

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
THE NATIONAL AUTHORITY FOR THE
CAMPAIGN AGAINST ALCOHOLIC AND DRUG
ABUSE – ALCOHOL DRINKS CONTROL FUND**

**FOR THE YEAR ENDED
30 JUNE 2017**

100





NACADA AUTHORITY-ALCOHOLIC DRINKS CONTROL FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2017**

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

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

Table of Content	Page
I. KEY ENTITY INFORMATION AND MANAGEMENT	ii
II. THE BOARD OF DIRECTORS	v
III. MANAGEMENT TEAM.....	ix
IV. CHAIRMAN'S STATEMENT	xi
V. REPORT OF THE CHIEF EXECUTIVE OFFICER.....	xii
(i) <i>Youth and children ADA prevention programs</i>	xii
(ii) <i>Alcohol and drug abuse prevention programs at the county and national government levels</i>	xii
VI. CORPORATE GOVERNANCE STATEMENT.....	xiv
VII. MANAGEMENT DISCUSSION AND ANALYSIS.....	xiv
VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	xv
IX. REPORT OF THE DIRECTORS.....	xvi
X. STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	xvii
XI. REPORT OF THE INDEPENDENT AUDITORS ON NACADA FINANCIAL STATEMENTS ..	xviii
XII. STATEMENT OF FINANCIAL PERFORMANCE.....	1
XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017	2
XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017	3
XIV. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2017.....	4
XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2017	5
XIII. NOTES TO THE FINANCIAL STATEMENTS	6
XIV. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	24

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background Information

Corporate Establishment

The history of NACADA commences in 1996 when the Inter-Ministerial Drugs Coordinating Committee was constituted. The Committee was chaired by the Solicitor General while the Attorney General's office provided the Secretariat.

Later in April 2001 through a Gazette Notice, the National Agency for the Campaign Against Drug Abuse (NACADA) was formed. Its primary function was to initiate a public education and awareness campaign against drug abuse especially among youth in schools and other learning institutions. This was in response to a wave of violent student unrest and suspicion of devil worship, part of which was blamed on drug abuse.

The Agency operated as such until May 2006 when the President established an Advisory Board and appointed its Chairman vide Kenya Gazette Notice No. 3749 of 19th May 2006.

In 2007, through Legal Notice No. 140 published in the Kenya Gazette Supplement No. 70 of 29th June 2007, the Agency was transformed into the National Campaign Against Drug Abuse Authority (NACADA Authority) under the State Corporations Act (Cap 446 of the Laws of Kenya). It was placed in the Office of the President under the Ministry of State for Provincial Administration & Internal Security. The 2007 mandate enabled NACADA to coordinate a multi-sectoral campaign to prevent, control and mitigate the impacts of alcohol and drug abuse in the country.

In August 2010, the Authority's mandate was expanded to include facilitating implementation of the Alcoholic Drinks Control Act, 2010.

In July 2012, President Kibaki assented to the National Authority for the Campaign Against Alcohol and Drug Abuse Act, 2012 thereby establishing NACADA under an Act of Parliament.

(b) Principal Activities

The specific functions of NACADA as set out in the NACADA Act, 2012 are to:

- (i) Carry out public education on alcohol and drug abuse directly and in collaboration with other public or private bodies and institutions;
- (ii) Coordinate and facilitate public participation in the control of alcohol and drug abuse;
- (iii) Coordinate and facilitate inter-agency collaboration and liaison among lead agencies responsible for alcohol and drug-demand reduction;
- (iv) In collaboration with other lead agencies, facilitate and promote the monitoring and surveillance of national and international emerging trends and patterns in the production, manufacture, sale, consumption, trafficking and promotion of alcohol and drugs prone to abuse;
- (v) In collaboration with other lead agencies, provide and facilitate the development and operation of rehabilitation facilities, programmes and standards for persons suffering from substance use disorders;
- (vi) Subject to any other written law, license and regulate operations of rehabilitation facilities for persons suffering from substance use disorders;

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

- (vii) Coordinate and facilitate, in collaboration with other lead agencies and non-State actors, the formulation of national policies, laws and plans of action on control of alcohol and drug abuse and facilitate their implementation, enforcement, continuous review, monitoring and evaluation;
- (viii) Develop and maintain proactive co-operation with regional and, international institutions in areas relevant to achieving the Authority's objectives;
- (ix) In collaboration with other public and private agencies, facilitate, conduct, promote and coordinate research and dissemination of findings on data on alcohol and drug abuse and serve as the repository of such data;
- (x) In collaboration with other lead agencies, prepare, publish and submit an alcohol and drug abuse control status report bi-annually to both Houses of Parliament through the Cabinet Secretary;
- (xi) Assist and support County governments in developing and implementing policies, laws and plans of action on control of drug abuse; and
- (xii) Carry out such other roles necessary for the implementation of the objects and purpose of this Act and perform such other functions as may from time to time, be assigned by the Cabinet Secretary.

(c) Key Management

The NACADA's day-to-day management is under the following key organs:

- Board of Directors;
- Accounting officer/CEO;
- Management.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

1. Mr. Victor Okioma –Acting Chief Executive officer
2. Mr. Samuel Makini- Acting Director, Finance & Administration
3. Prof. John Muteti – Director, Research and Policy Development
4. Ms. Susan Maua – Acting Manager, Public Education and Advocacy
5. Ms Olivia Rachier – Corporation Secretary
6. Mrs Grace Otieno - Manager, Policy & Planning
7. Ms. Judith Twala - Manager, Regulatory Services
8. Mr. Medina Ibrahim – Acting Manager, Communication & Documentation
9. Ms. Evelyne Kangogo – Manager, Human Resource

(e) Fiduciary Oversight Arrangements

Finance Board Committee

1. Mrs. Gladys Tarayia - Chair
2. Mr. Victor Gatuiku
3. Mr. Pius Mutisya
4. Rev. Dr. Stephen Mairori
5. Hon. Francis Kaparo, EBS

Staff & Welfare Committee

1. Rev. Dr. Stephen Mairori - Chair
2. Hon. Francis Kaparo, EBS
3. Mr. Victor Gatuiku
4. Mrs. Gladys Tarayia
5. Mr. Charles Kanyi
6. Mr. Arthur Osiya

Technical Board Committee

1. Rev. Dr. Wilfred Kogo – Chair
2. Mr. Charles Kanyi
3. Dr. Kepha Ombacho, MBS
4. Dr. Hamisi Massa
5. Mr. Pius Mutisya

Audit Board Committee

1. Rev. Dr. Wilfred Kogo – Chair
2. Mr. Charles Kanyi
3. Dr. Kepha Ombacho, MBS
4. Dr. Hamisi Massa
5. Mr. Pius Mutisya

(f) NACADA Headquarters

NSSF Building Block A
Eastern Wing, 18th Floor
P.O. Box 10774-00100 GPO
Nairobi, KENYA

(g) NACADA Contacts

Telephone: (254) 0202 2721994
E-mail: info@nacada.go.ke
Website: www.nacada.go.ke
Helpline: 1192
Facebook: NACADA
Twitter: @NACADAKenya

(h) NACADA Bankers

Kenya Commercial Bank Ltd
P.O. Box 60000
Milimani Branch
Nairobi, Kenya

Kenya Co-operative of Bank Ltd
Ukulima Branch

Equity Bank of Kenya Ltd
Corporate Branch

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017




(i) Independent Auditors

Auditor General
 Office of The Auditor General
 P.O. Box 30084-00100 GPO
 Nairobi, Kenya

(j) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS

Insert each Director's passport-size photo and name, and key profession/academic qualifications	Provide a concise description of each Director's date of birth, key qualifications and work experience
 Lt. Col. (Rtd.) Julius A. Githiri – Board Chairman	Lt. Col. (Rtd.) Julius A. Githiri was born on 3 rd June 1957. He is a retired military officer with 35+ years' experience in local and international security risk management, training and consultancy. He possesses training in Security and Management
 Ms. Margret Moitallel – Vice Chair	Ms. Moitallel was born on 28 th February 1980 in Kajiado county. She holds a Diploma in Nursing and has previously worked with the Ministry of Health. Currently, she is a Health Director at My Chosen Vessels Organisation.
 Farida Rashid – Member	Ms. Rashid was born on 23 rd July 1954. She possesses a certificate in Secretarial studies and has worked in the field for many years. Currently, she is a Social worker with the Kenya Muslim Women Alliance




National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

 <p>Dr. Rev. Stephen Mairori – Member</p>	<p>Rev. Stephen K. Mairori was born on 15th September 1967. He is the Executive Director at the International Christian Ministries. He is an ordained Minister with the African Inland Church of Kenya. He has a honorary Doctorate in Ministry from Georgia Christian University. Currently registered as a PhD student in Leadership and governance at Jomo Kenyatta University of Agriculture and Technology. He also has a Masters degree in Divinity (Leadership) from the Fresno Pacific University Seminary, USA and a Bachelor of Arts from Global University, USA. He holds a Diploma in Bible and Theology from Moffat College of Bible, Kenya.</p>
 <p>Dr. Hamisi Salim Massa – Rep. National Police Service</p>	<p>Dr. Hamisi Massa was born on 30th December 1962. He is currently the Officer In-Charge at the Anti-Narcotics Unit. He holds a Bachelor of Science Degree in Veterinary Medicine and Surgery from the University of Nairobi. He has attended several police trainings and Leadership Development both locally and internationally.</p> <p>Previously, he served as Commandant, Kenya Police Dog Unit. He has 20+ years’ experience in the Civil Service.</p>
 <p>Dr. Salwa Haithar - represents the Kenya Medical Practitioners and Dentist Board</p>	<p>Dr. Salwa Haithar was born on 7th October 1979. She holds Master of Medicine, Psychiatry (MMED Psych) and a Bachelor of Medicine and Bachelor of Surgery (MBChB) both from University of Nairobi. She is a professional member of Kenya Medical Practitioners, Pharmacists and Dentists Union (KMPDU), East African Young Psychiatric Association, Kenya Psychiatrists Association and Kenya Medical Association.</p> <p>She has previously worked at Mathari National Referral and Teaching Hospital as Registrar in Psychiatry and the Aga Khan University Hospital as a Senior House Officer in the Pediatric Unit.</p>

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017





 <p>Ms. Olivia Ouko - Alternate Member- Ministry of Public Service, Youth and Gender Affairs</p>	<p>Olivia A. Ouko was born on 3rd September 1967. She holds a Master of Arts in Sports Science and a Diploma in Sports Coaching from Leipzig University, Germany and a Bachelor Degree in Physical Education and Kiswahili from Kenyatta University.</p> <p>She is currently the Assistant Director Youth Development in the Ministry of Public Service, Youth and Gender Affairs. Prior to that she was the Principal Youth Development Officer at the Ministry of Devolution and Planning. She initiated and implemented the National Youth Talent Academy with the support of UNICEF.</p>
 <p>Mr. Victor Okioma, EBS – Ag. Chief Executive Officer</p>	<p>Mr. Victor Okioma was born on 1st January 1959. He has a Master’s Degree in International Studies and a Bachelor’s Degree in Economics and Government.</p> <p>He has worked as a Senior Officer at the Ministry of Interior & Coordination of National Government having risen to the rank of Secretary, in charge of Rehabilitation & Integration</p>
 <p>Dr. Rev. Wilfred Kogo</p>	<p>Rev. Kogo was born on 1st January 1943. He holds a Master’s Degree and is currently a Lecturer at St. Pauls University</p>
 <p>Dr. Kepha Ombacho – Alt Director to PS Ministry of Health</p>	<p>Dr. Ombacho is currently the Director, Public Health at the Ministry of Health</p>

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017






 <p>Pius Mutisya – Alt Director to PS Ministry of Education, Science and Technology</p>	<p>Mr. Mutisya is currently the Director of Quality Assurance Services at the Ministry of Education</p>
 <p>Arthur Osiya – Alt Director to PS, Ministry of Interior and Coordination of National Government</p>	<p>Mr. Osiya is currently Secretary of Administration at the Ministry of Interior and Coordination of National Government</p>
<p>Mr. Charles Kanyi – Member</p>	<p>Resigned to undertake an elective position</p>
<p>Hon. Francis Ole Kaparo of Scouts Movement</p>	<p>Retired in April 2017</p>
<p>Mr. Peter Gatuiku – Alt Director to PS, National Treasury</p>	<p>Deceased in March 2017</p>
 <p>Ms. Olivia Rachier, Corporation Secretary</p>	<p>Advocate of High Court of Kenya. Holder of Master of Laws. Member of ICPSK</p>

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

III. MANAGEMENT TEAM

Name	Academic /Professional Qualification	Key
 Mr. Victor Okioma	Master's Degree in International Studies and a Bachelor's Degree in Economics and Government.	In-charge of overall leadership and management in the Authority operations.
 Mr. Samuel Makini	MBA (Finance & Strategic Management) CPA(K) CPS (K)	In-charge of overseeing overall operations in the Accounts, Finance and Administration departments
 Prof. John Muteti	Doctorate degree in Strategic Mgt, Masters in Economic & Social studies PG cert in Project Planning, Appraisal & Financing; PG Diploma in Agri. Economics	In -charge of Overseeing operations in the following department: Research, Regulatory, Policy and Planning, Monitoring and evaluation,
 Ms. Susan Maua	M.A in Counselling Psychology, Bachelor in Education PG Diploma in Education	In-charge of overseeing operations in the Public Education and Advocacy department

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

 Ms. Olivia Rachier	Master of Law (LLM), Bachelors in Laws PG Diploma in Law	In-charge of overseeing legal department operations in the Authority as well as co-ordinating and preparation of minutes during Board Meetings.
 Ms. Grace Otieno	M.A in Economics PG Diploma in International Law; PG Diploma in Integrated Rural Regional Development Planning.	In-charge of Policy and Planning department in the authority operations
 Ms. Judith Twala	M.A. in Counselling Psychology Bachelors of Arts-Theology	In-charge of Regulatory, Treatment and Rehabilitation department
 Ms. Medina Ibrahim	Master in Communication, Bachelors of Arts-Design, Postgraduate Diploma in Management of NGO's	Overseeing operation in the Documentation and Communication department
 Ms. Evelyne Kangogo	MBA (Strategic Mgt) PG Diploma in Human Resource Management, Bachelor in Economics.	Overseeing Human Resource and Administration operations

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

IV. CHAIRMAN'S STATEMENT

The National Authority for the Campaign Against Alcohol and Drug Abuse Act 2012 requires the Board of Directors to ensure that proper books and other records of accounts of income, expenditure, assets and liabilities of the Authority are kept. This calls for preparation of Financial Statements.

The Board accepts this responsibility and therefore has prepared the attached Financial Statements as at 30th June 2017 based on prudence in judgement in accordance with the International Public Sector Accounting Standards (IPSAS).

During this financial year, the Authority accomplished significant success in the areas of research and partnerships with key stakeholders in furtherance of its mandate. Key among its successes include the follow-up national survey on the status of alcohol and drug abuse in Kenya, development of various county-specific policies and statutes as well as the survey highlighting the status of alcohol and drug abuse among secondary school students in Kenya.

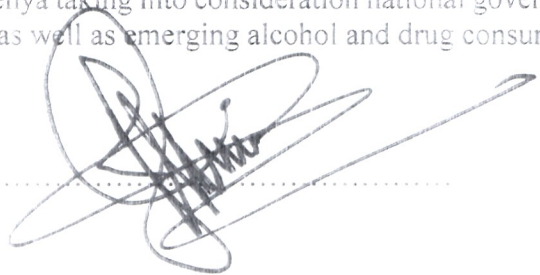
The changing tides in the fight against drugs and alcohol abuse poses a significant challenge. Devolvement of the licensing function from the Authority to the county government continues to pose significant challenges during these formative years of devolution. There has been a proliferation of alcohol selling outlets due to unrestricted licensing of these outlets by county governments as a source of revenue rather than as a fund to further the efforts of drug and substance use prevention within the counties. This has greatly eroded the gains made in the recent past by the Authority in curbing the menace.

Gaps identified in the Alcoholic Drinks Control Act 2010 and the NACADA Act, 2012 that would address the enforcement of the ADCA, 2010 Act still presents due to pending gazettment of the regulations by the policy makers. The Authority will continue to lobby for the gazettment of these regulations to ensure that enforcement is given the powers to fully undertake its mandate.

The Authority is on course towards the launch and implementation of its new strategic direction that largely focuses on drugs and substance use prevention while also assisting in need of treatment and rehabilitation services. In the spirit of devolution, the Authority will collaborate and coordinate these initiatives with all the 47 county governments, non-state actors such as the civil society organizations, community-based organizations, religious institutions as well as youth and women groups. We are confident that the gains eroded over the years as a result of drug use and abuse will be reversed with implementation of these science-based prevention interventions.

In the opinion of the Board, nothing has come to the attention that the Authority will not remain a going concern for at least twelve months from the date of this statement. The Authority's Strategic Plan for the period 2014-19 provides the strategic direction in the campaign against alcohol and drug abuse in Kenya taking into consideration national government policy provisions, devolved governance structures, as well as emerging alcohol and drug consumption trends.

Chairman:.....



Date: 22/02/2018

V. REPORT OF THE CHIEF EXECUTIVE OFFICER

During the reporting period, NACADA implemented activities geared towards fulfilling its mandate as provided for under the NACADA Act (2012) and the strategic objectives set out in the Strategic Plan 2015-2019:

- (i) Strengthen the legal and institutional framework at all levels of government;
- (ii) Facilitate implementation of evidence based ADA intervention programmes with focus on demand reduction and supply suppression in collaboration with devolved governments;
- (iii) Strengthen collaboration with local and international partners on ADA programs;
- (iv) Facilitate the provision of evidence based quality and holistic treatment and rehabilitation programs for persons with substance use disorders in collaboration with county governments; and
- (v) Provide leadership on policy development and research coordination on matters pertaining to alcohol and drug abuse.

1.1 Strengthen the legal and institutional framework at all levels of government

During the FY the Authority carried out a number of activities to strengthen the legal and institutional framework at all levels of government. They included the establishment of ADA prevention programs in collaboration with County Governments in the 6 NACADA regions i.e. Nairobi, Nyeri, Nyanza, Coast, Lower Eastern/North Eastern and North Rift covering all 47 Counties through capacity building for County representatives and development of ADA Prevention Science programs; Quarterly distribution of publicity materials; Support/establishment of Treatment & Rehabilitation facilities in Elgeyo Marakwet (Iten), Nyanza (Kodiaga Prison), Mombasa (Coast Referral).

1.2 Facilitate implementation of evidence based ADA intervention programmes with focus on demand reduction and supply suppression in collaboration with devolved governments;

(i) Youth and children ADA prevention programs

During the financial year the Authority implemented various programs targeting alcohol and drug abuse amongst youth and children. These included a national survey to the status of alcohol and drug abuse, with focus on the youth; disseminated findings of the Coast Survey on ADA situation in schools to all the counties in the Region; marked the annual African Day of the Child in collaboration with other stakeholders in NACADA regions; collaborated with County Governments to conduct ADA public awareness lectures in all NACADA regions, with focus on the youth. The Authority offered opportunities for internship to 12 interns.

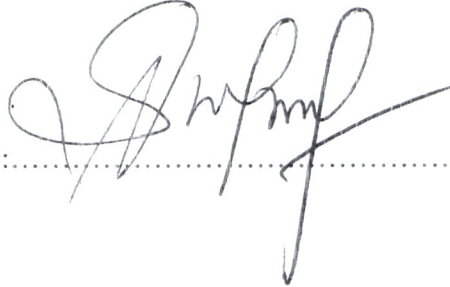
(ii) Alcohol and drug abuse prevention programs at the county and national government levels

During the reporting period, the Authority supported 2 County Governments to undertake alcohol and drug abuse baseline surveys; submitted bi-annual ADA status reports to both Houses of Parliament;

In order to collaborate with county governments in sensitizing the public on ADA, the Authority participated in National Trade Fairs and ASK shows. During the period under review, the Authority exhibited in the following ASK shows: Kisumu ASK show, Nairobi ASK show; conducted 10 media interviews to enlighten the public on NACADA's mandate; conducted follow up meetings with 47 County Governments on ADA prevention science programs. The Authority continued to participate and collaborate with County Governments to mark important ADA calendar days which include the International Day against Drug Abuse and Trafficking (IDADA), World AIDS Day, Day of the African Child, Youth Week, World Tobacco Day and World Mental Health Day as well as to participate in 10 National/International Fairs/ASK shows across the country in collaboration with County Governments.

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

NACADA also inspected and accredited centres which comply with National Standards on Treatment and Rehabilitation.

CEO: 

Date: 22/02/18

VI. CORPORATE GOVERNANCE STATEMENT

NACADA is a state corporation established as such vide the National Authority for the Campaign Against Alcohol and Drug Abuse Act, 2012. The Authority subjects to and adheres to all the provisions and requirements of corporate governance.

The framework of the NACADA Board and Management entails rules and practices to ensure accountability, fairness and transparency in the Authority's relationships with its stakeholders. NACADA stakeholders include the parent Ministry, management, employees, public sector institutions, private sector institutions and the public.

This corporate governance framework also consists of explicit and implicit contracts between the Authority and stakeholders for distribution of responsibility and rights; procedures for reconciling conflicting interests of stakeholders in accordance with their duties, privileges and roles; and procedures for proper supervision, control and information flow to serve as a system of checks and balances.

To ensure effective implementation, the NACADA Board has undergone several trainings on corporate governance which consisted of the following modules:

- (i) Overview of NACADA Act 2012: Licensing & Certification
- (ii) The Concept & Principles of Corporate Governance
- (iii) Strategic Thinking and Vision 2030
- (iv) The relationship and Roles of the Board and Management
- (v) Communication and reporting in Boards
- (vi) Effective Boards and Committee Meetings
- (vii) Performance Management Framework.
- (viii) Performance Contracting
- (ix) Risk Management
- (x) Challenges Facing Boards in Kenya
- (xi) Ethical Issues facing Boards
- (xii) Practicum: Code of Conduct/Best practices
- (xiii) Action Planning, Evaluation and closure

Through this training, the Board's capacity was built to ensure that NACADA operations are geared towards application of principles and practices which are in the best interest of the population of Kenya. The Board has also become more proactive in promoting issues of corporate fairness, transparency and accountability in the internal and external operations of the Authority. In order to ensure continual advancement towards the goal of a Drug Free Nation, training on Corporate Governance has been incorporated as a priority activity for the Board in the Authority's Strategic Plan 2015-19 and Performance Contract for FY 2016-17.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

In order to deliver on various aspects of NACADA's mandate the following activities were accomplished in the 4th Quarter:

- Finalized of the report of the National Survey on the status of Alcohol and Drug Abuse, 2016

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

- Finalized the second Biannual Report on the Status of Alcohol and Drug Abuse for submission to Parliament
- Completed the Authority's Risk Management Framework
- Conducted Quarterly Inter-Agency Committee Meetings on alcohol and drug abuse in all 6 NACADA Regional Offices as planned
- Conducted quarterly meetings with the National Technical Committee on Drug Abuse and Trafficking as planned
- Conducted the 2nd Alcoholic Drink Sampling exercise in 24 Counties
- Finalized the ADA Booklet on ADA Laws for dissemination to 47 County Governments
- 46 treatment and rehabs inspected and certificates awarded to the 20 rehabs which complied to the National Standards for Treatment and Rehabilitation
- Finalized 12 NACADA Internal Policies, Strategies and Manuals

On the other hand the liquor licensing which was the main source for revenue generation for the Authority has since devolved to counties. This has caused a huge financial constraint to NACADA in attainment of its mandate.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

CSR Commitments

Through our commitment to CSR, NACADA will act with integrity to improve the quality of life of our employees and the communities we serve. We will take the steps necessary to have a positive impact on our communities by actively encouraging our staff to recognize and behave in a responsible manner by setting of good examples as an important practice. As part of corporate social responsibility, NACADA sponsored a total of 10 students pursuing either Masters of PhD to carry out research in area related to Alcohol and drug abuse.

Policy Objective- The CSR policy objective sets out the philosophy and guiding principles for NACADA's activities and programmes.

CSR Definition- NACADA defines CSR as the integration of social and environmental considerations in how we conduct our programmes and day-to-day activities. We strive to always take our stakeholders' interests into account in our decision making.

Audience and scope- This policy is applicable to all staff and provides them with the principles required to uphold the CSR policy. This policy applies across all of the Authority's operations, and is incorporated into our management, campaign strategy, daily decisions and actions.

GUIDING Principles

NACADA will be responsible for:

- Collaborative engagement with employees, stakeholders, and local communities in setting priorities and implementing solutions pertaining to alcohol, drugs and substance abuse.
- Developing mutually beneficial partnerships with staff and the communities we serve.
- Using its influence to encourage others to limit their negative and enhance their positive alcohol, drug and substance abuse impacts
- Leveraging its resources, expertise, services and relationships for the benefit of our staff and the communities it serves.

- Working with its community partners/stakeholders and use its public voice to advance solutions to alcohol, drug and substance abuse in our communities.

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which show the state of the NACADA's affairs.

Principal activities

The principal activities of the entity are (continue to be) page ii

Results

The results of the entity for the year ended June 30, 2017 are set out on page 1-5

Directors

The members of the Board of Directors who served during the year are shown on page v-vii. During the year 2017, Director Peter Gatuiku passed on in March 2017, Director Honourable Francis Ole Kaparo retired in April 2017 and Director Charles Kanyi resigned to undertake an elective position in May 2017. Director Peterson Munene Mwai and Director Moses Ochieng Danda were appointed with effect from 1st May 2017 to replace Director Charles Kanyi and Director Honourable Francis Ole Kaparo respectively.

Auditors

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

By Order of the Board

**National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017**

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Finance Management Act, 2012 and section 14 of State corporation Act require the Directors to prepare financial statements in respect of the entity, which give a true and fair view of the state of affairs at the end of the financial year and the operating results for that 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.

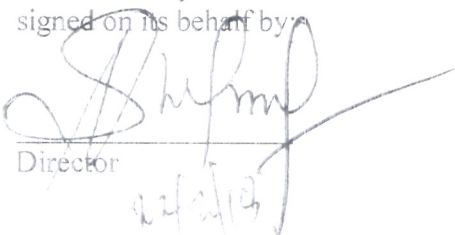
The Directors are responsible for the preparation and presentation of National Authority for the Campaign Against Alcohol and Drug Abuse's financial statements, which give a true and fair view of the state of affairs of the National Authority for the Campaign Against Alcohol and Drug Abuse for and as at the end of the financial year (period) 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 National Authority for the Campaign Against Alcohol and Drug Abuse; (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 Authority (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the National Authority for the Campaign Against Alcohol and Drug Abuse's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the National Authority for the Campaign Against Alcohol and Drug Abuse's financial statements give a true and fair view of the state of National Authority for the Campaign Against Alcohol and Drug Abuse's transactions during the financial year ended June 30, 2017, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the National Authority for the Campaign Against Alcohol and Drug Abuse, which have been relied upon in the preparation of the National Authority for the Campaign Against Alcohol and Drug Abuse's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the National Authority for the Campaign Against Alcohol and Drug Abuse 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 Authority's financial statements were approved by the Board on _____ 2017 and signed on its behalf by:



Director

Director

Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL AUTHORITY FOR THE CAMPAIGN AGAINST ALCOHOLIC AND DRUG ABUSE – ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Authority for the Campaign Against Alcoholic and Drug Abuse – Alcoholic and Drug Control Fund set out on pages 1 to 24, which comprise the statement of financial position as at 30 June 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 Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Authority for the Campaign Against Alcoholic and Drug Abuse – Alcoholic and Drug Control Fund 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 (Accrual Basis) and comply with the Public Finance Management Act, 2012.

In addition, as required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion section of my report, 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

1. Liquor Licensing Fee

The statement of financial performance reflects an amount of Kshs. 16,400,737 against income from liquor licensing for the year ended 30 June 2017. No satisfactory explanation has been provided for the continued collection of the fee by the Fund contrary to the provisions of Section 4(c), Part 2 of the Fourth Schedule of the Constitution of Kenya. The regularity of the income of Kshs. 16,400,737 could not be confirmed under the circumstances.

Report of the Auditor-General on the Financial Statements of The National Authority for the Campaign Against Alcoholic and Drug Abuse – Alcoholic and Drug Control Fund for the year ended 30 June 2017

2. Staff Car Loan and Housing Mortgage Schemes

National Authority for the Campaign Against Alcohol and Drug Abuse signed an agreement with HFC Limited for staff housing mortgage scheme on 25 February, 2016 and staff car loan scheme on 5 December, 2016. The initial term deposit was Kshs.150 million. Audit review of records relating to the schemes has revealed the following anomalies:

(i). Interest Earned

Although it is disclosed under Note 7 to the financial statements that the Fund earned interest from the staff mortgage fund amounting to Kshs.9, 574,101 during the year under review, the rate of interest has not been indicated.

(ii). Uncredited Principal Amounts

Principal amounts of Kshs. 1,162,718 and Kshs. 271,904 received by HFC Limited in respect of staff housing mortgage scheme and car loan scheme respectively, appear not to have been credited to the staff housing mortgage and car loan bank account.

3. Inaccuracy of Cash and Cash Equivalents

(i). The statement of financial position reflects cash and cash equivalents' balance of Kshs. 656,585,451 and as disclosed in Note 17 to the financial statements, which includes an amount of Kshs.67, 781,647 relating to staff car loans/ mortgage. However, the cash book and certificate of bank balance for the staff car loans/ mortgage schemes account reflects Kshs. 65,961,121 and Ksh.94, 570,636, respectively. The resulting differences of Kshs. 1,820,526 and Kshs. 26,788,989, respectively have not been explained.

(ii). The schedules of bank reconciliation statements for the year under review includes a direct credit of Kshs. 28,609,515 whose source has not been disclosed and the same is not reflected in the cash book.

(iii). Disclosed also in Note 17 is a balance of Kshs. 491,086,302 in respect of fixed deposits account- Treasury Bill. The investment in the Treasury Bill is not, however, supported by Central Bank of Kenya CDS account in the name of the Fund, the account statements for 2016/2017 and certificate of balance as at 30 June,2017.

In the circumstances, it is not possible to confirm full existence and accuracy of cash and cash equivalents' balance of Kshs. 656,585,451 as at 30 June 2017.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Authority for the Campaign Against Alcoholic and Drug Abuse – Alcoholic and Drug Control Fund in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Material Uncertainty Related to Sustainability of Services

The statement of financial performance reflects an operating deficit of Kshs. 268,868,280 for the year ended 30 June 2017 (2016 – a deficit of Kshs. 146,491,481). As disclosed in Note 6 to the financial statements, liquor licensing which used to be a major source of income to the Fund was devolved to the counties in terms of the new constitution. The ability of the Fund to sustain its services depends therefore on continued financial support from the national government.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion and under Material Uncertainty Related to Sustainability of Services sections, I have determined that there are no other Key Audit Matters to communicate in my report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) 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 Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

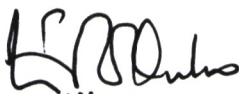
The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act,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

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

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

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

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



FCPA Edward R. O. Ouko, CBS
AUDITOR-GENERAL
Nairobi

12 July 2018

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

XII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017

	Note	2016-2017	2015-2016
		Kshs	Kshs
Income			
Liquor Licensing(non-exchange transaction (Alcoholic Drinks Control Act 2010)	6	16,400,737	34,981,971
Interest Earned-Exchange Transaction	7	42,611,926	76,912,834
Other Income	8	4,815,178	-
Total Income		63,827,841	111,894,805
Expenses			
Refund of Licenses	9	493,634	246,000
Employee costs	10	49,592,798	45,156,475
Remuneration of directors	11	18,624,120	9,940,584
Depreciation and amortization expense	21	10,104,672	11,006,771
Repairs and maintenance	12	7,696,210	4,429,101
Campaign Expenses	13	72,076,102	70,927,070
Traveling Expenses	14	52,240,597	39,690,466
General expenses	15	69,745,536	33,249,331
Training & Research	16	29,651,201	44,070,482
Support to liquor licensing committees	17	22,471,250	(329,994)
Total Expenses		332,696,121	258,386,286
Deficit for the period		(268,868,280)	(146,491,481)

The notes set out on pages 6 to 24 form an integral part of these Financial Statements

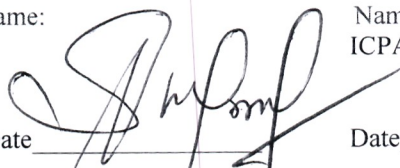
National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

XII. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

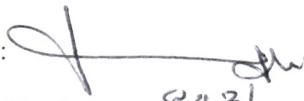
		2016-2017	2015-2016
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	18	656,585,451	1,036,591,479
Receivables from exchange transactions	20	99,721,511	69,758,332
		756,306,962	1,106,349,811
Non-current assets			
Property, plant and equipment	22	31,736,287	37,520,187
Total assets		788,043,249	1,143,869,998
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	21	64,052,209	91,010,678
Provisions-Audit Fee		580,000	580,000
Total liabilities		64,632,209	91,590,678
Net assets		723,411,040	1,052,279,320
Reserves-Capital Fund		10,000	10,000
Accumulated surplus		723,401,040	1,052,269,320
Total net assets and liabilities		723,411,040	1,052,279,320

The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

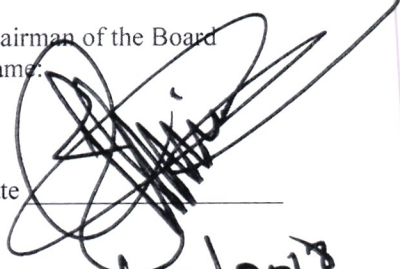
C.E.O
Name:


Date 22/02/18

Head of Finance:

Name 
ICPAK Member Number: 8431
Date 22/02/2018

Chairman of the Board
Name:


Date 22/02/2018

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

XIII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2017

		Reserves		
	Self insurance reserve	Capital replacement development reserve/Capital Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2015		10,000	1,198,760,801	1,198,770,801
Surplus:(deficit) for the period			(146,491,481)	(146,491,481)
Balance as at 30 JUNE 2016		10,000	1,052,269,320	1,052,279,320
Balance as at 1 July 2016		10,000	1,052,269,320	1,052,279,320
Transfer to Parent Ministry		-	(60,000,000)	(60,000,000)
Surplus:(deficit) for the period	-	-	(268,868,280)	(268,868,280)
Balance as at 30 JUNE 2017		10,000	723,401,040	723,411,040

National Authority for the Campaign Against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

XIV. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2017

	notes	2016-2017	2015-2016
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Liquor Licensing(non-exchange transaction (Alcoholic Drinks Control Act 2010)	6	16,400,737	34,981,971
Interest Earned-Exchange Transaction	7	42,611,926	76,912,834
Other Income	8	4,815,178	-
Total Receipts		63,827,841	111,894,805
Payments			
Refund of Licenses	9	493,634	246,000
Compensation of employees	10	49,592,798	45,156,475
Remuneration of Board of Directors	11	18,624,120	9,940,584
Repairs & Maintenance	12	7,696,210	4,429,101
Campaign Expenses	13	72,076,102	70,927,070
Travelling Expenses	14	52,240,597	39,690,466
General Expenses	15	69,745,536	33,249,331
Training & Research	16	29,651,201	44,070,482
Support for Liquor Licensing Committees	17	22,471,250	(329,994)
Total Payments		322,591,449	247,379,515
Net cash flows from operating activities		(258,763,608)	(135,484,710)
Cash flows from investing activities			
Purchase of property, plant, equipment and intangible assets		(4,320,772)	(8,120,501)
Proceeds from sale of property, plant and		-	-
Equipment		-	-
Increase /Decrease in non-current receivables		(29,780,758)	(50,664,476)
Increase /Decrease in non-current liabilities		(27,140,890)	16,774,037
Net cash flows used in investing activities		(61,242,420)	330,831,680
Cash flows from financing activities			
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Transfer to the Parent Ministry		(60,000,000)	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(380,006,028)	(177,495,650)
Cash and cash equivalents at 1 JULY		1,036,591,479	1,214,087,128
Cash and cash equivalents at 30 JUNE	18	656,585,451	1,036,591,479

XV. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2017

	Original budget 2016-2017 Kshs	Adjustments 2016-2017 Kshs	Final budget 2016-2017 Kshs	Actual on comparable basis 2016-2017 Kshs	Performance difference 2016-2017 Kshs	Variance percentage
Income						
Liquor Licensing	15,000,000		15,000,000	16,400,737	1,400,737	
Accumulated Reserves	337,400,000		337,400,000		-	
Interest Earned	8,500,000		8,500,000	42,611,926	34,111,926	1
Other Income	-		-	4,815,178	4,815,178	2
Total income	360,900,000		360,900,000	401,227,841	40,327,841	
Expenses						
Refund of licenses	493,634			493,634	(493,634)	3
Staff cost	53,087,689		53,087,689	49,592,798	3,494,891	
Board Expenses	20,500,000		20,500,000	18,624,120	1,875,880	4
Depreciation	-		-	10,104,672	(9,766,845)	
Repairs & maintenance	7,050,000		7,050,000	7,696,210	(646,210)	
Campaign Expenses	81,451,770		81,451,770	72,093,564	9,358,206	5
Travelling Expenses	56,750,000		56,750,000	52,240,597	4,509,403	
General Expenses	72,460,541		72,460,541	69,745,536	2,715,005	
Training & Research	36,100,000		36,100,000	29,651,201	6,448,799	6
Support to Liquor Licensing Committees	15,000,000		15,000,000	22,471,250	(7,471,250)	7
Total expenditure	342,400,000		342,400,000	332,696,121	9,703,879	
Surplus for the period	18,500,000		18,500,000	68,531,720	30,623,962	

Budget notes

1. Interest earned was realised on investing in treasury bills than was anticipated as well as interest from Nacada Mortgage Fund.
2. The gain was due to estimation errors done in the previous year as well as expense incurred by Authority in prior year refunded.
3. The refund is not predictable and as such not possible to put a budget furthermore the refunds are from amount already paid as license fee
4. Board was not fully constituted until later in the financial year hence the negative variance in expenditure.
5. There was a slight delay in carrying out campaign activities as some senior Staff were interdicted.
6. The budget for staff training was over stretch to the next FY as planned trainings were rescheduled by the targeted training institution
7. The negative variance is due to Committee allowances arrears not budgeted for and which had a separate budget during the years they occurred.

XIII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

NACADA Authority is established by and derives its authority and accountability from 2012 Act. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's Principal activity is to carry out Public education and awareness on alcohol and substance abuse.

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). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

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

3. ADOPTION OF NEW AND REVISED STANDARDS

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

Standard	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	<i>The entity adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis does not apply to the entity.</i>

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

Standard	Effective date and impact:
IPSAS 39: Employee Benefits	Applicable: 1st January 2018 The objective to issue IPSAS 39 was to create convergence to changes in IAS 19 Employee benefits. The IPSASB needed to create convergence of IPSAS 25 to the amendments done to IAS 19. The main objective is to ensure accurate information relating to pension liabilities arising from the defined benefit scheme by doing away with the corridor approach.
IPSAS 40: Public Sector Combinations	Applicable: 1st January 2019: 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.

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

iii. Early adoption of standards

NACADA Authority adopted IPSAS in the year ended 30 June 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Liquor Licensing

NACADA recognizes revenues from liquor license on cash basis but recognizes direct credit in the Bank Accounts at the end of financial year as revenue. Returns which comprises of deposit slips and a copy of license issued are summarised by the sub counties and delivered to the Authority for confirmation and acknowledgment by issuing receipts. These receipts are booked in the cash book as income from liquor licensing. At the end of each month cash book and bank reconciliation statement is prepared credits in the banks statements which has not be acknowledge by issuing receipts are regarded as direct credits and recognized as revenue which are subsequently confirmed by returns from the sub counties.

Other Income

If an error of estimation from prior year occurs the same is treated as others income and properly referenced by a note, similarly if cost previously incurred and expensed off in prior years are reimbursed then the amount is treated as other income in the year it was received.

ii) Revenue from exchange transactions

The NACADA does not have any other source of income from exchange transactions.

Interest income

NACADA invest surplus funds that are not for immediate use in 91 days treasury bills. The Authority has also staff mortgage scheme which is managed by Housing Finance Group. Scheme generates interest on quarterly basis on the fund balance which the Authority recognizes as interest when realised.

As part of its core mandates NACADA Authority is required to work with others stake holders including public institution, civil societies, faith based institutions and Other Government entities in carrying out Campaign Activities. NACADA contracted Ernest and Young to manage a fund intended to fund civil societies and faith based institution in address Drug and Alcohol Abuse in the society. Unutilised funds earns on this fund which is credited to the Authority.

b) Budget information

The original budget for FY 2016-2017 was approved by the National Assembly on 08/06/2016. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of 330 M on the 2016-2017 budgets following the governing body's approval.

The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

the budget is prepared on accrual basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation on assets is calculated on a reducing balance basis to write down the cost of assets to their residual values over estimated useful life. The following depreciation rates have been applied:

- Motor Vehicle-25% per annum
- Computer and accessories-33.33% per annum
- Furniture and fittings-12.5% per annum
- Equipment -33.33% per annum.

d) Research and development costs

The Authority is mandated to carry out research in the Country and assess the level of drug abuse with a purpose of assisting the National Government in policy formulation. Public institution as well as private institution also engages the Authority in carrying out research on substance abuse parameters in their entities workforce so as to mitigate their effects.

The cost associated with this research is expensed off during the financial year without recognizing any intangible assets.

e) Financial instruments

Financial Assets

Receivables

- Current receivables; these include imprest balance held by staff, prepayment for service, Deposit for service provision, Interest from treasury bills earned but not received. The amount normally has short time duration in converting into service or cash; it is carried in the books at historical cost.
- Noncurrent receivables; these include Fund Balances held by Fund Managers ,Mortgage balances held by staff ,any deposit or prepayment which can extend to more than one financial year. The balances are carried in the books at historical cost

NACADA periodically reviews these receivables for non-performance and takes the necessary Action in their realization including follow up with the staff concerned in case of imprest not Surrendered within the stipulated time

f) Financial liabilities

Payables

These includes amounts which has not been paid for service rendered, amount due to staff but have not paid by closure of the year, staff payroll deductions which has not been submitted to the relevant institutions.

Provision for services including audit fee, commitments made during the financial year and part of the works has been done or deliveries have been made awaiting invoices from the suppliers or consultants.

This includes also any security which may have been paid to secure a tender as per the guideline which may be set out by the Authority.

The amounts are carried disclosed in the books on historical cost and efforts are made to monitor the balances for non-performance.

g) Provisions

The Authority doesn't have provision other than provision for Audit fee.

Contingent liabilities

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

Contingent assets

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

h) Nature and purpose of reserves:

Capital reserve

This was the initial capital injected in the fund which has consistently been reflected in the books of accounts

Revenue reserves

This is the accumulation of surplus over the period from the date the Alcoholic Drinks control Act 2010 was operationalise, however the reserves are on the declined after the enactment of the new constitution which devolved the liquor licensing to County Government came into effect from April 2013. Most of the counties enacted the relevant laws to enable them carry out the liquor licensing roles while others are yet to enact the required laws. A few however continued to license as before while submitting the returns to the Authority. Being a fund the reserves are used to finance the operations of the Authority every financial year.

l) Changes in accounting policies and estimates

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

j) Employee benefits

Retirement benefit plans

NACADA Authority has a retirement plan for its permanent employees. This is done by maintaining a retirement benefit pension fund managed by Alexander Forbes. The Scheme comply with RBA regulations, employees contributes 10 percent of their basic salary while the employer contributes 20 percent of the basic salary.

In addition NACADA is a registered contributory member of National social security fund .

l) Foreign currency transactions

NACADA does not deal in foreign currency transactions while operating this fund.

m) Borrowing costs

The Authority has never engaged in fund borrowing since its inception.

n) Related parties

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

o) Service concession arrangements

NACADA Authority does not have service concession arrangements.

p) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and 91 days Treasury bills invested in Central Bank through Commercial Banks or directly with Central Bank, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

q) Comparative figures

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

**National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017**

**5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION
UNCERTAINTY**

Going Concern, the Management estimate the Fund will be able to cater for its operations in the next twelve Months as it's have in its reserves enough fund to met expenditure equivalent of the year just ended 30th June 2017. Therefore alternatives sources of income have to be implemented to ensure sustainability of the Authority.

Efforts have been made to include all expenditure and liabilities relating to the period with the provision for commitment which were partially performed.

NACADA Authority settled disputed media debts after one major creditor obtained a court order in his favour to avoid further losses and restore its image with media houses.

Provisions

The Authority provided for the Audit fee for the period ended 30th June 2017

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.

6. Liquor Licensing Income

Description	2016-2017	2015-2016
	Kshs	Kshs
Receipted amount	2,662,000	27,928,600
Direct Credit to the Bank	13,738,737	7,053,371
Total revenue	16,400,737	34,981,971

Liquor licensing which was the major source of income to the fund was devolved and taken over by counties as per the new constitution only a few which are yet to take over

7. Interest Earned Income

Description	2016-2017	2015-2016
	Kshs	Kshs
Interest from Treasury Bills	33,037,825	76,866,720
Interest from Fund Managers	-	46,114
Interest from Staff Mortgage Fund	9,574,101	-
Total	42,611,926	76,912,834

Treasury bills invest is on the decline as the reserve fund is being exhausted, during the year the authority allocation 150m to staff mortgage which generates income on the outstanding balance

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

8. Other Income

Description	2016-2017	2015-2016
	Kshs	Kshs
Erroneous accrued liability from consultant	2,138,755	-
Erroneous omission of commitment expensed	312,608	-
Legal expenses reimbursed by former Employee	300,480	-
Estimation error in supply of Stationary	84,500	-
Estimation error in hire of Training facility	1,712,100	-
Estimation error in supply of campaign materials	225,000	-
Estimation error in Contractual retention amount	41,735	-
Total	4,815,178	-

A consultant was engaged to carry out research which extended to another financial year with halve the fee being settled in the first year but erroneously accruing the whole contracted amount. An employee who challenged his interdiction through the court had to reimburse the Authority for legal fee involved to defend the interdiction. Hire of training facility was cancelled but amount accrued in the books.

9. Refund of License

	2016-2017	2015-2016
	Kshs	Kshs
Actual refund of license fee	95,000	246,000
Court award on licensee	279,836	-
Auctioneers fee on court award	118,798	-
Total amount	493,634	246,000

10. Employee costs

	2016-2017	2015-2016
	Kshs	Kshs
Salaries and wages	18,440,306	16,152,312
Pension Costs	16,557,971	16,302,143
Housing benefits and allowances	14,522,522	12,633,520
Social contributions-NSSF	72,000	68,400
Employee costs	49,592,798	45,156,375

11. Board Expenses

Description	2016-2017	2015-2016
	Kshs	Kshs
Conferences, Seminars & Committees	14,051,419	8,996,491
Board Allowances	4,572,701	944,093
Total	18,624,120	9,940,584

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

12. Repairs & Maintenance

Description	2016-2017	2015-2016
	Kshs	Kshs
Furniture & Fittings	669,850	20,020
Motor Vehicles	6,117,172	3,623,181
Computers & IT Equipment	909,188	785,900
Total	7,696,210	4,429,101

13. Campaign Expenses

Description	2016-2017	2015-2016
	Kshs	Kshs
Printing & Publishing	2,944,561	6,289,478
Advertising & Publicity	53,441,164	48,583,250
Subscription fee for Newspaper	771,026	224,674
Catering Expenses	9,283,938	4,282,186
Trade Show & Exhibitions	968,299	1,678,442
Consultancy Services	4,667,113	9,868,834
Total	72,076,102	70,926,864

14. Travelling Expenses

Description	2016-2017	2015-2016
	Kshs	Kshs
Domestic Travelling Cost	9,916,011	9,878,729
Domestic Accommodation	38,452,360	23,357,769
Foreign Travelling Cost	492,392	2,836,786
Foreign Subsistence	3,379,835	3,617,182
Total	52,240,597	39,690,466

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

15. General expenses

Description	2016-2017	2015-2016
	Kshs	Kshs
Communication & Supplies	7,771,811	2,710,770
Rental & Parking	28,170,730	19,872,614
Audit fees	580,000	580,000
Office & General Supplies	2,655,653	3,363,502
Medical Insurance	23,127,542	-
Motor Vehicle Insurance	1,833,728	1,181,346
Bank charges	274,895	122,536
Fuel and oil	4,445,338	4,269,499
Cleaning Services	885,840	1,149,064
Total general expenses	69,745,536	33,249,331

16. Staff Training & Research

Description	2016-2017	2015-2016
	Kshs	Kshs
Research	8,599,268	15,260,215
Staff Training	5,274,547	1,779,664
Hire of Training Facility	15,777,387	27,030,603
Total expenses	29,651,201	44,070,482

17. Support to liquor licensing committees

Description	2016-2017	2015-2016
	Kshs	Kshs
A.I.E issued sub Counties	13,513,250	-
A.I.E balance received from Sub Counties	(122,000)	(329,994)
A.I.E issued to County Commissioners	9,330,000	-
A.I.E balance received from County Commissioners	(250,000)	-
Total expenses	22,471,250	(329,994)

18. Cash and cash equivalents

Description	2016-2017	2015-2016
	Kshs	Kshs
Current account	97,816,155	98,761,045
On - call deposits		-
Fixed deposits account-Treasury Bill	491,086,302	787,758,128
Staff car loan/ mortgage	67,570,501	150,000,000
Others(specify)-cash in hand	112,493	72,306
Total cash and cash equivalents	656,585,451	1,036,591,479

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

19. Detailed analysis of the cash and cash equivalents

		2016-2017	2015-2016
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1125676671	20,417,418	94,128,485
Kenya Commercial bank	1142111814	618,408	52,511
Kenya Commercial bank	1142111962	4,078	7,109
Kenya Commercial bank	1142112098	5,564	126,534
Kenya Commercial bank	1149503823	108,174	(735)
Kenya Commercial bank	1142112187	179,030	76,102
Cooperative Bank	1141134561900	76,483,483	4,371,039
Fixed deposits account-TB		491,086,302	787,758,128
Sub Total		588,902,457	886,519,173
b) Staff car loan/ mortgage			
Housing Finance Bank HFC	2016343201	67,570,501	150,000,000
Sub- total		67,570,501	150,000,000
c) Others(specify)			
cash in hand		112,493	72,306
Sub- total		112,493	72,306
Grand total		656,585,451	1,036,591,479

20. Receivables from exchange transactions

Description	2016-2017	2015-2016
	Kshs	Kshs
Current receivables		
Interest from Treasury Bills	3,820,156	3,363,151
Legal Deposit	100,000	100,000
Imprest Debtors	306,205	61,216,537
UAP-insurance	-	1,005,023
Earnest & Young	3,119,986	3,119,986
Toyota Kenya	59,709	59,709
Staff debts	196,463	849,926
KCB-Eldoret Branch	-	20,000
GOK-Account	-	24,000
Safaricom	97,392	-
KRA	18,000	-
Total current receivables	7,717,911	69,758,332
Non-current receivables		
Staff Mortgage	92,003,600	-
Total non-current receivables	92,003,600	-
Total receivables	99,721,511	69,758,332

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

21. Trade and Other payables

	2017/16	2016/15
	Kshs	Kshs
Kenafic Diaries	36,000.00	36,000.00
Nation Media Group	32,185.00	1,846,894.00
Presbyterian guest house	209,300.00	209,300.00
Kenya Broadcasting Corporation	1,710,000.00	49,502,000.00
Royal Media services	-	2,242,929.00
Standard Group Ltd	57,727.00	3,123,920.00
Audit fees	1,740,000.00	1,160,000.00
Media Max	-	2,434,720.00
Factual Films	-	1,777,862.00
3 Stones TV	-	406,000.00
Classic 105	-	500,000.00
Bibilia Husema	464,000.00	464,000.00
The Star	6,750.00	402,984.00
Rift Valley Technical Training Institute	70,000.00	70,000.00
Kenyatta University Conference Centre	-	931,060.00
GOK Grant Account	43,492,959.00	2,518,735.00
Crinon Enterprises Ltd	41,638.00	41,638.00
Jamii Telecom	100,000.00	100,000.00
Synantax Enterprises	-	969,000.00
Aarafa Communications	-	225,000.00
Kenya Literature Bureau	324,800.00	324,800.00
Amko Logistics	-	1,050,000.00
Columbus Printing Industries	-	2,208,000.00
Ediface	-	2,308,400.00
Africa General Entertainment	20,000.00	540,000.00
Safaricom Ltd	298,203.00	207,000.00
Peak Destiny International	23,000.00	23,000.00
Kenya Institute of Curriculum Development	240,700.00	1,712,100.00
Centre for Devolved Government	202,000.00	202,000.00
Eldoret Polytechnic	461,460.00	237,000.00
Kenya Institute of Supplies Management	-	98,600.00
Kenya School of Government	40,100.00	40,100.00
Sawela Lodges Naivasha	-	104,000.00
Britam	408,069.00	408,069.00
Money web supplies	-	84,500.00
Bunson Enterprises	14,000.00	861,960.00
Kenya Literature Bureau	112,300.00	112,300.00
Toyota Kenya	598,462.00	93,959.00

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

Vinstar Express	-	312,608.00
Down to Earth Technology	735.00	2,981,712.00
Prof Isaac Nyamongo	-	3,730,755.00
Richard Ngunjiri Maina	1,040,233.00	2,839,725.00
Electro Serves Ltd	-	111,292.00
PAYE	1,931,115	1,273,111.00
Withholding Vat 6 percent	1,840,742.00	763,645.00
Cleon Enterprise	385,000.00	-
Flogin East Africa ltd	671,000.00	-
Pwani university	385,050.00	-
UNES University Bookstore	313,345.00	-
Actsure Office solutions ltd	705,000.00	-
Limber Solution ltd	896,565.00	-
Deltatech Solutions	179,200.00	-
Sai Raj	9,280.00	-
Wicklite Enterprises	80,000.00	-
Instigate General Supplies	172,000.00	-
Sijoja General Merchants	1,175,000.00	-
Joycode Enterprises	395,000.00	-
Maxcom Enterprises	395,000.00	-
Broyake Enterprises	1,100,000.00	-
Kenya Bureau of Standards	480,000.00	-
Summit Human Resource	721,150.00	-
Concern Development Consultants	996,000.00	-
Staff debts	57,131.00	-
Total	64,632,209.00	91,590,678.00

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Property, plant and equipment

Cost	Motor vehicles		Furniture and fittings		Computers & Equipment		Total	
		Kshs		Kshs		Kshs		Kshs
At 1 July 2015		48,594,836		7,296,180		9,289,811		65,180,827
Additions		-		2,820,739		5,299,762		8,120,501
Disposals		-		-		-		-
Transfers/adjustments		-		-		-		-
At 30th June 2016		48,594,836		10,116,919		14,589,573		73,301,328
Additions		-		1,699,865		2,620,907		4,320,772
Disposals		-		-		-		-
Transfer/adjustments		-		-		-		-
At 30th June 2017		48,594,836		11,816,784		17,210,480		77,622,100
Depreciation and impairment								
At 1 July 2015		19,312,540		1,322,823		4,139,007		24,774,370
Depreciation		7,320,574		851,920		2,834,277		11,006,771
Impairment		-		-		-		-
At 30 June 2016		26,633,114		2,174,743		6,973,284		35,781,141
Depreciation		5,490,431		1,205,255		3,408,986		10,104,672
Disposals		-		-		-		-
Impairment		-		-		-		-
Transfer/adjustment		-		-		-		-
At 30th June 2017		32,123,545		3,379,998		10,382,270		45,885,813
Net book values								
At 30 th June 2017		16,471,291		8,436,786		6,828,210		31,736,287
At 30 th June 2016		21,961,722		7,942,176		7,616,289		37,520,187

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

23. Cash generated from operations

	2016-2017	2015-2016
	Kshs	Kshs
Surplus for the year before tax	(268,868,280)	(146,491,481)
Adjusted for:		
Depreciation	10,104,672	11,006,771
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	258,763,608	(135,484,710)

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

24. Financial Risk Management

Although NACADA Authority is not a trading institution, its major sources of income is generated from liquor licensing and with the devolvment of this function to the counties ,then unless alternative measures are put in place its operations may come to a halt in the near future.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2017				
Receivables from exchange transactions	3,279,695	3,279,695	-	-
Receivables from non-exchange transactions	96,441,816	96,441,816	-	-
Bank balances	656,585,451	656,585,451	-	-
Total	756,306,962	756,306,962	-	-
At 30 June 2016				
Receivables from exchange transactions	5,397,809	5,397,809	-	-
Receivables from non-exchange transactions	64,360,523	64,360,523	-	-
Bank balances	1,036,591,479	1,036,591,479	-	-
Total	1,106,349,811	1,106,349,811	-	-

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

(ii) Liquidity risk management

NACADA Authority is currently in a position to meet its financial obligation but this may not be sustainable in the near future.

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2017				
Trade payables	16,855,318	-	44,105,776	60,961,094
Current portion of borrowings	-	-	-	-
Provisions	580,000	-	1,160,000	1,740,000
Deferred income	-	-	-	-
Employee benefit obligation	1,165,189	-	-	1,165,189
Total	18,600,507	-	45,265,776	63,866,283
At 30 June 2016				
Trade payables	25,447,313	-	63,710,254	89,157,567
Current portion of borrowings	-	-	-	-
Provisions	580,000	-	580,000	1,160,000
Deferred income	-	-	-	-
Employee benefit obligation	1,273,111	-	-	1,273,111
Total	27,300,424	-	64,290,254	91,590,678

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

Financial Risk Management (Continued)

(iii) Market risk

NACADA Authority is not a trading institution and as such it is nor exposed to Market risk

- a) Foreign currency risk NACADA Authority does not deal in foreign currency or transactions.

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 following funds:

	2016-2017		2015-2016
	Kshs		Kshs
Revaluation reserve			-
Retained earnings	723,401,040		1,052,269,320
Capital reserve	10,000		10,000
Total funds	723,411,040		1,052,279,320
Total borrowings	-		-
Less: cash and bank balances	(656,585,451)		(1,036,591,479)
Net debt/(excess cash and cash equivalents)	656,585,451		1,036,591,479
Gearing	%		%

25. Related Party Balances

a) Nature of related party relationships

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

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Related Party Balances	2017-2016	2016-2015
b) Due from Parent Ministry	-	60,000,000
c) Directors'	18,624,120	9,940,584
d) Due to GoK Account	43,492,959	2,518,735

26. Contingent assets and contingent liabilities

NACADA currently has no feasible contingent assets or contingent liabilities

27. Events after the reporting period

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

28. Ultimate and Holding Entity

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Interior and Coordination of Government. Its ultimate parent is the Government of Kenya.

29. Currency

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

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2017

XIV. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Investment in Treasury Bills was not supported by Central Bank of Kenya CDS certificate of Balance	The Investment was made through commercial bank and as such certificate from Central Bank could not be obtained ,the Bank gave it confirmation which was supported by Debit in the Bank statement of the amount	Samuel Makini Ag. DFA	The CDS accounts are now activated	-
2	Bank Reconciliation statement – Direct credit were reported and not entered in Cash Book and no action was taken to Investigate their sources	Direct credits are as a result of deposited license fee directly to the Authority’s Bank Accounts without the sub counties filing the returns on the same with the Authority by the closer of Financial year.	Henry Thaithi Senior Accountant	Resolved partially	By June 2018
3	Accounts payable includes debts amounting to Kshs 62,701,309 owed to media houses outstanding since 2013/2014.	The services were procured un-procedurally but the matter has since been resolved.	Samuel Makini Ag. DFA	Resolved	-

Mr. Victor G. Okioma, EBS
 Ag. Chief Executive Officer

Date

22/02/18

Lt. Col (Rtd) Julius Ayub Githiri
 Chairman of the Board

Date.....

22/02/2018