

GOVERNMENT OF NAIROBI CITY COUNTY



THE NAIROBI CITY COUNTY ASSEMBLY

OFFICE OF THE CLERK

THIRD ASSEMBLY
(SECOND SESSION)

NCCA/TJ/PL/2023(44)

6TH JUNE 2023

PAPER LAID

SUBJECT: REPORT OF AUDITOR GENERAL

Pursuant to 229 (7) of the Constitution of Kenya, 2010, I beg to lay the following Paper on the Table of this Assembly, today Tuesday 6th June 2023.

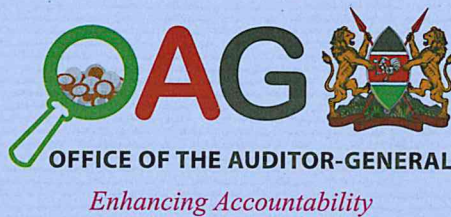
— **THE REPORT OF THE AUDITOR GENERAL ON NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD FOR THE YEAR ENDED 30TH JUNE 2022.**

(The Leader of Majority Party)

Copies to:
The Speaker
The Clerk
Hansard Editor
Hansard Reporters
The Press

REPUBLIC OF KENYA

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① DLS
Kindly deal
Clerk
16/5/23

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

OAG/NCC/ADLB/2021/2022/ (33)

Edward O. Gichana
Clerk to the Nairobi City County Assembly
P.O. Box 45844-00100
NAIROBI



17 May, 2023

Dear Edward

REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD FOR THE YEAR ENDED 30 JUNE, 2022

I transmit the report of the Auditor-General on the examination of the financial statements of Nairobi City County Alcoholic Drinks Control and Licensing Board for the year ended 30 June, 2022. The report is submitted in accordance with the provisions of Article 229(7) of the Constitution for the necessary action as required by Article 229(8) of the Constitution.

Yours sincerely


Stanley Mwangi
For: AUDITOR-GENERAL

Copy to: Dr. Chris K. Kiptoo, PhD., CBS
The Principal Secretary
The National Treasury
P.O. Box 30007-00100
NAIROBI

Mr. Jeremiah Nyegenye, CBS
Clerk to the Senate
P.O. Box 41842-00200
NAIROBI

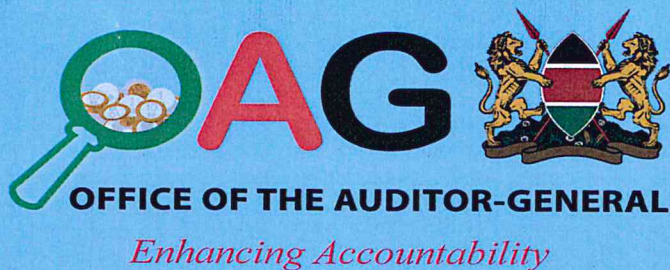
H.E Johnson Arthur Sakaja, CBS
Governor
County Government of Nairobi City
P.O. Box 30075-00100,
NAIROBI

Mr. Charles K. Kerich
The County Executive Member - Finance
County Government of Nairobi City
P.O. Box 30037-00100
NAIROBI

① PCA LSP
prepare this for
funding & comm. stat.
DLS
22/5/2023

II - Sec - Authn
Please deal as per
II above.
Mfr
RA clasp
23/05/2023

REPUBLIC OF KENYA



REPORT

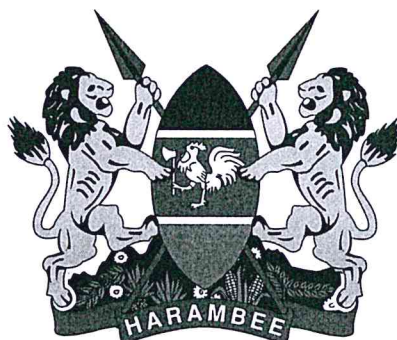
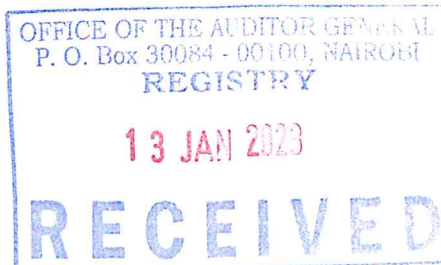
OF

THE AUDITOR-GENERAL

ON

**NAIROBI CITY COUNTY ALCOHOLIC
DRINKS CONTROL AND LICENSING
BOARD**

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



Popo Road, South C
P. O. Box 30075 - 00100
Nairobi KENYA



Telephone: 020 344194
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NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD

NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2022

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

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30, 2022

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Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

1. Key Entity Information and Management

a) Background information

Nairobi County Alcoholic Drinks and Licensing Board is established by and derives its authority and accountability from Nairobi County Alcoholic Drinks Control Act, 2014 and Alcoholics Drinks Control Regulation 2020. The Fund is wholly owned by the County Government of Nairobi and is domiciled in Nairobi.

The fund's objective is to facilitate and enhance sustainable process geared towards a sober and responsible Society. The Fund's principal activity is to enhance controls, enforcement, management, inspection and licensing of Alcoholic Drinks Control business for compliance and revenue collection. The fund also facilitates prevention and rehabilitation services through awareness, sensitization sessions and youth friendly programs that leads to reduced levels of early socialization of Alcohol, drugs and Substance and promotes responsible behaviours.

The Fund's principal activities

- Roll out call application for Alcoholic Drinks Control outlets in every financial year
- Carry out inspection of Alcoholic Drinks Control outlets that have met the threshold for licensing
- Carry out surveillance and impromptu raids for compliance
- Facilitate Board and Sub-Counties meetings
- Facilitate awareness and sensitization on effects of alcohol drugs and substance abuse
- Facilitate Community re-integration; reduce stigma and discrimination of reforming addicts.

b) Principal Activities

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

- Carry out functions of the County Board stipulated under section 4
- Assisting in the operation of sub-county committees
- Administration
- Any other matter incidental to the matters stated in paragraphs (a) and (b).

The Vision /mission/mandate of the Fund is

VISION: A sober and responsible Society

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

MISSION: To facilitate and enhance promotion of healthy family relationships ,emotional wellness, prevention of alcohol ,drugs and substance abuse ,compliance and enforcement through parent education ,dynamic Youth programmes and engagement with key community stakeholders.

MANDATE: The fund mandate is to:

1. Carrying out the functions of the County Board stipulated under section 4 40%
2. Assisting in the operation of the Sub-County Committees 30%
3. Administration 5%
4. Any other material incidental to the matters stated in paragraphs (a)&(b) 25%

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	Chairman of the Board	Stephen Kambi
2	Chief Officer (responsible department)	Mohamed Sahal
3	Chief Officer Finance	Joseph Gathiaka (Mohamed Sahal)
4	Other Committee Members	Stephen Kambi, Rosalid Nyawera, Martin Mugo, Martin Kanyi , Nicholas Ojuacho.
5	Fund Manager / Administrator	Hesbon Agwena

d) Key Management

Ref	Name	Position
1	CECM –Finance & Economic Planning	Allan Igambi
2	CECM- Trade	Winfred Gathagu
2	Chief Officer Public Service & Services	Leboo Ole Morintat
3	Fund Manager	Hesbon Agwena
4	Fund Accountant	Clare Kenya

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

e) Registered Offices

P.O. Box 30037
Weights and Measures Complex
POPO Road
Nairobi, KENYA

f) Fund Contacts

Telephone: (254) 0202182114
E-mail: info@nairobi.go.ke
Website: www.nairobicitycounty.go.ke

g) Fund Bankers

Co-operative Bank of Kenya
Account number 01141230914900
City Hall Branch
City hall way
P.O. Box 44805
City Square 00200
Nairobi, Kenya

h) Independent Auditors

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

i) Principal Legal Adviser

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

Annual Report and Financial Statements for the year ended June 30, 2022

2. The Board of Trustees

Name	Details of qualifications and experience
1. Winfred Gathagu	CEC TRADE Date of Birth 1974 Degree in Social Science
2. Mohamed Sahal	SECRETARY TO THE BOARD Date of Birth 1984 Master's in Business Administration
3. Stephen Kambi	BOARD CHAIR Date of Birth 1983 Diploma in Business Administration
4. Rosalid Nyawera	VICE CHAIR Date of Birth 1965 Kenya Certificate of Education
5. Nicholas Ojuacho	BOARD MEMBER Date of Birth 1980 Bachelor in Business Administration

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

6. Martin Kanyi	BOARD MEMBER Date of Birth 1983 Diploma in Administration
7. Martin Mugo	BOARD MEMBER Date of birth 1985 Kenya Certificate of Secondary Education

Annual Report and Financial Statements for the year ended June 30, 2022

3. Management Team

Name	Details of qualifications and experience
1. Winfred Gathagu	CECM TRADE Date of Birth 1974 Degree in Social Science
2. Mohamed Sahal	Chief Officer Secretary to the Board Accounting Officer Date of Birth 1984 Master's in Business Administration
3. Hesbon Agwena	Director Liquor Fund Manager/Administrator Date of Birth 1965 Bachelor degree in Law

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

4. Board/Fund Chairperson's Report

The Alcoholic Drinks Control Fund was established under the Alcoholic Drinks Control of 2014 and being implemented through Alcoholic Drinks Control Regulation of 2020 and other relevant legislation. The purpose of the fund is to facilitate and enhance Management, Controls, enforcement and compliance of Alcoholic Drinks Control Licensing process, further the fund also facilitates the aspect of prevention and rehabilitation of that affected by the vice and strengthening of community reintegration to reduce relapse.

In the year under review there were no changes in the composition of the board.


Revenue collected in the previous year was more than the year in review, this was due to challenges of the COVID pandemic and reduction of the fees charged to liquor licensing.

The Board needs to sit with management to improve on the Regulations for effective performance and clarity of operations.

Rehabilitations centres are in progress to assist in sensitization and rehabilitation programs.

The fund has a potential for growth both revenue base and programmes. The COVID 19 Pandemic affected the collections as well as implementation of activities.

Several Community outreaches were done through support to women economic initiatives as a way of enhance prevention strategies. In future we plan to expand our activities to include Corporate Social Responsibility to improve public image and increase customer engagements.


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Name: STEPHEN KAMBI

Board Chairperson

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

5. Report of The Fund Administrator

The Nairobi City County Alcoholic Drinks Control and Licensing fund was established under the Alcoholic Act of 2014 and being implemented through Alcoholic Drinks Control Regulation of 2020 and other relevant legislations. The purpose of the fund is to facilitate and enhance Management, Controls, enforcement and compliance of Alcoholic Drinks Control Licensing process, further, the fund also facilitates the aspect of prevention and rehabilitation of those affected by the vice and strengthening of Community reintegration to reduce relapse.

The Fund since inception has a potential for growth both in revenue base and programmes. The target revenue budget for collection in the financial year was 250,000,000; this was affected by the COVID 19 Pandemic seven months lock down which led to permanent closure of outlets.

The Fund also supported youth programmes like soccer tournaments. Awareness and sensitizations were held on COVID 19 prevention and compliance across the County, this was to contribute towards reduction of spread through proper hand washing Social distance and wearing of masks.



.....
Name: **HEBRON AGWENA**

Fund Administrator

Annual Report and Financial Statements for the year ended June 30, 2022

6. Statement of Performance Against the County Fund's Predetermined Objectives

From the County Integrated Development Plan (CIDP) 2018-2022 Nairobi City County Alcoholic Drinks Control and Licensing fund was managed to implement and achieve the following:-

- Conduct ADA sensitization programmes every year in the 17 sub counties
- Regulate and control Liquor issuance of liquor licenses
- Construct a sub county containerised offices in order to take liquor services closer to the Public
- Purchase additional one vehicle for operations.

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

7. Corporate Governance Statement

Since Corporate Governance also provides the framework for attaining funds objective, it encompasses practically every sphere of management from action plans and internal controls to performance measurement and corporate disclosure.

The fund governance is important since it shows the fund direction and business integrity. Good governance helps the fund build trust with stakeholders and the community. As a result governance helps promote financial viability by creating a long term investment opportunity for market participants.

It is based on the above that Nairobi City County Alcoholic Drinks Control and Licensing Board Act of 2014 under Section Part 11 Administration established the County Board, part 111 establishments of the sub-county Committees as basis to govern the fund and implementation of activities to enhance and facilitate accountability, transparency, fairness and responsibility.

In the year under review the board had 12 (twelve) sittings. To enable succession planning it is ensured that a 1/3 of the board remains while others are exiting so as to enable continuity and smooth flow of operations. On removal from office the board members are degazetted. Board members are to declare any conflict of interest and also sign the code of conduct. Allowances for the board are determined by Salaries and Remuneration Commission Circular.

(1) The Alcoholic Drinks Control Board Functions are:-

- In collaboration with other relevant county and national government agencies establish treatment and rehabilitation facilities and programmes for persons dependent on Alcoholic drinks in each sub-county
- Ensure that the treatment and rehabilitation services are designed in a manner that is accessible and affordable to person's dependant on alcoholic drinks.
- Support and facilitate sub –county committees in carrying out their functions
- Carry out public education on Alcoholic Drinks Control in the County directly and in collaboration with other Public or Private Bodies and institutions.
- Facilitate citizen participation in matters related to alcoholic drinks control in accordance to framework for citizens participation established under the County Government's Act, the Urban Areas and Cities or any other relevant written law.
- Facilitate and promote in collaboration with other county and national government institutions the establishment of treatment and rehabilitation facilities and programmes
- Develop in collaboration with other county and national government departments strategies and plans for implementing this act and control alcohol abuse and any other relevant national legislation and coordinate and support their implementation, while the sub counties committees functions are :-

Annual Report and Financial Statements for the year ended June 30, 2022

- a Recommend to the County Board the issuance of Licenses in accordance with Act and
 - b Perform such other functions as may , from time to time be assigned to it by the County Board.
- (2) The sub –county committee may, in discharge of its function under this act , make inspection or other visits to the premises at such time as it may deem appropriate.
- (3)In carrying out its function, the sub –county committee shall:-
- a) Ensure that there is effective public participation in accordance with the framework for citizens participation established under the County Government’s Act, the urban Areas and cities Act or any other relevant written law.
 - b) Collaborate with similar committee in other counties for effective implementation of the Act.

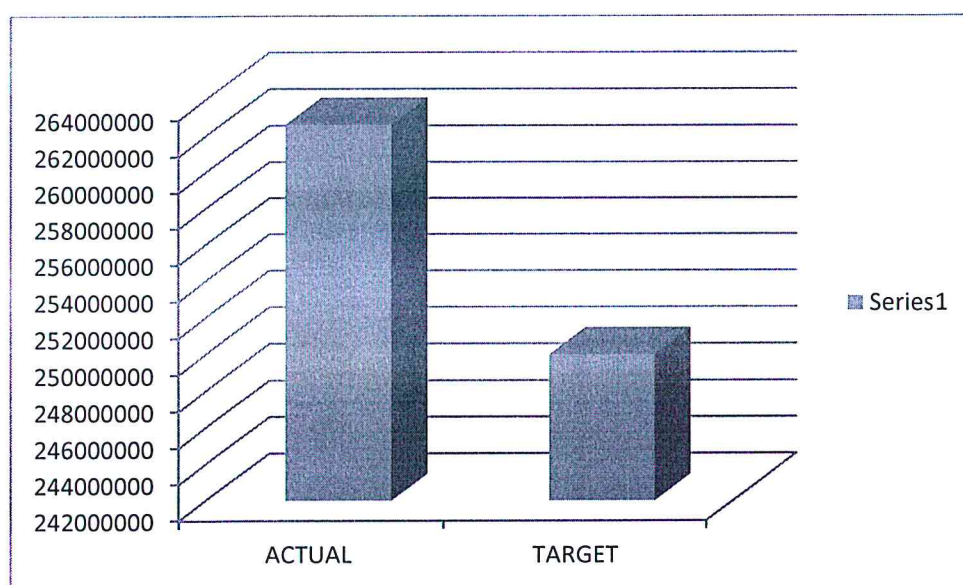
Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

8. Management Discussion and Analysis

The Nairobi City County Alcoholic Drinks Control and Licensing Board is established section 6 of the Nairobi County Alcoholic Drinks Control Act, 2014. The fund is administered through a secretariat lead by a fund manager and other members drawn from relevant departments. The utilization of the fund is also guided by the Alcoholic Drinks Act, 2014 and Alcoholic Drinks Control regulation 2020 under section 9 of the regulation.

During the financial year under review 2021-2022 a total of Kshs 265,864,886 was collected against a projection of Kshs 250,000,000.



Annual Report and Financial Statements for the year ended June 30, 2022

9. Environmental and Sustainability Reporting

Nairobi City County Alcoholic Drinks Control and Licensing Board exist 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 the 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 -

Ensure we create public awareness education on dangers of excessive consumption of alcohol and sustain constant rehabilitation for those affected.

2. Environmental performance

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

3. Employee welfare

Handled by Human Resource Management being one of its core functions.

4. Market place practices-

The organisation should outline its efforts to:

- a) Responsible competition practice.
The Section has a well-established procurement office which deals with procurement of goods and services. Suppliers are properly vetted and given an equal chance to competitive bidding.
- b) Nairobi City County Alcoholic Drinks Control and Licensing Board is a corruption free environment.
- c) In safe guarding the rights of the citizens we at Liquor Board listen to them and make their opinion matter.

5. Community Engagements-

Due to COVID 19 there were no Community Social Investment and any other forms of community

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

10. Report of the Trustees

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

Principal activities

The principal activities of the Fund are set out on page 2 to 4

Results

The results of the Fund for the year ended June 30, 2022 are set out on page 7 to 9

Trustees

The members of the Board of Trustees who served during the year are shown on page 5 to 6

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.

By Order of the Board



.....
Chair of the Board/Fund Administration Committee

Date:

Annual Report and Financial Statements for the year ended June 30, 2022

11. 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 shall prepare financial statements for the Fund in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.


The Administrator of the County Public Fund is responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2022. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the County Public Fund accepts responsibility for the Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Administrator of the Fund is of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2022, and of the Fund's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

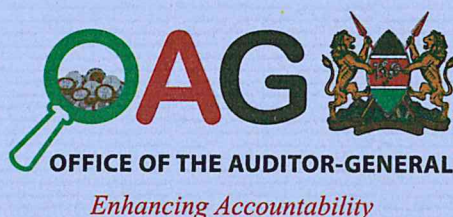
The Fund's financial statements were approved by the Board on 30TH JUNE 2022 and signed on its behalf by:

.....HEBON AGWENA.....

Administrator of Nairobi City County Alcoholic Drinks Control and Licensing Fund

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of the Nairobi City County Alcoholic Drinks Control and Licensing Board set out on pages 1 to 40, which comprise of the statement of financial position as at 30 June, 2022, statement of financial performance, statement of changes in net assets, statement of cash flows and the 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 do not express an opinion on the accompanying financial statements. Because of the significance of the matters discussed in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

1. Inaccuracies in the Financial Statements

The financial statements prepared and submitted for audit had the following anomalies:

- i. The financial statements for the year under review reflect total payments and cash and cash equivalents comparative balances of Kshs.366,209,677 and Kshs.3,219,757 respectively, while the certified financial statements for the year 2020/2021 reflects closing balances of Kshs.294,328,552 and Kshs.75,100,882, resulting to variances of Kshs.18,118,875 and Kshs.71,881,125, which were not explained or reconciled.
- ii. The statement of financial position reflects property, plant and equipment balance of Kshs.15,438,570 as at 30 June, 2022 and which according to the movement schedule as disclosed in Note 15 to the financial statements have been held since 2017/2018 financial year. However, the balance was not disclosed as annexures in the 2020/2021 and the previous financial years, when the Management presented the financial statements under the International Public Sector Accounting Standards cash basis of accounting, instead of the accrual basis. In addition, the amount is not reflected in the trial balance.
- iii. The statement of financial performance reflects use of goods and services expenditure of Kshs.265,548,231 while the recasted amounts under Note 7 to the financial statements indicates a total amount of Kshs.265,864,886, resulting in an un-explained and unreconciled variance of Kshs.316,655.
- iv. Note 8 to the financial statements reflects depreciation and amortization expense of Kshs.4,473,325 which has been omitted from the statement of financial performance.

- v. The statement of changes in net assets reflects a cumulative total balance of Kshs.316,655 as at 30 June, 2022 which is similar to the surplus for the year under review. However, audit review of the Fund's prior years' financial statements revealed accumulated surplus totalling to Kshs.573,423,343 (Kshs.99,485,745 for 2015/2016, Kshs.8,761,690 for 2016/2017, Kshs.90,138,850 for 2017/2018, Kshs.149,963,079 for 2018/2019, Kshs.149,963,097 for 2019/2020 and Kshs.75,100,882 for 2020/2021). No explanation was provided for the omission of the previous financial year's balances.
- vi. The statement of cash flows has omitted cash flow used in investing activities for purchase of property, plant and equipment amounting to Kshs.8,991,780 as disclosed in Note 15 to the financial statements. In addition, the movement of cash and cash equivalents from opening balance of Kshs.3,219,757 to the closing balance of Kshs.316,665, has not been accounted for. Similarly, the increase in trade and other payables from exchange transactions of Kshs.10,000,000 as reflected in the statement of financial position has also not been accounted for in the statement of cash flows.
- vii. The statement of financial position reflects total assets of Kshs.15,755,225 which differs with the total net assets of Kshs.5,438,570 leading to unexplained and unreconciled variance of Kshs.10,316,655. In addition, the composition of the total net asset balance has not been explained and it differs with the statement of changes in net assets balance of Kshs.316,655 resulting to unexplained and unreconciled variance of Kshs.5,121,915.

In the circumstances, the accuracy and completeness of the financial statements for the year ended 30 June, 2022 could not be confirmed.

2. Revenue

2.1 Unsupported Fines, Penalties and Other Levies Balances

The statement of financial performance reflects fines, penalties and other levies revenue of Kshs.265,864,886 as disclosed in Note 3 to the financial statements. However, the balances were not supported by ledgers, listings of all liquor outlets within the County, applications for licensing, liquor board deliberations and minutes of approvals and rejections.

In the circumstances, the accuracy and completeness of the revenue balance of Kshs.265,864,886 for the year ended 30 June, 2022 could not be confirmed.

2.2 Failure to Remit Collected Revenue to the County Revenue Fund (CRF)

The statement of financial performance reflects fines, penalties and other levies revenue of Kshs.265,864,886 as disclosed in Note 3 to the financial statements. However, audit review revealed that all the money received were not paid into the County Revenue Fund as required by Section 109(2) of the Public Finance Management Act, 2012 which requires the County Treasury for each County Government to ensure that all money

raised or received by or on behalf of the County Government is paid into the County Revenue Fund.

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

3. Unsupported and Irregular Use of Goods and Services Expenditure

The statement of financial performance reflects use of goods and services expenditure balance of Kshs.265,548,231 as disclosed in Note 7 to the financial statements. However, audit review revealed the following instances of unsupported and irregular expenditures:-

- i. Included in the balance is general office expenses of Kshs.53,453,850. However, audit review of sampled payment vouchers revealed that expenditure totaling Kshs.24,057,210 were not supported with relevant procurement documents including quotations, evaluation reports, inspection and acceptance reports, LPO/LSOs, tender invitations, requisitions, appointment letters of ad-hoc committee members and professional opinion. In addition, Management did not provide for audit verification documentary evidence to confirm that the items procured were received and issued to the respective user departments.
- ii. Included in the balance is rental expenses of Kshs.10,000,00 which was not supported by a validly executed lease agreement.
- iii. Included in the balance is cleaning expenses of Kshs.12,400,000 which was not supported by a service contract. In addition, it was noted that the expenditure exceeded the rental expenses by Kshs.2,400,000 without sufficient Management justification.
- iv. Included in the balance is electricity and water expenses of Kshs.1,500,00 which were not supported by relevant utility bills.
- v. Included in the balance is committee allowances expenses of Kshs.58,436,271. Audit review revealed that Management paid domestic travel allowances of Kshs.10,093,880 and allowances to Sub County licensing officers of Kshs.25,115,405. However, the expenditures were not supported with relevant approvals, invitation letters, and evidence of travel, meeting minutes, signed attendance registers and back to office reports. In addition, an amount of Kshs.28,488,541 was incurred as foreign travel without justification as the operations of the Board are purely local.
- vi. Included in the balance is sensitization expenses of Kshs.40,000,000 which was not supported with approved workshop participation program, participants invitation letters, evidence of travel, signed attendance registers and back to office reports.
- vii. Included in the balance is printing and stationery of Kshs.20,000,000, advertising of Kshs.6,000,000 and poster expenses of Kshs.4,000,000 respectively. However, Management did not provide for audit review local purchase/service orders,

delivery notes, invoices, goods received notes, inspection and acceptance certificates, counter receipt and issue vouchers.

- viii. Included in the balance is repair of motor vehicle of Kshs.10,000,000,000 and insurance costs of Kshs.2,000,000 respectively. However, Management did not provide for audit review motor vehicle log books, pre-repair and post-repair inspection reports and invoices, valuation reports and insurance policy documents.
- ix. Included in the balance is stipend expenses of Kshs.2,500,000. However, audit review revealed that Management engaged thirteen (13) staff members on internship and paid a stipend of Kshs.25,000 monthly totaling to Kshs.3,900,000 in the year under review. The variance of Kshs.1,400,000 between the two sets of records was not explained or reconciled. In addition, the advertisements for the position of interns, interview results, appointment letters, and their approved rate of remuneration by the County Public Service Board were not provided for audit review in line with Section 74 of the County Governments Act, 2012 which provides that the County Public Service Board shall regulate the engagement of persons on contract, volunteer and casual workers, staff of joint ventures and attachment of interns in its public bodies and offices. Further, Management indicated that five (5), out of the thirteen(13) interns had their duty station at City Hall, yet the Board has its official offices within South C area of the City.

In the circumstances, the validity, accuracy and completeness of the use of goods and services expenditure of Kshs.265,548,231 for the year ended 30 June, 2022 could not be confirmed.

4. Unsupported Property, Plant and Equipment Balance

The statement of financial position reflects property, plant and equipment balance of Kshs.15,438,570 as disclosed in Note 15 to the financial statements. However, the fixed assets register provided for audit did not indicate details of the assets including date of purchase, description of assets including model and serial number, cost, specific location, asset number, responsible official, class, category of assets and its condition. In addition, the assets were not coded or tagged for ease of identification and tracking. This is contrary to Regulation 132(1)(b) of the Public Finance Management (County Governments) Regulations, 2015 which stipulates that the accounting officer shall take full responsibility and ensure proper control systems exist for assets and that movement and conditions of assets can be tracked.

In addition, included in the balance is motor vehicles balance of Kshs.5,692,129. However, audit review of revealed that three (3) motor vehicles acquired at a cost of Kshs.13,500,000 in the year 2016 were still registered in the name of the defunct Nairobi City Council.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.15,438,570 as at 30 June, 2022 could not be confirmed due to Management breach of the law.

5. Unsupported Trade and Other Payables

The statement of financial position reflects trade and other payables from exchange transactions balance of Kshs.10,000,000 as disclosed in Note 17 to the financial statements. However, Management did not provide the supporting schedules and documentation for audit verification.

In the circumstances, the accuracy and completeness of the trade and other payables from exchange transactions balance of Kshs.10,000,000 as at 30 June, 2022 could not be confirmed.

6. Variance in the Approved Budget Figures

The statement of comparison of budget and actual amounts reflects final total revenue budget of Kshs.265,864,886. However, the Nairobi City County Executive approved estimates reflects a total approved budget for the Fund of Kshs.250,000,0000 comprising of Kshs.200,000,000 for recurrent expenditure and Kshs.50,000,000 for development expenditure respectively. Management has not reconciled or explained the variance of Kshs.15,864,886 between the two sets of records.

In the circumstances, the accuracy of the revenue budget figure of Kshs.265,864,886 could not be confirmed.

7. Failure to Establish Treatment and Rehabilitation Facilities and Programs

Audit review revealed that Management did not provide establish treatment and rehabilitation facilities and programs to promote cessation and rehabilitation persons dependent on alcoholic drinks in the County. This is contrary to provisions of Section 5(g)(v) of the Nairobi City County Alcoholic Drinks Control and Licensing Act, 2014 which requires the Board to establish treatment and rehabilitation facilities and programs for persons dependent on alcoholic drinks.

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

8. Failure to Provide Information on Board Members

Review of the financial statements on page (vi) indicates that Liquor Licensing Board had seven (7) Board members. However, the appointment letters, minimum qualification, gazette notice and personal files were not provided for audit.

In the circumstances, the regularity and validity of the Board members composition could not be ascertained.

9. Unresolved Prior Year Audit Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, Management has not resolved the issues or given any explanation for failure to adhere to the provisions of the Public Sector Accounting Standards Board prescribed reporting format and The National Treasury's Circular Ref:

No. AG.4/16/3 Vol.11(66) dated 6 July, 2022, which provides for the format and contents of the financial statements.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is 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. I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of Nairobi City County Alcoholic Drinks Control and Licensing Board Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 March, 2023

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30, 2022

13. Statement of Financial Performance For The Year Ended 30th June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1	0	0
Transfers From the County Government	2	0	0
Fines, Penalties and Other Levies	3	265,864,886	369,429,434
Revenue From Exchange Transactions			
Interest Income	4	0	0
Other Income	5	0	0
		0	0
Total Revenue		265,864,886	369,429,434
Expenses			
Employee Costs	6	0	0
Use of goods and services	7	265,548,231	366,209,677
Depreciation and Amortization Expense	8	0	0
Finance Costs	9	0	0
Total Expenses		265,548,231	366,209,677
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10	0	0
Surplus/(Deficit) For The Period		316,655	3,219,757

.....
 Name: **HESBON AGWENA**
 Administrator of the Fund

.....
 Name: **Clara Kariya**
 Fund Accountant
 ICPAK Member Number: **18231**

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

14. Statement of Financial Position As At 30 June 2022

	Note	2021-2022	2020-2021
		Kshs.	Kshs.
Assets			
Current Assets			
Cash and Cash Equivalents	11	316,655	3,219,757
Current Portion of Long- Term Receivables From Exchange Transactions	12	0	0
Prepayments	13	0	0
Inventories	14	0	0
		316,655	3,219,757
Non-Current Assets			
Property, Plant and Equipment	15	15,438,569.95	0
Intangible Assets	16	0	0
Long Term Receivables from Exchange Transactions	12	0	0
		15,438,569.95	3,219,757
Total Assets		15,755,224.95	3,219,757
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	17	10,000,000	0
Provisions	18	0	0
Current Portion of Borrowings	19	0	0
Employee Benefit Obligations	20	0	0
		10,000,000	0
Non-Current Liabilities			
Non-Current Employee Benefit Obligation	20	0	0
Long Term Portion of Borrowings	19	0	0
Total Liabilities		10,000,000	0
Net Assets		5,438,569.95	3,219,757
Revolving Fund		0	0
Reserves		0	0
Accumulated Surplus		0	0
Total Net Assets		5,438,569.95	3,219,757

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

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 _____ 2022 and signed by:


.....
Name: *Hesbon Agwena*
Administrator of the Fund

.....
Name: *David Kariuki*
Fund Accountant
ICPAK Member Number: *18231*

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30, 2022

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

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance As At 1 July 2020	0	0	0	0
Surplus/(Deficit) For the Period	-	-	0	0
Funds Received During the Year	0	-		0
Transfers	0		(0)	
Revaluation Gain	-	0	-	0
Balance As At 30 June 2021	0	0	0	3,219,757
Balance As At 1 July 2021	0	0	0	3,219,757
Surplus/(Deficit) For the Period		-	0	316,655
Funds Received During the Year	0	-	-	0
Transfers	0		(0)	
Revaluation Gain	-	0	-	0
Balance As At 30 June 2022	0	0	316,655	316,655


 Name: Hasbon Agwena
 Administrator of the Fund


 Name: Clare Kinyua
 Fund Accountant
 ICPAK Member Number: 18231

16. Statement Of Cash Flows For The Year Ended 30 June 2022

	Note	2021-2022	2020-2021
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Public contributions and donations		0	0
Transfers from the county government		0	0
Interest received		0	0
Receipts from other operating activities		265,864,886	369,429,434
Total receipts		265,864,886	369,429,434
Payments			
Fund administration expenses		0	0
General expenses		265,548,231	366,209,677
Finance cost		0	0
Other payments		0	0
Net cash flows from operating activities	21	316,655	3,219,757
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets		(0)	(0)
Proceeds from sale of property, plant & equipment		0	0
Proceeds from loan principal repayments		0	0
Loan disbursements paid out		(0)	(0)
Net cash flows used in investing activities		(0)	(0)
Cash flows from financing activities			
Proceeds from revolving fund receipts		0	0
Additional borrowings		0	0
Repayment of borrowings		(0)	(0)
Net cash flows used in financing activities		316,655	3,219,757
Net increase/(decrease) in cash & cash Equivalents			
Cash and cash equivalents at 1 July	11	0	0
Cash and cash equivalents at 30 June	11	316,655	3,219,757

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022



.....
Name: Hesbon Agwong
Administrator of the Fund



.....
Name: Clare Camp
Fund Accountant
ICPAK Member Number: (823)

17. Statement Of Comparison Of Budget And Actual Amounts For The Period

	Original budget 2022	Adjustments 2022	Final budget 2022	Actual on comparable basis 2022	Performance difference 2022	% Utilisation 2022
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	
Public Contributions And Donations	265,864,886	0	265,864,886	265,548,231	316,655	99.8%
Transfers From County Govt.						
Interest Income	0	-	0	0	0	
Other Income	0	-	0	0	0	
Total Income	265,864,886	0	265,864,886	265,548,231	316,655	
Expenses						
Fund Administration Expenses	0	-	0	0	0	
General Expenses	265,548,231	0	265,548,231	0	0	
Finance Cost	0	0	0	0	0	
Total Expenditure	0	0	0	0	0	
Surplus For The Period					316,655	

Budget notes

1. COVID 19 affected revenue collections with most of the bars closing down.

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

18. Notes to the Financial Statements

1. General Information

Nairobi City County Alcoholic Drinks Control and Licensing Board entity is established by and derives its authority and accountability from Alcoholic Act of 2014. The entity is wholly owned by the Nairobi County Government and is domiciled in Kenya. The entity's principal activity is Liquor Licensing.

2. Statement of compliance and basis of preparation

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

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

3. Adoption of new and revised standards

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

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

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

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	<ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
IPSAS 42: Social Benefits	<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> <p>(a) The nature of such social benefits provided by the Entity;</p> <p>(b) The key features of the operation of those social benefit schemes; and</p> <p>(c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p>

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
Instruments	<p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
Other improvements to IPSAS	<p><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 2023.</p>
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>

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Standard	Effective date and impact:
	The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <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 year 2022.

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

2. Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the County Assembly in September. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Fund recorded additional appropriations of Kshs 12,645,129 on the FY 2021-2022 budget following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

c) Property, plant and equipment

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

Depreciation has been done using the following percentages on straight line method

Motor Vehicle – 25%, Computers – 33% and Furniture 12.5%

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.

d) Financial instruments

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Summary Of Significant Accounting Policies (Continued)

Held-to-maturity

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

Impairment of financial assets

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

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

Financial liabilities

Initial recognition and measurement

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

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

Loans and borrowing

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

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

Summary Of Significant Accounting Policies (Continued)

e) 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.

f) 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.

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.

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Summary Of Significant Accounting Policies (Continued)

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.

g) 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.*

h) 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.

i) 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.

j) 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.

Annual Report and Financial Statements for the year ended June 30, 2022

Summary Of Significant Accounting Policies (Continued)

k) 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.

l) 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.

m) 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.

n) Comparative figures

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

o) Events after the reporting period

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

p) Ultimate and Holding Entity

The entity is a County Public Fund established by xxx Act (*state the legislation establishing the Fund*) under the Ministry of xxx. Its ultimate parent is the County Government of XXX.

q) Currency

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

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

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.

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

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

6. Notes To The Financial Statements

1. Public contributions and donations

Description	2021-2022	2020-2021
	Kshs	Kshs
Donation From Development Partners	0	0
Contributions From The Public	0	0
Total	0	0

2. Transfers from County Government

Description	2021-2022	2020-2021
	Kshs	Kshs
Transfers From County Govt. –Operations	0	0
Payments By County On Behalf Of The Entity	0	0
Total	0	0

3. Fines, penalties and other levies

Description	2021-2022	2020-2021
	Kshs	Kshs
Late Payment Penalties/levies	265,864,886	369,429,434
Fines/Levies		
Brewers (1 million liters)	4,500,000	
Brewers alcoholic drinks	500,000	
Brewers (499,999 liters)	2,000,000	
Members club	3,496,886	
Proprietary	33,080,243	
Distributors	4,660,000	
Distributors Deport	3,820,000	
General retail off license	552,000	
General retail license	9,207,000	
Hotel	24,200,000	
Import (5000,000 liters to 999,999)	3,500,000	
Import (499,999 liters and beyond)	19,500,000	

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Supermarket	18,670,000	
Traveler's license	15,000	
Wholesale	91,680,000	
Application fee	43,264,000	
Total	265,864,886	369,429,434

Revenue is collected from payment of application fee and liquor license fees

4. Interest income

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Income From Mortgage Loans	0	0
Interest Income From Car Loans	0	0
Interest Income From Investments	0	0
Interest Income On Bank Deposits	0	0
Total Interest Income	0	0

Notes to the Financial Statements Continued

5. Other income

Description	2021-2022	2020-2021
	Kshs	Kshs
Insurance Recoveries	0	0
Income From Sale Of Tender Documents	0	0
Miscellaneous Income		
Total Other Income	0	0

6. Employee Costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Salaries And Wages	0	0
Staff Gratuity	0	0

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Staff Training Expenses	0	0
Social Security Contribution	0	0
Other (<i>Specify</i>)	0	0
Total	0	0

7. Use of Goods and Services

Description	2021/22	2020/21
	Kshs.	Kshs.
General Office Expenses	53,453,849.78	
Loan Processing Costs	0	0
Professional Services Costs	0	0
Administration Fees	0	0
Committee Allowances	58,436,271	
Bank Charges	31,440	
Electricity And Water Expenses	1,500,000	
Fuel And Oil Costs	4,600,000	
Insurance Costs	2,000,000	
Postage And Courier	50,000	
Printing And Stationery	20,000,000	
Sensitization	40,000,000	
Depreciation	4,473,325.22	
Rental Costs	10,000,000	
Security Costs	1,200,000	
Telephone And Communication Expenses	4,800,000	
Advertising	10,000,000	
Cleaning Services	12,400,000	
Foreign Travel	20,420,000	
Stipend	2,500,000	
Repair of M/V	10,000,000	
Stationery	6,000,000	
Posters	4,000,000	
Bank Charges	0	0
Audit Fees	0	0
Provision For Doubtful Debts	0	0
Other (<i>Specify</i>)	0	0
Total - Use of Goods and Services	265,548,231	366,209,677

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

8. Depreciation and Amortization Expense

Description	2021/22	2020/21
	Kshs.	Kshs.
Property Plant and Equipment	4,473,325.22	0
Intangible Assets	0	0
Total	4,473,325.22	0

9. Finance costs

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest On Bank Overdrafts	0	0
Interest On Loans From Banks	0	0
Total	0	0

10. Gain/(loss) on disposal of assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Property, Plant And Equipment	0	0
Intangible Assets	0	0
Total	0	0

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Notes to the Financial Statements Continued

11. Cash and cash equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Xxx Car Loan Account	0	0
Xxx County Mortgage Account	0	0
Fixed Deposits Account	0	0
On – Call Deposits	0	0
Current Account	316,655	3,219,757
Others	0	0
Total Cash And Cash Equivalents	316,655	3,219,757

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

Financial Institution	Account number	2021-2022	2020-2021
		Kshs	Kshs
a) Fixed Deposits Account			
Kenya Commercial Bank		0	0
Equity Bank, Etc.		0	0
Sub- Total		0	0
b) On - Call Deposits			
Kenya Commercial Bank		0	0
Equity Bank - Etc.		0	0
Sub- Total		0	0
c) Current Account			
Coop Bank of Kenya		0	0
A/C 0114123091400		316,655	3,219,757
Sub- Total		316,655	3,219,757
d) Others(Specify)			
Cash In Transit		0	0
Cash In Hand		0	0
Sub- Total		316,655	3,219,757
Grand Total		316,655	3,219,757

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

12. Receivables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Current Receivables		
Interest Receivable	0	0
Current Loan Repayments Due	0	0
Other Exchange Debtors	0	0
Less: Impairment Allowance	0	0
Total Current Receivables		
Non-Current Receivables		
Long Term Loan Repayments Due	0	0
Total Non- Current Receivables	0	0
Total Receivables From Exchange Transactions	0	0

Additional disclosure on interest receivable

Description	2021-2022	2020-2021
	Kshs	Kshs
Interest Receivable		
Interest receivable from current portion of long-term loans of previous years	0	0
Accrued interest receivable from of long-term loans of previous years	0	0
Interest receivable from current portion of long-term loans issued in the current year	0	0
Current loan repayments due	0	0
Current portion of long-term loans from previous years	0	0
Accrued principal from long-terms loans from previous periods	0	0
Current portion of long-term loans issued in the current year	0	0

13. Prepayments

Description	2021-2022	2020-2021
	Kshs	Kshs
Prepaid Rent	0	0
Prepaid Insurance	0	0
Prepaid Electricity Costs	0	0
Other Prepayments (Specify)	0	0

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Total	xxx	xxx
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14. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Consumable Stores	0	0
Spare Parts And Meters	0	0
Catering	0	0
Other Inventories (Specify)	0	0
Total Inventories At The Lower Of Cost And Net Realizable Value	0	0

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Notes To the Financial Statements (Continued)

15. Property, plant and equipment

	Land and Building Buildings	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 st July 2014	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-
At 30 th June 2015	-	-	-	-	-
At 1 st July 2015	-	-	-	-	-
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
At 30 th June 2016	-	-	-	-	-
At 1 st July 2016	-	-	-	-	-
Depreciation	-	-	-	-	-
Impairment	-	-	-	-	-
At 30 th June 2017	-	-	-	-	-
At 1 st July 2017	-	-	-	-	-

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Additions	-	20,850,000.00	2,150,000.00	740,000.00	23,740,000.00
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
Depreciation	-	5,212,500.00	268,750.00	246,667.00	5,727,917.00
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June 2018		15,637,500.00	1,881,250.00	493,333.00	18,012,083.00
At 1st July 2018	-	15,637,500.00	1,881,250.00	493,333.00	18,012,083.00
Additions	-	7,000,000.00	-	-	7,000,000.00
Sub Total					-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
Sub Total		22,637,500.00	1,881,250.00	493,333.00	25,012,083.00
Depreciation	-	5,659,375.00	235,156.25	162,799.89	6,057,331.14
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June 2018		16,978,125.00	1,646,093.75	330,533.11	18,954,751.86

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

At 1st July 2018	-	16,978,125.00	1,646,093.75	330,533.11	18,954,751.86
Additions	-				-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
Depreciation	-	4,244,531.25	205,761.72	109,075.93	4,559,368.90
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June 2019		12,733,593.75	1,440,332.03	221,457.18	14,395,382.96
At 1st July 2019	-	12,733,593.75	1,440,332.03	164,444.00	14,338,369.78
Additions	-				-
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
Depreciation	-	3,183,398.44	180,041.50	54,266.52	3,417,706.46
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30th June 2020		9,550,195.31	1,260,290.53	110,177.48	10,920,663.32
At 1st July 2020	-	9,550,195.31	1,260,290.53	109,629.33	10,920,115.17
Additions	-				-

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Disposals	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-
At 30th June 2021	-	-	-	-	-	-	-
At 1st July 2021	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transfers/Adjustments	-	-	-	-	-	-	-
At 30th June 2021	-	9,550,195.31	1,260,290.53	109,629.33	10,920,115.17		
At 1st July 2021							
Additions	-	-	5,245,000.00	3,746,780.00	8,991,780.00		
Disposals	-	-	-	-	-		
Transfer/Adjustments	-	-	-	-	-		
Sub Total	-	9,550,195.31	6,505,290.53	3,856,409.33			
Depreciation	-	2,387,548.83	813,161.32	1,272,615.08	4,473,325.22		
At 30th June 2022	-	7,162,646.48	5,692,129.21	2,583,794.25	15,438,569.95		

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022
Notes To The Financial Statements (Continued)

16. Intangible assets

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost		
At Beginning Of The Year	0	0
Additions	0	0
At End Of The Year	0	0
Amortization And Impairment		
At Beginning Of The Year	0	0
Amortization	0	0
At End Of The Year	0	0
Impairment Loss	0	0
At End Of The Year	0	0
NBV	0	0

17. Trade and other payables from exchange transactions

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade Payables	10,000,000	xxx
Refundable Deposits	xxx	xxx
Accrued Expenses	xxx	xxx
Other Payables	xxx	xxx
Total Trade And Other Payables	10,000,000	xxx

18. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At The Beginning Of The Year (1.07.2021)	0	0	316,655	0
Additional Provisions	0	0	xxx	0
Provision Utilised	(0)	(0)	(0)	(0)
Change Due To Discount And Time Value For Money	(0)	(0)	(0)	(0)
Transfers From Non -Current Provisions	0	0	0	0
Balance At The End Of The Year (30.06.2022)	0	0	316,655	0

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Notes To The Financial Statements (Continued)

19. Borrowings

Description	2021-2022	2020-2021
	Kshs	Kshs
Balance At Beginning of The Period	0	0
External Borrowings During the Year	0	0
Domestic Borrowings During the Year	0	0
Repayments Of External Borrowings During the Period	(0)	(0)
Repayments Of Domestic Borrowings During the Period	(0)	(0)
Balance At End of The Period	0	0

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

	2021-2022	2020-2021
	Kshs	Kshs
External Borrowings		
Dollar Denominated Loan From 'X Organisation'	0	0
Sterling Pound Denominated Loan From 'Y Organisation'	0	0
Euro Denominated Loan from Z Organisation'	0	0
Domestic Borrowings	0	0
Kenya Shilling Loan From KCB	0	0
Kenya Shilling Loan from Barclays Bank	0	0
Kenya Shilling Loan from Consolidated Bank	0	0
Borrowings From Other Government Institutions	0	0
Total Balance at End Of The Year	0	0

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

Description	2021-2022	2020-2021
	Kshs	Kshs
Short Term Borrowings(Current Portion)	0	0
Long Term Borrowings	0	0
Total	0	0

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022
Notes To The Financial Statements (Continued)

20. Employee benefit obligations

Description	Defined benefit plan	Post employment medical benefits	Other Provisions	2021-2022	2020-2022
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	0	0	0	0	0
Non-Current Benefit Obligation	0	0	0	0	0
Total	0	0	0	0	0

21. Cash generated from operations

	2021-2022	2020-2021
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	316,655	3,219,757
Adjusted For:		
Depreciation	xxx	xxx
Amortisation	xxx	xxx
Gains/ Losses On Disposal Of Assets	(xxx)	(xxx)
Interest Income	(xxx)	(xxx)
Finance Cost	xxx	xxx
Working Capital Adjustments		
Increase In Inventory	(xxx)	(xxx)
Increase In Receivables	(xxx)	(xxx)
Increase In Payables	xxx	xxx
Net Cash Flow From Operating Activities	xxx	xxx

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures

22. 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

	2021-2022	2020-2021
	Kshs	Kshs
Transfers From Related Parties'	0	0
Transfers To Related Parties	0	0

c) Key management remuneration

	2021-2022	2020-2021
	Kshs	Kshs
Board Of Trustees	14,560,210	17,000,000
Key Management Compensation	0	0
Total	14,560,210	17,000,000

d) Due from related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due From Parent Ministry	0	0
Due From County Government	0	0
Total	0	0

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures Continued

e) Due to related parties

	2021-2022	2020-2021
	Kshs	Kshs
Due To Parent Ministry	0	0
Due To County Government	0	0
Due To Key Management Personnel	0	0
Total	0	0

23. Contingent assets and contingent liabilities

Contingent Liabilities	2021-2022	2020-2021
	Kshs	Kshs
Court Case Xxx Against The Fund	0	0
Bank Guarantees	0	0
Total	0	0

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

Other Disclosures Continued

24. 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:

	Total amount Kshs	Fully performi ng Kshs	Past due Kshs	Impaired Kshs
At 30 June 2022				
Receivables From Exchange Transactions	262,645,129	0	0	0
Receivables From Non-Exchange Transactions	0			0
Bank Balances	316,655			0
Total				0
At 30 June 2021				0
Receivables From Exchange Transactions	0			0
Receivables From Non Exchange Transactions	0			0
Bank Balances	3,219,757			0
Total				0

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30, 2022

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

The entity has significant concentration of credit risk on amounts due from xxxx

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.

	Less than 1 month	Between 1- 3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2022				
Trade Payables	0	0	4,000,000	4,000,000
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	4,000,000	4,000,000
At 30 June 2021				
Trade Payables	0	0	6,000,000	6,000,000
Current Portion Of Borrowings	0	0	0	0
Provisions	0	0	0	0
Employee Benefit Obligation	0	0	0	0
Total	0	0	10,000,000	10,000,000

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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:

		Other currencies	Total
	Kshs	Kshs	Kshs
At 30 June 2021			
Financial Assets	0	0	0
Investments	0	0	0
Cash	0	0	0
Debtors/ Receivables			
Liabilities			
Trade And Other Payables	0	0	0
Borrowings	0	0	0
Net Foreign Currency Asset/(Liability)	0	0	0

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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.

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.

	Change in currency rate	Effect on surplus/ deficit	Effect on equity
	Kshs	Kshs	Kshs
2022			
Euro	10%	0	0
USD	10%	0	0
2021			
Euro	10%	0	0
USD	10%	0	0

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.

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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)

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:

	2021-2022	2020-2021
	Kshs	Kshs
Revaluation reserve	0	0
Revolving fund	0	0
Accumulated surplus	0	0
Total funds	0	0
Total borrowings	0	0
Less: cash and bank balances	0	0
Net debt/(excess cash and cash equivalents)	0	0
Gearing	0%	0%

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	Financial Statement prepared using Cash Basis	Financial Statement amended to accrual Basis of accounting	Resolved	
	Non remittance of revenue collected to county Revenue Fund	Management to take up the matter	Not Resolved	This financial year 2022/2023 the issue to be resolved
	Inaccuracy of cash and cash equivalent	Financial Statements amended	Resolved	
	Financial Statement For Financial year 2014/15 2015/16 2016/17 2017/18 2018/19 not submitted	Financial Statement for the said years prepared and submitted	Resolved	