policy on safety in compliance with Occupational Safety and Health Act of 2007, (OSHA).

4. Market place practices-

The organisation outlined its efforts on:

a) Responsible competition practice.

Explained how the organisation ensures responsible competition practices with issues like anti-corruption, responsible political involvement, fair competition and respect for competitors

b) Responsible Supply chain and supplier relations

Explained how the organisation maintains good business practices, treats its own suppliers responsibly by honouring contracts and respecting payment practices.

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

c) Responsible marketing and advertisement

Outlined efforts to maintain ethical marketing practices

d) Product stewardship

Outlined efforts to safeguard consumer rights and interests

5. Corporate Social Responsibility / Community Engagements

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

13. Report of the Fund Committee

The fund committee submits their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Fund affairs.

Principal activities

The principal activities of the Fund is meeting the capital and recurrent expenditure relating to carrying out the functions of the Alcoholic Drinks Control Department as stipulated under section 4 of the Act and facilitate the operations of the Sub-County, Review and Enforcement Committees.

Results

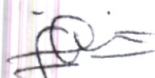
The results of the Fund for the year ended June 30, 2023 are set out on page 1 to 6

Committee

The members of the Fund Committee who served during the year are shown on page viii

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. Certified Public Accountants were nominated by the Auditor General to carry out the audit of the entity for the year/period ended June 30, 2023 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.



Chair of the Fund Administration Committee

Date: 30.9.2023

14. 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 Kericho County Alcoholic Drinks Fund, 2014 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the 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, 2023. 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 Kericho County Alcoholic Drinks Act, 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2023, 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.

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
For the year ended June 30th, 2023**

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 Fund Committee on 30.9.2023 2023 and signed on its behalf by:



Mr. Willy Rop
Chief Officer
Trade, Industrialization, Innovation, Tourism & Wildlife

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON KERICHO COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2023

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 the Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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 Kericho County Alcoholic Drinks Control Fund set out on pages 1 to 46, which comprise of the statement of financial position as at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget

Report of the Auditor-General on Kericho County Alcoholic Drinks Control Fund for the year ended 30 June, 2023

and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the Kericho County Alcoholic Drinks Control Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the Kericho County Alcoholic Drinks Fund Act, 2014.

Basis for Qualified Opinion

Unsupported Committee Allowances

As disclosed in Note 7 to the financial statements, the statement of financial performance reflects use of goods and services amount of Kshs.12,234,695 which includes an amount of Kshs.7,319,200 in respect of committee allowances. However, review of the supporting schedules provided for audit revealed an amount of Kshs.10,296,355 resulting to an unexplained and unreconciled variance of Kshs.2,977,155. Further, the expenditure of Kshs.10,296,355 was not supported with payment vouchers and imprest warrants.

In the circumstances, the accuracy and completeness of the expenditure of Kshs.7,319,200 in respect of committee allowances could not be confirmed.

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

Emphasis of Matter

Under-Collection of Revenue

The statement of financial performance and as disclosed in Note 3 to the financial statements reflects a total collection of revenue from non-exchange transactions balance of Kshs.17,476,911 representing actual collections during the year. However, review of schedules provided for audit revealed that the approved payment by the business owners was Kshs.17,710,900 resulting to an under-collection of Kshs.234,000.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, the Management has not resolved the issues or given any explanation for failure to do so, as part of the contents provided for in the reporting format prescribed by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Compliance with Fund Administration Expense Limit

Kericho County Alcoholic Drinks and Control Fund had an approved budget of Kshs.18,000,000 in the year under review. Review of fund administration expenses amounted to Kshs.12,234,865 that represents 70% of the total budget. This was contrary to Regulation 197(1)(d) of Public Finance Management (County Governments) Regulations, 2015 which states that the administration costs of the Fund shall be a maximum of three (3%) percent of the approved budget of the fund.

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

2. Irregular Use of Cash in Procurement of Printing

The statement of financial performance reflects use of goods and services amount of Kshs.12,234,695, which includes an amount of Kshs.1,868,885 in respect of printing and stationery which further includes an amount of printing and stationery of an amount of Kshs.721,885 procured through cash. This is contrary to Regulation 92(a) of the Public Procurement and Asset Disposal Regulation, 2020 which requires that a procuring entity may use low value procurement method under Section 107(b) of the Act, where the estimated cost of the services being procured at maximum level of expenditure under this method is Kshs.50,000 per item per financial year as per the threshold matrix in the Second Schedule.

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

3. Lack of an Approved Budget

The statement of comparison of budget and actual amounts reflects final revenue and expenditure amounts of Kshs.18,000,000 respectively. However, the Management did have an approved budget contrary to Section 39 (1) of the Public Finance Management (County Governments) Act, 2015 which states that each Accounting Officer shall within the guidelines of the supplementary budget circular and in conformity with budget guidelines issued by the County Executive Committee Member, prepare revised budget estimates in the format to be issued by the Cabinet Secretary.

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

4. Delay in Establishment of Rehabilitation Centres

Review of the operations of the Fund revealed that Management did not establish treatment and rehabilitation centres contrary to Section 3 of Kericho County Alcoholic Drinks Control Act, 2014 Part 1 which provides that some of the objectives of establishing the Fund was to establish research, treatment and rehabilitation centres, educating county residents on health and social consequences of alcoholic drinks and also to adopt and implement effective measures to eliminate illicit trade in alcohol including smuggling, illicit manufacturing and counterfeiting.

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

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Non-Automated Revenue Collection System

During the year under review, it was noted that maximum and prompt revenue collection from the County Alcoholics Drinks Fund was not achieved since the revenue stream was not automated or linked to the revenue system. The automated revenue collection system will minimize any leakages and maximize the revenue collection.

In the circumstances, the effectiveness of the revenue collection system could not be confirmed.

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

Responsibilities of 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 to sustain its services, disclosing, as applicable, matters related 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 which 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 on whether, in all material respects, 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, 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 controls 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 controls 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 which 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 controls 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 Fund's policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence which 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 controls.
- 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 which 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 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 which 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 controls that are identified during the audit.

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


16 February, 2024

**Kericho County Alcohol Drinks Control Fund
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16. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions		-	-
Public Contributions and Donations		-	-
Transfers From the County Government		-	-
Fines, Penalties and Other Levies	3	17,476,911	10,633,000
		17,476,911	10,633,000
Revenue From Exchange Transactions		-	-
Interest Income		-	-
Other Income		-	-
Total Revenue		17,476,911	10,633,000
Expenses		-	-
Employee Costs		-	-
Use of goods and services	7	12,234,695	10,494,530
Depreciation and Amortization Expense		-	-
Finance Costs		-	-
Other Payments-Transfers to CRF	8	5,223,616	121,670
Other Gains/Losses		-	-
Gain/Loss on Disposal of Assets		-	-
Surplus/(Deficit) for the Period		18,600	16,800

(The notes set out on pages 1 to 6 form an integral part of these Financial Statements)



Name: Willy Rop
Administrator of the Fund



Name: Jackline Langat
CO Finance

**Kericho County Alcohol Drinks Control Fund
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17. Statement of Financial Position as at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	13	36,000	17,400
Current Portion of Long- Term Receivables From Exchange Transactions		-	-
Prepayments		-	-
Inventories		-	-
Investments in financial assets		-	-
Total current assets		36,000	17,400
Non-Current Assets			
Property, Plant and Equipment		-	-
Intangible Assets		-	-
Long Term Receivables from Exchange Transactions		-	-
Investment Property		-	-
Total non- current assets		-	-
Total Assets		36,000	17,400
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions		-	-
Current Portion of Borrowings		-	-
Employee Benefit Obligations		-	-
Social benefit liabilities		-	-
Total current liabilities		-	-
Non-Current Liabilities			
Long Term Portion of Borrowings		-	-
Non-Current Employee Benefit Obligation		-	-
Social benefit liabilities		-	-
Total Liabilities		-	-

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Description	Note	2022-2023	2021-2022
		Kshs	Kshs
NetAssets		36,000	17,400
Revolving Fund		-	-
Reserves		-	-
Accumulated Surplus		36,000	17,400
TotalNetAssetsandLiabilities		36,000	17,400

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 30.9.2023 and signed by:



.....
Name: Willy Rop
Administrator of the Fund



.....
Name: Jackline Langat
CO Finance

**Kericho County Alcohol Drinks Control Fund
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18. Statement of Changes in Net Assets for the year ended 30th June 2023

<i>Description</i>	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
		Kshs	Kshs	Kshs
Balance As At 1 July 2021	-	-	600	600
Surplus/(Deficit) For the Period	-	-	16,800	16,800
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
BalanceAsAt30 June 2022	-	-	17,400	17,400
	-	-		
BalanceAs At 1 July 2022	-	-	17,400	17,400
Surplus/(Deficit)ForthePeriod	-	-	18,600	18,600
FundsReceived During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
BalanceAsAt30 June 2023	-	-	36,000	36,000

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19. Statement of Cash Flows for the Year Ended 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cashflowsfromoperatingactivities			
Receipts			
Publiccontributionsanddonations		-	-
Transfers from the county government		-	-
Interest received		-	-
Receipts from other operating activities	3	17,476,911	10,633,000
Total receipts		17,476,911	10,633,000
Payments			
Use of Goods and Services	7	12,234,695	10,494,530
General expenses			
Finance cost		-	-
Other payments-Transfer to CRF	8	5,223,616	121,670
		17,458,311	10,616,200
Net cashflowsfrom operatingactivities		18,600	16,800
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		-	-
Proceeds from sale ofproperty, plant& equipment		-	-
Proceeds from loan principal repayments		-	-
Loan disbursements paid out		-	-
Netcashflowsusedininvestingactivities		-	-
Cashflowsfromfinancingactivities			
Proceedsfromrevolving fund receipts		-	-
Additional borrowings		-	-
Repaymentofborrowings		-	-
Netcashflowsusedinfinancingactivities		-	-
Netincrease/(decrease)incash&cash Equivalents		18,600	16,800

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Cashandcashequivalentsat1July	12	17,400	600
Cashandcashequivalentsat30 June	12	36,000	17,400

**Kericho County Alcohol Drinks Control Fund
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20. Statement Of Comparison Of Budget And Actual Amounts For The Period

Description	Originalbudget	Adjustments	Finalbudget	Actualon comparable basis	Performance difference	% Utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	A	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
PublicContributions andDonations	-	-	-	-	-	
Transfers FromCounty Govt.						
Interest Income	-	-	-	-	-	
Other Income	18,000,000	-	18,000,000	17,476,911	523,089	99.8%
TotalIncome	18,000,000	-	18,000,000	17,476,911	523,089	99.8%
Expenses						
Use of goods and Services	12,500,000	-	12,500,000	12,234,995	265,005	93.8%
Employee Costs	-	-	-	-	-	
Other Payments - Transfer to CRF	5,500,000	-	5,500,000	5,223,616	276,374	94.7%
TotalExpenditure	-	-	-	17,458,311	(541,689)	
SurplusForthePeriod	-	-	-	18,600	-	
	-	-	-	-	-	
Capital expenditure	-	-	-	-		

Budget notes

Statement of comparison of budget and actual amounts for the period ended 30th June, 2023, has been done, 99.8% is total income (licence fees), 93.8% is use of goods and services and 94.7% is transfers to county revenue fund.

1. Notes to the Financial Statements

1. General Information

Kericho County Alcoholic Drinks Fund is established by and derives its authority and accountability from Kericho County Alcoholic Drinks Act, 2014. The Fund is wholly owned by the County Government of Kericho and is domiciled in Kenya.

Kericho County Alcoholic Drinks Fund entity is established by and derives its authority and accountability from Kericho County Alcoholic Drinks Act, 2014. The entity is wholly owned by the Kericho County Government and is domiciled in Kenya. The entity's principal activity is The fund's objective is to provide for licensing of alcoholic drinks by the County Government pursuant to Part II 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 dependent on alcoholic drinks .

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) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023

Standard	Effective date and impact
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>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

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Standard	Effective date and impact
	<p>financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</p> <ul style="list-style-type: none"> • 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 Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy)
<p>IPSAS 42: Social Benefits</p>	<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 Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> 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. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were

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Standard	Effective date and impact
	<p>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><i>Applicable 1st January 2023</i></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 20</p>

(ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></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 Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p>

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Standard	Effective date and impact:
for Sale and Discontinued Operations	<p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>

(iii) Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year.

1. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

ii. Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2022-2023 was approved by the Management on 9th Dec 2022. 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.

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A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actual as per the statement of financial performance has been presented under section 16 of these financial statements.

Summary of Significant Accounting Policies (Continued)

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

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

c) Property, plant and equipment

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

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.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. *Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over an 5-year period or investment property is measured at fair value with gains and losses recognised through surplus or deficit.* Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

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

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

g) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

h) Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

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

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

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

l) 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.

m) Employee benefits– Retirement benefit plans

The Entity provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable.

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

Summary of Significant Accounting Policies (Continued)

n) 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.

o) 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.

p) Related parties

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

q) 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.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

**Kericho County Alcohol Drinks Control Fund
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6. Notes To The Financial Statements

1. Public contributions and donations

Description	2022-2023	2021-2022
	Kshs	Kshs
Donation From Development Partners	-	-
Contributions From The Public	-	-
Total	-	-

2. Transfers from County Government

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From County Govt. –Operations	-	-
Payments By County On Behalf Of The Entity	-	-
Unconditional Development grants	-	-
Total	-	-

3. Fines, penalties and other levies

Description	2022-2023	2021-2022
	Kshs	Kshs
Late Payment Penalties	611,000	-
Licences	16,865,911	10,633,000
Total	17,476,911	10,633,000

4. Interest income

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Income from Mortgage Loans	-	-
Interest Income From Car Loans	-	-
Interest Income From Investments in financial assets	-	-
Interest Income On Bank Deposits	-	-
Total Interest Income	-	-

**Kericho County Alcohol Drinks Control Fund
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Notes to the Financial Statements Continued

5. Other income

Description	2022-2023	2021-2022
	Kshs	Kshs
Insurance Recoveries	-	-
Income from Sale of Tender Documents	-	-
Bad debts recovered	-	-
Miscellaneous Income	-	-
Total Other Income	-	-

(NB: All income should be classified as far as possible in the relevant classes and other income should be used to recognise income not elsewhere classified. Disclose write backs if any or recoveries from write offs).

6. Employee Costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Salaries And Wages	-	-
Staff Gratuity	-	-
Staff Training Expenses	-	-
Social Security Contribution	-	-
Other <i>(Specify)</i>	-	-
Total	-	-

7. Use of Goods and Services

Description	2022-2023	2021-2022
	Kshs.	Kshs.
General Office Expenses		-
Loan Processing Costs	-	-
Professional Services Costs	-	-
Administration Fees	2,020,570.00	9,170,110
Committee Allowances	7,319,200.00	-
Bank Charges		22,620
Electricity And Water Expenses	-	-
Bank Charges	25,840.00	

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Description	2022-2023	2021-2022
	Kshs.	Kshs.
Fuel and Oil Costs	750,000	500,000
Insurance Costs	-	-
Postage and Courier	-	-
Printing and Stationery	1,868,885	782,000
Rental Costs	-	-
Security Costs	-	-
Telephone And Communication Expenses	250,200	-
Bank Charges	-	-
Audit Fees	-	-
Provision For Doubtful Debts	-	-
Social benefit expenses*		
Total	12,234,695	10,494,530

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

8. Other Payments

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers to County Revenue Fund	5,223,616.00	121,670.00
Total	5,223,616.00	121,670.00

This is the amount of Funds swept from Alcoholic Fund to the County Revenue Fund.

9. Depreciation and Amortization Expense

Description	2022-2023	2021-2022
	Kshs.	Kshs.
Property Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

10. Finance costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest On Bank Overdrafts	-	-

**Kericho County Alcohol Drinks Control Fund
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Interest On Loans From Banks	-	-
Total	-	-

11. Gain/(loss) on disposal of assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Property, Plant and Equipment	-	-
Intangible Assets	-	-
Total	-	-

12. Gain/ (loss) on Fair Value Investments

Description	2022-2023	2021-2022
	Kshs	Kshs
Investments at Fair Value- Equity investments	-	-
Fair value – Investment property	-	-
Fair value- other financial assets (specify)	-	-
Total Gain	-	-

13. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Kericho County alcoholic Drinks Fund	-	-
Fixed Deposits Account	-	-
On – Call Deposits	-	-
Current Account	36,000	17,400
Others (<i>Specify</i>)	-	-
Total Cash And Cash Equivalents	36,000	36,000

**Kericho County Alcohol Drinks Control Fund
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Notes to the Financial Statements Continued

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

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		-	-
Equity Bank, Etc.		-	-
Sub- Total		-	-
b) On - Call Deposits			
Kenya Commercial Bank		-	-
Equity Bank - Etc.		-	-
Sub- Total		-	-
c) Current Account			
Kenya Commercial Bank		-	-
Equity Bank	0280263621889	36,000	17,400
Sub- Total		-	-
d) Others(Specify)			
Cash In Transit		-	-
Cash In Hand		-	-
Sub- Total		-	-
Grand Total		36,000	36,000

14. Receivables from exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
Interest Receivable	-	-
Current Loan Repayments Due	-	-
OtherExchangeDebtors	-	-
Less:Impairment allowance	-	-
Total Current Receivables	-	-
Non-Current Receivables		
	-	-

**Kericho County Alcohol Drinks Control Fund
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Long Term Loan Repayments Due	-	-
Total Non- Current Receivables	-	-
Total Receivables From Exchange Transactions	-	-

Notes to the Financial Statements Continued

Additional disclosure on interest receivable

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	-	-
Accrued interest receivable from of long-term loans of previous years	-	-
Interest receivable from current portion of long-term loans issued in the current year	-	-
Current loan repayments due	-	-
Current portion of long-term loans from previous years	-	-
Accrued principal from long-terms loans from previous periods	-	-
Current portion of long-term loans issued in the current year	-	-

15. Prepayments

Description	2022-2023	2021-2022
	Kshs	Kshs
Prepaid Rent	-	-
Prepaid Insurance	-	-
Prepaid Electricity Costs	-	-
Other Prepayments (<i>Specify</i>)	-	-
Total	-	-

16. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
ConsumableStores	-	-
SparePartsAndMeters	-	-
Catering	-	-

**Kericho County Alcohol Drinks Control Fund
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Other Inventories (Specify)	-	-
Total Inventories at The Lower of Cost and Net Realizable Value	-	-

Notes to the Financial Statements Continued

17. Investments in financial assets

Description	2022-2023	2021-2022
	Kshs	Kshs
a. Investment in Treasury bills and bonds		
Financial institution		
CBK	-	-
CBK	-	-
Sub- total	-	-
b. Investment with Financial Institutions/ Banks		
Bank x	-	-
Bank y	-	-
Sub- total	-	-
c. Equity investments (specify)		
Equity/ shares in Entity xxx	-	-
Sub- total	-	-
Grand total	-	-

(Entity should disclose whether the fixed investment financial assets are measured at amortised cost or at fair value through changes in net assets/ equity) Investments in equity should be measured at fair value through surplus or deficit. Other information to be disclosed includes: the interest rates, maturity dates, valuation methodology, and impairment of these investments.

Movement of Equity Investments

Impairment allowance/ provision	2022-2023	2021-2022
	Kshs	Kshs
At the beginning of the year	-	-
Purchase of investments in the year	-	-
Sale of investments during the year	-	-
Gain/(loss) in fair value of investments through surplus or deficit	-	-
At the end of the year	-	-

**Kericho County Alcohol Drinks Control Fund
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e) Shareholding in other entities

For investments in equity share listed above, list down the equity investments under the following categories:

Name of Entity where investment is held	No of shares			Nominal value of shares	Fair value of shares	Fair value of shares
	Direct shareholding	Indirect shareholding	Effective shareholding		Current year	Prior year
	%	%	%	Kshs	Kshs	Kshs
Entity A	-	-	-	-	-	-
Entity B	-	-	-	-	-	-
Entity C	-	-	-	-	-	-
	-	-	-	-	-	-

**Kericho County Alcohol Drinks Control Fund
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Notes To The Financial Statements (Continued)

18. Property, plant and equipment

Cost	Land and Buildings Kshs	Motor vehicles Kshs	Furniture and fittings Kshs	Computers and office equipment Kshs	Total Kshs
At 1st July (Previous FY)	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30th June (Previous FY)	-	-	-	-	-
At 1st July (Current FY)	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30th June (Current FY)	-	-	-	-	-
Depreciation And Impairment					
At 1st July (Previous FY)	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30th June (Previous FY)	-	-	-	-	-
At 1st July (Current FY)	-	-	-	-	-
Depreciation	-	-	-	-	-
Disposals	-	-	-	-	-

**Kericho County Alcohol Drinks Control Fund
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	Land and Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June (Current FY)	-	-	-	-	-
Net Book Values	-	-	-	-	-
At 30th June (Previous FY)	-	-	-	-	-
At 30th June (Current FY)	-	-	-	-	-

**Kericho County Alcohol Drinks Control Fund
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Notes To The Financial Statements (Continued)

19. Intangible assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Cost		
At Beginning of The Year	-	-
Additions	-	-
At End of The Year	-	-
Amortization And Impairment		
At Beginning of The Year	-	-
Amortization	-	-
At End of The Year	-	-
Impairment Loss	-	-
At End of The Year	-	-
NBV	-	-

20. Investment Property

Description	2022-2023	2021-2022
	Kshs	Kshs
At beginning of the year	-	-
Additions	-	-
Disposal during the year	-	-
Depreciation	-	-
Impairment	-	-
Gain/(loss) in fair value (if fair value is elected)	-	-
At end of the year	-	-

(For investment property held at fair value, changes in fair value should go through the statement of financial performance. Where cost model is elected, depreciation and impairment should not be charged. Investment measured at fair value should be evaluated at the end of the reporting period for changes in fair value.). Entity should disclose the independent valuers, rental income from the investment property if any and the direct costs attributed to the investment property. Any charges on the investment property as well as any difficulty in classifying this asset as an investment property.

**Kericho County Alcohol Drinks Control Fund
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Notes To The Financial Statements (Continued)

21. Trade and other payables from exchange transactions

Description	2022-2023		2021-2022	
	Kshs		Kshs	
TradePayables	-		-	
Refundable Deposits	-		-	
Accrued Expenses	-		-	
OtherPayables	-		-	
TotalTradeandOtherPayables	-		-	
Ageing analysis(Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	-	%	-	%
1-2 years	-	%	-	%
2-3 years	-	%	-	%
Over 3 years	-	%	-	%
Total (tie to above total)	-		-	

(NB: Amount under deposits and retentions should tie to cash held in deposit account)

22. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning Of The Year	-	-	-	-
Additional Provisions	-	-	-	-
Provision Utilised	-	-	-	-
Change Due To Discount And Time Value For Money	-	-	-	-
Transfers From Non -Current Provisions	-	-	-	-
Balance At The End of The Year	-	-	-	-

**Kericho County Alcohol Drinks Control Fund
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Notes To The Financial Statements (Continued)

23. Borrowings

Description	2022-2023	2021-2022
	Kshs	Kshs
Balance At Beginning of The Period	-	-
External Borrowings During the Year	-	-
Domestic Borrowings During the Year	-	-
Repayments Of External Borrowings During the Period	-	-
Repayments Of Domestic Borrowings During the Period	-	-
Balance At End of The Period	-	-

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

Description	2022-2023	2021-2022
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organization'	-	-
Sterling Pound Denominated Loan From 'Y Organization'	-	-
Euro Denominated Loan from Z Organization'	-	-
Domestic Borrowings	-	-
Kenya Shilling Loan From KCB	-	-
Kenya Shilling Loan from Barclays Bank	-	-
Kenya Shilling Loan from Consolidated Bank	-	-
Borrowings From Other Government Institutions	-	-
Total Balance at End of The Year	-	-

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

Description	2022-2023	2021-2022
Short Term Borrowings (Current Portion)	-	-
Long Term Borrowings	-	-
Total	-	-

**Kericho County Alcohol Drinks Control Fund
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(NB: the total of this statement should tie to note 22 totals. Current portion of borrowings are those borrowings that are payable within one year or the next financial year. Additional disclosures on terms of borrowings, nature of borrowings, security and interest rates should be disclosed). Borrowings should be measured at amortised cost as per IPSAS 41)

**Kericho County Alcohol Drinks Control Fund
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Notes To The Financial Statements (Continued)

24. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	Insert Current FY	Insert Comparative FY
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
Total	-	-	-	-	-

25. Social Benefit Liabilities

Description	2022-2023	2021-2022
	Kshs	Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Bursary social benefits	-	-
Total	-	-
Current social benefits	-	-
Non-current social benefits	-	-
Total (tie to totals above)	-	-

Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.

**Kericho County Alcohol Drinks Control Fund
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Notes To The Financial Statements (Continued)

26. Cash generated from operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	-	-
Adjusted For:		
Depreciation	-	-
Amortisation	-	-
Gains/ Losses On Disposal Of Assets	-	-
Interest Income	-	-
Finance Cost	-	-
Working Capital Adjustments		
Increase In Inventory	-	-
Increase In Receivables	-	-
Increase In Payables	-	-
Net Cash Flow From Operating Activities	-	-

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

**Kericho County Alcohol Drinks Control Fund
Reports and Financial Statements
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Notes To The Financial Statements (Continued)

27. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Transfers From Related Parties'	-	-
Transfers To Related Parties	-	-

c) Key management remuneration

Description	2022-2023	2021-2022
	Kshs	Kshs
Board Of Trustees	-	-
Key Management Compensation	-	-
Total	-	-

d) Due from related parties

Description	2022-2023	2021-2022
	Kshs	Kshs
Due From Parent Ministry	-	-
Due From County Government	-	-
Total	-	-

**Kericho County Alcohol Drinks Control Fund
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Other Disclosures Continued

e) Due to related parties

Description	2022-2023	2021-2022
	Kshs	Kshs
Due To Parent Ministry	-	-
Due To County Government	-	-
Due To Key Management Personnel	-	-
Total	-	-

28. Contingent assets and contingent liabilities

Contingent Liabilities	2022-2023	2021-2022
	Kshs	Kshs
Court Case Xxx Against the Fund	-	-
Bank Guarantees	-	-
Total	-	-

(Give details)

**Kericho County Alcohol Drinks Control Fund
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Notes To The Financial Statements (Continued)

29. Financial risk management

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

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

a) Credit risk

The Fund has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment. The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-
At 30 June 2021				
Receivables From Exchange Transactions	-	-	-	-
Receivables From Non-Exchange Transactions	-	-	-	-
Bank Balances	-	-	-	-
Total	-	-	-	-

(NB: The totals column should tie to the individual elements of credit risk disclosed in the entity's statement of financial position)

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Notes To The Financial Statements (Continued)

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

The entity has significant concentration of credit risk on amounts due fromxxxx

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

b) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June (Current FY)				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-
At 30 June (Comparative FY)				
Trade Payables	-	-	-	-
Current Portion Of Borrowings	-	-	-	-
Provisions	-	-	-	-
Employee Benefit Obligation	-	-	-	-
Total	-	-	-	-

**Kericho County Alcohol Drinks Control Fund
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Notes To The Financial Statements (Continued)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

Description	Other currencies		Total
	Kshs	Kshs	Kshs
At 30 June (Current FY)			
Financial Assets	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	-	-	-
Borrowings	-	-	-
Net Foreign Currency Asset/(Liability)	-	-	-

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

Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

Description	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
(Current FY)			
Euro	10%	-	-
USD	10%	-	-
(Comparative FY)			
Euro	10%	-	-
USD	10%	-	-

ii. Interest rate risk

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

Management of interest rate risk

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

Sensitivity analysis

The Fund analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs xxx (2022: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (2021 – Kshs xxx).

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d) Capital risk management.

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

Description	2022-2023	2021-2022
	Kshs	Kshs
Revaluation reserve	-	-
Revolving fund	-	-
Accumulated surplus	-	-
Total funds	-	-
Total borrowings	-	-
Less: cash and bank balances	-	-
Net debt/(excess cash and cash equivalents)	-	-
Gearing	-	-

30. Events after the reporting period

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

31. Ultimate and Holding Entity

The entity is a County Public Fund established by Kericho County Alcoholic Drinks Act 2014, under the Ministry of Trade. Its ultimate parent is the County Government of Kericho.

32. Currency

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

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2. Annexes

Annex I: Progress on Follow Up Of Prior Year Auditor’s Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Kericho county alcoholic drinks control Act, 2014 part I section 3 indicated that part of the objectives of establishing the fund was to establish research, treatment and rehabilitation centres, educating county residents on health and social consequences of alcoholic drinks and also to adopt and implement effective measures to eliminate illicit trade in alcohol including smuggling, illicit manufacturing and counterfeiting. However, it was noted that the</p>	<p>One of the mandates of the Alcoholic Drinks Control Fund is to establish rehabilitation centres. The fund since undertaken public participation towards achievement of the same but due to the covid-19 pandemic some programs were delayed in order to fast-track the same, the fund acknowledges the auditor’s recommendation and not made requests for additional funding from the County treasury. With additional recourses, the fund will be in a better position to establish and equip a working rehabilitation centre. Programs of recruiting alcohol dependents and drug addicts have been rolled out to facilitate a county sponsored rehabilitation exercise while working with</p>	<p>Not resolved</p>	<p>2023-24</p>

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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)
	fund management committee did not implement any of the set objectives In the circumstances, the fund has not prioritized the establishment of correctional facilities and hence the objectives for which the fund was set up may not be realized	relevant private sector institutions to help to hasten the achievements of the set targets and objectives		



Fund Accounting Officer