

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

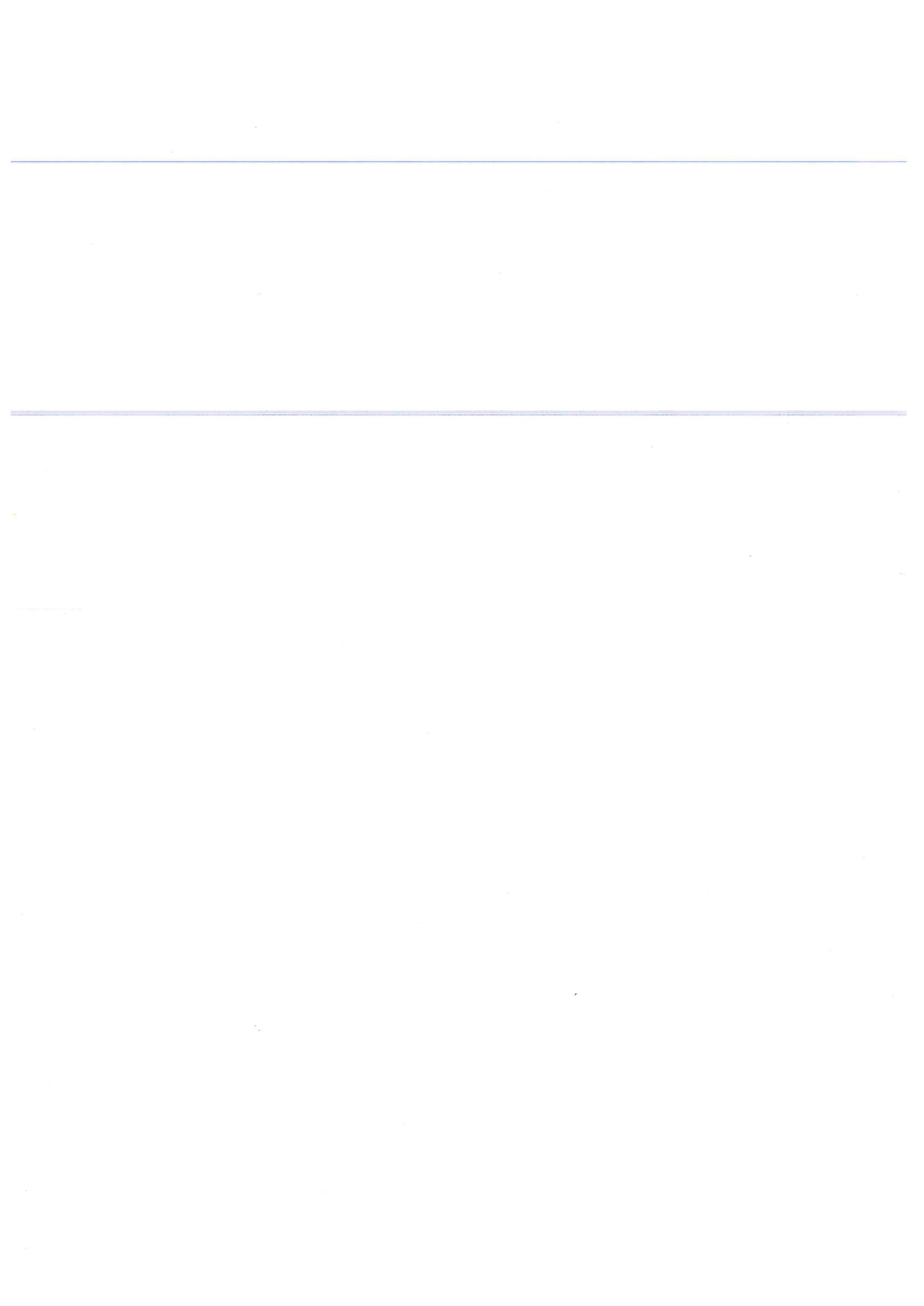
OF

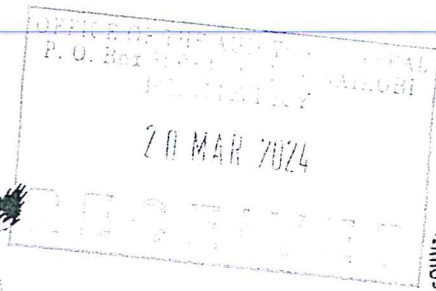
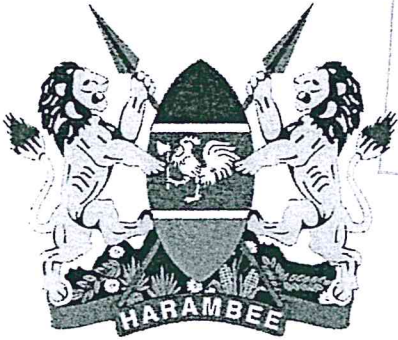
THE AUDITOR-GENERAL

ON

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

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





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

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

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

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

1. Acronyms and Glossary of Terms

a) Acronyms

BOM	Board of Management
ICPAK	Institute of Certified Public Accountants of Kenya
IPSAS	International Public Sector Accounting Standards
PFM	Public Finance Management
PSASB	Public Sector Accounting Standards Board
Kshs	Kenya Shillings
CECM	County Executive Committee Member
CCO	County Chief Officer
ADCLB	Alcoholic Drinks Control and Licensing Board
PFM	Public finance management.
NCC	Nairobi City County
BHO	Business & Hustlers Opportunities

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

2. Key Entity Information and Management

a) Background information

Nairobi County Alcoholic Drinks and Licensing Board was established by and derives its authority and accountability from Nairobi County Alcoholic Drinks Control Act, 2014. The Board is wholly owned by the County Government of Nairobi.

The board's objective is to provide leadership, supervise, coordinate and control to ensure compliance of all liquor outlets and a well orderly regulated liquor industry. The board 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.

b) Principal Activities

The principal activity/mission/ mandate of the Board are to:-

- Research documentation and dissemination of on formation on alcoholic drink in the county (a)
- Promoting cessation and rehabilitation programmes in the county (b)
- Financing the operation of the sub county committees and voluntary programmes in the county in accordance with such guidelines as may be prescribed.(c)
- Carry out function of ADCLB established 4(1)and the object of this act.(d)
- Any other matter incidental to the matters set out in paragraphs (a),b),(c),(d)

The VISSION of ADCLB is to:

A well orderly regulated liquor industry.

The MISSION:

To provide leadership, supervise, coordinate and control to ensure compliance of all liquor outlets

MANDATE:

The ADCLE mandate is to control, licensing regulation and general administration of the board in the county.

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

c) Board of Trustees/Fund Administration Committee

Ref	Name	Position
1	CECM –Finance & Economic Planning	Charles Kerich
2	Chairman of the Board	Francis Mbogo/ Michael Rabar
3	Chief Officer (responsible department)	Elizabeth Njau /Zipporah Mwangi
4	Fund Manager	Winnie Gathangu /Rosemary Kariuki
5	Fund Director Licensing	Hesbon Agwena/ Rhoda Otieno
6	Other Committee Members	Judith Nyangi, Francis Waweru, Gabriel Chapia.
7	Fund Accountant	Clare Kenya/ Rodgers Modi
8	Fund Public Health Officer	Mwaka Mwola

d) Key Management Stream

Ref	Name	Position
1	Fund Manager	Rosemary Kariuki
2	Chief Officer (responsible department)	Zipporah Mwangi
3	Fund Director Licensing	Rhoda Otieno
4	Fund Accountant	Rodgers Modi

Key Entity and Management (Continued)

e) Fiduciary Oversight Arrangements

Here, provide a high-level description of the key fiduciary oversight arrangements covering (say):

SN	Position	Name
1	Directorate Internal Audit	Francis Njoroge
2	Staff car Mortgage and car Loan Advisory Committee	N/A
3		

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

f) Registered Offices

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

g) Fund Contacts

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

h) 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

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

Key Entity and Management (Continued)

i) Independent Auditors

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

j) Principal Legal Adviser

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

k) County Attorney






County Attorney

City Hall 1st floor Room 120

Nairobi City County Alcoholic Drinks Control and Licensing Board



Annual Report and Financial Statements for the year ended June 30th 2023

3. Board of Trustees/ Fund Administration Committee

Name	Details of qualifications and experience
<p>Rosemary Kariuki</p> 	<p>CEC TRADE Fund Manager Date of birth: 1963 Qualifications: Degree in Political Science Executive member Work experience with 18years in Management.</p>
<p>Zipporah Mwangi</p> 	<p>CHIEF OFFICER (Secretary to the Board) Accounting Officer Date of birth: 1981 Qualifications: Masters Public Health (Epidemiology) Executive member Work experience with 14 years in management.</p>
<p>Rhoda Otieno</p> 	<p>DIRECTOR LIQUOR LICENSING To implement the board decisions and other liquor operations. Date of Birth : 1983 Qualifications : Master's Degree Executive member Work experience with 12 years in Administration</p>
<p>Michael Rabar</p> 	<p>BOARD CHAIR Chairperson to the Board Date of Birth : 1970 Qualifications: B.Sc. , diploma in audio engineering, advance management programme Independent member Work experience with 16years</p>
<p>Judith A.Omondi</p> 	<p>VICE CHAIR (BOARD) Date of Birth:1975 Qualifications: Diploma in Community Development Independent member, work experience over 15 years</p>

Nairobi City County Alcoholic Drinks Control and Licensing Board






Annual Report and Financial Statements for the year ended June 30th 2023

<p>Francis Waweru</p> 	<p>MEMBER Board Member Date of Birth: 1970 Qualifications: B.A Land economics , diploma in valuation and estate management Independent member Work experience over 15 years</p>
<p>Gabriel Chapia</p> 	<p>MEMBER Board Member Date of Birth: 1983 Qualifications: MA in communication Studies , diploma in information management Independent member Work experience over 16 years</p>

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

4. Management Team

Name	Details of qualifications and experience
<p>1. Rosemary Kariuki</p> 	<p>County Executive Committee Member Fund Manager Date of birth: 1963 Qualifications: Degree in Political Science Executive member Work experience with 18years in Management.</p>
<p>2. Zipporah Mwangi</p> 	<p>Chief Officer Accounting Officer of the fund Date of birth: 1981 Qualifications: Masters Public Health (Epidemiology) Executive member Work experience with 14 years in management.</p>
<p>3. Rhoda Otieno</p> 	<p>Director Liquor To implement the board decisions and other liquor operations. Date of Birth : 1983 Qualifications : Master's Degree Executive member Work experience with 12 years in Administration</p>
<p>4. Rodgers Modi</p> 	<p>Fund Accountant Processing of payment Date of Birth: 1978 Qualifications: B.com, M.Sc. Finance , CPA(K) Work experience with 10years in Finance.</p>
<p>5. Mwaka Mwola</p> 	<p>Assistant chief public health officer Incharge of liquor programme Date of Birth:1967 Qualifications: Higher National Diploma in Epidemiology Work experience with18years in Public health.</p>

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

6. Clare Kenya	Assistant Director Accounting Services Incharge of Financial Reporting Date of Birth : 1974 Qualifications: B.Com (Accounting), CPA(K)CPS(K) Work Experience with 15 years in Finance.
----------------	---



Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

5. Board Chairperson's Report


The Alcoholic Drinks Control Board was established under the Alcoholic Drinks Control of 2014. The purpose of the board is to facilitate and enhance Management, Controls, enforcement and compliance of Alcoholic Drinks Control Licensing process, further the board also facilitates the aspect of prevention and rehabilitation of that affected by the vice and strengthening of community reintegration to reduce relapse.

In the course of the financial year there were changes in the board. With new board members being appointed by His Excellency Governor Johnson Sakaja.

In the financial year under review the board was able to collect revenue Kshs 238,856,549 against a target of Kshs 250,000,000.

The board has a potential for growth both revenue base and programmes. In the financial year the board has been able to come up with a rehabilitation centre at Sinai where stakeholders were invited to partner with the board.

Several Community outreaches were done through support to youth in terms of sports sponsored by the board. In future we plan to expand our activities to include Corporate Social Responsibility to improve public image and increase customer engagements.

Name... Michael Kabw Signature.....  Date..... 19th July 2023

Chairperson of the Board

6. Report of the Board Administrator

The Nairobi City County Alcoholic Drinks Control and Licensing Board was established under the ADCLB Act of 2014. The purpose of the board is to facilitate and enhance Management, Controls, enforcement and compliance of Alcoholic Drinks Control Licensing process, further, the board also facilitates the aspect of prevention and rehabilitation of those affected by the vice and strengthening of Community reintegration to reduce relapse.

The board has a potential for growth both in revenue base and programmess. The revenue target for the year in review was Kshs 250,000,000. The revenue collected for the financial year under the review was Kshs 238,856,549. This is as a result of an executive order by H.E barring the licensing of night clubs within the residential area to align to the Governors manifesto of a City of Dignity and Order subject.

The board established a rehabilitation centre that provides:

- Affordable and accessible treatment for victims, who on exit will be assisted to settle back into the Community by offering them job opportunities and also providing after care and follow –up counselling. This will be undertaken by the County Government
- Through this project we are looking at ensuring that we effectively re-integrate recovered addicts back into the society ad give after care that will ensure they do not relapse and can continue working and contributing to the economy .

The board also supported youth programmes like soccer tournaments awareness and sensitizations.

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

7. Statement of Performance against the County board's Predetermined Objectives

From the County Integrated Development Plan (CIDP) 2018-2022 Nairobi City County Alcoholic Drinks Control and Licensing board 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.
- Establish rehabilitation Centre.

Performance Review for 2022/23

Programmes/Projects	KPI	Target 2022/23	Achievement 2022/23	Remarks
Sub-County Liquor offices		8	4	
Rehabilitation Centres		3	1	
<ul style="list-style-type: none"> • Distribution of IEC and Promotional Materials Youth related booklets 	No. of materials	2000	2,000	
<ul style="list-style-type: none"> • Liquor regulations manuals 	No. of manuals	1500	1,500	
<ul style="list-style-type: none"> • Sub-county leaders' workshops • Youth group leaders, youth group peer educators 	No. of Fora	20	20	
		40	40	
<ul style="list-style-type: none"> • Liquor outlet owners 		30	30	
Meetings with Health workers[staff], National enforcement team and Partners	No. of Fora	8	8	
Finalization of Liquor Policy/Act Amendment	Percentage of completion	100%	90%	Amended Act was handed over to County Attorney for further

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

				processes
Regulated outlets through issuance of liquor licenses	No. of Licenses issued	6,000	3,707	The underperformance was due to executive order that stopped licensing nightclubs. Night operations were also stopped.
Enforcement of compliance with liquor regulations	No. of Licenses issued	6,000	3,707	

8. Corporate Governance Statement

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

The board governance is important since it shows the board direction and business integrity. Good governance helps the board 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 establishes the sub-county Committees to implement activities to enhance and facilitate accountability, transparency, fairness and responsibility.

(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 :-

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.

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

(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.

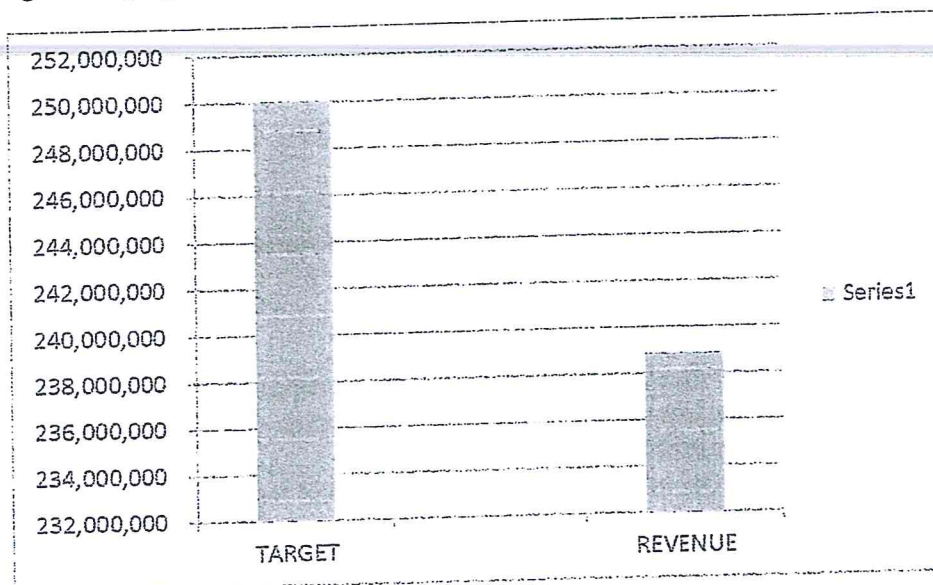
Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

9. 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 ADCLB Act, 2014.

During the financial year under review 2022-2023 a total of Kshs 238,856,549 was collected against a projection of Kshs 250,000,000 which translates to 95.5%.



During the year in review the Board has managed to establish a rehabilitation centre at Sinai. The Board also bought a vehicle which would greatly assist in its operations.

The Board has complied with required reporting of Financial Statements on accrual basis of accounting under IPSAS.

10. 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**
At the moment we don't have an environmental policy but it's something that management is working on.
3. **Employee welfare**
Handled by Human Resource Management being one of its core functions.
4. **Market place practices-**
 - 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-**
Engage the youth through sports and sensitization programmes.

11. Report of The Trustees

The Trustees submit their report for the year ended June 30, 2023 which show the state of the board affairs.

The Trustees submit their report together with the audited financial statements for the year ended June 30, 2023 which show the state of the Board affairs.

Principal activities

The principal activities of the Board are set on page iv

Results

The results of the Fund for the year ended June 30, 2023 are set out on page 1 to 3

Trustees

The members of the Board of Trustees who served during the year are shown on page viii to xi


Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

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

 _____ Michael Rabar

Chair of the Board Administration Committee

Date: 19th July 2023

Nairobi City County Alcoholic Drinks Control and Licensing Board

Annual Report and Financial Statements for the year ended June 30th 2023

12. 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 Board established by ADCLB Act, 2014 shall prepare financial statements for the Board in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board.

The Administrator of the Board is responsible for the preparation and presentation of the Board's financial statements, which give a true and fair view of the state of affairs of the Board for and as at the end of the financial year ended on June 30, 2023. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Board; (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 Board; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Administrator of the Board accepts responsibility for the Board's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and ADCLB Act 2014. The Administrator of the Board is of the opinion that the Board's financial statements give a true and fair view of the state of Board's transactions during the financial year ended June 30, 2023, and of the Board's financial position as at that date. The Administrator further confirm the completeness of the accounting records maintained for the Board, which have been relied upon in the preparation of the Board's financial statements as well as the adequacy of the systems of internal financial control.

In preparing the financial statements, the Administrator of the Board has assessed the Board'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. OR

Nothing has come to the attention of the Administrator to indicate that the Board 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 Board's financial statements were approved by the Board on 19th July 2023 and signed on its behalf by:

..... RHODA OTIENO *Rhoda*

Administrator of the Board



REPUBLIC OF KENYA

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



Enhancing Accountability

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

REPORT OF THE AUDITOR-GENERAL ON NAIROBI CITY COUNTY ALCOHOLIC DRINKS CONTROL AND LICENSING BOARD FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Nairobi City County Alcoholic Drinks Controls and Licensing Board set out on pages 1 to 46, which comprise of the

statement of financial position as at 30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and 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 have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

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

Basis for Qualified Opinion

1. Inaccuracies in the Financial Statements

1.1 Statement of Financial Performance

The statement of financial performance reflects revenue from non-exchange transactions amount of Kshs.238,856,549 relating to licenses which declined by Kshs.27,008,337 or 10% compared to prior year amount of Kshs.265,864,886. However, review of the system indicated that the Board had no existing database of all liquor outlets in the County and Management did not provide work plan to ensure revenue targets are achieved. Further, no evidence of remittance of the funds to the County Revenue Fund (CRF) was provided for audit implying that the revenue was spent at source. In addition, the Board has not established Regulations and other controls on how the funds should be managed or treated.

1.2 Statement of Changes in Net Assets

The statement of changes in net assets reflects a balance of Kshs.14,811,380 as at 30 June, 2023 which excludes a prior year's adjustment of Kshs.686,334,311 relating to revenue collected since 2015/2016 financial year. However, the expenditure arising from the revenue was not supported by payment vouchers and other supporting documents.

1.3 Statement of Comparison of Budget and Actual Amounts

The statement of comparison of budget and actual amounts reflects actual total expenditure of Kshs.224,062,399. However, statement of financial performance reflects Kshs.197,495,121 resulting in an unexplained variance of Kshs.26,567,278.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2. Omission of Rent Arrears in Trade and Other Payables

The statement of financial position and as disclosed in Note 20 to the financial statements reflects trade and other payables from exchange transactions balance of Kshs.38,633,788. However, review of documents revealed that rent arrears amounting to Kshs.5,732,975 owed to the State Department for Trade were not included in the balance. Management explained that the rent had been omitted since there was a dispute between the Board and the landlord.

In the circumstances, the accuracy and completeness of the trade and other payables balance of Kshs.38,633,788 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Nairobi City County Alcoholic Drinks Controls 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 audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1. Non-Enforcement of Collection of Revenue

Review of records provided revealed that the Board collected a total of Kshs.1,500,000 from three manufacturers of alcoholic products. However, the Board would have collected

a total of Kshs.34,500,000 had the law on rates been enforced. This was contrary to the third schedule to the Nairobi City County Alcoholic Drinks Control and Licensing Act, 2014 which specifies the type of license and fee applicable for each category of brewer.

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

2. Non-Provision of Rehabilitation Facilities

The Board has not provided any evidence in respect of establishment of treatment and rehabilitation facilities and programmes for persons dependent on alcoholic drinks and programmes to promote cessation and rehabilitation in the county since its inception in the financial year 2014.

In the circumstances, it was not possible to confirm effectiveness on utilization of the revenue generated from the revenue collected.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Incomplete Payment Process

Review of payment vouchers revealed that item codes and vote book balances were not indicated on the Board's payment vouchers as required. Further, the payment vouchers had not been authorized by both AIE and Accounting Officer while some payment vouchers were not stamped 'PAID'. In addition, it was noted that no withholding taxes had been deducted from the suppliers as required under Income Tax Act.

In the circumstances, the effectiveness of internal controls in processing of payments could not be confirmed.

2. Incomplete Fixed Assets Register

Review of records revealed that the Board has several fixed assets in the form of property, plant and equipment. 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 numbers, 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.

In the circumstances, the effectiveness of controls in fixed assets management could not be confirmed.

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

Responsibilities of Management and the Board of Trustees

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 controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Board's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the sustainability of services basis of accounting unless Management is aware of the intention to terminate 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.

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

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Board's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Board to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Board to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

26 March, 2024

1

2

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30th, 2023

1. Statement of Financial Performance for the Year Ended 30th June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Revenue From Non-Exchange Transactions			
Public Contributions and Donations	1		
Transfers From the County Government	2		
Revenue from Licenses	3	238,856,549	265,864,886
		238,856,549	265,864,886
Revenue From Exchange Transactions			
Interest Income	4		
Other Income	5		
Total Revenue		238,856,549	265,864,886
Expenses			
Employee Costs	6		
Use of goods and services	7	197,495,121	265,548,231
Depreciation and Amortization Expense	8		
Finance Costs	9		
Total Expenses		197,495,121	265,548,231
Other Gains/Losses			
Gain/Loss on Disposal of Assets	10		
Gain /Loss on fair value of investments	11		
Surplus/(Deficit) for the Period		41,361,428	316,655

Name: *Zipporah Mwangi*
CCO - BHO

Name: *Rhoda Okoro*
Director Liquor

Name: *[Signature]*
Ass. Director Accounting
ICPAK Member Number: *[Number]*


2. Statement of Financial Position as at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash Equivalents	12	15,110,805	316,655
Current Portion of Long- Term Receivables From Exchange Transactions	13		
Prepayments	14		
Inventories	15		
Investments in financial assets	16		
Total current assets		15,110,805	316,655
Non-Current Assets			
Property, Plant and Equipment	17	38,334,363	15,438,570
Intangible Assets	18		
Long Term Receivables from Exchange Transactions	13		
Investment Property	19		
Total non- current assets		38,334,363	15,438,570
Total Assets		53,445,168	15,755,225
Liabilities			
Current Liabilities			
Trade and Other Payables from Exchange Transactions	20	38,633,788	10,000,000
Current Portion of Borrowings	21		
Employee Benefit Obligations	22		
Social benefit liabilities	23		
Total current liabilities		38,633,788	10,000,000
Non-Current Liabilities			
Long Term Portion of Borrowings	21		
Non-Current Employee Benefit Obligation	22		
Social benefit liabilities	23		
Total Liabilities		38,633,788	10,000,000


Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30th, 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
NetAssets		14,811,380	
Revolving Fund			
Reserves			
AccumulatedSurplus		14,811,380	
Total Net Assets and Liabilities		14,811,380	5,755,225

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 19th July 2023 and signed by:


Name: Zipporah Mwangi
CCO – BHO


Name: Rhoda Otieno
Director Liquor


Name: Clare Kenya
Ass. Director Accounting
ICPAK Member Number: 18231

3. Statement of Changes in Net Assets for the year ended 30th June 2023

	Revolving Fund	Revaluation Reserve	Accumulated surplus	Total Kshs.
Description		Kshs	Kshs	Kshs
Balance As At 1 July 2016	-	-	99,485,744	99,485,744
Surplus/(Deficit) For the Period	-	-	8,761,690	8,761,690
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2017	-	-	108,247,434	108,247,434
	-	-	-	-
Balance As At 1 July 2017	-	-	108,247,434	108,247,434
Surplus/(Deficit) For the Period	-	-	90,138,850	90,138,850
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2018	-	-	198,386,284	198,386,284
	-	-	-	-
Balance As At 1 July 2018	-	-	198,386,284	198,386,284
Surplus/(Deficit) For the Period	-	-	307,898,488	307,898,488
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30th, 2023

			-	
Balance As At 30 June 2019	-	-	506,284,772	506,284,772
	-	-	-	-
Balance As At 1 July 2019	-	-	506,284,772	506,284,772
Surplus/(Deficit) For the Period	-	-	149,963,079	149,963,079
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2020	-	-	656,247,851	656,247,851
	-	-	-	-
Balance As At 1 July 2020	-	-	656,247,851	656,247,851
Surplus/(Deficit) For the Period	-	-	3,219,757	3,219,757
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2021	-	-	659,467,608	659,467,608
	-	-	-	-
Balance As At 1 July 2021	-	-	659,467,608	659,467,608
Surplus/(Deficit) For the Period	-	-	316,655	316,655
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2022	-	-	659,784,263	659,784,263

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30th, 2023

Balance As At 1 July 2022	-	-	659,784,263	659,784,263
Surplus/(Deficit) For the Period	-	-	41,361,428	41,361,428
Funds Received During the Year	-	-	-	-
Transfers	-	-	-	-
Revaluation Gain	-	-	-	-
Balance As At 30 June 2023	-	-	701,145,691	701,145,691
Prior Years Adjustment	-	-	(686,334,311)	(686,334,311)
Balance As At 30 June 2023	-	-	14,811,380	14,811,380

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

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Cashflows from operating activities			
Receipts			
Public contributions and donations			
Transfers from the county government			
Interest received			
Receipts from other operating activities	3	238,856,549	265,864,886
Total receipts		238,856,549	265,864,886
Payments			
Fund administration expenses			
General expenses			
Finance cost			
Other payments	7	197,495,121	256,556,451
Total Payments		197,495,121	256,556,451
Net cashflows from operating activities	25	41,361,428	9,308,435
Cash flows from investing activities			
Purchase of property, plant, equipment and Intangible assets	17	26,567,278	8,991,780
Proceeds from sale of property, plant & equipment			
Proceeds from loan principal repayments			
Loan disbursements paid out			
Net cashflows used in investing activities		26,567,278	8,991,780
Cashflows from financing activities			
Proceeds from revolving fund receipts			
Additional borrowings			
Repayment of borrowings			
Net cashflows used in financing activities			
Net increase/(decrease) in cash & cash Equivalents		14,794,150	316,655
Cash and cash equivalents at 1 July		316,655	-

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30th, 2023

Cash and cash equivalents at 30 June		15,110,805	316,655
--------------------------------------	--	------------	---------

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% Utilization
	2023	2023	2023	2023	2023	2023
	Kshs	Kshs	Kshs	Kshs	Kshs	%
Revenue						
Revenue from Licenses	250,000,000	0	250,000,000	238,856,549	11,143,451	96%
Transfers From County Govt.						
Interest Income	0	-	0	0	0	
Other Income	0	-	0	0	0	
Total Income	250,000,000	0	250,000,000	238,856,549	11,143,451	96%
Expenses						
Fund Administration Expenses	0	0	0	0	0	
General Expenses	250,000,000	0	250,000,000	224,062,399	25,937,601	90.00%
Finance Cost	0	0	0	0	0	
Total Expenditure	250,000,000	0	250,000,000	224,062,399	25,937,601	90%
Surplus For The Period	0	0		14,794,150		

Budget Notes

- Closure of night clubs affected the revenue collection.

6. Notes to the Financial Statements

Significant Accounting Policies

1. General Information

NCC ADCLB entity is established by and derives its authority and accountability from ADCLB Act 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 Board'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 Board. The accounting policies have been consistently applied to all the years presented. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

3. Adoption of new and revised standards

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

Standard	Effective date and impact
IPSAS 41: Financial Instruments	<p>Applicable: 1st January 2023</p> <p>The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows.</p> <p>IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;

Standard	Effective date and impact
	<ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity; (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2023</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30th 2023

Standard	Effective date and impact
	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.
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>

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

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-	<i>Applicable 1st January 2025</i>

Standard	Effective date and impact:
Current Assets Held for Sale and Discontinued Operations	<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 the financial year 2022-2023.

1. Summary of Significant Accounting Policies

a) Revenue recognition

i. Revenue from non-exchange transactions

Transfers from other government entities

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

ii. Revenue from exchange transactions

Interest income

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

Dividends

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

Rental income

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

b) Budget information

The original budget for FY 2022-2023 was approved by the County Assembly. 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 Board did not record any additional appropriations on the FY 2022-2023.

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.

Summary of Significant Accounting Policies (Continued)

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

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

c) Property, plant and equipment

The entity (ADCLB) does not have property and plant but has equipment such as motor vehicles, Furniture and computers that 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.

Rates used for depreciation are Motor Vehicles – 25% Furniture and fittings – 12.5% Computers – 33%.

d) Intangible Assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

The useful life of the intangible assets is assessed as either finite or indefinite.

e) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30th 2023

the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Summary of Significant Accounting Policies (Continued)

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets

Classification of financial assets

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

Subsequent measurement

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

Summary of Significant Accounting Policies (Continued)

Amortized cost

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

Fair value through net assets/ equity

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

Fair value through surplus or deficit

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

Trade and other receivables

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

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out in *Note xx*.

Summary of Significant Accounting Policies (Continued)

Financial liabilities

Classification

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

g) Inventories

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

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

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

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

h) Provisions

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

i) Social Benefits

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

Summary of Significant Accounting Policies (Continued)

j) Contingent liabilities

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

Contingent assets

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

k) Nature and purpose of reserves

The Entity creates and maintains reserves in terms of specific requirements. (The entity does not have reserves).

l) Changes in accounting policies and estimates

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

m) Employee benefits – Retirement benefit plans

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

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

Summary of Significant Accounting Policies (Continued)

n) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

o) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

p) Related parties

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

q) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

r) Comparative figures

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

Summary of Significant Accounting Policies (Continued)

5. Significant judgments and sources of estimation uncertainty

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

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

a) Estimates and assumptions –

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

b) Useful lives and residual values

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

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

c) Provisions

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

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

6. Notes to the Financial Statements Continued

1. Public contributions and donations

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

2. Transfers from County Government

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

3. Revenue from Non-Exchange Transactions (Licenses)

Description	2022-2023	2021-2022
	Kshs	Kshs
Late Payment Penalties	0	0
Fines		
BREWERS (1 Million Liters and above per annum)	3,008,000	
BREWER (499,999 Liters and below per annum)	2,355,000	
MEMBERS/CLUB	949,000	
PROPRIETARY	13,242,000	
DISTRIBUTORS	4,717,000	
DISTRIBUTOR DEPOT	1,107,000	
GENERAL RETAIL-OFF LICENCE	235,000	
GENERAL RETAIL LICENCE	7,086,000	
HOTEL	41,132,000	
IMPORT (500,000 Liters to 999,999 Liters per annum)	2,007,000	
IMPORT (499,999 Liters and below per annum)	5,079,000	
RESTAURANT	76,400,549	
SUPERMARKET	9,998,000	
TRAVELLERS LICENSE (WITHOUT A GENERAL RETAIL LICENCE)	36,000	
WHOLESALE	71,505,000	

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30th 2023

Total	238,856,549	265,864,886
--------------	-------------	-------------

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

4. Interest income

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

Notes to the Financial Statements Continued

5. Other income

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

6. Employee Costs

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

7. Use of Goods and Services

Description	2022/2023	2021/2022
		Kshs.
Office and General Supplies & Services	8,450,000	
Bank Charges	84,720	
Depreciation	8,016,085	
Utilities Supplies and Services	260,000	
Communication Supplies and Services	100,000	
Domestic Travel Subsistence other transport	44,500,000	
Printing ,advertising and information supplies	36,700,000	
Training Expenses	7,450,000	
Hospitality supplies and services	44,908,745	
Specialized Material and supplies	560,000	
Fuel oil and lubricates	4,820,000	
Other operating expenses	24,260,000	
Routine maintenance - other assets	1,530,000	
Purchase of furniture and General Equipment	9,950,000	
Training (development)	5,905,571	
Total	197,495,121	265,318,231

8. Depreciation and Amortization Expense

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

9. Finance costs

Description	2022-2023	2021-2022
	Kshs	Kshs
Interest On BankOverdrafts		
Interest On Loans From Banks		
Total		

10. Gain/(loss) on disposal of assets

Description	2022-2023	2021-2022
	Kshs	Kshs
Property,PlantandEquipment		
Intangible Assets		
Total		

11. Gain/ (loss) on Fair Value Investments

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

12. Cash and cash equivalents

Description	2022-2023	2021-2022
	Kshs	Kshs
Car Loan Account		
County Mortgage Account		
Fixed Deposits Account		

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30th 2023

On – Call Deposits		
Current Account	15,110,805	316,655
Others		
TotalCashAndCashEquivalent s	15,110,805	316,655

Notes to the Financial Statements Continued

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

Financial Institution	Account number	2022-2023	2021-2022
		Kshs	Kshs
a) Fixed Deposits Account			
Sub- Total			
b) On - Call Deposits			
Sub- Total			
c) Current Account			
Coop Bank of Kenya			
A/C 0114123091400			
Sub- Total		15,110,805	316,655
d) Others			
Cash In Transit			
Cash In Hand			
Sub- Total			
Grand Total		15,110,805	316,655

13. Receivables from exchange transactions

Description	2022-2023	2021-2022
	Kshs	Kshs
Current Receivables		
Interest Receivable		
Current Loan Repayments Due		
Other Exchange Debtors		
Less: Impairment Allowance		
Total Current Receivables		
Non-Current Receivables		
Long Term Loan Repayments Due		
Total Non- Current Receivables		
Total Receivables From Exchange Transactions		

Notes to the Financial Statements Continued

Additional disclosure on interest receivable

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

14. Prepayments

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

15. Inventories

Description	2022-2023	2021-2022
	Kshs	Kshs
ConsumableStores		
SparePartsAndMeters		
Catering		
Other Inventories (<i>Specify</i>)		
TotalInventories atTheLower ofCost andNetRealizableValue		

Notes to the Financial Statements Continued

16. Investments in financial assets

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

Movement of Equity Investments

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

e) Shareholding in other entities

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

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

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year June 30th 2023

Notes to The Financial Statements (Continued)

17. Property, plant and equipment

	Land and Building	Motor vehicles	Furniture and fittings	Computers and office equipment	Total
	Buildings				
Cost	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 st July 2020	-	12,733,594	1,440,332	164,444	14,338,370
Additions	-				
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
Depreciation	-	3,183,398	180,042	54,267	3,417,706
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30 th June 2021		9,550,195	1,260,291	110,177	10,920,663
At 1 st July 2021	-	9,550,195	1,260,291	110,177	10,920,663
Additions	-		5,245,000	3,746,780	8,991,780
Disposals	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-
Sub Total		9,550,195	6,505,291	3,856,957	19,912,443
Depreciation	-	2,387,549	813,161	1,272,796	4,473,506
Disposals	-	-	-	-	-
Impairment	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-
At 30 th June 2022	-	7,162,646	5,692,129	2,584,162	15,438,937
At 1 st July 2022	-	7,162,646	5,692,129	2,584,162	15,438,937
Additional		7,087,300	17,263,823	2,216,155	26,567,278
Disposals	-	-			
Transfer/Adjustments	-	-			

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year June 30th 2023

Sub-total		14,249,946	22,955,952	4,800,317	42,006,215
Depreciation	-	3,562,487	2,869,494	1,584,105	8,016,085
Disposal					
Impairment					
Transfer/adjustment					
Sub total		10,687,460	20,086,458	3,216,212	33,990,130
Disposals	-	-			
Transfer/Adjustment	-	1,771,825	2,157,978	414,430	4,344,233
At 30 th June 2023	-	12,459,285	22,244,436	3,630,642	38,334,363

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year June 30th 2023

Notes to The Financial Statements (Continued)

18. Intangible assets

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

19. Investment Property

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

Notes to the Financial Statements (Continued)

20. Trade and other payables from exchange transactions

Description	2022-2023		2021-2022	
	Kshs		Kshs	
Trade Payables	38,633,788		10,000,000	
Refundable Deposits				
Accrued Expenses				
Other Payables				
Total Trade and Other Payables	38,633,788		10,000,000	
Ageing analysis (Trade and other payables)	Current FY	% of the Total	Comparative FY	% of the Total
Under one year	19,481,950	50%	xxx	%
1-2 years	18,918,558	49%	9,766,720	97.67%
2-3 years	0	0%	0	0%
Over 3 years	233,280	0.6%	233,280	2.33%
Total (tie to above total)	38,633,788	100%	10,000,000	100%

21. Provisions

Description	Leave provision	Bonus provision	Other provision	Total
	Kshs	Kshs	Kshs	Kshs
Balance At the Beginning Of The Year			0	
Additional Provisions				
Provision Utilised				
Change Due To Discount And Time Value For Money				
Transfers From Non -Current Provisions				
Balance At The End of The Year			0	

Notes To The Financial Statements (Continued)

22. Borrowings

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

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

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

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

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

Notes to the Financial Statements (Continued)

23. Employee benefit obligations

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

24. Social Benefit Liabilities

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

Notes to the Financial Statements (Continued)

25. Cash generated from operations

Description	2022-2023	2021-2022
	Kshs	Kshs
Surplus/ (Deficit) For the Year Before Tax	15,110,805	316,655
Adjusted For:		
Depreciation		
Amortisation		
Gains/ Losses On Disposal Of Assets		
Interest Income		
Finance Cost		
Working Capital Adjustments		
Increase In Inventory		
Increase In Receivables		
Increase In Payables	26,250,623	8,991,780
Net Cash Flow From Operating Activities	41,361,428	9,308,435

Notes to the Financial Statements (Continued)

26. Related party balances

a) Nature of related party relationships

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

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

b) Related party transactions

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

c) Key management remuneration

Description	2022-2023	2021-2022
	Kshs	Kshs
Board Of Trustees	3,440,552	14,000,000
Key Management Compensation		
Total	3,440,552	14,000,000

d) Due from related parties

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

Other Disclosures Continued

e) Due to related parties

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

27. Contingent assets and contingent liabilities

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

Notes to the Financial Statements (Continued)

28. Financial risk management

The Board's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The Board'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 Board's financial risk management objectives and policies are detailed below:

a) Credit risk

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

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

Notes to the Financial Statements (Continued)

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

The entity has significant concentration of credit risk on amounts due from 0

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

b) Liquidity risk management

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

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

Description	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June(2022-2023)				
Trade Payables			38,633,788	38,633,788
Current Portion Of Borrowings				
Provisions				
Employee Benefit Obligation				
Total			38,633,788	38,633,788
At 30 June (2021-2022)				
Trade Payables			10,000,000	10,000,000
Current Portion Of Borrowings				
Provisions				
Employee Benefit Obligation				
Total			10,000,000	10,000,000

Notes to the Financial Statements (Continued)

c) Market risk

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

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

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

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

i. Foreign currency risk

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

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

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

Notes To The Financial Statements (Continued)

Foreign currency sensitivity analysis

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

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

ii. Interest rate risk

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The entity's interest rate risk arises from bank deposits. This exposes the Board 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 Board analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of Kshs xxx (2022: Kshs xxx). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of Kshs xxx (2021 – Kshs xxx).

Notes to the Financial Statements (Continued)

d) Capital risk management.

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

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

29. Events after the reporting period

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

30. Ultimate and Holding Entity

The entity is a County Public Board established by NCC ADCLB Act 2014 under the Ministry of Trade. Its ultimate parent is the County Government of Nairobi.

31. Currency

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

7. Annexes

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
2.2	Failure to remit revenue to CRF	The department is currently undertaking the amendments on the Act	Not Resolved	On-going
7	Failure to construct rehabilitation centre		Resolved	

Accounting Officer (CCO Business & Hustler Opportunities)

Date...19th July 2023 Zipporah Mwangi

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30th 2023

Annex II: Inter-Fund Confirmation Letter
[Insert your Letterhead]

[Insert name of beneficiary Fund]
[Insert Address]

The *[insert SC/SAGA/Fund name here]* wishes to confirm the amounts disbursed to you as at 30th June 20xx as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate the column E in the table below Please sign and stamp this request in the space provided and return it to us.

Confirmation of amounts received by [Insert name of beneficiary Fund] as at 30 th June 20xx						
Reference Number	Date Disbursed	Amounts Disbursed by [SC/SAGA/Fund] (K.shs) as at 30 th June 20xx			Amount Received by [beneficiary Fund] (KShs) as at 30 th June 20xx (E)	Differences (KShs) (F)=(D-E)
		Recurrent (A)	Development (B)	Inter-Ministerial (C)		
Total						

In confirm that the amounts shown above are correct as of the date indicated.

Head of Accountants department of beneficiary Fund:

Name *Clare Kariuki* Sign *[Signature]* Date *19th July 2023*

Nairobi City County Alcoholic Drinks Control and Licensing Board
 Annual Report and Financial Statements for the year ended June 30th 2023

Annex III: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities	Project Expenditures				Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Nairobi City County Alcoholic Drinks Control and Licensing Board
Annual Report and Financial Statements for the year ended June 30th 2023

Annex IV: Reporting on Disaster Management Expenditure

Column I Programme	Column II Sub-programme	Column III Disaster Type	Column IV Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Column V Expenditure item	Column VI Amount (Kshs.)	Column VII Comments

FD

1