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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
NATIONAL AIDS CONTROL COUNCIL**

**FOR THE YEAR ENDED
30 JUNE 2017**



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.*

Uriri sub-county girl's team at Maisha League play



offices in Migori County.

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.

**THIS MAISHA MEMORIAL GARDEN
WAS COMMISSIONED ON NOVEMBER 26, 2015
BY
DR. NDUKU KILONZO - DIRECTOR, NACC
DR. JANTINE JACOBI - UNAIDS COUNTRY DIRECTOR
SAUTI SIKIKA - NETWORK OF YOUNG PLHIV
NATIONAL EMPOWERMENT NETWORK OF PEOPLE LIVING
WITH HIV & AIDS IN KENYA - (NEPHAK)
AND
MENTING PARTNERS
ED YOUNG KENYANS
RESULT OF AIDS RELATED
.KE**

**Maisha Memorial
Garden in Kibra
in memory of
treasured young
Kenians who lost
their lives as a result
of AIDS related
illness.**

TABLE OF CONTENTS

FIDUCIARY OVERSIGHT ARRANGEMENTS.....	6
PHYSICAL LOCATION OF NACC REGIONAL OFFICES.....	7
NACC COUNCIL.....	8
NACC MANAGEMENT.....	12
THE CHAIRPERSON'S STATEMENT.....	17
REPORT OF THE CHIEF EXECUTIVE OFFICER.....	19
CORPORATE GOVERNANCE STATEMENT.....	26
MANAGEMENT DISCUSSION AND ANALYSIS.....	32
CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING.....	42
REPORT OF THE NACC COUNCIL.....	48
STATEMENT OF COUNCIL'S RESPONSIBILITIES.....	48
REPORT ON INDEPENDENT AUDITORS	49
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2017.....	50
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017	51
STATEMENT OF CHANGES IN NET ASSETS FOR YEAR ENDED JUNE 30, 2017.....	52
STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30, 2017.....	53
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	54
NOTES TO THE FINANCIAL STATEMENTS.....	55
APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	67
APPENDIX II: INTER-ENTITY TRANSFERS.....	68

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

BANKERS

Citibank N.A
Upper hill Branch, P.O. Box 30711-00100, NAIROBI

Barclays Bank of Kenya Ltd
NIC Branch, PO Box 18060, NAIROBI

Standard Chartered Bank Ltd
Kenyatta Avenue Branch, PO Box 40310, NAIROBI
Kenya

CfC-Stanbic Bank Ltd
Kenyatta Avenue Branch, PO Box 30550-00100, NAIROBI
Kenya

NIC Bank Ltd
NIC House Branch, PO Box 44599-00100, NAIROBI
Kenya

Co-operative Bank Ltd
Upper Hill Branch, PO Box 30415-00100, NAIROBI
Kenya

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

PHYSICAL LOCATION OF NACC REGIONAL OFFICES

NAME OF REGIONAL HIV COORDINATOR	REGION	COUNTIES	MOBILE NUMBER	LOCATION
Julius Marangu Regional HIV Coordinator	REGION 1	Taita Taveta, Kwale Kilifi, Mombasa	0721 840177	4 TH FLOOR UHURU NA KAZI BUILDING, MOMBASA
Omar Mwanjama Regional HIV Coordinator	REGION 2	Lamu, Tana River Garissa	0722 213003	1 ST FLOOR, REGIONAL COORDINATOR'S OFFICES, GARISSA
Ibrahim Gedi Regional HIV Coordinator	REGION 3	Wajir, Mandera	0721 889 958	MINISTRY OF HEALTH OFFICES, WAJIR TOWN
Catherine Mutuku Regional HIV Coordinator	REGION 4	Machakos, Kitui Makueni	0722 427608	COUNTY COMMISSIONER'S OFFICES, MACHAKOS
Kibe Ranji Regional HIV Coordinator	REGION 5	Nairobi, Kajjado Kiambu	0713 831951	NYAYO HOUSE, NAIROBI CBD
James Kiiru Regional HIV Coordinator	REGION 6	Isiolo, Marsabit	0722 373361	1 ST FLOOR ISILOLO NORTH CDF OFFICES, ISILOLO TOWN
Marion Massawe Regional HIV Coordinator	REGION 7	Meru, Tharaka, Embu	0726 043464	GROUND FLOOR, FORMER PROVINCIAL COMMISSIONER'S OFFICES, EMBU
Kibe Ranji Ag. Regional HIV Coordinator	REGION 8	Nakuru, Narok, Bomet, Kericho	0713 831 951	BLOCK A, 1 ST FLOOR, REGIONAL COMMISSIONER'S OFFICES, NAKURU TOWN
Dennis Marwanga Regional HIV Coordinator	REGION 9	Kisii, Nyamira	0720 102139	COUNTY COMMISSIONER'S OFFICES, KISII
Edwin Lwanya Ag. Regional HIV Coordinator	REGION 10	Homabay, Migori	0733 726 718	RHC BASED IN KISUMU
Edwin Lwanya Regional HIV Coordinator	REGION 11	Kisumu, Siaya	0733 726 718	6 TH FLOOR, FORMER PROVINCIAL COMMISSIONER'S OFFICES, KISUMU
Stephen Kathaka Regional HIV Coordinator	REGION 12	Busia, Bungoma	0716 633 744	1 ST FLOOR DEPARTMENT OF IMMIGRATION, BEHIND COUNTY COMMISSIONERS OFFICES, BUNGOMA TOWN
Gevonce Ooyi Regional HIV Coordinator	REGION 13	Vihiga, Kakamega	0722 669 676	2 ND FLOOR, REGIONAL COMMISSIONER'S OFFICES, KAKAMEGA TOWN
Bernard Mwaura Regional HIV Coordinator	REGION 14	Turkana	0722 241 392	IEBC COMPOUND/FORMER TURKANA DC OFFICES, LODWAR TOWN
Moses Yatich Regional HIV Coordinator	REGION 15	West Pokot, Trans Nzoia	0724 997396	MINISTRY OF HEALTH OFFICES, KITALE TOWN
Faith Kosgei Regional HIV Coordinator	REGION 16	Baringo, Elgeyo Marakwet, Uasin Gishu, Nandi	0722 241 392	2 ND FLOOR, COUNTY COMMISSIONER'S OFFICE, ELDORET
Christine Njogu Regional HIV Coordinator	REGION 17	Nyeri, Kirinyaga, Murang'a	0724 997396	FORMER PROVINCIAL COMMISSIONER'S OFFICE, NYERI
Gladys Sang Regional HIV Coordinator	REGION 18	Laikipia, Nyandarua, Samburu	0724 949005	FORMER NYANDARUA COUNTY COUNCIL OFFICES, NYAHURURU TOWN

NACC COUNCIL



Angeline Yiamiton Siparo,
MA OD/Counselling & Psychology
Chairperson

DOB: 1968

Ms. Siparo is a current Senior African Regional Advisor, Population Reference Bureau. She holds a Master's of Arts in Counselling Psychology and brings to the organization more than 20 years' experience as a donor, implementer and policymaker in the HIV and women's rights responses. Ms. Siparo is a current member of the Amnesty International - Kenya Board, the HIV and AIDS Tribunal, the National Cohesion and Integration Commission, SONY Sugar Company and the Children's Council.
Appointed: 24th June, 2016



Dr. Nduku Kilonzo
- Secretary

DOB: 1974

Dr. Kilonzo is the Chief Executive Officer of the Kenya National AIDS Control Council. A Doctor of Philosophy (PhD) holder in Tropical Medicine, Gender and Health from the Liverpool School of Tropical Medicine (LSTM). Dr. Kilonzo has over 22 peer reviewed publications in high impact factor journals and book chapters in the areas of HIV prevention and control for Africa. She is a Commissioner with the Lancet Commission Health in Sub-Saharan Africa and is acknowledged in the Millennium Development Goal (MDG) 6 Report for her contributions in the HIV field.
Appointed: 5th May, 2014



The Rev. Canon Rosemary Mbogo Bed;
MA Theology and Biblical Counseling
- Member

DOB: 1960

Rev. Canon Mbogo is the Provincial Secretary of the Anglican Church of Kenya and Chairperson of NCCCK. She holds a Master's of Arts degree in Theology and Biblical Counselling. She has wealth of experience in leadership gathered over years both at the Education Ministry and as a member of the University Council. Her experience cuts across in all strategic areas of management and administration: planning, organizing, directing, leading and controlling – both at governance and management levels of Institutions.
Appointed: 1st October, 2009



Mrs. Rahab Mwikali Muui
- Member

DOB: 1956

Ms. Muui is the National Chairperson Maendeleo ya Wanawake Organization (MYWO). She holds a certificate from the Kenya Government Secretarial College. She is a member of UNDP Team of Eminent Person (TEP) renowned Kenyan Entrepreneur who pioneered the weaving and marketing of Kenyan handicrafts especially the 'Kiondo' abroad. She has been instrumental in empowering Kenyan women through trade especially former Kitui and Machakos Districts which are among origins of handicrafts.
Appointed: 1st October, 2009



Ms. Dorothy Obare Onyango
- Member

DOB: 1958

Ms. Onyango is the Executive Director WOFAK and the Chairperson Programmes Committee. She holds a Bachelor of Arts degree in Development Studies and Social Work. She has worked as a Program Director, Ken Wide Media Ltd, served in the Board of NEPHAK for 4 years. She is also a board member of National Council of Children's Services and current Chair of Pan African Women's Coalition.
Appointed: 1st October, 2009



Mr. Mark Joseph Obuya
- Member

DOB: 1957

Mr Obuya is an Advocate of the High Court of Kenya and the national President of the Federation of Kenya Employers. He holds Master of Laws (LLM) Nairobi – Law, Science and Technology majoring in Intellectual Property, Medical and Telecommunications Law. He is a seasoned legal, financial and insurance professional with over 25 years of experience in leadership positions with a thorough knowledge of company law, medical law, intellectual property law, corporate governance, financial markets, investments, labour law and social security schemes.
Appointed: 8th May, 2017

NACC COUNCIL



Ms. Jacinta Kathamu Mutegi
- Alternate Member

DOB: 1979

Ms. Mutegi is the alternate board member to the Chairman Kenya Conference of Catholic Bishops. She holds a Master's of Arts degree in Project Planning and Management and an Executive Masters in Organizational Development. She has 15 years' experience in Kenya's health research and health systems management with non-government and public sector.
Appointed: 1st October, 2009



Mr. Latiff 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. Daniel Ochola Bolo
Alternate member

DoB: 1960

Mr. Bolo is the alternate board member to the Principal Secretary, Ministry of Interior and Coordination of National Government. He holds a Master's of Science degree in Administration and is the Deputy Secretary Ministry of Interior and Coordination of National Government, State Department of Interior and Coordination. Appointed: October, 2009



Mr. Vincent Matioli
- Alternate member

DoB: 1966

Mr Matioli is the alternate board member to the Principal Secretary, Ministry of Devolution and Planning. He holds a Master's of Science degree in Public Administration and currently the Deputy Secretary, Ministry of Devolution and Planning, State Department of Special Programmes
Appointed: 1st October, 2009



Mr. Linus Gitahi, MBS
Member

DoB: 1962

Mr. Gitahi is the immediate past Chairman of the Federatin of Kenya Employers. Academic qualifications B com (UON) MBA (USIU), Fellow of the Kenya institute of Management (FKIM), Former group chief exec of Nation media group. Before then Group chief exec of GlaxoSmithKline in West Africa based in Lagos
Appointed: October 2015



Joyce Gikui Mutugi
- Alternate Member

Mrs. Mutugi is the current alternate board member to the Principal Secretary, Ministry of Health. She holds an MBA-strategic management.CPA(K)Senior Assistant Accountant General Ministry of Health. Experience-Accountant in various positions for over 20years.
Appointed: 2016

NACC COUNCIL



Mr. Alfayo Mogaka
- Alternate Member

Alternate member

DoB

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.

Mr. Mogaka is also the chair of the Institute of Internal Auditors (IIA) Kenya Chapter.

Appointed: October 2009



Dr. 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 Academia and International Development for over 25 years.

Appointed: 30th May, 2016



Mrs. Alice Nabukwanga Wanyonyi Gimose
- Member

DOB: 1961

Mr. Bolo is the alternate board member to the Principal Secretary, Ministry of Interior and Coordination of National Government. He holds a Master's of Science degree in Administration and is the Deputy Secretary Ministry of Interior and Coordination of National Government, State Department of Interior and Coordination.

Appointed: 1st October, 2009

Mr. Walder Mukunga

- Alternate member

Mr. Mukunga is the alternate board member to the Principal Secretary, The National Treasury.

Appointed: 1st October, 2009

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. Stanley Ngara 'The King of Condom' at an education session.

NACC MANAGEMENT



CEO, National AIDS Control Council
Dr. Nduku Kilonzo.
Doctor of Philosophy (PhD) holder in Tropical Medicine, Gender and Health.



Deputy Director, Finance & Administration.
Mr. Kamuren Dennis K.
MBA., BA, PG Dip in Corruption Studies. Member CPA & CPS of Kenya & ISO Lead Auditor.



Deputy Director, Policy, Monitoring & Research.
Mr. John Kamigwi Mwangi.
Masters of Economics and Social Studies (Health Planning & Development), Bachelor of Philosophy (Economics) and Bachelor of Arts (Economics)



Deputy Director, Coordination and Support
Dr. Emmy J. Chesire.
Doctor of Philosophy in Public Health, Master of Public Health in Community Health and Nutrition, Master in Education in Primary Health

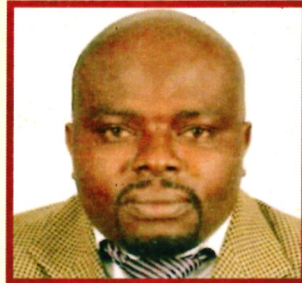


Deputy Director, HIV Investments.
Ms. Regina A. Ombam
Master's degree in Public Administration, Masters of Arts in Economics from University of Nairobi and Bachelor of Arts in Anthropology, University of Nairobi.

NACC MANAGEMENT



Head, Stakeholders' Coordination.
Dr. Bathsheba Osoro.
Doctor of Philosophy in Counseling,
Master of Education in Counseling
Psychology, BA Education.



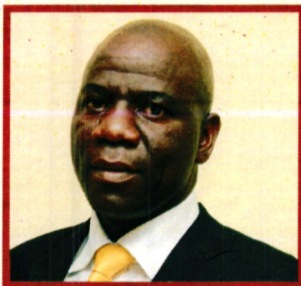
Head Finance.
CPA, Kenneth O. Nyamolo.
MBA Finance, BA Bachelor's degree
in Environmental Studies (Community
Development), CPA-K, ICPAK



Head, HR & Administration
MA Organizational Behavior, BA
Industrial Psychology (Honours), Higher
Dip. in Human Resource Management
and a PG Dip. in Guidance and
Counseling.



Head, Performance Management
Masters of Public Health and
Epidemiology, Advanced management
and leadership, Dip. in Environmental
Health Sciences, ISO Lead Auditor



Head, Procurement
Mr. Clauder N. Musi.
Masters in Commerce, Bachelor of
Commerce, Advanced Dip. in Purchasing
& Supply (CIPS).



Head, Technical Support
Dr. Celestine Mugambi
MSc Infectious Diseases, MBCHB



Head of Internal Audit.
MBA Finance, Bachelor of Commerce
(Accounting option), CPA, ICPAK &
a member of Institute of Internal
Auditors



Head, Legal Services.
Ms. Jane Wanjiku Githinji
LLM, Bachelor of Laws, CPS &
Chartered Institute of Arbitrators LSK
Auditors

NACC MANAGEMENT



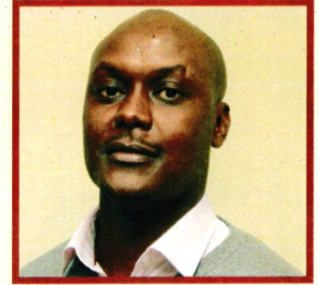
Head, M & E Coordination
Mr. Joshua Gitonga.
Master's in Public Health and Epidemiology, Higher Dip. in Public Health Education and Promotion. He is currently pursuing a PhD program in Epidemiology at Kenyatta University.



Head of Communication
Mr. John Byron Ohaga.
MA Communication, BA Communication and Sociology, Dip. Journalism & Public Relations



Head County Support Division.
Ms. Caroline Kinoti.
Master's in Public Health & Epidemiology,
Bachelor of Education. Currently pursuing Doctorate in Public Health.



Head Research
Dr. Vernon Mochache Oyaró
MBCHB, Masters in Public Health. Currently pursuing Doctoral studies in Health Science.



Head Policy and Strategy
Geoffrey Obonyo
MA Economics, BA (Economics Major) .
Currently a PhD candidate at the School of Economics




Head, Head, Management Information Systems.
Alex Kariuki
MA Project Planning & Management ,
BSc Information Technolog. He holds Professional certifications in CCNA, MCSE, ITIL, PRINCE2, MCSDT and CompTIA Project +



The National AIDS Control Council implemented an intensive mass media campaign targeting adolescents and young people through popular artistes 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.



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.

**Angeline Yiamiton Siparo,
Chairperson, National AIDS Control Council**

THE CHAIRPERSON'S STATEMENT

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 oversighted 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.

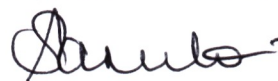
In the FY 2016/17, the NACC greatly leveraged on the political goodwill of the political leadership in the country. Particularly, the institution worked very closely with various Governors, Senators Members of Parliament, CECs and Members of the County Assemblies to deliver on the KASF.

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.



Angelina Yiamiton Siparo,
Chairperson, National AIDS Control Council



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.

Dr. Nduku Kilonzo,
CEO, National AIDS Control Council

REPORT OF THE CHIEF EXECUTIVE OFFICER

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 stigma index showed stigma at high levels of 45%. 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 820,000 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. The NACC therefore prioritized key prevention interventions targeting the age group. The Jijue Jipange Mass Media Campaign supported by Global Fund and featuring popular artistes was one such intervention that enabled the organization to reach more than 10 million AYPs with correct HIV information and messaging.

Further, in the year under review, the NACC organized the 5th and most successful Maisha HIV and AIDS Conference that brought together key international participants within the HIV sector. Worth noting was the decision by the International AIDS Society to hold their Education Fund workshops, to review the IAS Durban 2016 and initiate a call to action among other meetings, on the sidelines of the Maisha Conference.

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 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 CASPS 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 Vision 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 county 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.

REPORT OF THE CHIEF EXECUTIVE OFFICER

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, vision, 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 flagships projects rated at over 100%. The two projects are: Implementation of the progressive resource mobilization strategies aimed at HIV financing thereby increasing Kenya's health sovereignty Reduce new HIV infections and HIV related stigma with a focus among youth and adolescents

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

Tenders and other business opportunities worth over 31% of the total procurement budgets were awarded to the special groups.

E: Buy Kenya Build Kenya: All services and products were procured locally

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

Summary of performance in the past three financial Years:

NACC has demonstrated a steady upward trajectory for the past three years in its performance composite score rating.

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

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.



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.

REPORT OF THE CHIEF EXECUTIVE OFFICER

HIV POLICY AND GUIDELINES

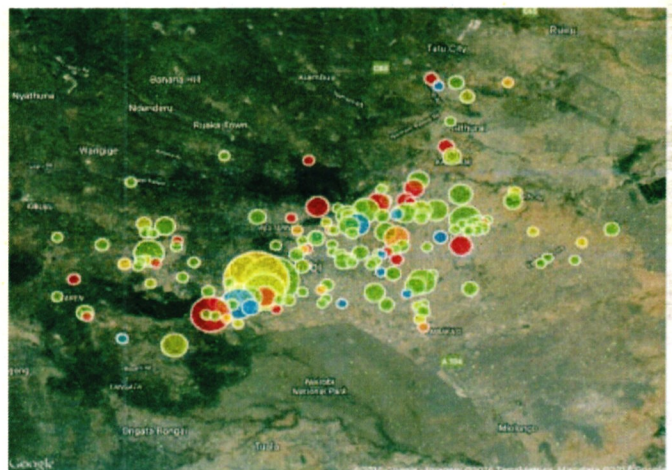
During the year, additional policies and strategies to support implementation of the KASF were developed and disseminated

Policy & Guidelines	Rationale	Expected results
KASF Addendum	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	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%
MTP III	Conduct evaluation of the performance of MTP II and set priorities for the MTP III 2018/22.	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.
Faith Sector Policy	Provide guidance for the Faith Sector on how to respond to HIV and AIDS at the national and county levels.	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
Male Engagement Guidelines Increase in male participation EMTCT intervention programs	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%

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

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

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

Performance of Kenya as per the 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;

KASF SD	Indicators	Comparison between 2015 and 2016
1.Reducing new HIV Infections	Adults: 21% reduction	2015: 71,034 2016: 56,051
	Youth: 27% reduction	2015: 35,776 2016: 26,051
	Children: 8% Reduction	2015: 6,613 2016: 6091
2. Improving Health outcomes and wellness of all PLHIV	No of people on ART: 14% Increase	2015: 897,644 2016: 1,018,905
	AIDS related Deaths: Increase by 1%	2015: 35,822 2016: 36,041
3. Using a Human rights approach to facilitate access to services for PLHIV, key populations and other priority groups in all sectors	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.	
4.Strengthening integration of health and community systems	2016: One national commodity pipeline through KEMSA with enhanced planning and reduced stock out.	
5. Strengthening Research and innovation to inform KASF goals	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.	2015: 615 2016: 1120
	90% Increase in number of webinars held	2015: 1 2016: 10
6. Promoting utilization of strategic information for Research and M&E to enhance programming	Data integration with 5 subsystems feeding into one decision making platform (HIV Situation room). The HIV situation room established in 16 Counties	
7. Increase domestic financing for a sustainable response	Domestic financing for the HIV Response increased by 17% in 2016 compared to 2015.	2015: 13.1b 2016: 15.8b
8. Promoting accountable leadership for delivery of KASF results by all sectors and actors	All the 47 Counties have developed their county specific plans.	2015: 0
	At least 94% (44 out of the 47) of the Counties have established County HIV Committees to oversee implementation of the CASPS.	2016: 44

Sources: Kenya HIV Estimates 2015 and Kenya HIV Estimates 2016, NASCOP programme data, KNASA 2016

REPORT OF THE CHIEF EXECUTIVE OFFICER

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.

Dr. Nduku Kilonzo



CEO, National AIDS Control Council

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 Basic Sciences 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.





CORPORATE GOVERNANCE STATEMENT

Statement on Compliance

In the year under review, the Board signed the Code of Governance for State Corporations (Mwongozo) and a clear road map to ensure compliance was developed. Several policies were developed in compliance with Mwongozo to guide the Board and Management in Governance issues. These include; The Code of Conduct and Ethics, Policy on Management of Conflict of Interest, Whistle Blowers Policy and Corporate Gifts Policy.

The NACC is in the process of reviewing its establishing statute, Legal Notice No. 170 of 1999, in order to comply with Mwongozo. The Board conducted an annual evaluation which was facilitated by the State Corporations Advisory Committee. Upon appointment into the Board, new Members were inducted on the mandate of the NACC and the applicable laws and policies. During retreats held during the year, Members were trained on the role of the Board in the procurement process and financial management. The Board Members also did a training needs analysis and priority areas were identified.

The NACC during the year complied with all relevant Statutes and a legal compliance audit was undertaken and the NACC was categorized as broadly compliant. The NACC is ISO -9000-2008 certified and is in the process of recertification in ISO-9000-2015.

THE NACC COUNCIL

The NACC Board, also referred to as the Council, is responsible for policy formulation and strategic oversight of the NACC. The board is also accountable to stakeholders for ensuring that the NACC complies with the law and the highest standards of best practices in corporate governance and quality service delivery. The Board is committed to integrity in accordance with the generally accepted corporate practices and endorsed the developed principles of good corporate governance.

The Council is made up of 15 members representing various stakeholders. The membership is on the basis of constituent representation covering the key sectors. The Full Council meets at least four times in a year. The Council has delegated authority to the CEO to conduct the day-to-day business of the organization. The Council, nonetheless, retains responsibility for establishing and maintaining overall policy direction, internal controls, operational and compliance issues as well as implementing strategies for the long term success in the fight against HIV and AIDS.

During the period under review, the Board held 5 meetings which were attended as follows:

Board Member	Position	July 14, 2016	August 5, 2016	September 29, 2016	December 16, 2016	March 30, 2017	April 25, 2017
1. Angeline Y. Siparo	Chairperson		P	P	P	P	P
2. Nduku Kilonzo	Secretary/CEO	p	P	P		P	P
3. Rev. Canon Rosemary Mbogo	Member	P	P		P	P	P
4. Jacinta Mutegi	Alternate Member	P	A	P	P	P	
5. Abdi M. Ibrahim	Member	P	P	P			
6. Walder Mukunga	Alternate Member	P	A			P	P
7. Alfayo Mogaka	Alternate Member						
8. Vincent Matioli	Alternate Member	p	P		P	P	
9. Daniel Bolo	Alternate Member	P	P	P	P	P	P
10. Franklin Magaju Raibuni	Alternate Member	P	P	P			
11. Joyce Mutugi	Alternate Member					P	P
12. Alice Wanyonyi Gimose	Member	P	P		P	P	P
13. Rahab Muiu	Member	p	P	P	P	P	P
14. Latiff Shaban	Alternate Member	A	P		P	P	P
15. Linus Gitahi	Member	A	P	P	P	P	
16. Dorothy Onyango	Member	A	A	P	P	P	P
17. Robert Mwadime	Member			P	P	P	

CORPORATE GOVERNANCE STATEMENT

Committees of The Council

The Council has four standing committees, which meet regularly under the terms of reference set by the Council. They are:

- i. Executive Committee
- ii. Finance and Administration Committee
- iii. Programmes Committee
- iv. Audit and Risk Management Committee

Executive 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:

Board Member	Position	September 16, 2016	February 3, 2017	February 23, 2017	April 21, 2017	May 23, 2017
Angeline Y. Siparo	Chairperson	P	P	P	P	P
Dorothy Onyango	Member		P		P	
Latiff Shaban	Alternate Member	P				
Linus Gitahi	Member		P	P	P	
Franklin Magaju	Alternate Member	P				
Joyce Mutugi	Alternate Member		P	P	P	P
Jacinta Mutegi	Alternate Member	P	P	P		
Daniel Bolo	Alternate Member				P	P
Rahab Muiu	Member					P
Nduku Kilonzo	Secretary/Chief Executive Officer	P	P	P	P	P

Finance and Administration Committee

The Finance and Administration Committee of the Council ensures effective financial and personnel oversight of NACC. They review and monitor the budget, human resource and administration compliment.

The committee also reviews the procurement plan as per Government and Donor regulations. On a quarterly basis, the NACC Secretariat presents a management report to the Committee. The committee met 5 times during the year under review. The meetings' attendance were as follows:

Programmes Committee

The Programmes Committee is responsible for formulating and recommending to the Council policies that support HIV programs and reviewing implementation for consistency. The Committee is also responsible for conducting systematic program reviews at the request of the Council and making recommendations with respect to all proposals

by management for new programs, or major changes to programs. This is the Committee that review all the programmatic issues of HIV and AIDS for the Council. The Programs Committee held 4 meetings which were attended as follows:

Board Member	Position	August 25, 2016	November 10, 2016	March 9, 2017	June 9, 2017
Dorothy Onyango	Member		P	P	P
Latiff Shaban	Alternate Member	P	P	P	P
Rahab Muiu	Member	P	P		P
Elizabeth Mayieka	Alternate Member			P	
Franklin Magaju	Alternate Member	P			
Joyce Mutugi	Alternate Member			P	P
Alice Wanyonyi Gimose	Member	P	P	P	P
Nduku Kilonzo	Secretary/Chief Executive Officer	P	P		P



CORPORATE GOVERNANCE STATEMENT

Audit and Risk Management Committee

The Council has constituted an 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.

Board Member	Position	September 1, 2016	November 17, 2016	March 7, 2017	June 8, 2017
Mark Joseph Obuya	Member				P
Linus Gitahi	Member	P	P	P	
Rev. Canon Rosemary Mbogo	Member		P	P	P
Rahab Muiu	Member			P	
Elizabeth Mayieka	Alternate Member		P		P
Alfayo Mogaka	Alternate Member	P		P	P
Daniel Bolo	Alternate Member	P	P	P	P
Latiff Shaban	Alternate Member	P		P	P
Franklin Magaju	Alternate Member	P			
Joyce Mutugi	Alternate Member		P	P	
Gabriel Nkari	Secretary	P	P	P	P
Nduku Kilonzo	Chief Executive Officer	P	P	P	P

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
 F

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:

Chart 1. Allocation of 30% of Procurement Budget to Special Groups

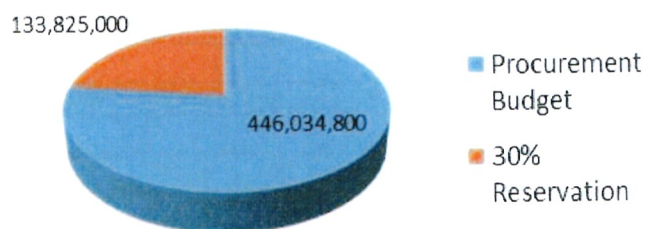


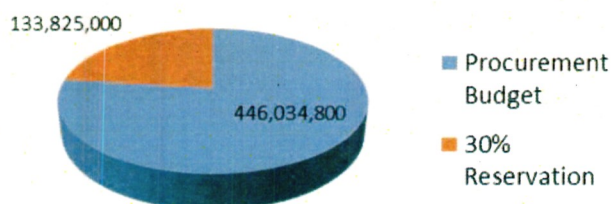
Chart 2. 30% Reservation Procurement Plan Submitted to PPRA (100% Target)



Achievement for 2016/2017 = 101.73% for Special Groups

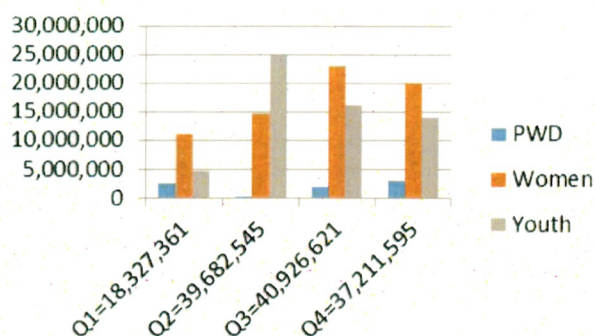
CORPORATE GOVERNANCE STATEMENT

Chart 1. Allocation of 30% of Procurement Budget to Special Groups



Reports submitted to PPRA FY 2016/2017 for Special Groups

Chart 5. Quarter Reports



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 the on the NACC website, NACC notice boards and the Government IFMIS

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

Chart 4: Disaggregated Totals for FY 2016/2017

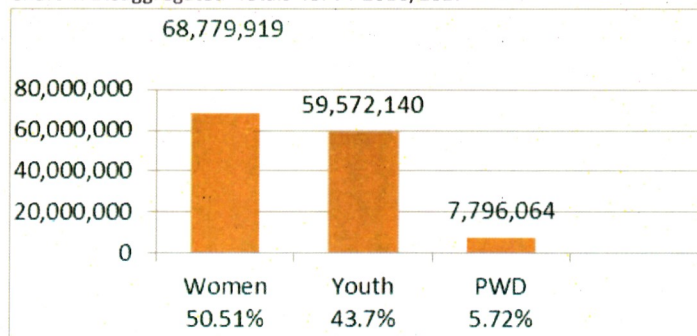
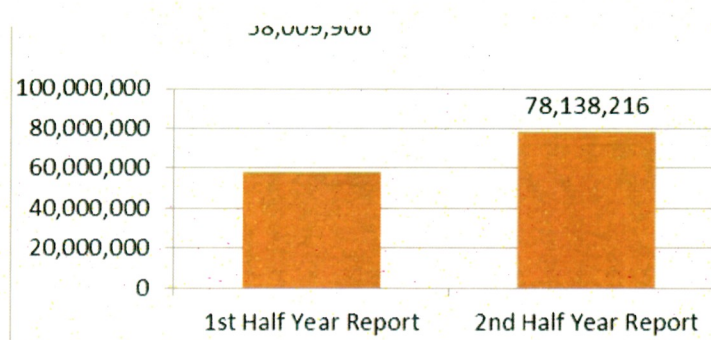


Chart 6: Half Year Reports submitted to PPRA



system for public information. The overall ten top value procurements for 2016/2017 are as indicated below;

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

At the launch of the Faith Sector Action Plan

MANAGEMENT DISCUSSION AND ANALYSIS

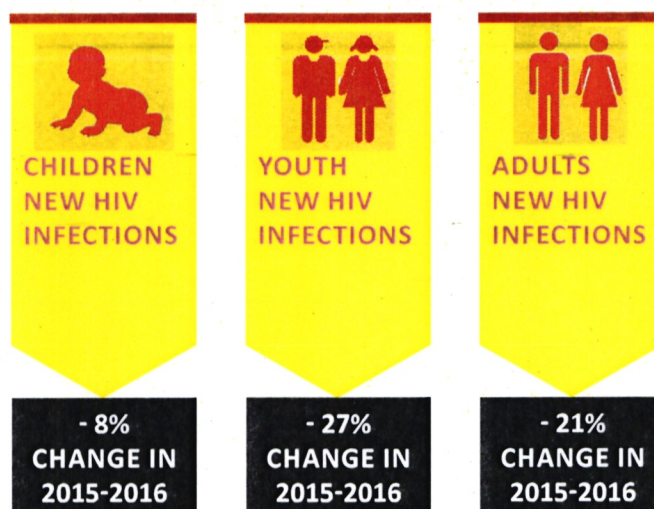
Performance of the Kenyan HIV response

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

Indicator	2015 Estimates	2016 Estimates	% Change 2015-2016
HIV Prevalence	5.91%	5.41%	-8%
Total PLHIV	1,517,705	1,587,844	5%
Adults LHIV	1,419,536	1,466,193	3%
Children LHIV	98,169	121,651	24%
Youth LHIV	268,586	247,792	-8%
Total New HIV Infections	77,648	62,141	-20%
Adults New HIV Infections	71,034	56,051	-21%
Youth New HIV Infections	35,776	26,051	-27%
Children New HIV Infections	6,613	6,091	-8%
PMTCT Coverage	75%	81%	9%
MTCT Rate	8.3%	8.2%	-1%
Deaths	35,822	36,041	1%

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Coordination of the HIV response

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.

Stakeholders	Rationale for coordination	Coordination approach used and results achieved in 2016/17
Ministries and Development Agencies	<ul style="list-style-type: none"> 333 ministries and agencies of Government have roles outlined in the AIDS Strategic Framework. Public sector is Kenya's largest employer 	<ul style="list-style-type: none"> The National AIDS Control Council facilitated development of nine sector plans to facilitate implementation and mainstreaming of HIV and AIDS interventions. Guidelines for implementation of the sector specific indicator are available on the NACC website. The sectors contributed Approximately <i>Ksh. 129,574,211</i> for HIV activities during the reporting period with <i>Ksh.51, 617,853</i> having been allocated in Maisha I and <i>Ksh.77, 956,358</i> in Maisha II.
Development partners	The Development Partners for Health Kenya (DPHK) constitutes over 15 members with investments in the HIV response	The Development Partners HIV Forum meeting quarterly Result: Agreements to support one national commodities pipeline, one national reporting system
Implementing partners	The NGO Coordination Board in 2014, identified 411 11 NGOs working in the HIV response. These reported having received and expended Ksh15 billion	HIPORS Report: Baseline 411 NGO's Only 44 (11%) reported in FY15/16 Covering 46 Counties (no partner reported from Taita Taveta)
Communities of persons living with HIV	Communities are key to successful outcomes in HIV prevention, scale up of ART and advocacy against stigma and discrimination	People Living with HIV (PLHIV) were supported to attend Conferences locally and internationally to engage in specific dialogues on issues that affect them. They were supported to attend the Maisha Conference, the 21 st IAS Conference in Durban among others in the just ended year.
The Faith Sector	Religious institutions have access to large parts of Kenyan public and can be ambassadors	Development the key faith sector messages to infused in religious teachings and sermons.

NOTABLE ACHIEVEMENTS:

- Effective tracking through HIPORS, of the resources in the HIV sector to deliver results on KASF 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
- KES 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

MANAGEMENT DISCUSSION AND ANALYSIS

PROVISION COMPREHENSIVE HIV INFORMATION AND KNOWLEDGE

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.

10 Million young people reached with HIV information and messaging

2. MAISHA COUNTY LEAGUE

The National AIDS Control Council (NACC), Council of Governors (COG), National AIDS and STI Control Programme (NAS COP), 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.

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



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



Kajiado County girls team that emerged winners of Maisha County League in 2016.



For those 15 – 24 years	Targets	Achievements
HIV Testing	1,000,000	814,336 (81%)
Comprehensive HIV Education and Mentorship	3,000,000	3,864,013 (129%)
HIV information and Messaging	10,000,000	Over 10 million reached

MANAGEMENT DISCUSSION AND ANALYSIS

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 across the 12 counties participated in the Symposium. The AYPs 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.

NOTABLE ACHIEVEMENTS:

More than 820 adolescents and young people from across 12 counties participated
Youth developed a Communique on how they should be engaged in the HIV response and presented to key HIV stakeholders

4. NACC DIGITAL CAMPAIGN

The NACC ran a digital campaign for five weeks, targeting 15 – 24 years 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.

NOTABLE ACHIEVEMENTS:

Over 5 million adolescents and young people reached online with one to one mentorship by their peers



Youth who participated in the Maisha Youth conference carrying placard with messages that inform their peers on importance of HIV testing on their future plan



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.



MANAGEMENT DISCUSSION AND ANALYSIS

HIV Research and Utilization of technological innovation to promote public access to HIV information and knowledge

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

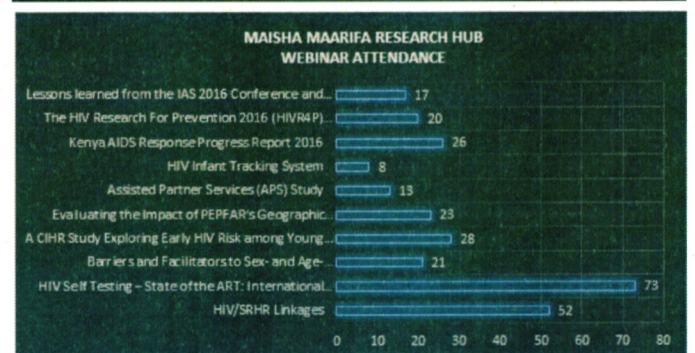
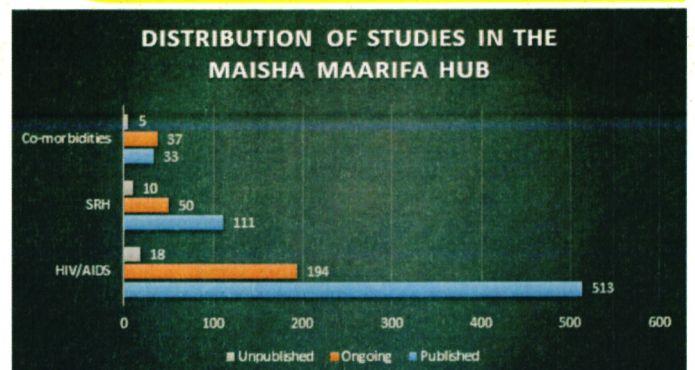
The 'Maisha Maarifa' research hub is an online repository for HIV, Sexual Reproductive Health (SRH) and TB studies and researches which seeks to enhance access to research and information to stakeholders and decision makers at all levels to inform programming and policy direction. It has interactive 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



NACC Board members and Mary Getui former MACC Chair (4th right) pose for a photo with Ms. Angeline Siparo, NACC Chair of the Board (5th left) handing over the certificate of award to Mr. Nelson Otwoma, NEPHAK, Winner of Community Advocates award (Middle) in during the 2017 Maisha HIV and AIDS Scientific Recognition Awards



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 through 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 5,500 annually

and mortality rates of children under 5 estimated at 52/1000 live births (KDHS, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 key features of NACC Internal Control include:

- Identification of key strategic risks and opportunities facing the NACC
- Ensuring that financial systems and procedures are fit for the purpose of preparing management and financial accounts; and
- Corruption prevention policy that mainstreams the fight against corruption both internally and externally.
- A risk management framework that integrates all NACC functions. This is reviewed annually.
- A clear separation of the roles between the Board and the Management.

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.

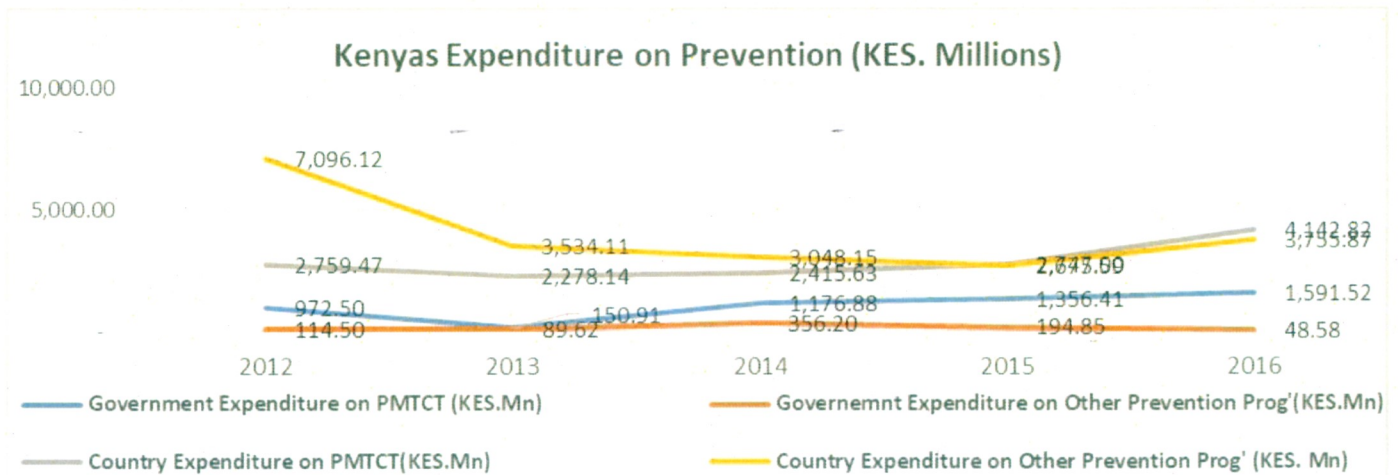
TRENDS AFFECTING HIV AND AIDS RESPONSE

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 constraints 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 macroeconomic impact as 44 million Kenyans are targeted with more emphasis on the Prevention of Mother To Child Transmission (PMTCT) among other prevention interventions supported by both the government, the private sector and development partners.

HIV Prevention Expenditure in Kenya 2012-2016



Source: Global AIDS Monitoring Report, 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

The impact of HIV prevention on the macroeconomic space is estimated as a proportion of the budget allocation for the Ministry of Health (MOH), where over 10% of its budget would be used for prevention if no support from the development partners is forthcoming.

The AIDS Spending Assessment in Kenya and Impact on the Economy

The overall AIDS spending in Kenya is a joint contribution of the government, the private sector and the developing partners. Whereas the analysis excludes the Resource gap for 100% HIV response, the total expenditure for the years 2012/13 – 2015/16 exceeds the MOH annual budget for the different years. However, major successes have been achieved with the limited financing including reduction of new infections by 38.8%, between 2013-2016, and increased access to treatment by 14% between 2015-15 among other indicators.

Source: KNASA 2016.

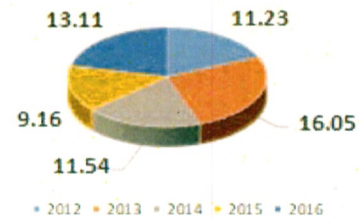
Sustainability Framework for HIV Programming in Kenya

Kenya's transition from LIC to LMIC in September 2014 is a pathway for reduced development partners' support to HIV programming and therefore the country should develop alternative resource mobilization strategies for HIV response. The NACC Board established the HIV Investment Department to spearhead Investment Mechanism for HIV programming for the country. Further, in line with the Global Fund agenda 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 under the NHIF and Private sector insurance schemes (v) Public Private Partnerships in HIV Programming.

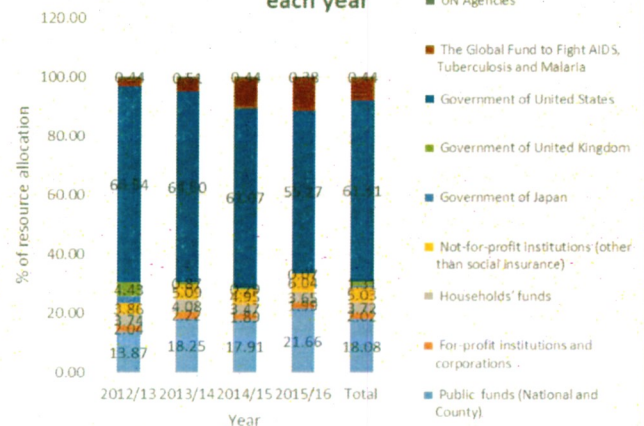
(i) The Integration of HIV Budgets in Counties MTEF Process

The devolution of Health services gives 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

% of Total Prevention Expenditure on Total MOH Budget Allocation



Relative contributions of financing sources in each year



Counties allocation towards HIV before MTEF Process

County HIV allocations 2013/14-2016/17

Variables	2013/14	2014/15	2015/16	2016/17
No. of counties with HIV budgets	10	11	15	14
Total allocated in the counties (millions, KES)	131.057	81.66	130.658	124.359

MANAGEMENT DISCUSSION AND ANALYSIS

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 201/18 – 2019/20.

HIV allocation for the 16 counties targeted	HIV Budget before MTEF supported Process				HIV Budget proposals after MTEF Budget Process			Actual Allocation by 13 counties supported
	2013/14 (Mn, KES)	2014/15 (Mn, KES)	2015/16 (Mn, KES)	2016/17 (Mn, KES)	2017/18 (Mn, KES)	2018/19 (Mn, KES)	2019/20 (Mn, KES)	2017/18 (Mn, KES)
Total	51.7	50.67	53	52.5	830.25	875.4	923.07	175.6

(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

Total Value of HIV Reserve Budget	Maintenance Works, KES	Rehabilitation/ Reconstruction Work, KES	Upgrading Works, KES	Total
Max	877,794,001.38	547,338,223.86	3,127,402,048.31	4,552,534,273.55
Mean	348,909,021.18	217,558,155.60	1,243,092,098.82	1,809,559,275.60
Min	116,258,191.94	72,491,441.26	414,204,365.77	602,953,998.97

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

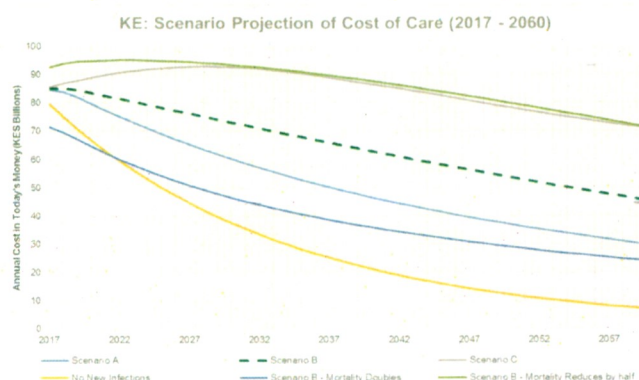
(iii) Actuarial analysis to integrate HIV Treatment under NHIF and Private Insurance Companies

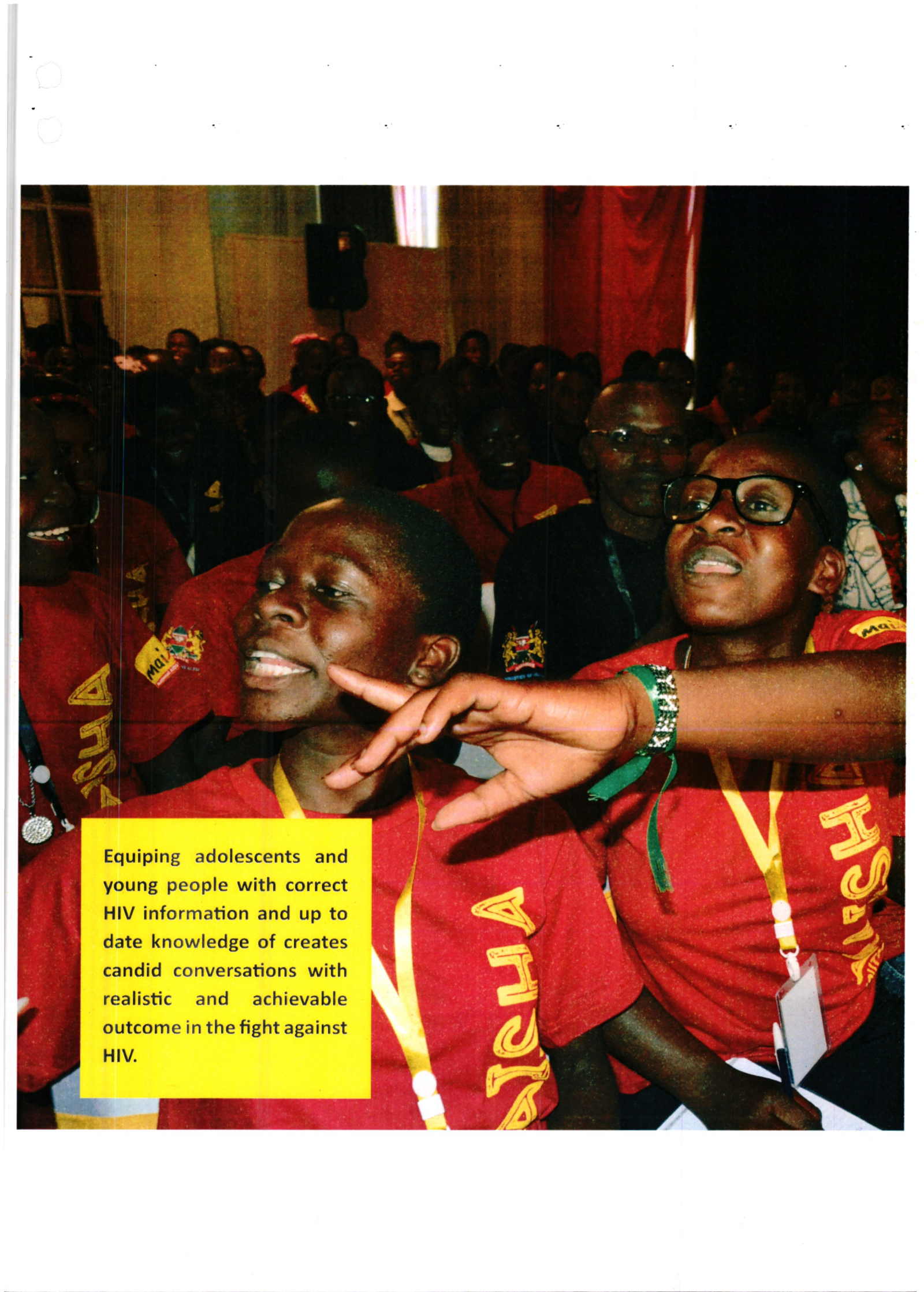
The National Health Insurance Fund (NHIF) is a government institution mandated to provide social insurance towards attainment of Universal Health Care (UHC). The NACC developed an actuarial analysis of cost of care that would be invested in the Maisha Fund to supplement NHIF contributions. The costs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





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.

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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.



Maisha Memorial garden was commissioned in Kibera in memory of treasured young partners who lost their lives as a result of AIDS related illness



More than 300 trees were planted during the commission of the Maisha Memorial garden commissioned in Kibera in memory of treasured young partners who lost their lives as a result of AIDS related illness



Slum dance dubbed "Dunda Yangu Base Yangu" brought together youth from Mathare, Kibera and Mukuru where youth were tested and given information on HIV

CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

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.

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.

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.

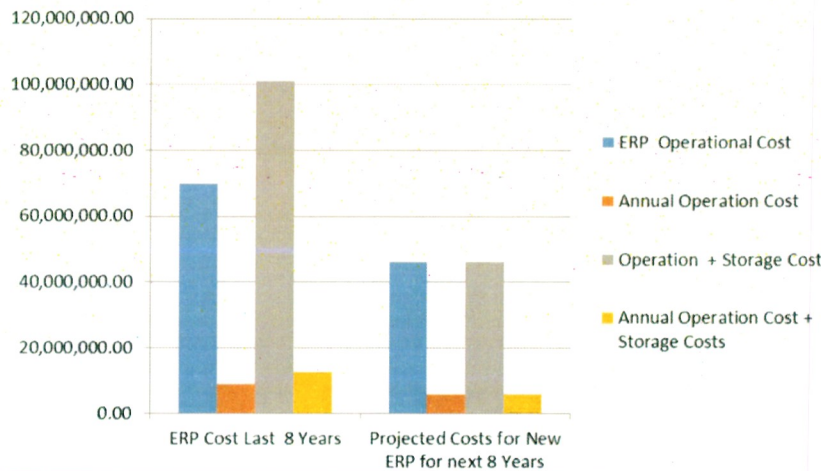


Chart 1. Cost Benefit Analysis of Current and New NACC ERP System

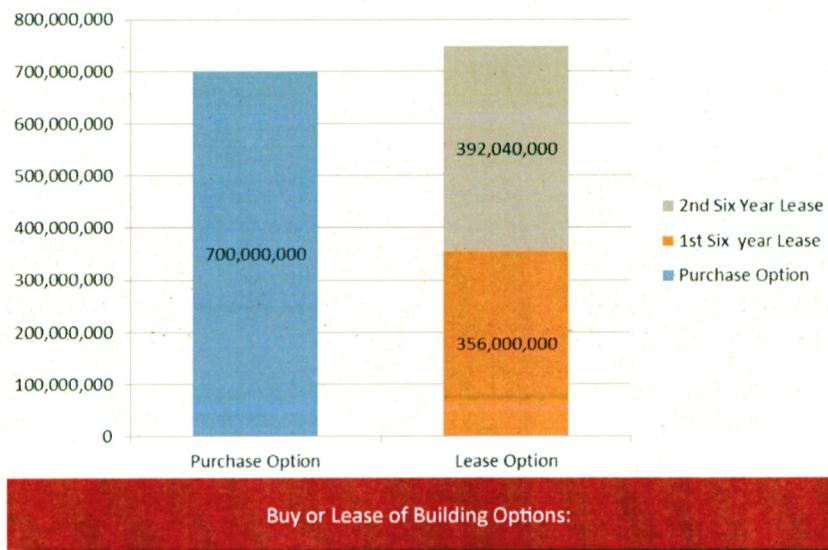
2. Acquisition of NACC Premises

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.

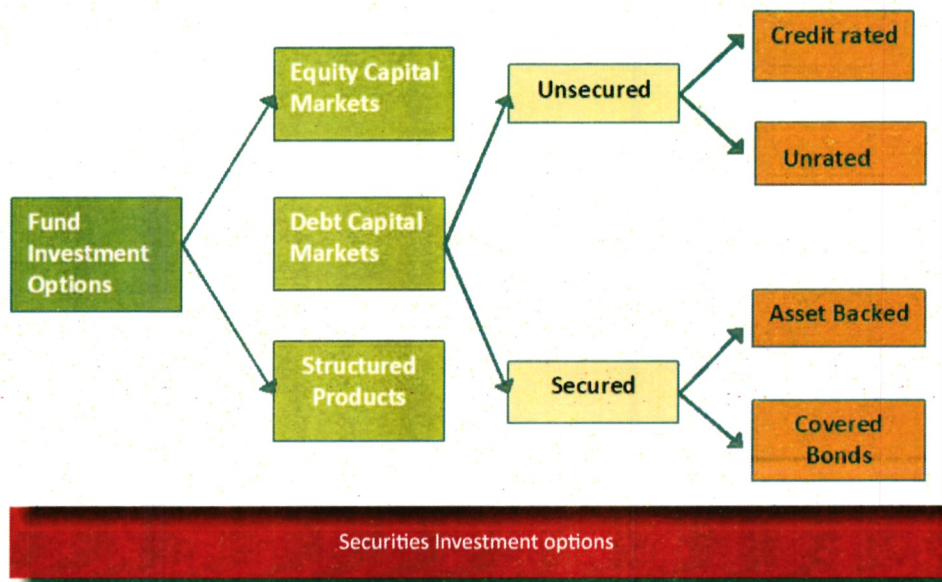
A NACC owned premises provide a viable option for sustainability. The financial support from the exchequer for the NACC offices of Kshs 1 billion will enable the Council to save the National Treasury the annual exchequer releases for rental commitments of about Kshs 54 million, sustaining NACC operations 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 advise 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.





Presenting a communique on HIV from the youth to the government



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.

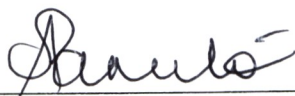
Council

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.

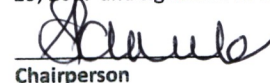
The NACC Board is responsible for the preparation and presentation of the NACC's financial statements, which give a true and fair view of the state of affairs of the NACC for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial 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

REPUBLIC OF KENYA

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E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL AIDS CONTROL COUNCIL FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Aids Control Council set out on pages 50 to 68, 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 effects of the matter 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 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 (Accrual Basis) and comply with the National Aids Control Council Order, 1999.

In addition, as required by Article 229(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.34,053,439 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 in 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. The direct disbursement

Report of the Auditor-General on the Financial Statements of National Aids Control Council for the year ended 30 June 2017

may lead to duplication since the County Government may have incurred similar expense towards the AIDS related activities.

In the circumstance, it has not been possible to confirm the propriety of the disbursement to Constituency Aids Control Coordinators during the year of Kshs.34,053,439.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Aids Control Council 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.

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 matter described in the Basis for Qualified Opinion section of my report, I have determined that there are no 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 (Accrual 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 Council's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the Government 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 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 Council'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.

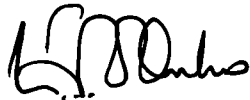
As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

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

14 March 2018

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2017

NATIONAL AIDS CONTROL COUNCIL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2017

	Note	2016/2017 Ksh	2015/2016 Ksh
Revenue from non-exchange transactions			
Public contributions and donations	3	57,018,599	53,828,738
Transfers from other governments	4	942,146,308	794,140,285
Deffered revenue	5	63,082,539	63,957,952
		1,062,247,446	911,926,975
Revenue from exchange transactions			
Rendering of services	6	8,461,693	-
Other income	7	10,544,483	24,928,258
Total revenue		1,081,253,622	936,855,233
Expenses			
Employee costs	8	306,704,823	299,728,408
Depreciation and amortization expense	9	75,462,486	81,201,357
Repairs and maintenance	10	12,814,277	15,922,311
Program management expense	11	471,026,671	505,990,409
Community initiative expense	12	-	9,020,125
General expenses	13	179,141,878	165,254,248
Council Expenses	14	14,869,971	6,175,702
Finance costs	15	2,934,869	4,641,634
Total expenses		1,062,954,975	1,087,934,194
Other gains/(losses)			
Gain on sale of assets	16	4,899,714	7,201,044
Surplus (Deficit) for the period		23,198,362	(143,877,917)

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	Note	2016/2017 Ksh	2015/2016 Ksh
Current assets			
Cash and cash equivalents	17	1,040,739,361	966,189,871
Inventories	18	10,880,855	10,279,046
Receivables from exchange transactions	19	10,009,348	30,797,143
Receivables from non exchange transactions	20	50,300,873	89,408,840
		1,111,930,437	1,096,674,900
Non-current assets			
Property, plant and equipment	21	30,239,489	81,543,290
Total assets		1,142,169,926	1,178,218,190
Liabilities			
Current Liabilities			
Trade and other payables	22	33,599,303	39,295,333
Provisions	23	820,800	820,800
Employee benefit obligation	24	49,286,655	39,754,712
Deferred revenue	5	-	63,082,539
		(83,706,758)	(142,953,384)
		1,058,463,168	1,035,264,806
Funds and reserves			
Accumulated surplus		1,058,463,168	1,035,264,806
Total funds and liabilities		1,058,463,168	1,035,264,806

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

Deputy Director Finance and Admin
Name: Mr. Kamuren Dennis K.
ICPAK M/No. 5424

Chairperson of the Board
Name: Angeline Siparo

Date _____

Date 23/01/18

Date 23/01/2018

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

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

	ACCUMULATED SURPLUS	TOTAL
Balance as at July 1, 2015	1,179,142,723	1,179,142,723
Deficit for the year	(143,877,917)	(143,877,917)
Balance as at June 30, 2016	1,035,264,806	1,035,264,806
Balance as at July 1, 2016	1,035,264,806	1,035,264,806
Surplus for the year	21,005,962	21,005,962
Balance as at 30/06/2017	1,058,270,768	1,058,270,768

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30, 2017

STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED JUNE 30, 2017

	Note	2016/2017 Ksh.	2015/2016 Ksh.
SURPLUS/(DEFICIT)FOR THE YEAR		23,198,362	(143,877,917)
Adjustments for:			
Depreciation	9	75,462,486	81,201,357
Deferred Revenue	5	(63,082,539)	(63,957,952)
Interest income	7	(10,544,483)	(24,928,258)
Gain on asset disposal	16	(4,899,714)	(7,201,044)
(Deficit)/Surplus before Working Capital Changes		20,134,112	(158,763,814)
WORKING CAPITAL CHANGES			
Increase in Payables and Employee Benefit Obligation	22	3,835,913	(13,432,689)
Decrease in Inventories	18	(601,810)	2,164,229
Decrease in Trade and other Receivables	19, 20	59,895,761	91,516,870
CASH FLOWS FROM OPERATING ACTIVITIES		63,129,864	80,248,410
INVESTING ACTIVITIES			
Interest earned	7	10,544,483	24,928,258
Proceeds from Disposal of assets	16	4,899,714	7,201,044
Purchase of Fixed Assets	21	(24,158,689)	(29,026,220)
CASH FLOWS FROM INVESTING ACTIVITIES		(8,714,492)	3,103,082
INCREASE /DECREASE IN CASH AND CASH EQUIVALENTS		74,549,483	(75,412,321)
Cash and Cash Equivalent at the beginning		966,189,871	1,041,602,193
Cash and Cash Equivalent at the End	17	1,040,739,354	966,189,871

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2016-2017	Adjustments 2016-2017	Final budget 2016-2017	Actual on comparable basis 2016-2017	Performance difference 2016-2017	Performance difference(%)
	Ksh	Ksh	Ksh	Ksh	Ksh	
Revenue						
Public contributions and donations				57,018,599	(57,018,599)	
Government grants and subsidies	679,000,000	(19,000,000)	660,000,000	659,500,000	500,000	0%
Development partner	411,096,476	13,379,143	424,475,619	282,646,308	141,829,311	33%
Finance Income	-	-	-	10,544,483	10,544,483	
Gains on disposal, rental income and agency fees	-	-	-	4,899,714	(4,899,714)	
Others (Sale of Tenders, Bank Interest)	-	-	-	-	-	
Total income	1,090,096,476	(5,620,857)	1,084,475,619	957,590,505	147,974,080	-5%
Expenses						
Compensation of employees	351,072,716	(8,529,086)	342,543,630	306,704,823	35,838,807	10%
Finance cost	4,000,000	(1,000,000)	3,000,000	2,934,869	65,131	2%
Rent paid	60,000,000	-	60,000,000	58,233,572	1,766,428	3%
Other payments (program and admin costs)	675,023,760	3,908,229	678,931,989	624,764,459	54,167,530	8%
Grants and subsidies paid	-	-	-	-	-	
Total expenditure	1,090,096,476	(5,620,857)	1,084,475,619	992,637,723	91,837,896	8%
Surplus for the period	-	(8,529,086)	-	76,286,700	-	0%

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 Legal Notice No. 170 of 1999 and the State Corporations 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).

The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the NACC. 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 indirect 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

Standards	Impact
IPSAS 33: First time adoption of Accrual Basis IPSAS	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 33, First-time Adoption of Accrual Basis IPSASs. IPSAS 33 grants transitional exemptions to entities adopting accrual basis IPSASs for the first time, providing a major tool to help entities along their journey to implement IPSASs. It allows first-time adopters three years to recognize specified assets and liabilities. This provision allows sufficient time to develop reliable models for recognizing and measuring assets and liabilities during the transition period.</p> <p>The NACC adopted IPSAS in the year ended 30 June 2014 and therefore provisions of first time adoption of accrual basis do not apply to the NACC.</p>
IPSAS 34: Separate Financial Statements	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 34, Separate Financial Statements. IPSAS 34 prescribes the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.</p> <p>The NACC does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
IPSAS 35: Consolidated Financial Statements	<p>Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 35, Consolidated Financial Statements. IPSAS 35 establishes principles for the preparation and disclosure of consolidated financial statements when an entity controls one or more entities. It requires an entity that controls one or more other entities to assess control over those entities based on the following:</p> <ul style="list-style-type: none"> • Its power over the other entity • Its exposure or rights to variable benefits from involvement with the other entity • Its ability to control the nature, timing and amount of benefits from the other entity. <p>Once control is assessed the controlling entity is supposed to prepare consolidated financial statements unless it meets all the criteria under section 5 of IPSAS 35.</p> <p>The NACC does not have any subsidiaries, joint ventures or investments and therefore the standard does not apply.</p>
IPSAS 36: Investments in Associates and Joint Ventures	<p>(Effective for annual periods beginning on or January 1, 2017)</p> <p>In January 2015, the IPSASB published IPSAS 36, Investments in Associates and Joint Ventures. The Standard prescribes for the accounting for investments in associates and joint ventures and to set out requirements for the application of the equity method when accounting for investments in associates and joint ventures. The standard shall be applied by all entities with significant influence over, or joint control of, an investee where the investment leads to the holding of a quantifiable ownership interest.</p> <p>The NACC does not have investments in associates or joint ventures.</p>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

Standard	Impact
IPSAS 37: Joint Arrangements	(Effective for annual periods beginning on or January 1, 2017) 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.
IPSAS 38: Disclosure of Interests in Other Entities	(Effective for annual periods beginning on or January 1, 2017) 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.

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.

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)

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The NACC recognizes revenues when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues 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

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

ii) Revenue from exchange transactions

Rendering of services

The NACC recognizes revenue from rendering of services by reference 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.

i. 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 and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

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 this yield to the principal outstanding to determine interest income each period.

b) Budget information

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 added to the

original budget by the entity upon receiving the respective approvals in order to conclude the final budget.

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

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

c) Taxes

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 unremitted amounts are included in the accounts payables.

d) Property, plant and equipment

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

e) 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.

f) Inventories

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the NACC.

g) Provisions

Provisions are recognized when the NACC has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the NACC expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

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

Contingent assets

The NACC 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

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

i) Changes in accounting policies and estimates

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.

j) Employee benefits (Gratuity)

The NACC provides gratuity benefits for its employees. The amount is calculated at 31% of basic pay for the duration of the three year renewable

contract. The amount earned during the year are expensed in statement of financial performance and recognised as a current liability in the statement of financial position. The earned amount is payable at the end of the employees' contract or when exiting the NACC.

k) Foreign currency transactions

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

l) Related parties

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

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the 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 which were not surrendered or accounted for at the end of the financial year.

n) Comparative figures

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

The key assumptions concerning the future and other key sources of

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.

3 Public contributions and donations

This consisted of financial support to NACC during the year.

	2016/2017 Ksh	2015/2016 Ksh
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
AVENIR 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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2016/2017 Ksh	2015/2016 Ksh
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	-	-
Transferred during the year	(63,082,539)	(63,957,952)
	-	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	29,072,365	26,590,363
Staff Gratuity	24,189,323	30,429,076
Staff Medical Insurance	24,386,669	27,196,223
Other Allowances	4,848,800	11,802,128
Non Practicing allowance	960,000	480,000
Acting/Special duty Allowance	876,630	317,840
Leave allowance	1,980,002	1,733,618
Employer NSSF Contribution	342,600	321,200
CACC responsibility allowances	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	657,820
Furniture & Fittings Depreciation	5,592,130	1,635,356
	75,462,486	81,201,357

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2016/2017	2015/2016
10	Repairs and maintenance		
	Repairs and Maintenance General	5,782,381	6,942,174
	Motor Vehicles Repairs & Maintenance	5,913,043	3,956,115
	Office Equipment Repairs	1,118,853	5,024,022
		12,814,277	15,922,311
11	Program management expenses		
	These were expenses incurred by NACC in executing its mandate.		
	Travel expense	252,669,303	277,497,841
	Design printing and publishing	37,945,863	16,556,586
	Hire charges	39,094,783	36,555,348
	Advertising	82,992,911	90,554,414
	Conferences and Workshops	41,660,620	70,847,044
	Consulting fees	16,663,190	13,979,176
		471,026,671	505,990,409
12	Community Initiative expenses		
	These were expenses reported by funded Project Sub Implementers during the period.		
	Targetted Mitigation Programmes	-	9,020,125
		-	9,020,125
13	The following are included in general expenses:		
	Audit fees	748,200	2,940,600
	Consumables	7,792,636	6,905,782
	Utilities	4,236,546	4,527,654
	Fuel and oil	5,960,990	5,614,202
	Insurance	1,719,616	8,674,179
	Legal expenses	142,600	625,500
	Licenses and permits	2,432,751	4,250,895
	Postage	738,192	470,105
	Stationery	10,830,621	16,363,048
	Rental	58,233,572	54,780,642
	Security costs	1,295,799	946,907
	Telecommunication	14,274,078	15,868,586
	Training	13,556,011	7,378,058
	Membership and subscriptions	731,358	1,980,495
	Provision for bad debts	53,088,338	28,220,468
	Other	3,360,570	5,707,127
		179,141,878	165,254,248

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2016/2017 Ksh	2015/2016 Ksh
14 Council Expenses		
Sitting Allowance	8,358,368	5,306,000
Bonuses	4,876,478	-
Other council expenses	1,635,125	869,702
	14,869,971	6,175,702
15 Finance Costs		
These were charges levied by banks to NACC during the year.		
Bank charges	2,934,869	4,641,634
16 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	7,201,044.00
Less Cost of items disposed	(30,763,413)	(42,535,021.53)
Add Accumulated depreciation	30,763,413	42,535,021.53
	4,899,714	7,201,044.00
17 Cash and cash equivalents		
Barclays Bank -Recurrent vote account	383,692,167	269,468,781
Citibank -Development vote account	154,675,348	267,438,149
Stanchart -UNDP project account	2,508,906	2,521,226
NIC Bank -UNFPA Operating project account	6,030,150	960,718
NIC Bank -Global Fund project account	219,694,033	153,212,102
Office float	41	-
Citibank -TOWA Project Account	227,002,121	226,216,529
Coop Bank - IRAPP Project Account	1,212,020	1,212,020
Stanchart - Gratuity Fund Account	600	119,155
NIC Bank- Gratuity Fund Account	45,923,975	45,041,191
	1,040,739,361	966,189,871
18 Inventories		
Office consumables	10,880,855	10,279,046
19 Receivables from exchange transactions		
Deposits	10,009,348	10,009,348
Prepayments	-	20,787,795
	10,009,348	30,797,143

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2016/2017 Ksh	2015/2016 Ksh
20 Receivables from non exchange transactions		
F.O Advance	13,449,046	16,831,195
Advances to DTC	19,613,358	19,613,358
Advance to FMA	53,088,338	53,088,338
Direct advances to implementers	4,143,506	4,143,508
Advances to CACCs	6,538,190	8,335,532
Advances - World AIDS Day	2,161,700	2,161,700
ACU Advances	3,697,926	3,697,926
Staff Imprest Advances	7,579,692	2,721,276
Other advances	21,337,924	7,036,475
Less Impairment	(81,308,806)	(28,220,468)
	50,300,873	89,408,840

21 Property, plant and equipment

	Motor Vehicles	Computers	Office Equipment	Furniture & fittings	Total
	Ksh	Ksh	Ksh	Ksh	Ksh
Cost					
At 30 June 2015	348,573,349	100,558,919	74,194,855	64,412,683	587,739,807
Additions	-	28,002,320	943,400	80,500	29,026,220
Disposals	(35,008,515)	(3,577,744)	(3,861,801)	(86,961)	(42,535,022)
At 30 June 2016	313,564,834	124,983,495	71,276,454	64,406,222	574,231,005
Additions	-	6,798,829	9,157,660	8,202,200	24,158,689
Disposals	(30,465,833)	(113,980)	(96,480)	(87,120)	(30,763,413)
At 30 June 2017	283,099,001	131,668,344	80,337,634	72,521,302	567,626,281
Depreciation					
At 30 June 2015	230,724,806	93,356,624	73,236,784	56,703,169	454,021,383
Depreciation	64,283,283	14,624,898	657,820	1,635,356	81,201,357
Disposals	(35,008,515)	(3,577,744)	(3,861,801)	(86,961)	(42,535,022)
Transfer/adjustments	-	-	-	-	-
At 30 June 2016	259,999,574	104,403,778	70,032,803	58,251,564	492,687,718
Depreciation	53,565,260	13,511,916	2,793,180	5,592,130	75,462,486
Disposals	(30,465,833)	(113,980)	(96,480)	(87,120)	(30,763,413)
Transfer/adjustment	-	-	-	-	-
At 30 June 2017	283,099,001	117,801,714	72,729,503	63,756,574	537,386,792
Net book values					
At 30 June 2017	-	13,866,630	7,608,131	8,764,728	30,239,489
At 30 June 2016	53,565,260	20,579,717	1,243,651	6,154,658	81,543,287

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

		2016/2017 Ksh	2015/2016 Ksh
22	Trade and other payables from exchange transactions		
	Payable to suppliers of goods and services	21,943,251	20,770,163
	Other payables	11,656,052	8,299,507
	Accrued expenses	-	10,225,663
		33,599,303	39,295,333
23	Provisions		
	Audit fees		
	Opening balance	820,800	820,800
	Payments during the year	(748,200)	(2,940,600)
	Provision for the year	748,200	2,940,600
	Closing balance	820,800	820,800
24	Employee benefit obligation		
	Staff gratuity		
	Opening balance	39,754,712	48,137,268
	Payments during the year	(14,657,380)	(38,811,632)
	Provision for the year	24,189,323	30,429,076
	Closing balance	49,286,655	39,754,712
25	Provision for doubtful debts		
	The outstanding advances listed below were considered doubtful		
	First World AIDS Day Commemoration Advance	2,161,700	2,161,700.00
	ACU Advances	3,697,926	3,697,926.25
	District Technical Committees	19,613,358	19,613,358.00
	Advances to former employees	1,965,201	1,965,200.65
	Community Based Organizations	782,283	782,282.95
	TOWA PSI Advances	53,088,338	-
		81,308,806	28,220,468

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	2016/2017 Ksh	2015/2016 Ksh
26 Funds from GLOBAL FUND		
Fund Balance at the beginning of the Year	149,248,698	97,234,571
Receipts from GF during the year	269,267,165	251,640,285
Interest earned on deposits		2,982,530
	418,515,863	351,857,386
Payments made during the year	(181,143,168)	(191,704,669)
Refunded treasury (Un-utilized round 2 balance)	-	(1,122,476)
Un-paid bills as at end of FY	(11,688,168)	(9,781,543)
Fund balance at the end of the year	225,684,527	149,248,698
Represented by		
Cash at bank	219,694,033	153,212,102
Add out standing advances	17,678,662	5,818,139
Less payables	(11,688,168)	(9,781,543)
	225,684,527	149,248,698
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 board has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

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 expenses. 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 done in currencies other than the local currency. Invoices denominated in foreign currencies are converted 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 endeavoured to 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

a) Nature of related party relationships

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

The entity is related to

i) The National Government;

ii) The Parent Ministry;

iii) Key management;

iv) Board of directors

b) Government Transfers through parent ministry

	2016/2017 Kshs	2015/2016 Kshs
Government Transfers through parent ministry	942,146,308	794,140,285

c) Key management remuneration

	2016/2017 Kshs	2015/2016 Kshs
Allowances paid to Board Members	14,525,371	6,175,702
Remuneration to the CEO and key management	116,584,995	113,933,112
	131,110,366	120,108,814

30. Contingent assets and contingent liabilities

No.	Case Number and Parties/ Advocate	2016/17	2015/16
	CMCC NO. 798 OF 2014		
1	George Omondi Arum vs NACC	Kshs 2,700,00	Kshs 2,700,00
	CMCC NO 61 OF 2013		
2	Huzzan Printers and Stationery Limited VS NACC	KShs 3,889,250	KShs 3,889,250
	CMCC NO. 1184 OF 2015		
3	Patrick MbiyuKagiri vs NACC	KShs1,242,051	KShs1,242,051
	Industrial Cause No. 812 of 2016		
4	Katunge Kiilu vs NACC	KShs 3,435,720	KShs 3,435,720
	Petition No. 50 of 2017		
5	Willis Ochar vs National AIDS Control Council	Kshs 2,000,000	

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

APPENDIX I: PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

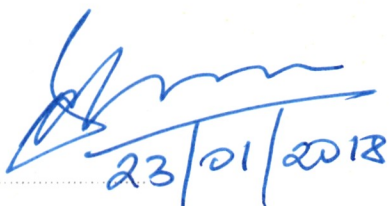
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

Reference No.	Issue / Observations from Auditor	Management comments	Focal Point person	Status	Timeframe
1.	Long outstanding advances included in the Receivables from exchange transactions affecting accuracy and recoverability of stated receivables.	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.	CEO, NACC	Not Resolved	June 2018

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



23/01/2018

Date.....



23/01/2018

Chairperson of the Board

Date.....

APPENDIX II: INTER-ENTITY TRANSFERS

ENTITY NAME:		NATIONAL AIDS CONTROL COUNCIL		
Break down of Transfers from the Ministry of Health				
FY 16/17				
a.	Recurrent Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Period which funds relate</u>
		12/08/2016	146,000,000	FY 2016/17
		09/01/2017	146,000,000	FY 2016/17
		19/04/2017	146,000,000	FY 2016/17
		29/06/2017	146,000,000	FY 2016/17
		Total	584,000,000	
b.	Development Grants			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Period which funds relate</u>
		20/03/2017	26,625,000	FY 2016/17
		12/04/2017	40,000,000	FY 2016/17
		25/04/2017	8,875,000	FY 2016/17
		Total	75,500,000	
c.	Donor Receipts			
		<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Period which funds relate</u>
	Global Fund	19/09/2016	102,774,119	FY 2016/17
	Global Fund	25/11/2016	102,774,119	FY 2016/17
	UNFPA	06/03/2017	13,379,143	FY 2016/17
	Global Fund	25/04/2017	63,718,927	FY 2016/17
		Total	282,646,308	

The above amounts have been communicated to and reconciled with the parent Ministry
 Head of Finance
 NACC

Head of Accounting
 Ministry of Health

Sign

CPA - KEN NYAMOLO
 HEAD FINANCE
 NATIONAL AIDS CONTROL COUNCIL
 Date: 21/11/17

Sign

[Handwritten Signature]





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