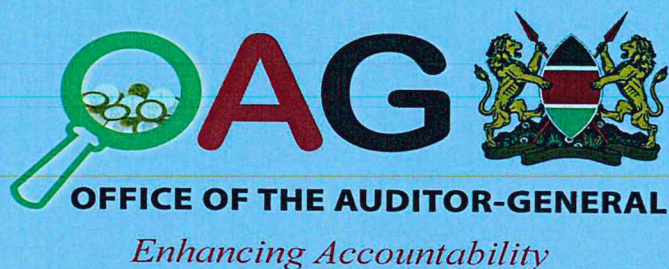


REPUBLIC OF KENYA



REPORT

OF	PAPERS LAID	
	DATE	08-03-2022
	TABLED BY	Sen. Dullo
	COMMITTEE	CPAIC
	CLERK AT THE TABLE	I. Mbaya

THE AUDITOR-GENERAL

ON

**KAKAMEGA COUNTY ALCOHOLIC
DRINKS CONTROL FUND**

**FOR THE YEAR ENDED
30 JUNE, 2018**



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

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

**Kakamega County Alcoholic Drinks Control
Reports and Financial Statements
For the year ended June 30, 2018**

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background information

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

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

The Fund's principal activity is to assist in the operations of the sub-county committees

b) Principal Activities

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

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

c) Key Management

Ref	Name	Position
1	Gabriel Kinaiya	Director
2	John Imbogo	Chief Officer, Finance
3	Peter Lukoye	Chief Officer, Public service

d) Registered Offices

P.O. Box 36 -50100
Sahajanand Building Mezzanine floor
Mumias Road
Kakamega, Kenya

e) Fund Contacts

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

Fund Bankers
National Bank of Kenya
Along Kisumu Kakamega –road
P.O Box 1773-50100
Kakamega-Kenya

f) Independent Auditors

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

g) Principal Legal Adviser

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

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

Introduction

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

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

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

Progress on attainment of Strategic development objectives
Below we provide the progress on attaining the stated objectives:

Program	Objective	Outcome	Indicator	Performance
Coordination of alcoholic drinks control activities in all sub counties.	To regulate supply, sale and consumption of alcoholic drinks within the County by way of licensing and law enforcement	Controlled production, distribution, sale and consumption of alcoholic drinks	Managed number of licensed outlets. Number of outlets recommended	In FY 2017/2018; Total number of traders were 960. The Directorate in conjunction with sub county committees carried out 1enforcement exercise in the respective sub counties
County alcohol and	Coordinate public	Increased awareness	No of community	

drug abuse prevention	awareness and education on adverse effects of alcohol and drug abuse within the County	and participation by all stakeholders and vulnerable groups.	based activities No of groups participating in the ADA prevention activities	Visits to schools, and colleges, church meetings Outreach activities for 10 psychosocial/ behaviour change groups
County treatment and rehabilitation services	Operationalize the County treatment and rehabilitation centre	Treatment and rehabilitation services available for the residents of Kakamega County afflicted with substance use disorders	No of individuals treated and supported; Amount of resources committed to the facility	
Build Directorate capacity	Enhance the Directorate's effectiveness in its service delivery.	Improved efficiency; Increased no of services; Availability of research information	Improved record keeping; No of research activities done	Implemented recommendations of the 2016 survey

3. BOARD/FUND CHAIRPERSON'S REPORT

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

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

During the 2017/2018 licencing cycle the Directorate received a total of Ksh.12,705,801 from Alcoholic Drinks Licences. The total expenditure incurred was Ksh.3,434,740 under the ministry of Public Service and Administration. Bank charges amounted to Ksh.10,370.50. The current assets comprised the cash and cash equivalents amounting to ksh.217,890.50. Non-current assets comprised PPE valued at ksh.313,165.50. The accumulated surplus for the period was Ksh.(13,827,285.00).

We look forward to having more vibrant and focussed community based engagements and increased collections.

Signed: _____



Ben Namayi Ochomo

4. REPORT OF THE FUND ADMINISTRATOR

The directorate of alcoholic drinks control is an agency established as per the fourth schedule of the constitution of Kenya 2010. The agency was established in the year 2014 after the enactment of Kakamega Alcoholic Drinks Control Act 2014.

Mandate

The directorate derives its powers from the public finance Act, besides the constitution and the parent statute. Its core functions are

- control of production, distribution, sale and consumption of alcohol
- creation of public awareness and education on adverse effects of excessive alcohol consumption
- treatment and rehabilitation services

Management of funds

The directorate's main sources of revenue include income from issuance of licences and disbursement from the county treasury. The funds are utilized on capital and recurrent expenditures that relate to its mandate as provided for by section 4 of the Kakamega alcoholic drinks control act and other related legislation.

Operation of the fund

The alcoholic drinks control fund account at national bank, Kakamega branch is currently operating as a revenue collection account. All the monies received from liquor licences and applications is swiped to the main revenue account at central bank. The total receipts for the financial year 2017/2018 was ksh.12,705,801. the total expenditure incurred was for bank charges amounting to ksh.10,370.50. A total of Ksh.26,449,821 was transferred to the main revenue account at the Central bank. The closing balance as at 30th June 2018 was ksh.217, 890.50. The current signatories to the account are;

- (i) Mr. John Luchiso Imbogo - Chief Officer Finance (Mandatory)
- (ii) Mr. Peter Lukoye - Chief Officer Public Service and Administration (Mandatory)
- (iii) Mr Ben Namayi Ochomo - Administrator (Alternate)

Signed: _____

Ben Namayi Ochomo

5. CORPORATE GOVERNANCE STATEMENT

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

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

The Directorate operates through committees established by the Kakamega Alcoholic Drinks Control Act 2014.

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

The members to the committees are appointed by the CEC Public Service and Administration. Members to the Enforcement Coordination Committee are appointed by the Governor.

The committees Board meetings are held quarterly or whenever there is need.

Remuneration of member's allowances is based on the guidelines of The Salaries and Remuneration Commission. Removal of the Members is as provided for by the Alcoholic Drinks Control Act 2014.

6. MANAGEMENT DISCUSSION AND ANALYSIS

Kakamega County Alcoholic Drinks Control Fund was established in the year 2014. It is domiciled in the ministry of Public Service and Administration.

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

Total revenue received from liquor licences in the year 2017/2018 was Ksh.12,705,801. The directorate was in the FY2017/2018 allocated Ksh.17,784,172 for recurrent expenditure and ksh.5, 000,000 for development expenditure totalling to ksh.22,784,172 by the ministry of Public Service and Administration.

The directorate did not utilise the budget because there was an order from the county treasury stopping the directorate spending from the fund since it contravened the PFM Act 2012. the budgeted activities of the directorate came to a halt during this period hence the under absorption.

As at 30th June 2018, the directorate had incurred an expenditure of Ksh.3,434,740.00 from the ministry of public service and administration. Bank charges comprised of ksh.10,370.50. The current assets comprised the cash and cash equivalents amounting to Ksh.217,890.50. Non-current assets comprised PPE valued at Ksh.313,165.50. The accumulated surplus for the period was Ksh (13,827,285.00)

The fund is viewed as a going concern and it's expected to perform better in the financial year 2018/2019. A total of Ksh.26,449,821 was transferred from the alcoholic drinks control fund to Kakamega county revenue fund.

The fund is compliant with statutory requirements including the PFM Act that requires funds to swipe unspent amounts back to the exchequer at the end of the financial year.

7. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Directorate has worked in collaboration with community based organizations besides workplace committees.

Under the behaviour change communication and empowerment program, the Directorate initiated formation of behaviour change advocacy groups and continued to pursue outreach activities for 50 psychosocial/self-help groups across the County.

The Directorate has trained the participants on table banking, entrepreneurship and other relevant life skills especially in relation to drinking habits and use of illicit drugs. The purpose was to empower community based participants and also encourage them to support the government initiative for prevention of alcohol and drug abuse within the county.

The Directorate is aware about the impact of harmful alcohol consumption to individual users, families and communities. Alcohol is a dangerous substance and at the same time it is a gateway drug to other hard core substances.

The community based prevention programme also targeted the young people in County Polytechnics and Schools within Kakamega County. The objective is to reach out to as many young people as possible and sensitize them.

Our goal is to achieve delay in early initiation of children and young people into use of alcohol and psychotropic drugs.

8. REPORT OF THE TRUSTEES

The director submits his report for the year ended June 30th 2018 which show the state of the fund affairs.

Principal activities

The principal activities of the Fund are

Results

The results of the Fund for the year ended June 30, 2018 are set out on page 11,12,13,14 and 15

Trustees

The fund does not have trustees.

Auditors

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

Date: 30/3/21

9. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

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

The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and The Kakamega county alcoholic drinks control Act 2014. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2018, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

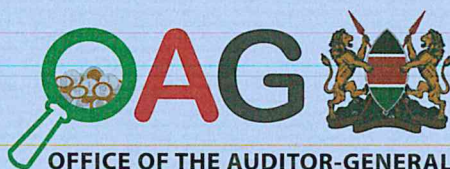
The Fund's amended financial statements were approved by the Board on 30/3/2021 2021 and signed on its behalf by:



Administrator of the County Public Fund

REPUBLIC OF KENYA

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



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

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Anniversary Towers
Monrovia Street
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KAKAMEGA COUNTY ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE, 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of Kakamega County Alcoholic Drinks Control Fund set out on pages 13 to 26, which comprise the statement of financial position as at 30 June, 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of Kakamega County Alcoholic Drinks Control Fund as at 30th June, 2018, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012 and Kakamega County Alcoholic Drinks Control Act, 2014.

Basis for Adverse Opinion

1.0 Presentation, Accuracy and Disclosure

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

1.1 Disclosures and Other Information

The report has not disclosed the membership and details of the Management team, County Alcoholic Drinks Regulations Administrative Committee and the Sub-County Committees as created by the Kakamega County Alcoholic Drinks Control Act, 2014. Also, figures in the financial statements have not been rounded off to the nearest shilling.

1.2 Statement of Financial Performance

1.2.1 Income from Liquor Licenses

As reported for 2016/2017, the amount of other income from liquor licenses of Kshs.12,705,801 could not be confirmed as the Fund did not maintain a record of all alcoholic drinks outlets in the twelve sub counties. No reason was given for failure to maintain such an important record as no effective work can be carried out by the directorate without knowledge of alcoholic outlets in their jurisdiction and their license status.

In addition, records provided for audit revealed that the Fund was owed Kshs.1,045,000 for license renewals by defaulting outlets in four sampled Sub-Counties of Ikolomani, Khwisero, Malava and Shinyalu.

Further, the receipts of Kshs.12,705,801 do not include application fee of Kshs.228,000 that should have been collected from 161 outlets that were issued with licenses but did not pay the application fee as required under Section 11(1) of the Kakamega County Alcoholic Drinks Control Act, 2014.

No explanation has been provided for the failure to collect the application and license fee totalling Kshs.1,273,000. Also, the amount owed was not reported in the financial statements, notwithstanding the mandate of the Fund to collect license fees in arrears.

Consequently, the completeness and accuracy of the liquor license receipts of Kshs.12,705,801 for the year ending 30 June, 2018 could not be ascertained.

1.3 Statement of Financial Position - Accruals

The statement of financial position does not disclose any payables or receivables recognized notwithstanding the Fund's mandate to collect license fees in arrears. As a result, significant information on the state of execution of the Fund's mandate is excluded.

1.3.1 Failure to Maintain a Fixed Assets Register

The Fund did not maintain an assets register and as such it was not possible to ascertain the identity, physical existence and valuation of property, plant and equipment of Kshs.313,166 included in the statement of financial position as at 30 June, 2018.

1.4 Significant Accounting Policies and Other Disclosures

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

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

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

Key Audit Matters

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

Other Matter

Budgetary Control and Performance

The Fund did not have an operational budget during the year as required by Section 29 (1) of the Public Finance Management Act, County Government Regulations, 2015. However, the statement of comparison of budget and actual amounts shows that the Fund budgeted to collect Kshs.29,231,000 for the year ended 30 June, 2018 against which only Kshs.12,705,801 was realized resulting to an under-collection of Kshs.Kshs.16,525,199 or approximately 57% of the budget. Likewise, the general expenditure budget was Kshs.22,784,172 out of which Kshs.3,507,635 was utilised leaving unutilised amount of Kshs.19,276,538 or 84.60% of the budget. The reason advanced for this state of affairs is that the budget did not take into account the capacity of the Directorate. However, no details have been provided of the required capacity/resources and why the same could not be achieved for optimum operation of the Fund.

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matter discussed in the Basis for Conclusion on Lawfulness and Effective Use of Public Resources, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

Transfers to County Revenue Fund

The statement of financial performance and Note 3 to the financial statements reflect transfers to the county revenue fund of Kshs.26,449,821 which were made contrary to Regulation 6(5) of the Kakamega County Alcoholic Drinks Control Act, 2014 which

provides that receipts, earnings or accruals of the Fund and its balances at the close of each financial year shall not be paid into the County Revenue Fund, but shall be retained for the purposes of the Fund. According to Section 7(2) of the Act, such revenue should be possibly invested as directed by the CEC member for finance.

In the circumstances, the transfers to the county revenue fund of Kshs.26,449,821 were irregular.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

Administration of the Fund

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

Such ambiguities may result into conflicts that compromise good governance in the Fund.

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material

misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in

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

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

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

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

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

12 January, 2022



11. FINANCIAL STATEMENTS

11.1 STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2018


	Note	FY2017/2018	FY2016/2017
		KShs	KShs
Revenue from non-exchange transactions			
Payments by county on behalf of the entity	1	3,434,740.00	-
Revenue from exchange transactions			
Income from Liquor licenses	2	12,705,801.00	11,213,465.00
Total revenue		16,140,541.00	11,213,465.00
Expenses			
Transfer to County Revenue Fund	3	26,449,821.00	-
General expenses	4	3,507,634.50	2,280,588.00
Finance costs	5	10,370.50	40,545.00
Total expenses		29,967,826.00	2,321,133.00
Surplus/(deficit) for the period		(13,827,285.00)	8,892,332.00

The notes set out on pages 21 to 26 form an integral part of these Financial Statements


11.2 STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	FY2017/2018 KShs	FY2016/2017 KShs
Assets			
Current assets			
Cash and cash equivalents	6	217,890.50	13,972,281.00
Non-current assets			
Property, plant and equipment	7	313,166.00	386,060.00
Total assets		531,056.50	14,358,341.00
Liabilities			
Current liabilities			
Non-current liabilities			
Total liabilities		-	-
Net assets			
Accumulated Fund		4,837,560.00	4,837,560.00
Accumulated surplus		-	-
		4,306,503.50	9,520,781.00
Total net assets and liabilities		531,056.50	14,358,341.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity amended financial statements were approved on 30/3/2021 and signed by:



Administrator of the Fund
Name: Namay Ochieng



Fund Accountant
Name: Ruth Makhay
ICPAK Member Number: 20912

11.3 STATEMENT OF CHANGES IN NET ASSETS AS AT 30 JUNE 2018

	Accumulated Fund	Accumulated surplus	Total
		KShs	KShs
Balance as at 1 July 2016	4,837,560.00	628,449	5,466,009.00
Surplus/(deficit) for the period		8,892,332	8,892,332.00
Funds received during the year		-	-
Revaluation gain	-	-	-
Balance as at 30th June 2017	4,837,560.00	<u>9,520,781</u>	14,358,341.00
Balance as at 1 July 2017	4,837,560.00	9,520,781.00	14,358,341.00
Surplus/(deficit) for the period		- 13,827,284.50	- 13,827,284.50
Funds received during the year			-
Revaluation gain			-
Balance as at 30 June 2018	4,837,560.00	- 4,306,503.50	531,056.50

11.4 STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2018

	Note	FY2017/2018	FY2016/2017
		KShs	KShs
Cash flows from operating activities			
Receipts			
Payments by county on behalf of the directorate	1	3,434,740.00	
Income from liquor licensing	2	12,705,801.00	11,213,465.00
Total Receipts		16,140,541.00	11,213,465.00
Payments			
Transfer to county revenue fund	3	(26,449,821.00)	-
General expenses	4	(3,507,634.00)	(2,280,588.00)
Finance cost	5	(10,370.50)	(40,545.00)
Depreciation		72,894.00	-
Total Payments		(29,894,931.50)	(2,321,133.00)
Net cash flows from operating activities		(13,754,390.50)	8,892,332.00
Cash flows from investing activities			
Net cash flows used in investing activities		-	-
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(13,754,390.50)	8,892,332.00
Cash and cash equivalents at 1 JULY		13,972,281.00	5,079,949.00
Cash and cash equivalents at 30 JUNE	6	217,890.50	13,972,281.00

The Cash flow statement has been prepared using direct method.

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11.5 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30th JUNE 2018

	Original budget 2018	Adjustments 2018	Final budget 2018	Actual on comparable basis 2018	Performance difference 2018	% utilisation 2018
Revenue	KShs	KShs	KShs	KShs	KShs	
Payments by county on behalf of the directorate	22,784,172.00	-	22,784,172.00	3,434,740.00	19,349,432.00	15
Income from Liquor licenses	29,231,000.00	-	29,231,000.00	12,705,801.00	16,525,199.00	43
Total income	52,015,172.00	-	52,015,172.00	16,140,541.00	35,874,631.00	31
Expenses						
Transfer to county revenue fund	29,181,000.00	-	29,181,000.00	26,449,821.00	2,731,179.00	91
General expenses	22,784,172.00	-	22,784,172.00	3,507,634.50	19,276,537.50	15
Finance cost	50,000.00	-	50,000.00	10,370.50	39,629.50	21
Total expenditure	52,015,172.00	-	52,015,172.00	29,967,826.00	22,047,346.00	58
Surplus for the period	-	-	-	(13,827,285.00)	13,827,285.00	

11.6 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance and basis of preparation

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

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

2. Budget information

The original budget for FY 2017/2018 was approved by the County Assembly on 30th June 2017. 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. 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.

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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. 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 Chief Officer Finance, Chief Officer Public Service and Administration and the director, directorate of alcoholic drinks control.

5. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank.

6. Ultimate and Holding Entity

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

7. Currency

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

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11.7 NOTES TO THE FINANCIAL STATEMENTS

1. Transfers from County Government

Description	FY2017/2018 KShs	FY2016/2017 KShs
Transfers from County Govt. – operations	-	-
Payments by County on behalf of the entity	3,434,740	-
Total	3,434,740	-

2. Income from liquor licences

Description	FY2017/2018 KShs	FY2016/2017 KShs
Income from Liquor licences	12,705,801.00	11,213,465.00
Total income	12,705,801.00	11,213,465.00

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3. Transfer to County Treasury

Description	FY2017/2018 KShs	FY2016/2017 KShs
Transfer to County Revenue Fund	26,449,821.00	
Total	26,449,821.00	-

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. General expenses

Description	FY2017/2018 KShs	FY2016/2017 KShs
Depreciation and amortization costs	72,894.00	
Use of Goods	3,434,740.00	2,280,588.00
Total	3,507,634.00	2,280,588.00

5. Finance costs

Description	FY2017/2018 KShs	FY2016/2017 KShs
Bank charges	10,370.50	40,545.00
Total	10,370.50	40,545.00

6. Cash and cash equivalents

Description	FY2017/2018 KShs	FY2016/2017 KShs
Current account	217,890.50	13,972,281.00
Others	-	-
Total cash and cash equivalents	217,890.50	13,972,281.00

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

Financial institution	Account number	FY2017/2018 KShs	FY2016/2017 KShs
c) Current account			
National Bank of Kenya	1020110619200.00	217,890.50	13,972,281.00
Bank B		-	-
Total		217,890.50	13,972,281.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. Property, plant and equipment

Cost	Furniture and fittings KShs	Computers and office equipment KShs		Total KShs
At 1 st July 2017	245,280.00	140,780.00		386,060.00
Additions	-	-		-
Disposals	-	-		-
Transfer/adjustments	-	-		-
At 30 th June 2018	245,280.00	140,780.00		386,060.00
At 1 st July 2017				-
Depreciation	30,660.00	42,234.00		72,894.00
Disposals	-	-		-
Impairment	-	-		-
Transfer/adjustment	-	-		-
At 30 th June 2018	30,660.00	42,234.00		72,894.00
Net book values				
At 30 th June 2017	245,280.00	140,780.00		386,060.00
At 30 th June 2018	214,620.00	98,546.00		313,166.00

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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. 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 is related to the following entities:

- a) The County Government of Kakamega
- b) County Government of Kakamega Ministry of Public Service and Administration
- c) Key management.

