ANNUAL REPORTS AND FINANCIAL STATEMENTS

FINANCIAL YEAR ENDED 30 JUNE 2017

Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)
The National AIDS Control Council and partners collaborated with Football Kenya Federation (FKF) to give football in the Kenya a purpose; to kick out HIV Stigma through the Maisha County League Campaign.

Our Vision
To be responsive authority in the multi-sectoral coordination of the Kenya HIV & AIDS response.

Our Mission
To provide Policy and Strategic Framework for mobilizing and coordinating resources for prevention of HIV transmission and provision of care and support to the infected and affected people in Kenya.

Our Mandate
NACC is a National HIV and AIDS coordinating agency mandated to, inter alia:
• Policy formulation for HIV prevention and control;
• Coordination of partners (development and implementing), communities of persons living with HIV, faith, private and public sectors;
• HIV surveillance and management of the one national monitoring and evaluation framework;
• Advocacy and communication to ensure education and information;
• Mobilization and alignment of resources towards the needs and goals of the HIV response.

Our Values
NACC has drawn its values from Article 10 of the Constitution. These are:
• Integrity: We commit to act with honesty, fairness and transparency in working with all stakeholders and in our internal operations.
• Professionalism: We commit to uphold ethics and are committed to high standards of excellence in working with all our stakeholders and in our day to day operations.
• Accountability: We commit to be responsive and accountable for the services provided and resources made available to ensure coordinated HIV response.
• Diversity: We desire to work with and serve all without discrimination, fear or favour based on race tribe, gender, sexual orientation etc.
• Flexibility: We commit to change and be dynamic based on evidence on disease pattern and attendant response.
Maisha Memorial Garden in Kibra in memory of treasured young Kenyans who lost their lives as a result of AIDS related illness.
FIDUCIARY OVERSIGHT ARRANGEMENTS

COUNCIL COMMITTEES
The Council through its Committees and the Secretariat has put in place systems aimed at enhancing governance, transparency and accountability.
The Council has four committees. The Committees and their responsibilities are described below:
Executive Committee,
Finance and Administration Committee,
Programmes Committee,
Audit and Risk Management Committee
A detailed description of the roles functions and composition of these committees is found under the section on corporate governance.

NACC REGISTERED OFFICE
P.O. Box 61307, 9th Floor, Landmark Plaza
Arwings Kodhek Road
Nairobi, KENYA
Telephone: (254) 20 2896 000
E-mail: communication@nacc.or.ke
Website: www.nacc.or.ke

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

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

BANKERS
Citibank N.A
Upper Hill Branch, P.O. Box 30711-00100, NAIROBI
Barclays Bank of Kenya Ltd
Kenya National Audit Office
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E-mail: communication@nacc.or.ke
Website: www.nacc.or.ke

PHYSICAL LOCATION OF NACC REGIONAL OFFICES

NAME OF REGIONAL HIV COORDINATOR | REGION | COUNTIES | MOBILE NUMBER | LOCATION
--- | --- | --- | --- | ---
Julius Morang’ | REGION 1 | Taita Taveta, Kwale | 0721 840177 | 4th FLOOR UHURU NA KAZI BUILDING, MOMBASA
Cesar Murug’ | REGION 2 | Laikipia, Tana River | 0722 215005 | 5th FLOOR, REGIONAL COORDINATOR’S OFFICES, GARISA
Ibrahim Gedi | REGION 3 | Wajir, Mandera | 0721 889 958 | MINISTRY OF HEALTH OFFICES, WAJIR TOWN
Catherine Maluku | REGION 4 | Machakos, Kitui, Malavuni | 0721 427960 | COUNTY COMMISSIONER’S OFFICES, MACHAKOS
Kibe Ranji | REGION 5 | Naivasha, Kajjolo | 0713 831951 | NAPO HOUSE, NAIVASHA CBD
James Kitto | REGION 6 | Isiolo, Meru | 0722 375361 | 2nd FLOOR ISIOLO NORTH CB OFFICES, ISIOLO TOWN
Mariam Masese | REGION 7 | Meru, Tharaka, Embu | 0726 048564 | GROUND FLOOR, FORMER PROVINCIAL COMMISSIONER’S OFFICES, EMBU
Kibe Ranji | REGION 8 | Nanyuki, Nandi, Baringo | 0713 831951 | BLOCK A, 1st FLOOR, REGIONAL COMMISSIONER’S OFFICES, KISUMU TOWN
Edwin Lwanya | REGION 9 | Kisii, Nyamira, Vihiga | 0713 831951 | COUNTY COMMISSIONER’S OFFICES, KISI
Edwin Lwanya | REGION 10 | Homabay, Migori | 0733 726 718 | KHC BASED IN KISUMU
Edwin Lwanya | REGION 11 | Kisumu, Siaya | 0733 726 718 | 5th FLOOR, FORMER PROVINCIAL COMMISSIONER’S OFFICES, KISUMU
Sebastian Njoroge | REGION 12 | Busia, Bungoma, Vihiga, Kakamega, | 0716 033 748 | 1st FLOOR DEPARTMENT OF IMMIGRATION, BUNGOMA TOWN
George Osio | REGION 13 | Uasin Gishu, Baringo, Baringo | 0722 241 392 | 2ND FLOOR, REGIONAL COMMISSIONER’S OFFICES, KAKAMEGA TOWN
Bernard Mwaura | REGION 14 | Turkana | 0722 241 392 | 2ND FLOOR, FORMER PROVINCIAL OFFICE, LOKURU TOWN
Moses Yatich | REGION 15 | West Pokot, Trans Nzoia, | 0724 997396 | MINISTRY OF HEALTH OFFICES, KIFILE TOWN
Faith Koig’ | REGION 16 | Elgeyo Marakwet, Uasin Gishu, | 0722 241 392 | 2ND FLOOR, COUNTY COMMISSIONER’S OFFICES, ELDERET
Charlotte Niyogi | REGION 17 | Nyeri, Kiambu, Murang’a | 0724 997396 | COUNTY COMMISSIONER’S OFFICES, NYERI
Gladys Song | REGION 18 | Laikipia, Nyandarua, Samburu | 0724 949005 | COUNTY COMMISSIONER’S OFFICES, NYAHURURU TOWN

NATIONAL AIDS CONTROL COUNCIL - ANNUAL REPORT AND FINANCIAL STATEMENTS 2016/2017

NATIONAL AIDS CONTROL COUNCIL - ANNUAL REPORT AND FINANCIAL STATEMENTS 2016/2017
NACC COUNCIL

Dr. Nduku Kilonzo - Secretary
DOB: 1974
Rev. Canon Rosemary Mbuugo, PhD; MA Theology and Biblical Counseling, Member
DOB: 1956
Mrs. Rahab Mwikali Muiu, Member
DOB: 2016
Mr. Daniel Ochiola Bolo
Alternate member

The Rev. Canon Rosemary Mbuugo
Dr. Nduku Kilonzo
Mrs. Rahab Mwikali Muiu
Joyce Gikui Mutugi
Mr. Vincent Maltoli
Mr. Mark Joseph Obuya
Mr. Linus Githali, MBS
Ms. Jacinta Kathamu Mutegi

NATIONAL AIDS CONTROL COUNCIL - ANNUAL REPORT AND FINANCIAL STATEMENTS 2016/2017

NATIONAL AIDS CONTROL COUNCIL - ANNUAL REPORT AND FINANCIAL STATEMENTS 2016/2017
MR. WALDER MUKUNGA
Alternate Member
DOB: 1959
Mr. Mukunga is the alternate board member to the Principal Secretary, The National Treasury. He holds an MBA in Health System Management having worked at the Ministry of Health, Chairman KNLS, Commissioner ECK, Program Manager various NGOs
Appointed: October, 2009
Resigned in January 2017

MR. IBRAHIM ABDI, Member
DOB: 1959
He Holds an MBA in Health System Management having worked at the Ministry of Health, Chairman KNLS, Commissioner ECK, Program Manager various NGOs
Appointed: October, 2015
Resigned in January 2017

MR. FRANKLIN MAGAJU, Alternate Member
Mr. Magaju was the alternate board member to the Principal Secretary, Ministry of Health from the year 2009 - 2016
Appointed: October, 2009

MR. AFAYO MOGAKA
Alternate Member
DOB: 1958
Mr. Mogaka is the alternate board member to the Principal Secretary, The National Treasury, for the Audit and Risk Management Committee. He is a Certified Internal Auditor (CIA) and a Certified Fraud Examiner (CFE) with over 30 years’ experience in the public service. He is currently serving as the Internal Auditor General and is responsible for managing the Internal Audit Function in the public service.
Appointed: October 2009

MR. LATAFF N. SHABAN
Member
DOB: 1952
Mr. Shaban is the alternate board member to the Chairman, Supreme Council Of Kenya Muslims.
Appointed: 1st October, 2009

MR. ALFAYO MOGAKA
Alternate Member
DOB: 1958
Mr. Mogaka is the alternate board member to the Principal Secretary, The National Treasury. He holds an MBA in Health System Management having worked at the Ministry of Health, Chairman KNLS, Commissioner ECK, Program Manager various NGOs
Appointed: October, 2009

MR. ROBERT MWADIME NGOLO
Member
DOB: 1962
Dr. Mwadime currently heads a USAID project on Health and Nutrition (called SPRING), managed by John Snow Inc. in Uganda. He holds a PhD in Economic Development Studies and Nutrition. Mr. Mwadime has a wealth of experience in Academic and International Development for over 25 years.
Appointed: 30th May, 2016

MR. ABDI, Member
DOB: 1959
He Holds an MBA in Health System Management having worked at the Ministry of Health, Chairman KNLS, Commissioner ECK, Program Manager various NGOs
Appointed: October, 2015
Resigned in January 2017

MR. ALICE NABUKWANGA WANYOMYI GIMOSE
Member
DOB: 1961
Mrs. Gimose holds an Associate degree in general studies, Higher diploma in Pharmaceutical Technology and a certificate in HIV/AIDS. She is currently pursuing undergraduate degree in community health.
Appointed: October, 2015

MR. THOMAS NGARA ‘The King of Condom’ at an education session.
The National AIDS Control Council implemented an intensive mass media campaign targeting adolescents and young people through popular artists who were involved to encourage young people to access HIV services and shun stigma. A total of 10 million young people were reached by correct information on HIV and AIDS.

At the 2016 World AIDS Day Prevention Concert reaching youth through Music.
The overall mandate of the National AIDS Control Council (NACC) is to coordinate a national and multi-sectoral HIV and AIDS response to reach goals articulated in Kenya’s Vision 2030 and the Kenya AIDS Strategic Framework.

In the Financial Year 2016/17, the national government expanded the mandate of the NACC to among other roles, provide technical assistance and supervision for delivery of results outlined in the Kenya AIDS Strategic Framework, this is both at the county and national level of governance.

Further, the expanded mandate of the NACC entrusted the organization with the coordination and oversight of a multi-sectoral HIV response aimed at ensuring focused interventions that deliver expected results from all different stakeholders (donors, NGOs, CBOs, faith communities, persons living with HIV and Government MDAs).

In observance and implementation of the Mwongozo Code of Ethics, all Committees of the Council met as per the approved NACC almanac and executed their mandates within regulation. The Council successfully oversaw the implementation of the NACC Work Plan, Budget and the Procurement Plan. The year was marked by a rating of ‘very good’ for the organization for meeting the PC targets as set out in the organization’s performance contract. The year was marked by an improved financial and management audit reports by the Office of the Auditor General and a compliance audit by the Kenya Law School.

The NACC also for the very first time in Kenya launched the inaugural Maisha HIV and AIDS Scientific Awards to recognize and award Kenyan researchers as well as the communities in which these research activities take place. Apart from celebrating exemplary work by Kenyan researchers that are critically acclaimed globally, the recognition and award scheme is expected to also motivate and encourage young Kenyan researchers to join the field of HIV research.

In abiding by the Constitution and the NACC Strategic Plan that encourages accountable and exemplary leadership, the NACC supported the Beyond Zero Leadership Summit that recognized ordinary Kenyans who have been able to effect extraordinary positive change within their communities in the fight against HIV. The NACC continued to host the Beyond Zero Secretariat and support the campaign.

In the FY 2016/17, the NACC greatly leveraged on the political goodwill of the political leadership in the country. Particularly, the institution worked very closely with various Governors, Senators Members of Parliament, CECs and Members of the County Assemblies to deliver on the KASF.

In the year, the general health sector was faced with challenges of dwindling resources occasioned by shifting donor funds after Kenya transitioned from Lower Income Country (LIC) to Lower Middle Income Country (LMIC). To manage the challenge, the NACC heightened her domestic resource mobilization efforts by pursuing increased counties’ allocation to HIV programs and the development of a policy framework to establish the HIV Investment Fund. This we believe is one of the paths to pursue in the journey towards sustainable financing in the HIV response in Kenya.

Internationally, the NACC continued to provide global leadership in the response evidenced by the institution’s nomination to host the inaugural Global Prevention Coalition in October of 2017, Global AIDS Monitoring Report writing, presentations at the UN General Assembly and Programme Coordinating Board of the UNAIDS (PCB) among others. Further, Kenya’s commitments to the Global Community were met on time through our HIV estimates reports to the UNAIDS.

The NACC acknowledges the commitment of H.E. the President to address HIV and in the year under review, this was demonstrated by His Excellency’s acceptance to not only become the anti HIV stigma champion, but to also serve as the ambassador for the Maisha County League Campaign.

I thank the Ministry of Health, the county governments, the Sub County AIDS Coordinators (SCACs), development and implementing partners, PLHIVs as well as all the stakeholders within the HIV sector for the immense support that we received as an institution in the 2016/17 and look forward to an even better year. Particularly, I thank the NACC Secretariat and the Board for working round the clock to ensure that planned activities were implemented in a timely and efficient manner during this period and that challenges were promptly acknowledged and addressed.

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Angeline Yiamiton Siparo
Chairperson, National AIDS Control Council

In the Financial Year 2016/17, the national government expanded the mandate of the NACC to among other roles, provide technical assistance and supervision for delivery of results outlined in the Kenya AIDS Strategic Framework, this is both at the county and national level of governance.
The year under review saw the NACC make commendable progress in the HIV response in the country. Even though challenges remain, the organization, supported by the Council managed to attain better results especially in the prevention of new HIV infections. Specifically, notable progress in the HIV response were observed including a marked decline in new infections among adults of 20% compared to the year 2015/2016. Significantly, among the youth (ages 18 – 24), the reduction was even higher at 27% an indicator that the HIV prevention interventions targeting adolescents and young people, implemented by the NACC and stakeholders in the year under review, produced positive results. However, the stigmat index showed stigma at high levels of 42%. Additionally, the number of people living with HIV in the year also increased by 5%.

Drawing lessons from successful advocacy and communication campaigns such as Mpango wa Kando that have contributed to reduction of new HIV infections among couples, the NACC initiated the Maisha County League campaign that was championed by H.E the President, Uhuru Kenyatta, to leverage on the power of football to deliver HIV services among adolescents and young people. The campaign surpassed its ambitious targets, managing to get more than 800,000 young people tested for HIV.

3.8 million young people reached with one to one HIV education and mentorship, and over 10 young people reached with HIV information through various media channels.

Ending HIV and AIDS among Adolescents and Young People was a key goal of the NACC in the year under review. This was informed by the statistics that indicated that 97 of our adolescent and young people get infected with HIV daily and two thirds of these are among girls and young women between 15 – 24 years.

In the FY 2016/17, the NACC spearheaded and coordinated a multi-sectoral team in the writing of the Global Fund for HIV, TB and Malaria country request, worth US$295,000,000.00 for the next 3 years. These are resources that directly contribute to the Exchequer funds allocated to the management of HIV response in the country. Additionally, the NACC managed to surpass her targets in domestic resource mobilization by raising more than KES 185 million through Appropriation in Aid (AIA) against an annual target of KES 180 million. These funds have equally been instrumental in augmenting the exchequer funds in meeting the delivery of HIV services to Kenyans.

The NACC is mandated by Kenya Constitution to offer technical assistance to the counties in the management of HIV and AIDS. In the year under review, the NACC therefore offered technical assistance to the counties during their development of the County AIDS Strategic Plans for delivery of the KASF results. The plans are expected to enable the counties plan, prioritize and lead the fight against HIV at the respective devolved governments. Further, the implementation of the CANS is monitored and coordinated by County HIV Committees (CHC). CHC form the technical arm of the County Development Agenda on HIV and AIDS programmes. The committee ensures effective coordination and implementation of County AIDS Strategic Plan and accountability of results in the counties through tracking of annual County HIV targets. At the end of FY 2016/2017, the NACC had offered technical assistance to a total of 44 Counties to establish their CHCs.

Big data is a core component of the National AIDS Policy Framework 2030 in Kenya. In compliance with the government goals on big data to help in planning and prioritization in the delivery of services to the public, the NACC rolled out the HIV Situation in an additional 33 counties bringing the total number of devolved governments with access to the HIV Situation Room to 47. This complete roll out to the counties has presented Kenya as a global leader in the collection and usage of big data especially in the field of HIV. Several Governors and Health CECs managed to review their budgetary allocation to HIV upwards based on their country reports derived from the Situation Rooms.

Keeping with the best practices in good governance, the NACC successfully executed all Council Resolutions, Complied with all the relevant government circulars, Presidential Executive Orders and met all her statutory obligations on time.
PERFORMANCE CONTRACT FY 2016/2017

The 13th Cycle Performance Contract for the National AIDS Control Council the fiscal year 2016/17 was geared towards accelerating the implementation of the NACC Strategic Plan for 2015-2019 and the Kenya AIDS Strategic Plan 2014-2019 (KASF).

The NACC PC 2016/17 was aligned to the attainment of Vision 2030, Medium Term Plan (MTP II), and Executive (Presidential) Priority Projects and Programmes, Sector Performance Standards (SPS), Sustainable Development Goals (SDGs) as well as approved institutional Work plans & Budgets.

The operations which articulate the indicators were aligned and streamlined in relation to performance expectations, mandate, mission and strategic objectives.

A: Finance and Stewardship
   i. Absorption of allocated & externally mobilized funds: NACC absorbed an average of 97% of all resources in 2016/17
   ii. Appropriation –In –Aid: NACC exceeded the AIA by mobilizing KES 185 million against a target of KES 180 million.
   iii. Pending bills: Cleared all pending bills for 2016/17
   iv. Compliance with PFM Act and treasury circulars NACC adhered 100% to the Public Finance Management Act and related regulations and Treasury Circulars

B: Core Mandate:
   The NACC executed its core mandate by implementing the two Vision 2030 flagship projects rated at over 100%. The two projects are:
   i. Tenders and other business opportunities worth over 31% of the total procurement budgets were awarded to the special groups.
   ii. Buy Kenya Build Kenya: All services and products were procured locally
   iii. Pending bills: Cleared all pending bills for 2016/17
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   iv. Compliance with PFM Act and treasury circulars NACC adhered 100% to the Public Finance Management Act and related regulations and Treasury Circulars

C: Access to GoK procurement opportunities to youth, women and people with disabilities (AGPO).

F: Cross cutting issues: NACC attained a 100% implementation rate on all crosscutting issues

Summary of performance in the past three Financial Years:

<table>
<thead>
<tr>
<th>No.</th>
<th>Financial Year</th>
<th>% Performance</th>
<th>Rating</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>2014/15(11th Cycle)</td>
<td>3.0075</td>
<td>Good</td>
</tr>
<tr>
<td>2.</td>
<td>2015/16(12th Cycle)</td>
<td>2.85</td>
<td>Very Good</td>
</tr>
<tr>
<td>3.</td>
<td>2016/17(13th Cycle )</td>
<td>2.44</td>
<td>Very Good</td>
</tr>
</tbody>
</table>

The National AIDS Control Council Strategic Plan 2015-2019

The National AIDS Control Councils’ operations of oversight and implementation of its mandate are outlined in the NACC Strategic Plan 2015-2019. The NACC has 3 key strategic goals:

- Delivery of NACC’s Key Functions.
- Oversight for delivery of the Kenya AIDS Strategic Framework (KASF).
- Strengthening NACC’s institutional Capacity

Goal 1: Delivery of NACC’s key functions:

NACC’s key functions are drawn from NACC’s legal mandate and articulated in key roles of the NACC.

HIV POLICY AND GUIDELINES

During the year, additional policies and strategies to support implementation of the KASF were developed and disseminated

Policy & Guidelines

<table>
<thead>
<tr>
<th>Policy &amp; Guidelines</th>
<th>Rationale</th>
<th>Expected results</th>
</tr>
</thead>
<tbody>
<tr>
<td>KASF Addendum</td>
<td>Bridging the gap for implementation of HIV program from the period of July 2019/20 and support the Global fund request for implementation from 2018/20</td>
<td>Reduction of HIV new infection by 20% reduce HIV mortality 25%. Reduce HIV stigma by 50% and increase domestic financing of HIV response by 25%</td>
</tr>
<tr>
<td>MTP III</td>
<td>Conduct evaluation of the performance of MTP II and set priorities for the MTP III 2018/22</td>
<td>Increase domestic resource allocation and expenditure for HIV to 50% by 2022. Reduce new HIV infections by 50% by 2022. Promote good governance and accountable leadership at all levels and enabling policy, legal and regulatory framework.</td>
</tr>
<tr>
<td>Faith Sector Policy</td>
<td>Provide guidance for the Faith Sector on how to respond to HIV and AIDS at the national and county levels.</td>
<td>To utilize faith communities reach and influence, to prevent new HIV infections. To reduce stigma associated with HIV and AIDS. To improve the quality of life of PLHIV by providing essential healthcare services. To improve coordination and reporting mechanisms of the HIV response within the Faith Sector</td>
</tr>
<tr>
<td>Male Engagement Guidelines</td>
<td>Increase in male participation EMCT intervention programs</td>
<td>Male have been left behind in accessing HIV services and need to include men as core clients. Increase in uptake of HIV services by men by 50%</td>
</tr>
</tbody>
</table>

HIV Surveillance:

Kenya HIV Situation Room: The NACC developed the Kenya HIV Situation Room which brings together data from 4 different sub-systems, run by different Government agencies in easy to read and interpret graphical formats. Situation rooms have been deployed in the offices of the President, the Cabinet and Principal Secretary and in 47 Counties by end of the year. The situation room will increase numbers of people tested and treated for HIV at points where they are most needed and improve surveillance for detection of early warning signs

46 out of 47 Counties have developed and launched their HIV Strategic Plans. The plans provide direction in communicating, interacting and engaging with stakeholders leading to increased efficiency in coordination of HIV response in the country.

HIV Situation room contains population based surveys and HIV/Health estimates data are included. The Kenya Situation Room which remains to be the first of its kind globally is currently being accessed by policy makers at national and county level.

REPORT OF THE CHIEF EXECUTIVE OFFICER

REPORT OF THE CHIEF EXECUTIVE OFFICER

NATIONAL AIDS CONTROL COUNCIL - ANNUAL REPORT AND FINANCIAL STATEMENTS 2016/2017

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NATIONAL AIDS CONTROL COUNCIL - ANNUAL REPORT AND FINANCIAL STATEMENTS 2016/2017

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Goal 2: Oversight of implementation of the Kenya AIDS Strategic Framework

The National AIDS Control Council has continued to coordinate the multi-sectoral HIV response through stakeholder engagement, resource mobilization and alignment, prioritization of high impact interventions as well as monitoring and evaluation of programmes. The country has made progress with regard to implementation of the KASF for the period as summarized below;

<table>
<thead>
<tr>
<th>KASF SD</th>
<th>Indicators</th>
<th>Comparison between 2015 and 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Reducing new HIV Infections</td>
<td>Adults: 21% reduction</td>
<td>2015: 71,034 2016: 56,051</td>
</tr>
<tr>
<td></td>
<td>Youth: 27% reduction</td>
<td>2015: 35,776 2016: 26,051</td>
</tr>
<tr>
<td></td>
<td>Children: 8% Reduction</td>
<td>2015: 6,613 2016: 6,091</td>
</tr>
<tr>
<td>2. Improving Health outcomes and wellness of all PLHIV</td>
<td>No of people on ART: 14% Increase</td>
<td>2015: 897,644 2016: 1,213,905</td>
</tr>
<tr>
<td></td>
<td>AIDS related Deaths: Increase by 1%</td>
<td>2015: 35,822 2016: 36,041</td>
</tr>
<tr>
<td>3. Using a Human rights approach to facilitate access to services for PLHIV, key populations and other priority groups in all sectors</td>
<td>The HIV and AIDS tribunal that was established to safeguard against violation of human rights for these sub populations as per the HIV Prevention and Control Act adjudicated over 298 cases.</td>
<td></td>
</tr>
<tr>
<td>4. Strengthening integration of health and community systems</td>
<td>2016: One national commodity pipeline through KEMSA with enhanced planning and reduced stock out.</td>
<td></td>
</tr>
<tr>
<td>5. Strengthening Research and innovation to inform KASF goals</td>
<td>Maisha Maarifa online hub for HIV, Sexual reproductive Health and co-morbidities research established as an online repository and interactive platform. 82% increase in studies uploaded.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>90% Increase in number of webinars held</td>
<td>2015: 1 2016: 10</td>
</tr>
<tr>
<td>6. Promoting utilization of strategic information for Research and M&amp;E to enhance programming</td>
<td>Data integration with 5 subsystems feeding into one decision making platform (HIV Situation room). The HIV situation room established in 16 Counties</td>
<td></td>
</tr>
<tr>
<td>7. Increase domestic financing for a sustainable response</td>
<td>Domestic financing for the HIV Response increased by 17% in 2016 compared to 2015.</td>
<td></td>
</tr>
<tr>
<td>8. Promoting accountable leadership for delivery of KASF results by all sectors and actors</td>
<td>All the 47 Counties have developed their county specific plan. At least 94% (44 out of the 47) of the Counties have established County HIV Committees to oversee implementation of the CASPS.</td>
<td></td>
</tr>
</tbody>
</table>


Goal 3: NACC Institutional Strengthening

ISO 9001: 2015 Certification

NACC underwent a stage II Quality Management Systems Audit certification by the Kenya Bureau of Standards (KEBS) and concluded that QMS based on 9001: 2015 standards had been established and found to be effective for the purposes of quality management systems. NACC was therefore certified as an ISO 9001: 2015 institution.

Automation:
NACC has drastically reduced turnaround time for business processes by accelerating development in ICT by increasing automation level from 74% to 76%, through improvement in connectivity and technology infrastructure, consumer and business adoption and capacity building.

The NACC further dedicated investments to the Enterprise Resource Planning System (ERP) to increase efficiency and ensure sustainability in the operations of the institution.
Appreciating special contributions to HIV response in Kenya during the Maisha HIV And AIDS Scientific Recognition Awards. The following were awarded; Prof Omu Anzala, KAVI-UoN, Winner BasicSciences Research award (Extreme left), Prof Elizabeth Bukusi, KEMRI, winner of the clinical sciences research award (2nd Left), Dr. Thomas Odeny, KEMRI, winner of the young investigators award (3rd Right), Mr. Nelson Otwoma, NEPHAK, Winner of Community Advocates award (2nd right) Joe Mathenge who was the first runner up in the Community Advocates.
The Council has four standing committees, which meet regularly under the terms of reference set by the Council. They are:

1. Executive Committee
2. Finance and Administration Committee
3. Programmes Committee
4. Audit and Risk Management Committee

The Executive Committee is made up of the Chairs of the various board committees and is chaired by the Council Chairperson. For emerging and urgent issues that require Council decision, the Executive Committee makes such decisions on behalf of the Council. The Executive committee held 4 meetings which were attended as follows:

**Committees of The Council**

<table>
<thead>
<tr>
<th>Board Member</th>
<th>Position</th>
<th>September 16, 2016</th>
<th>February 1, 2017</th>
<th>February 23, 2017</th>
<th>April 21, 2017</th>
<th>May 29, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alice Wangung’i Geosio</td>
<td>Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Daniel Bato</td>
<td>Alternate Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Raphael Muki</td>
<td>Alternate Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Dorothy Oyango</td>
<td>Secretary/Chief Executive Officer</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
</tbody>
</table>
CORPORATE GOVERNANCE STATEMENT

Audit and Risk Management Committee

The Council has constituted and Audit and Risk Management Committee which meets four times a year or as necessary. Its responsibilities include review internal systems and programs, risk environment and mitigation measures put in place by management. The NACC Head of Internal Audit is the Secretary to the committee.

Achievement for 2016/2017 = 101.73% for Special Groups

NACC COMPLIANCE WITH STATUTORY OBLIGATIONS

1. Procurement Obligations

The NACC policy on procurement is guided by the principles of economy, efficiency, value for money, transparency and fairness and participation of the enterprises owned by women, youth and persons with disabilities and other disadvantaged groups in compliance with the Public Procurement and Asset Disposal Act, 2015

Allocation of at least 30% of procurement opportunities to Special Groups FY 2016/2017

During the financial year 2016/2017, the NACC set aside 30% of the procurement budget for contracts for the youth, women and person with disabilities as indicated below:

<table>
<thead>
<tr>
<th>Board Member</th>
<th>Position</th>
<th>September 1, 2016</th>
<th>November 17, 2016</th>
<th>March 7, 2017</th>
<th>June 8, 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mark Joseph Obuya</td>
<td>Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Lina Githa</td>
<td>Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Rev. Canon Rosemary Mbogo</td>
<td>Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Rahim Mulu</td>
<td>Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Elizabeth Mayaka</td>
<td>Alternate Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Alfayo Magada</td>
<td>Alternate Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Daniel Bob</td>
<td>Alternate Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Leif Shaban</td>
<td>Alternate Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Franklin Magaju</td>
<td>Alternate Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Joyce Muhangi</td>
<td>Alternate Member</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Gabriel Mweni</td>
<td>Secretary</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Meluku Kitano</td>
<td>Chief Executive Officer</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
<tr>
<td>Nduku Kilonzo</td>
<td>Chief Executive Officer</td>
<td>P</td>
<td>P</td>
<td>P</td>
<td>P</td>
</tr>
</tbody>
</table>

NACC Compliance with statutory obligations

Ten Top Procurements in 2016/2017

The top highest value procurements were reported on a quarterly basis to the National AIDS Control Council Board and CONTRACTS published on the NACC website, NACC notice boards and the Government IFMIS system for public information. The overall ten top value procurements for 2016/2017 are as indicated below:

<table>
<thead>
<tr>
<th>S/No</th>
<th>Supplier</th>
<th>Contract Amount (Kshs)</th>
<th>Purpose/Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>UAP Insurance Co. Ltd</td>
<td>34,942,613</td>
<td>Staff In and Out Patient Medical Insurance 2017/2018</td>
</tr>
<tr>
<td>2</td>
<td>Express Automation Ltd</td>
<td>11,893,420</td>
<td>Data Centre and Cooling System upgrade</td>
</tr>
<tr>
<td>3</td>
<td>Pelican Insurance Brokers Ltd</td>
<td>6,130,557</td>
<td>Motor vehicles insurance for NACC Vehicles</td>
</tr>
<tr>
<td>4</td>
<td>Hilton Hotel Nairobi</td>
<td>6,045,000</td>
<td>Maisha Conference 2017</td>
</tr>
<tr>
<td>5</td>
<td>Movem Kaster (EA) Ltd</td>
<td>5,985,000</td>
<td>Printing of 21No. County Strategic Plans</td>
</tr>
<tr>
<td>6</td>
<td>African Population and Health Research Centre</td>
<td>5,975,000</td>
<td>Preparation of the Beyond Zero Strategic Plan</td>
</tr>
<tr>
<td>7</td>
<td>Marjoram Ventures</td>
<td>5,846,000</td>
<td>Design and printing of Soccer jerseys, shorts and socks for Maisha County League</td>
</tr>
<tr>
<td>8</td>
<td>Jaywill Enterprises</td>
<td>5,760,000</td>
<td>Design and printing of Teachers Lessons Plan for schools</td>
</tr>
<tr>
<td>9</td>
<td>Blooming Agencies</td>
<td>5,753,600</td>
<td>Design and printing of FAQs for schools</td>
</tr>
<tr>
<td>10</td>
<td>Strategic Supplies (K) Ltd</td>
<td>5,684,000</td>
<td>Design and Printing branded Note Books</td>
</tr>
<tr>
<td></td>
<td><strong>Total (Kshs)</strong></td>
<td><strong>94,015,190</strong></td>
<td></td>
</tr>
</tbody>
</table>
Challenges

There is need to have in place the guidelines for Buy Kenya, Build Kenya for implementation of the 40% local content. The guidelines for promotion of the local content are important given that Kenya is not a producer of all the raw materials used in production/manufacturing or the country of origin for the assembled products.

Remittance of statutory deductions:
The institution remitted all the statutory deductions to Kenya Revenue Authority, National Hospital Insurance Fund, National Social Security Fund, Higher Education Loans Board and other statutory bodies within the stipulated timelines attaining a 100% compliance rate and received the requisite certificates.

Internal Controls And Internal Audit Function

The NACC has defined procedures and financial controls to ensure the reporting of complete and accurate accounting information. These cover systems for obtaining authority for transactions and for ensuring compliance with laws and regulations that have significant implications. Procedures are also in place to ensure that assets are subject to proper physical controls and that the NACC remains structured to ensure appropriate segregation of duties. In reviewing the effectiveness of the systems of internal control, the Council takes into account the results of all the work carried out to audit and review the activities of the institution. Monthly meetings for management and quarterly meetings by Council to review financial status of the institution are held to monitor performance and to agree on measures for improvement.

The Council also has in place Risk Management infrastructures that proactively identify strategic and operational risks and prescribe appropriately, THE mitigation measures in line with the requirements of the Mwongozo code of governance.

In reviewing the systems of internal control, risk management and Governance processes, the Council through its Internal Audit function undertakes the review of the activities of the institution based on their risk ranking and provide assurance on the efficiency and effectiveness of the processes.

Whistle Blowers’ Policy

NACC has developed a Whistle-Blowers Protection Policy for its Board, Staff and anyone who acting in good faith, wishes to disclose information of unethical behavior. This policy has been developed in line with Witness Protection (Amendment) Act 2010, the Mwongozo (The Code of Governance for State Corporations) and NACC’s Anti-Corruption Policy. This policy is designed to support NACC’s values of integrity, professionalism, accountability, diversity and flexibility as articulated in NACC Strategic Plan 2015 to 2019 and NACC Code of Conduct and Ethics.

The policy ensures that NACC stakeholders and employees have an opportunity to raise genuine concerns without fear of suffering retaliatory action, discrimination, harassment or victimization. The policy further, provides a transparent and confidential process of dealing with concerns regarding malpractice or any unethical behavior as spelt out in the NACC Code of Conduct and Ethics, Leadership and Integrity Act (LIA), Public Officers Ethics Act and any other relevant policies that guide NACC operations.

Code of Conduct and Ethics

NACC has developed the Code of Conduct and Ethics for its board members and staff. This code is aligned to the Leadership and Integrity Act of 2012, Public Officer Ethics Act 2003, the Constitution of Kenya and the Code of Governance for Public Corporations (Mwongozo).

This Code of Conduct is intended to establish standards of integrity and ethical conduct in the NACC by ensuring that the board members and employees respect the values, principles and requirements of Chapter 6 of the constitution in discharging of their duties.

We coordinate and provide leadership for the multi-sectoral national response to HIV and AIDS in Kenya in the following sectors Public, Civil Society Organizations, Private Sector and Development Partners.
Performance of the Kenyan HIV response

In the FY 2016/2017 Kenya made significant progress in key indicators of the HIV response. These were recorded from globally accepted HIV Estimates;

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HIV Prevalence</td>
<td>5.91%</td>
<td>5.41%</td>
<td>-8%</td>
</tr>
<tr>
<td>Total PLHIV</td>
<td>1,317,705</td>
<td>1,567,444</td>
<td>5%</td>
</tr>
<tr>
<td>Adults PLHIV</td>
<td>1,419,536</td>
<td>1,466,393</td>
<td>3%</td>
</tr>
<tr>
<td>Children PLHIV</td>
<td>98,169</td>
<td>121,051</td>
<td>24%</td>
</tr>
<tr>
<td>Youth PLHIV</td>
<td>268,894</td>
<td>247,792</td>
<td>-8%</td>
</tr>
<tr>
<td>Total New HIV Infections</td>
<td>77,648</td>
<td>62,141</td>
<td>-20%</td>
</tr>
<tr>
<td>Adults New HIV Infections</td>
<td>71,034</td>
<td>56,051</td>
<td>-21%</td>
</tr>
<tr>
<td>Youth New HIV Infections</td>
<td>35,776</td>
<td>26,051</td>
<td>-27%</td>
</tr>
<tr>
<td>Children New HIV Infections</td>
<td>6,613</td>
<td>6,092</td>
<td>-8%</td>
</tr>
<tr>
<td>PMTCT Coverage</td>
<td>75%</td>
<td>81%</td>
<td>9%</td>
</tr>
<tr>
<td>MTCT Rate</td>
<td>8.3%</td>
<td>8.2%</td>
<td>-1%</td>
</tr>
<tr>
<td>Deaths</td>
<td>35,822</td>
<td>36,041</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: Kenya HIV Estimates 2016

There was a significant decline in the number of new HIV Infections by 20% in comparison to the previous year with the youth aged 15-24 years recording the greatest decline of 27%.

NOTABLE ACHIEVEMENTS:
- 27% reduction in new HIV infections among youth (15 – 24).
- 20% reduction in new HIV infections among adults.
- 8% in new HIV Infections among children.
- 8% reduction in HIV prevalence.

NOTABLE ACHIEVEMENTS:
- Effective tracking through HIPORS, of the resources in the HIV sector to deliver results on KSIF objectives
- Availability of correct knowledge on the resources that are available to fight HIV within the NGO sector
- Key Faith Sector messages on HIV and AIDS developed, validated and distributed for inclusion in sermons and religious teachings
- CESIP 130 million mobilized through the public sector via the Maisha Certification process to augment the Exchequer funds in addressing HIV.
- PLHIVs supported to participate in both local and international HIV and AIDS fora

Kenya has diverse partners who finance, implement and report on the HIV response. The coordination of these partners and resources is a necessity for the common goals to be achieved. In the year, targeted coordination approaches were used. Table below provides the rationale and results achieved.
Ending HIV and AIDS among Adolescents and Young People was a key goal of the NACC in the year under review. This was informed by the statistics that indicated that 97 of our adolescent and young people get infected with HIV daily and two thirds of these are among girls and young women between 15 – 24 years. The NACC therefore prioritized key prevention interventions targeting the age group. Among others the NACC implemented the following activities –

1. JIJUE JIPANGE CAMPAIGN

Supported by Global Fund, the NACC implemented an intensive mass media campaign targeting adolescents and young people. Popular artistes were approached to record public service announcements encouraging young people to access HIV services and shun stigma. A total of 16 vernacular and national radio stations and seven national TV stations were selected to carry the campaign. A total of 10 million young people were reached by correct information on HIV and AIDS.

2. MAISHA COUNTY LEAGUE

The National AIDS Control Council (NACC), Council of Governors (COG), National AIDS and STI Control Programme (NASCOP), United Nations Joint Team on HIV and AIDS and Network for Empowerment of People Living with HIV in Kenya (NEPHAK) and other partners collaborated with Football Kenya Federation (FKF) to give football in the Kenya a purpose; to kick out HIV Stigma through the Maisha County League Campaign.

The league featured boys and girls football teams from the 47 counties. HIV testing was provided and HIV information disseminated during football matches, at health facilities, and at other identified venues. H.E the First Lady, Mrs. Margaret Kenyatta, awarded winning counties and teams on December 1, 2016. The Awards Ceremony took place at Nyayo Stadium during the World AIDS Day Commemoration.

3. MAISHA YOUTH SYMPOSIUM

NACC organized a one day pre-conference youth symposium for adolescents and young people in Kenya that attracted participants from 12 counties at Hilton Hotel, Nairobi. The symposium theme revolved around the realities of adolescents and young people in HIV prevention and intervention that work for the youth and borrowed from the main 2017 HIV and AIDS Maisha Conference theme ‘Translating the Science to End New Infections in Kenya’ presenting a unique opportunity to involve adolescents and young people in HIV response in the country.

The Symposium resulted in more than 800 adolescents and young people drawn from 12 counties participated in the Symposium. The AFPs further developed a communique on how effectively they can be engaged in the HIV response. The Communique was presented to the leadership of the Ministry of Health, NACC, key HIV policymakers and stakeholders.

4. NACC DIGITAL CAMPAIGN

The NACC ran a digital campaign for five weeks, targeting 15 – 24 year old who spend most of their time in social media. The campaign reached 5 million youth setting a unique agenda for online conversation and enhancing feedback on issues surrounding HIV and AIDS among the target group that include HIV and AIDS stigma, prevention and treatment.

For those 15 – 24 years

<table>
<thead>
<tr>
<th>HIV Testing</th>
<th>Targets</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,000,000</td>
<td>814,336 (81%)</td>
</tr>
<tr>
<td>Comprehensive HIV Education and Mentorship</td>
<td>3,000,000</td>
<td>3,864,013 (129%)</td>
</tr>
<tr>
<td>HIV information and Messaging</td>
<td>10,000,000</td>
<td>Over 10 million reached</td>
</tr>
</tbody>
</table>

NOTABLE ACHIEVEMENTS:

20 Million people reached with comprehensive HIV information and messaging through the mass media, digital media, social media, advocacy and experiential campaigns, Maisha Conference and the Youth Symposium

PROVISION COMPREHENSIVE HIV INFORMATION AND KNOWLEDGE

<table>
<thead>
<tr>
<th>HIV Testing</th>
<th>Targets</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1,000,000</td>
<td>814,336 (81%)</td>
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<td>Comprehensive HIV Education and Mentorship</td>
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</tr>
<tr>
<td>HIV information and Messaging</td>
<td>10,000,000</td>
<td>Over 10 million reached</td>
</tr>
</tbody>
</table>

PROVISION COMPREHENSIVE HIV INFORMATION AND KNOWLEDGE

West Pokot County boys team that emerged winners of Maisha County League in 2016.

Maisha Youth conference brought together more than 800 youths across 12 counties, providing them an opportunity to meet key stakeholders both local and international level in HIV response.
1. THE MAISHA HIV AND AIDS CONFERENCE 2017

The conference theme was ‘Translating the Science to End new HIV infections in Kenya: Perspectives, Practices and Lessons’ and provided local investigators, policy makers, programmers and implementers with an opportunity to showcase their work and disseminate local solutions. The Conference was held for four days with the first two days being preconference symposiums that were organized by the International AIDS Society (IAS) which attracted global participation.

2. MAISHA RECOGNITION AWARDS

Research evidence generated in Kenya has led to significant shifts in global HIV and AIDS policy and practice. In addition, Kenyan community advocates have successfully influenced both local and global policy and actions towards enhanced programming and resource mobilization. These achievements have led to Kenyan HIV researchers and advocates being recognized and feted globally. Unfortunately, there has been minimal local recognition of these efforts.

The Maisha HIV and AIDS Conference 2017 served as the first national platform to recognize Kenyans who have contributed to global HIV knowledge-generation and advocacy efforts that have translated to significant policy and practice. It also provided an opportunity to identify and recognize early-career HIV researchers so as to motivate them to continue on their career path with the aim of catalyzing the fulfillment of the Kenya HIV Research Agenda.

Awardees were in the categories of; Basic Sciences, clinical research, Social sciences, young investigators and community advocacy awards disaggregated by gender.

3. MAISHA MAARIFA RESEARCH HUB

The ‘Maisha Maarifa’ research hub is an online repository for HIV, Sexual Reproductive Health (SRH) and TB studies and researches which seeks to enhance access to research and information to stakeholders and decision makers at all levels to inform programming and policy direction. It has interactive functionalities that allow for Communities of practice and webinar session to be held virtually.

4. WEBSITE & SOCIAL MEDIA PLATFORMS

Website Hits
5.3 million

Facebook reach
1.5 Million people reached

Twitter
2.36 Impressions and Engagement

5. BEYOND ZERO CAMPAIGN

The NACC hosts the Beyond Zero Secretariat. During the year, the NACC facilitated delivery of 5 fully kitted mobile clinics and 2 Medical containers by Her Excellency, the First Lady of Kenya, Margaret Kenyatta to the counties bringing the total to 51. All Beyond Zero mobile clinics were issued with master-facility-list numbers for identification and commodity access. A key result that Beyond Zero contributed reduction in child transmission to 8.2%.

Beyond Zero Leadership Summit: The NACC supported this year’s Leadership Summit though The Beyond Zero Campaign to foster accountability in the HIV response, address and increase awareness on efforts to reduce the current maternal deaths estimated at 5,300 annually and mortality rates of children under 5 estimated at 52/1000 live births (KDHIS, 2014). The summit was held at Safaricom Stadium in June 2017 bringing together the County and National leadership, positioning them to provide leadership to address the challenges.

The forum presented an opportunity for Beyond Zero to champion recognition of efforts by counties, groups and institutions which have made significant contributions in addressing HIV, Maternal Newborn, Child and Adolescent Health, with anticipation that such recognition will go a long way in mobilizing and ensuring greater commitments from leaders and stakeholders to achieving health targets.

NOTABLE ACHIEVEMENTS:
Contributed to reduction in child transmission to 8.2%
More than 450,000 Kenyans have accessed health services through the Beyond Zero clinics
Hosted more than 3, 000 people for the accountability leadership summit.
NACC Board and Audit Compliance and Risk Management Committee members carry out a quarterly appraisal of activities to inform themselves about institutional compliance. In considering the development of the system of controls, the management reviews the materiality and the relative cost benefit associated with each identified significant risk. The internal control systems are designed to provide reasonable assurance against misstatements, loss or failure.

NACC Board and Audit Compliance and Risk Management Committee members carry out a quarterly appraisal of activities to inform themselves about institutional compliance. In considering the development of the system of controls, the management reviews the materiality and the relative cost benefit associated with each identified significant risk. The internal control systems are designed to provide reasonable assurance against misstatements, loss or failure.

The Audit Compliance and Risk Management Committee reports the results of its review to the Board which then draws its collective

conclusion on the effectiveness of the system of internal controls. In fulfilling this responsibility, the Board considers periodic reports from the Audit Compliance and Risk Management Committee and relies on its routine monitoring of key performance indicators and quarterly reports of financial and operational performance.

This enables the Board to review the effectiveness of the internal control system throughout the course of the year.

TRENDS AFFECTING HIV AND AIDS RESPONSE

Macro-economic and environmental impact of HIV and AIDS

The impact of HIV and AIDS in the macroeconomic and fiscal space given its longevity in its direct and indirect management has negative financial and economic constrains to the Economy. Currently, the HIV prevalence in Kenya is approximately 6% (1,500,000 Kenyans living with HIV and AIDS) and in demand for Health care and Treatment. Notably, HIV is a lifelong disease whose non-treatment or non-adherence increases costs treatment and management costs. Additionally, HIV and related NCDs including TB, Cancer, and Hepatitis have at least 30% positive correlation which increases costs of treatment.

NACC's Mandate to prevent new HIV infections has equally a major impact on sustainability, the NACC has identified key mechanisms for increased Domestic Resource Mobilization which include (i) Integrating HIV Budget in County MTEF Processes (ii) Establishment of the HIV Fund (iii) Available HIV resources from Infrastructure projects (iv) Integrating HIV Treatment and Management under the NHIF and Private sector insurance schemes (v) Public Private Partnerships in HIV Programming.

(i) The Integration of HIV Budgets in Counties MTEF Process

The devolution of Health services give county government the responsibility of health care provision including HIV and AIDS programming. The NACC supported counties to develop County AIDS Strategic Plan (CASPs). These are county owned documents and counties have full ownership for their operationalization. Between 2013/14-2016/17 after the devolution, only few counties allocated resources earmarked for HIV which was a threat to County HIV Programming.
In the Financial year 2017, NACC offered technical assistance to 16 counties to develop County HIV Budget proposals to feed into county MTEF planning and budgetary process, for FYs 2017/18 – 2019/20 as per the County MTEF Circular for FYs 2017/18 – 2019/20.

(ii) The Alternative HIV Resources from Infrastructure projects

The government regulations allow all development projects to undertake Environmental and Social Impact Analysis (ESIA). Part of the ESIA costs include Health and HIV management which should be outlined for programming. The NACC identified the available resources available from infrastructure projects in the FY 2016/17. An analysis was carried out among projects carried out within KERRA, KENHA and KURA. A summary of the results is presented below:

Between 2013/14, the 16 counties made a total allocation of KES. 207.87 million. However, after developing integration proposals, the budget proposed in 2017/18 was KES. 830.25 Million. From the actual budgetary allocations by the 16 counties, a total of KES.175.6 Million of the proposed budgetary allocation was made towards HIV response. Of the 16 counties, 3 counties (18.8%) did not allocate any budget for HIV response even after making proposals for the same.

Total Aggregated HIV Reserve Budgets

### Source:
Author’s calculations from KeRRA, KeNHA and KURA data, January 2017

(iii) Actuarial analysis to integrate HIV Treatment under NHIF and Private Insurance Companies

The National Health Insurance Fund (NHIF) is a government institution mandated to provide social insurance towards attainment of Universal Health Care (UHC). The NACC developed an actuarial analysis of cost of care that would be invested in the Maisha Fund to supplement NHIF contributions. The costs are estimated between 2017-2060.

(iv) Public Private Partnerships with the Private Sector

The NACC has partnered with Strathmore Business School to develop policy documents to support sustainable HIV Financing framework in Kenya. In the 4th Maisha Conference, the HIV Investment and SBS held a Satellite session on “Achieving Universal Healthcare by 2030: Is Sustainable Financing for HIV and NCDs Key to Effective Health Governance?” The meeting was attended by over 100 participants from key partners and stakeholders in HIV Programming (Attached picture of participants and the book of abstracts)

### MANAGEMENT DISCUSSION AND ANALYSIS

Equipping adolescents and young people with correct HIV information and up to date knowledge of creates candid conversations with realistic and achievable outcome in the fight against HIV.
Overall Goal of NACC Corporate Social Responsibility

The NACC continues to make a positive contribution within the communities in which we operate as we strive towards an HIV free Society in Kenya. Guided by the NACC Corporate Social Responsibility Policy, the Council engaged in the community through various social responsibility activities and events. These were implemented through financial and technical support as well as through active staff participation and engagement. During the year under review, the Council took part in the following CSR Activities.

i) Maisha Memorial Garden
The Maisha Memorial Garden for Young People was unveiled in Kibera during 2016 World AIDS Day. This is in memory of treasured young Kenyans who lost their lives as a result of AIDS related illness while giving people opportunity to think about HIV. More than 300 trees of various indigenous species are were also planted in the garden.

(ii) Junk Festival: NACC partnered with organisers of the Junk Festival – an annual festival celebrated in the month of April every year where youth come together to discover healthy ways of eating. The NACC sponsored two local popular artists; Timmy T Dat and Khaligraph who interacted with the adolescents and young people, as anti-stigma champions. The NACC seized the opportunity to interact with adolescents and young people and to sensitize and educate them on HIV & AIDS. The key messages revolved around the need to eradicate HIV stigma, safe sex practices and the importance of knowing HIV status as well as key HIV prevention messages. This year’s festival was held on Stedmark Gardens, Karen in April 2017 during Easter Holidays.

(iii) Base Yangu Dunda Yangu – Street Dance Competition: NACC together with partners organized the street dance competition that brought together 27 groups in three main informal settlements in Nairobi County that included Kibera, Mathare and Mukuru. The project reached more than 3,000 youth with health messages and information including HIV and AIDS in the month of June 2017.

FUTURE SUSTAINABILITY PLANS

1. Enterprise Resource Planning
There have been numerous financial and human resource information management solutions that have been advanced in the market that offer efficient ERP solutions. The NACC therefore wishes to tap on the advances in the ERP software development to procure a one stop and integrated financial information management solution to enhance efficiency and cut on costs associated with semi manual processes.

The cost incurred for maintaining the current NACC ERP infrastructure for the last eight (8) years will be cut into less by more than 50% by deploying and maintaining a new and fully integrated ERP system as indicated in Chart below. On the other hand, the cost of maintaining the current system is bound to increase with the attendant cost associated with replacement of equipment, NACC expanded organogram.

It is therefore prudent to invest a modern ERP infrastructure given that the cost associated with deploying a new ERP system will go down drastically as a result of adoption of a paperless regime with the benefits of scanning functionality of the current equipment and use of mobile devices namely tablets etc.

Chart 1. Cost Benefit Analysis of Current and New NACC ERP System
2. Acquisition of NACC Premises

The NACC headquarters is housed in private premises at Landmark Plaza on a six (6) years lease expiring on February 28, 2019. The average annual rent payable is Kshs 54 million translating to Kshs 326 million for the duration of the lease.

On expiry of the current lease, the rate of increment for the lease renewal is projected to increase further by at least 10% for the rent and associated costs. The annual rental expenditure is not sustainable in the long run. The projected rent payable in the next two (2) phases of six year lease periods will exceed the average cost of NACC buying and owning its building as indicated in the Chart below.

A NACC owned premises provide a viable option for sustainability. The financial support from the exchequer for the NACC offices of Kshs 1 billion will enable the Council to save the National Treasury the annual exchequer releases for rental commitments of about Kshs 54 million, sustaining NACC operations and further support services to the people who are infected or affected by HIV as per the Council’s mandate.

3. Establishment of the HIV Maisha Fund;

The financing gap for HIV/AIDS is estimated at 145 billion KES from 2010/11 to 2019/20. This is a nominal estimate and equates to 1.7 billion USD. Over the ten years from 2020/21 this will rise to 215 billion KES (2.3 billion USD). In the FY 2016/17, the NACC established HIV Financing Committee with membership from the Public, Private and Development partners. The role of the committee is to advice on mechanisms to increase domestic resource mobilization from the government, private sector and development partners. The Maisha HIV Fund was proposed a framework to develop a Maisha Fund is key for sustainable HIV response. The fund will seek to invest in the best in class securities that provide the highest returns possible for a given risk level.
Adolescents and young people in Kenya held a one day pre-conference symposium and they were capacity built on new prevention technologies that scale up HIV response in the country such as PEP, PreP, testing and self-test, contraceptives and HIV treatment, adherence and positive living.
REPORT OF THE NACC COUNCIL

The NACC Board submit their report together with the un-audited financial statements for the year ended June 30, 2017 which show the state of the NACC’s affairs.

Principal activities
The principal activities of the entity are:
- Provision of policy and a strategic framework
- Mobilization and coordination of resources
- Prevention of HIV transmission
- Care and support for those infected and affected by HIV and AIDS

Results
The results of the entity for the year ended June 30, 2017 are set out on page 50 of this document.

Council
The members of the Board (also referred to as The Council) who served during the year are shown on page 8 to 10.

Auditors
The Auditor General is responsible for the statutory audit of the NACC in accordance with the Public Finance Management (PFM) Act, 2012.

By Order of the Board
_____________________________
Chairperson, NACC

STATEMENT OF COUNCIL’S RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 446 of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The NACC Board is responsible for the preparation and presentation of the NACC’s financial statements, which give a true and fair view of the state of affairs of the NACC for and as at the end of the financial year ended on June 30, 2017. 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 NACC; (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 NACC; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The NACC Board accept responsibility for the NACC’s financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act and the State Corporations Act. The Board is of the opinion that the NACC’s financial statements give a true and fair view of the state of NACC’s transactions during the financial year ended June 30, 2017, and of the NACC’s financial position as at that date. The Board further confirm the completeness of the accounting records maintained for the NACC, which have been relied upon in the preparation of the NACC’s financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board to indicate that the NACC 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 NACC’s financial statements were approved by the Board on August 29, 2017 and signed on its behalf by:

Chairperson
Chief Executive Officer

REPORT ON INDEPENDENT AUDITORS

QUALIFIED OPINION

I have audited the accompanying financial statements of National AIDS Control Council for the year ended June 30, 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Articles 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in material respects, the financial position of National AIDS Control Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accounting Basis) and comply with the National AIDS Control Council Order, 1989.

In addition, as required by Article 20(6) of the Constitution, except for the matter described in the Basis for Qualified Opinion section of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Qualified Opinion

Disbursement Constituency AIDS Control Coordinators (CACCs)

Management disbursed a total of Kshs 34,053,430 to the Constituency AIDS Control Coordinators during the year to finance their operations. The management has stated that the amount was charged to various items at the statement of financial performance for the year ended 30 June 2017. However, the management has not provided explanation as to why the funds were sent directly to the Constituency AIDS Control Coordinators and not through the County Governments who are the employers of the Constituency AIDS Control Coordinators. This disbursement is not in line with the County Governments Accounting Practices and Procedures (AGPAP).
REPORT ON INDEPENDENT AUDITORS

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 express an auditor’s report that includes my opinion in accordance with the provisions of Section 46 of the Public Audit Act, 2015 and submit this audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISA’s 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.

As part of an audit conducted in accordance with ISA’s, I exercise professional judgment 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 greater than for one resulting from error, as fraud may involve collusion, intentional override of内部控制, or impairment of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of obtaining an assurance on the effectiveness of the Council’s 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 going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Council’s ability to continue as a going concern.

The management is responsible for the preparation of the financial statements in accordance with International Public Sector Accounting Standards (Australasian Edition) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Council’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Council or to cease operations, or has no realistic alternative but to do so.

The management is also responsible for the preparation of the financial statements in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

Those charged with governance are responsible for overseeing the Council’s financial reporting process.
REPORT ON INDEPENDENT AUDITORS

- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Council to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

[Signature]

FCPA Edward O. Oko, CBS
AUDITOR-GENERAL

Nairobi
14 March 2018
### Statement of Financial Performance for the Year Ended June 30, 2017

**National AIDS Control Council**

<table>
<thead>
<tr>
<th>Note</th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue from non-exchange transactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public contributions and donations</td>
<td>3</td>
<td>57,018,599</td>
</tr>
<tr>
<td>Transfers from other governments</td>
<td>4</td>
<td>942,146,308</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>5</td>
<td>63,082,539</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td></td>
<td>1,062,247,446</td>
</tr>
<tr>
<td><strong>Revenue from exchange transactions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rendering of services</td>
<td>6</td>
<td>8,461,693</td>
</tr>
<tr>
<td>Other income</td>
<td>7</td>
<td>10,544,483</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td></td>
<td>1,081,253,622</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>8</td>
<td>306,704,823</td>
</tr>
<tr>
<td>Depreciation and amortization expense</td>
<td>9</td>
<td>75,462,486</td>
</tr>
<tr>
<td>Repairs and maintenance</td>
<td>10</td>
<td>12,814,277</td>
</tr>
<tr>
<td>Program management expense</td>
<td>11</td>
<td>471,026,671</td>
</tr>
<tr>
<td>Community initiative expense</td>
<td>12</td>
<td>-</td>
</tr>
<tr>
<td>General expenses</td>
<td>13</td>
<td>179,141,878</td>
</tr>
<tr>
<td>Council Expenses</td>
<td>14</td>
<td>14,869,971</td>
</tr>
<tr>
<td>Finance costs</td>
<td>15</td>
<td>2,934,869</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td></td>
<td>1,062,954,975</td>
</tr>
<tr>
<td><strong>Other gains/(losses)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gain on sale of assets</td>
<td>16</td>
<td>4,899,714</td>
</tr>
<tr>
<td><strong>Surplus (Deficit) for the period</strong></td>
<td></td>
<td>23,198,362</td>
</tr>
</tbody>
</table>

The notes set out on pages 55 to 67 form an integral part of these Financial Statements.
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

NATIONAL AIDS CONTROL COUNCIL

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

Assets

<table>
<thead>
<tr>
<th>Note</th>
<th>Current assets</th>
<th>2016/2017 Ksh</th>
<th>2015/2016 Ksh</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Cash and cash equivalents</td>
<td>1,040,739,361</td>
<td>966,189,871</td>
</tr>
<tr>
<td></td>
<td>Inventories</td>
<td>10,880,855</td>
<td>10,279,046</td>
</tr>
<tr>
<td></td>
<td>Receivables from exchange transactions</td>
<td>10,009,348</td>
<td>30,797,143</td>
</tr>
<tr>
<td></td>
<td>Receivables from non exchange transactions</td>
<td>50,300,873</td>
<td>89,408,840</td>
</tr>
<tr>
<td></td>
<td><strong>Total assets</strong></td>
<td>1,111,930,437</td>
<td>1,066,674,900</td>
</tr>
</tbody>
</table>

Non-current assets

<table>
<thead>
<tr>
<th>Note</th>
<th>Property, plant and equipment</th>
<th>30,239,489</th>
<th>81,543,290</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Total assets</strong></td>
<td>1,142,169,926</td>
<td>1,178,218,190</td>
</tr>
</tbody>
</table>

Liabilities

<table>
<thead>
<tr>
<th>Note</th>
<th>Current Liabilities</th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Trade and other payables</td>
<td>33,599,303</td>
<td>39,295,333</td>
</tr>
<tr>
<td></td>
<td>Provisions</td>
<td>820,800</td>
<td>820,800</td>
</tr>
<tr>
<td></td>
<td>Employee benefit obligation</td>
<td>49,286,655</td>
<td>39,754,712</td>
</tr>
<tr>
<td></td>
<td>Deferred revenue</td>
<td>-</td>
<td>63,082,539</td>
</tr>
<tr>
<td></td>
<td><strong>Total liabilities</strong></td>
<td>(83,706,758)</td>
<td>(142,953,384)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Note</th>
<th>Funds and reserves</th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Accumulated surplus</td>
<td>1,058,463,168</td>
<td>1,035,264,806</td>
</tr>
<tr>
<td></td>
<td><strong>Total funds and liabilities</strong></td>
<td>1,058,463,168</td>
<td>1,035,264,806</td>
</tr>
</tbody>
</table>

STATEMENT OF CHANGES IN NET ASSETS FOR YEAR ENDED JUNE 30, 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>Accumulated surplus</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance as at July 1, 2015</td>
<td>1,179,142,723</td>
</tr>
<tr>
<td></td>
<td>Deficit for the year</td>
<td>(143,877,917)</td>
</tr>
<tr>
<td></td>
<td>Balance as at June 30, 2016</td>
<td>1,035,264,806</td>
</tr>
<tr>
<td></td>
<td>Balance as at July 1, 2016</td>
<td>1,035,264,806</td>
</tr>
<tr>
<td></td>
<td>Surplus for the year</td>
<td>21,005,962</td>
</tr>
<tr>
<td></td>
<td>Balance as at 30/06/2017</td>
<td>1,058,270,768</td>
</tr>
</tbody>
</table>

The Financial Statements set out on pages 50 to 67 were signed on behalf of the Board of Directors by:

Chief Executive Officer:
Name: Dr. Nduku Kilonzo
ICPAK M/No. 5424
Date: 23rd October 2018

Deputy Director Finance and Admin:
Name: Mr. Kamuren Dennis K.
ICPAK M/No. 5424
Date: 23rd October 2018

Chairperson of the Board:
Name: Angeline Siparo
Date: 23rd October 2018
STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30, 2017

<table>
<thead>
<tr>
<th>Note</th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ksh</td>
<td>Ksh</td>
</tr>
<tr>
<td>SURPLUS/(DEFICIT) FOR THE YEAR</td>
<td>23,198,362</td>
<td>(143,877,917)</td>
</tr>
<tr>
<td>Adjustments for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>9</td>
<td>75,462,486</td>
</tr>
<tr>
<td>Deferred Revenue</td>
<td>5</td>
<td>(63,082,539)</td>
</tr>
<tr>
<td>Interest income</td>
<td>7</td>
<td>(10,544,483)</td>
</tr>
<tr>
<td>Gain on asset disposal</td>
<td>16</td>
<td>(4,899,714)</td>
</tr>
<tr>
<td>(Deficit)/Surplus before Working Capital Changes</td>
<td></td>
<td>20,134,112</td>
</tr>
<tr>
<td>WORKING CAPITAL CHANGES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in Payables and Employee Benefit Obligation</td>
<td>22</td>
<td>3,835,913</td>
</tr>
<tr>
<td>Decrease in Inventories</td>
<td>18</td>
<td>(601,810)</td>
</tr>
<tr>
<td>Decrease in Trade and other Receivables</td>
<td>19, 20</td>
<td>59,895,761</td>
</tr>
<tr>
<td>CASH FLOWS FROM OPERATING ACTIVITIES</td>
<td>63,129,864</td>
<td>80,248,410</td>
</tr>
<tr>
<td>INVESTING ACTIVITIES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest earned</td>
<td>7</td>
<td>10,544,483</td>
</tr>
<tr>
<td>Proceeds from Disposal of assets</td>
<td>16</td>
<td>4,899,714</td>
</tr>
<tr>
<td>Purchase of Fixed Assets</td>
<td>21</td>
<td>(24,158,689)</td>
</tr>
<tr>
<td>CASH FLOWS FROM INVESTING ACTIVITIES</td>
<td>(8,714,492)</td>
<td>3,103,082</td>
</tr>
<tr>
<td>INCREASE /DECREASE IN CASH AND CASH EQUIVALENTS</td>
<td>74,549,483</td>
<td>(75,412,321)</td>
</tr>
<tr>
<td>Cash and Cash Equivalent at the beginning</td>
<td>966,189,871</td>
<td>1,041,602,193</td>
</tr>
<tr>
<td>Cash and Cash Equivalent at the End</td>
<td></td>
<td>1,040,739,354</td>
</tr>
</tbody>
</table>

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

<table>
<thead>
<tr>
<th>Revenue</th>
<th>2016/2017</th>
<th>Adjustments</th>
<th>2016/2017</th>
<th>Final budget</th>
<th>Actual on comparable basis</th>
<th>Performance difference</th>
<th>Performance difference(%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public contributions and donations</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>57,018,599</td>
<td>(57,018,599)</td>
<td>-5%</td>
</tr>
<tr>
<td>Government grants and subsidies</td>
<td>679,000,000</td>
<td>(10,000,000)</td>
<td>600,000,000</td>
<td>659,500,000</td>
<td>500,000</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Development partner</td>
<td>411,096,476</td>
<td>(13,379,341)</td>
<td>424,475,619</td>
<td>282,646,306</td>
<td>141,829,311</td>
<td>33%</td>
<td></td>
</tr>
<tr>
<td>Finance Income</td>
<td></td>
<td></td>
<td></td>
<td>10,544,483</td>
<td>10,544,483</td>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>Gains on disposal, rental income and agency fees</td>
<td></td>
<td></td>
<td></td>
<td>4,899,714</td>
<td>(4,899,714)</td>
<td>-100%</td>
<td></td>
</tr>
<tr>
<td>Others (Sale of Tenders, Bank Interest)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total income</td>
<td>1,090,096,476</td>
<td>(5,620,857)</td>
<td>1,084,475,619</td>
<td>957,590,505</td>
<td>147,974,080</td>
<td>-5%</td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compensation of employees</td>
<td>351,072,716</td>
<td>(8,529,086)</td>
<td>342,543,630</td>
<td>306,704,823</td>
<td>35,838,807</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>Finance cost</td>
<td>4,000,000</td>
<td>(1,000,000)</td>
<td>3,000,000</td>
<td>2,934,869</td>
<td>65,131</td>
<td>2%</td>
<td></td>
</tr>
<tr>
<td>Rent paid</td>
<td>60,000,000</td>
<td></td>
<td>60,000,000</td>
<td>58,233,572</td>
<td>1,766,428</td>
<td>3%</td>
<td></td>
</tr>
<tr>
<td>Other payments (program and admin costs)</td>
<td>675,023,760</td>
<td>3,908,229</td>
<td>678,931,989</td>
<td>624,764,459</td>
<td>54,167,530</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Total expenditure</td>
<td>1,090,096,476</td>
<td>(5,620,857)</td>
<td>1,084,475,619</td>
<td>992,637,723</td>
<td>91,837,896</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>Surplus for the period</td>
<td></td>
<td></td>
<td></td>
<td>992,637,723</td>
<td>91,837,896</td>
<td>-0%</td>
<td></td>
</tr>
</tbody>
</table>

Notes on the budget
1) Development partners grants—Performance different (33%)
   The 33% variance was due to inability to access Ksh 141,829,311 out of the Ksh 411,096,476 that had been committed by Global Fund as available to NACC. It is expected that the funds will be released together with FY 2017/18 allocation.
2) The difference in reported surplus between statements of performance and budget is attributed to Ksh 53,088,338 provision for doubtful debt that does not involve any movement in cash.
NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION
The NACC is established by and derives its authority and accountability from the National AIDS Control Act. The NACC is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is Coordination of response to HIV and AIDS in Kenya.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION
The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS).

3. ADOPTION OF NEW AND REVISED STANDARDS
i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017

<table>
<thead>
<tr>
<th>Standard</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPSAS 33: First time adoption of Accrual Basis IPSAS</td>
<td>Effective for annual periods beginning on or January 1, 2017</td>
</tr>
<tr>
<td>IPSAS 34: Separate Financial Statements</td>
<td>Effective for annual periods beginning on or January 1, 2017</td>
</tr>
<tr>
<td>IPSAS 35: Consolidated Financial Statements</td>
<td>Effective for annual periods beginning on or January 1, 2017</td>
</tr>
<tr>
<td>IPSAS 36: Investments in Associates and Joint Ventures</td>
<td>Effective for annual periods beginning on or January 1, 2017</td>
</tr>
</tbody>
</table>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

<table>
<thead>
<tr>
<th>Standard</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPSAS 37: Joint Arrangements</td>
<td>Effective for annual periods beginning on or January 1, 2017</td>
</tr>
<tr>
<td>IPSAS 38: Disclosure of Interests in Other Entities</td>
<td>Effective for annual periods beginning on or January 1, 2017</td>
</tr>
<tr>
<td>IPSAS 39: Employee Benefits</td>
<td>Applicable: 1st January 2018</td>
</tr>
<tr>
<td>IPSAS 40: Public Sector Combinations</td>
<td>Applicable: 1st January 2019</td>
</tr>
</tbody>
</table>

iii. Early adoption of standards
The NACC did not early – adopt any new or amended standards in year 2017.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2017 (Continued)

<table>
<thead>
<tr>
<th>Standard</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPSAS 37: Joint Arrangements</td>
<td>In January 2015, the IPSASB published IPSAS 37, Joint Arrangements. IPSAS 37 establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. The NACC does not have an interest in a joint arrangement and therefore the standard does not apply.</td>
</tr>
<tr>
<td>IPSAS 38: Disclosure of Interests in Other Entities</td>
<td>In January 2015, the IPSASB published IPSAS 38, Disclosure of Interests in Other Entities. IPSAS 38 requires an entity to disclose information that enables users of its financial statements to evaluate the nature of and risks associated with, its interests in controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows. The NACC does not have an interests in other entities and therefore the standard does not apply.</td>
</tr>
</tbody>
</table>

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2017

<table>
<thead>
<tr>
<th>Standard</th>
<th>Effective date and impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>IPSAS 39: Employee Benefits</td>
<td>Applicable: 1st January 2018</td>
</tr>
<tr>
<td>IPSAS 40: Public Sector Combinations</td>
<td>Applicable: 1st January 2019</td>
</tr>
</tbody>
</table>

The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3(applicable to acquisitions only) Business combinations and combinations arising from non exchange transactions which are covered purely under Public Sector combinations as amalgamations.
The original budget for FY 2016-2017 was approved by the National 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 recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from 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 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

Services rendered by the NACC recognizes revenue from rendering of services by reference to

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably.

b) 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 to the stage of completion when the outcome of the transaction can be estimated reliably.

The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

1. Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably.

ii. 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 to the stage of completion when the outcome of the transaction can be estimated reliably.

The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

In the case of JSCs, the cost of an asset is the cost at the date of acquisition.

The entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection or performance 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.

2. Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the entity.

Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

3. Inventories

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

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 disposed of at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the NACC.

The NACC's operations are fully funded by the National Government and is therefore not subject to taxes. Taxes withheld from employees and suppliers of goods and services are remitted as required. Any unreimbursed amounts are included in the accounts payable.

The NACC recognizes revenue from rendering of services by reference to

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. Members of key management are regarded as related parties and comprise the directors, the CEO and senior managers.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of change in value.

Bank account balances include amounts held at the various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents do not include short term cash imprests and advances to authorised public officers and/or institutions where such amounts were not surrendered or accounted for at the end of the financial year.

n) Comparative figures

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

The preparation of the NACC's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions. These 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.

The key assumptions concerning the future and other key sources of estimation uncertainty are:

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

The NACC recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 NACC based its assumptions and estimates on parameters available when the 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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Notes page 22 to 24.

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.

u) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2017.

2016/2017 2015/2016

3 Public contributions and donations

This consisted of financial support to NACC during the year.

Bill and Melinda Gates 3,009,505 -
Kenya Red Cross 7,617,231 -
FORD foundation - 14,892,518
UNDP /UNFPA/UNICEF 14,095,560 16,726,860
WHO support for KASF development 11,130,084 8,786,450
AVERIR HEALTH INC - 3,651,580
Australian High Commission - 2,244,432
INTERNATIONAL LABOUR ORG. - 1,018,500
Revenue from Rockefeller Foundation 16,774,944 -
NIC Bank 1,000,000 -
Other miscellaneous donations and support 3,391,275 6,508,398
57,018,599 53,828,738

4 Transfers from government-appropriations and grants

GOK-Recurrent 584,000,000 409,500,000
GOK-Development 75,500,000 133,000,000
Global Fund Grants 269,267,165 251,640,285
UNFPA Grant 13,379,143 -
942,146,308 794,140,285

5 Deferred revenue

This refers to the value of assets donated to the organization in kind during the year

Opening balance 63,082,539 127,040,491
Addition during the year from TOWA project (63,082,539) (63,957,952)
Transferred during the year - 63,082,539

6 Rendering of service

This represents receipts for provision of services.

Maisha conference proceeds 3,588,693 -
Maisha certification 2,000,000 -
Research services 2,873,000 -
8,461,693 -

7 Other income

This represents interest earned from bank deposits during the period.

Interest earned 10,544,483 24,928,258

8 Employee costs

Basic Salary 131,191,721 118,084,929
House Allowance 56,208,162 52,664,784
Remuneration Allowances 24,189,323 30,429,076
29,072,365 25,960,363
Staff Gratuity 24,848,800 -
24,386,669 27,196,223
Staff Medical Insurance 8,764,630 -
1,018,500 -
Other Allowances - 1,733,618
1,980,002 1,733,618
Employer NSSF Contribution 32,648,548 30,108,247
306,704,823 299,728,408

9 Depreciation and amortization expense

Motor Vehicles Depreciation 53,565,260 64,283,283
Computer equipment depreciation 13,511,916 14,624,898
Office Equipment Depreciation 2,793,180 2,244,432
3,651,580 1,635,356
Furniture & Fittings Depreciation 75,426,486 81,201,357

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
### Repairs and maintenance

<table>
<thead>
<tr>
<th>Description</th>
<th>2016/2017 Ksh</th>
<th>2015/2016 Ksh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repairs and Maintenance General</td>
<td>5,782,381</td>
<td>6,942,174</td>
</tr>
<tr>
<td>Motor Vehicles Repairs &amp; Maintenance</td>
<td>5,913,043</td>
<td>3,956,115</td>
</tr>
<tr>
<td>Office Equipment Repairs</td>
<td>1,118,859</td>
<td>5,024,022</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>12,814,277</strong></td>
<td><strong>15,922,311</strong></td>
</tr>
</tbody>
</table>

#### Program management expenses

These were expenses incurred by NACC in executing its mandate.

- **Travel expense**: 252,669,303 (2016/2017), 277,497,841 (2015/2016)
- **Design printing and publishing**: 37,945,863 (2016/2017), 16,556,586 (2015/2016)
- **Advertising**: 82,992,911 (2016/2017), 90,554,414 (2015/2016)
- **Conferences and Workshops**: 41,660,620 (2016/2017), 70,847,044 (2015/2016)
- **Consulting fees**: 16,663,190 (2016/2017), 13,979,176 (2015/2016)

**Total**: 471,026,671 (2016/2017), 505,990,409 (2015/2016)

#### Community initiative expenses

These were expenses reported by funded Project Sub Implementers during the period.

- **Targetted Mitigation Programmes**: - (2016/2017), 9,020,125 (2015/2016)

**Total**: - (2016/2017), 9,020,125 (2015/2016)

#### The following are included in general expenses:

- **Audit fees**: 748,200 (2016/2017), 2,940,600 (2015/2016)
- **Consumables**: 7,792,636 (2016/2017), 6,905,782 (2015/2016)
- **Insurance**: 1,719,616 (2016/2017), 8,674,179 (2015/2016)
- **Legal expenses**: 142,600 (2016/2017), 625,500 (2015/2016)
- **Membership and subscriptions**: 731,358 (2016/2017), 1,980,495 (2015/2016)


### Council Expenses

- **Sitting Allowance**: 8,358,368 (2016/2017), 5,306,000 (2015/2016)
- **Other council expenses**: 1,635,125 (2016/2017), 869,702 (2015/2016)

**Total**: 14,869,971 (2016/2017), 6,175,702 (2015/2016)

### Finance Costs

These were charges levied by banks to NACC during the year.

- **Bank charges**: 2,934,869 (2016/2017), 4,641,634 (2015/2016)

### Gain on sale of assets

During the year under review, NACC disposed obsolete and unused items that had been fully depreciated.

- **Proceeds from sale**: 4,899,714 (2016/2017), 7,201,044.00 (2015/2016)

**Total**: 4,899,714 (2016/2017), 7,201,044.00 (2015/2016)

### Cash and cash equivalents

- **Citibank - Development vote account**: 154,675,348 (2016/2017), 267,438,149 (2015/2016)
- **Stanchart - UNDP project account**: 2,508,906 (2016/2017), 2,521,226 (2015/2016)
- **NAC Bank - UNFPA Operating project account**: 6,030,150 (2016/2017), 960,710 (2015/2016)

**Total**: 1,040,739,361 (2016/2017), 966,189,871 (2015/2016)

### Inventories


### Receivables from exchange transactions

- **Deposits**: 10,009,348 (2016/2017), 10,009,348 (2015/2016)
- **Prepayments**: 20,787,795 (2016/2017), 30,797,143 (2015/2016)

**Total**: 10,009,348 (2016/2017), 30,797,143 (2015/2016)
### Receivables from non exchange transactions

<table>
<thead>
<tr>
<th></th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ksh</td>
<td>Ksh</td>
</tr>
<tr>
<td>F.O Advance</td>
<td>13,449,046</td>
<td>16,831,195</td>
</tr>
<tr>
<td>Advances to DTC</td>
<td>19,613,358</td>
<td>19,613,358</td>
</tr>
<tr>
<td>Advance to FMA</td>
<td>53,088,338</td>
<td>53,088,338</td>
</tr>
<tr>
<td>Direct advances to implementers</td>
<td>4,143,506</td>
<td>4,143,508</td>
</tr>
<tr>
<td>Advances to CACCs</td>
<td>6,538,190</td>
<td>8,335,352</td>
</tr>
<tr>
<td>Advances - World AIDS Day</td>
<td>2,161,700</td>
<td>2,161,700</td>
</tr>
<tr>
<td>ACU Advances</td>
<td>3,697,926</td>
<td>3,697,926</td>
</tr>
<tr>
<td>Staff Imprest Advances</td>
<td>7,579,692</td>
<td>2,721,276</td>
</tr>
<tr>
<td>Other advances</td>
<td>21,337,924</td>
<td>7,036,475</td>
</tr>
<tr>
<td>Less Impairment</td>
<td>(81,308,806)</td>
<td>(28,220,468)</td>
</tr>
<tr>
<td></td>
<td>50,300,873</td>
<td>89,408,840</td>
</tr>
</tbody>
</table>

### Property, plant and equipment

#### Cost

<table>
<thead>
<tr>
<th></th>
<th>2015/2016</th>
<th>2016/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost</td>
<td>Ksh</td>
<td>Ksh</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>348,573,349</td>
<td>313,564,834</td>
</tr>
<tr>
<td>Computers</td>
<td>100,558,919</td>
<td>124,983,495</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>74,194,855</td>
<td>71,276,454</td>
</tr>
<tr>
<td>Furniture &amp; fittings</td>
<td>64,412,683</td>
<td>64,406,222</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>587,359,807</td>
<td>574,231,005</td>
</tr>
</tbody>
</table>

#### Additions

<table>
<thead>
<tr>
<th></th>
<th>2015/2016</th>
<th>2016/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>35,008,515</td>
<td>(3,577,744)</td>
<td>(3,861,801)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(3,836,064)</td>
<td>(86,961)</td>
</tr>
</tbody>
</table>

#### Disposals

<table>
<thead>
<tr>
<th></th>
<th>2015/2016</th>
<th>2016/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>6,798,829</td>
<td>9,157,660</td>
<td>8,202,200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>24,158,689</td>
<td></td>
</tr>
</tbody>
</table>

#### Depreciation

<table>
<thead>
<tr>
<th></th>
<th>2015/2016</th>
<th>2016/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>35,008,515</td>
<td>(3,577,744)</td>
<td>(3,861,801)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>(3,836,064)</td>
<td>(86,961)</td>
</tr>
</tbody>
</table>

#### Transfer/adjustments

<table>
<thead>
<tr>
<th></th>
<th>2015/2016</th>
<th>2016/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Trade and other payables from exchange transactions

<table>
<thead>
<tr>
<th></th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payable to suppliers of goods and services</td>
<td>21,943,251</td>
<td>20,770,163</td>
</tr>
<tr>
<td>Other payables</td>
<td>11,656,052</td>
<td>8,299,507</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>-</td>
<td>10,225,663</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>33,599,303</td>
<td>39,295,333</td>
</tr>
</tbody>
</table>

#### Provisions

<table>
<thead>
<tr>
<th></th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>820,800</td>
<td>820,800</td>
</tr>
<tr>
<td>Payments during the year</td>
<td>(748,200)</td>
<td>(2,940,600)</td>
</tr>
<tr>
<td>Provision for the year</td>
<td>784,200</td>
<td>2,940,600</td>
</tr>
<tr>
<td>Closing balance</td>
<td>820,800</td>
<td>820,800</td>
</tr>
</tbody>
</table>

#### Employee benefit obligation

<table>
<thead>
<tr>
<th></th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff gratuity opening balance</td>
<td>39,754,712</td>
<td>48,137,268</td>
</tr>
<tr>
<td>Payments during the year</td>
<td>(14,657,380)</td>
<td>(38,811,632)</td>
</tr>
<tr>
<td>Provision for the year</td>
<td>24,189,323</td>
<td>30,429,076</td>
</tr>
<tr>
<td>Closing balance</td>
<td>49,286,655</td>
<td>39,754,712</td>
</tr>
</tbody>
</table>

#### Provision for doubtful debts

<table>
<thead>
<tr>
<th></th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>First World AIDS Day Commemoration Advance</td>
<td>2,161,700</td>
<td>2,161,700.00</td>
</tr>
<tr>
<td>ACU Advances</td>
<td>3,697,926</td>
<td>3,697,926.25</td>
</tr>
<tr>
<td>District Technical Committees</td>
<td>19,613,358</td>
<td>19,613,358.00</td>
</tr>
<tr>
<td>Advances to former employees</td>
<td>1,965,201</td>
<td>1,965,200.65</td>
</tr>
<tr>
<td>Community Based Organizations</td>
<td>782,283</td>
<td>782,282.95</td>
</tr>
<tr>
<td>TOWA PSI Advances</td>
<td>53,088,338</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>81,308,806</td>
<td>28,220,468</td>
</tr>
</tbody>
</table>

### Notes

- The outstanding advances listed below were considered doubtful:
  - First World AIDS Day Commemoration Advance
  - ACU Advances
  - District Technical Committees
  - Advances to former employees
  - Community Based Organizations
  - TOWA PSI Advances

- Net book values:
  - At 30 June 2017
  - At 30 June 2016

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

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**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26 Funds from GLOBAL FUND

<table>
<thead>
<tr>
<th></th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Balance at the beginning of the Year</td>
<td>149,248,698</td>
<td>97,234,571</td>
</tr>
<tr>
<td>Receipts from GF during the year</td>
<td>269,267,165</td>
<td>251,640,285</td>
</tr>
<tr>
<td>Interest earned on deposits</td>
<td>2,982,530</td>
<td>2,982,530</td>
</tr>
<tr>
<td>Payments made during the year</td>
<td>(181,143,168)</td>
<td>(191,704,669)</td>
</tr>
<tr>
<td>Refunded treasury (Un-utilised round 2 balance)</td>
<td>(1,122,476)</td>
<td>(9,781,543)</td>
</tr>
<tr>
<td>Un-paid bills as at end of FY</td>
<td>(11,688,168)</td>
<td>(11,688,168)</td>
</tr>
<tr>
<td>Fund balance at the end of the year</td>
<td>225,684,527</td>
<td>149,248,698</td>
</tr>
</tbody>
</table>

27 Operating Lease obligation

Within one year | 56,441,718 | 55,284,518 |
After 1 year but not later than 5 years | 35,370,259 | 91,811,977 |
Total Commitments | 91,811,977 | 147,096,495 |

28 Financial Risk Management

The NACC operations are exposed to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The NACC’s overall risk management programme focuses on unpredictability of changes in the economic and social environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The NACC does not hedge any risks. The NACC’s financial risk management objectives and policies are detailed below:

(i) Credit risk

The NACC has exposure to credit risk, which is the risk that funds advanced to offices at county and sub-county levels will not be fully accounted for when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables.

Management reviews the accountability status of each office, taking into account its financial position, past experience and other factors. The amounts presented in the statement of financial position are net of provisions for doubtful receivables, estimated by the company’s management based on prior experience and their assessment of the current economic environment.

The board of directors sets the company’s credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

(ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the NACC’s board, who have 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 NACC manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

The NACC 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 NACC’s earnings. 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 NACC’s Finance Division 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.

a) Foreign currency risk

The entity has transactional currency exposures. Such exposure arises through purchases of goods and services that are denoted in currencies other than the local currency. Invoices denominated in foreign currencies are conventioned at the time of payment is done using the prevailing exchange rate.

The NACC did not have foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period.

b) Interest rate risk

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

Management of interest rate risk

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

c) Capital Risk Management

The objective of the entity’s capital risk management is to safeguard the Board’s ability to continue as a going concern. The entity capital structure comprises of the Accumulated Surplus.

29. Related Party Balances

No Case Number and Parties/ Advocate 2016/17 2015/16

<table>
<thead>
<tr>
<th>Case Number and Parties/ Advocate</th>
<th>2016/17</th>
<th>2015/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>CMCC NO. 798 OF 2014</td>
<td>George Omondi Arum vs NACC</td>
<td>Kshs 2,700,000</td>
</tr>
<tr>
<td>CMCC NO 61 OF 2013</td>
<td>Husaan Printers and Stationery Limited VS NACC</td>
<td>Kshs 3,889,250</td>
</tr>
<tr>
<td>CMCC NO 1184 OF 2015</td>
<td>Patrick MbyaAgagi vs NACC Industrial Cause No. 812 of 2016</td>
<td>Kshs 124,251</td>
</tr>
<tr>
<td>Katunge Kiilu vs NACC</td>
<td>Kshs 3,435,720</td>
<td>Kshs 3,435,720</td>
</tr>
<tr>
<td>Petition No. 50 of 2017</td>
<td>Willis Ochar vs National AIDS Control Council</td>
<td>Kshs 2,000,000</td>
</tr>
</tbody>
</table>

30. Contingent assets and contingent liabilities

31. Events after the reporting period

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

32. Ultimate and Holding Entity

The entity is a State Corporation under the Ministry of Health. Its ultimate parent is the Government of Kenya.

33. Currency

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

ii) The Parent Ministry;

iii) Key management remuneration

<table>
<thead>
<tr>
<th></th>
<th>2016/2017</th>
<th>2015/2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowances paid to Board Member</td>
<td>14,525,371</td>
<td>6,175,702</td>
</tr>
<tr>
<td>Remuneration to the CEO and key management</td>
<td>116,584,995</td>
<td>113,933,112</td>
</tr>
<tr>
<td>Total</td>
<td>131,110,366</td>
<td>120,108,814</td>
</tr>
</tbody>
</table>
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

### APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

<table>
<thead>
<tr>
<th>Reference No.</th>
<th>Issue / Observations from Auditor</th>
<th>Management comments</th>
<th>Focal Point person</th>
<th>Status</th>
<th>Timeframe</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Long outstanding advances included in the Receivables from exchange transactions affecting accuracy and recoverability of stated receivables.</td>
<td>The queried amount relates to advances issued to the then Government Officers and Ministries during NACC’s formative years primarily for mobilization and awareness creation. Although these amounts were recorded as advances, there were no accountability mechanisms in place such as details of recipients, guidelines on how the funds were to be used and how they would be accounted for and timelines for accounting. This has made it extremely difficult for NACC to follow up on these amounts. The NACC has however been engaging concerned Government Ministries but there has been little or no success in having these advances accounted for. It is in cognizance of the fact that these amounts and others including amounts owed by former employees may not be recovered that the NACC made a written request to the National Treasury for authority to write off these amounts in May 2016. It is expected that the matter will be closed by the end of this financial year.</td>
<td>CEO, NACC</td>
<td>Not Resolved</td>
<td>June 2018</td>
</tr>
</tbody>
</table>

**Guidance Notes:**

(i) Use the same reference numbers as contained in the external audit report;

(ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;

(iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;

(iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

Chief Executive Officer

Chairperson of the Board

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**APPENDIX II: INTER-ENTITY TRANSFERS**

- **Entity Name:** National AIDS Control Council

<table>
<thead>
<tr>
<th>FY 16/17</th>
<th>Bank Statement Date</th>
<th>Amount (K Shs)</th>
<th>Period from which funds relate</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Regrant Grants</td>
<td>12/04/2016</td>
<td>146,000,000</td>
<td>FY 2016/17</td>
</tr>
<tr>
<td></td>
<td>09/01/2017</td>
<td>146,000,000</td>
<td>FY 2016/17</td>
</tr>
<tr>
<td></td>
<td>19/04/2017</td>
<td>146,000,000</td>
<td>FY 2016/17</td>
</tr>
<tr>
<td></td>
<td>29/06/2017</td>
<td>146,000,000</td>
<td>FY 2016/17</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>584,000,000</td>
<td></td>
</tr>
</tbody>
</table>

b. Development Grants

<table>
<thead>
<tr>
<th>Bank Statement Date</th>
<th>Amount (K Shs)</th>
<th>Period from which funds relate</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/04/2017</td>
<td>00,000,000</td>
<td>FY 2016/17</td>
</tr>
<tr>
<td>25/04/2017</td>
<td>8,875,000</td>
<td>FY 2016/17</td>
</tr>
<tr>
<td>Total</td>
<td>25,900,000</td>
<td></td>
</tr>
</tbody>
</table>

c. Donor Receipts

<table>
<thead>
<tr>
<th>Bank Statement Date</th>
<th>Amount (K Shs)</th>
<th>Period from which funds relate</th>
</tr>
</thead>
<tbody>
<tr>
<td>25/11/2016</td>
<td>027,734 119</td>
<td>FY 2016/17</td>
</tr>
<tr>
<td>06/03/2017</td>
<td>133,794 143</td>
<td>FY 2016/17</td>
</tr>
<tr>
<td>25/04/2017</td>
<td>63,718 527</td>
<td>FY 2016/17</td>
</tr>
<tr>
<td>Total</td>
<td>282,646 308</td>
<td></td>
</tr>
</tbody>
</table>

The above amounts have been communicated to and reconciled with the parent Ministry of Health of Finance (Head of Finances) and the Ministry of Health (Head of Accounts) of NACC.