

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

REPORT

03 JUL 2019

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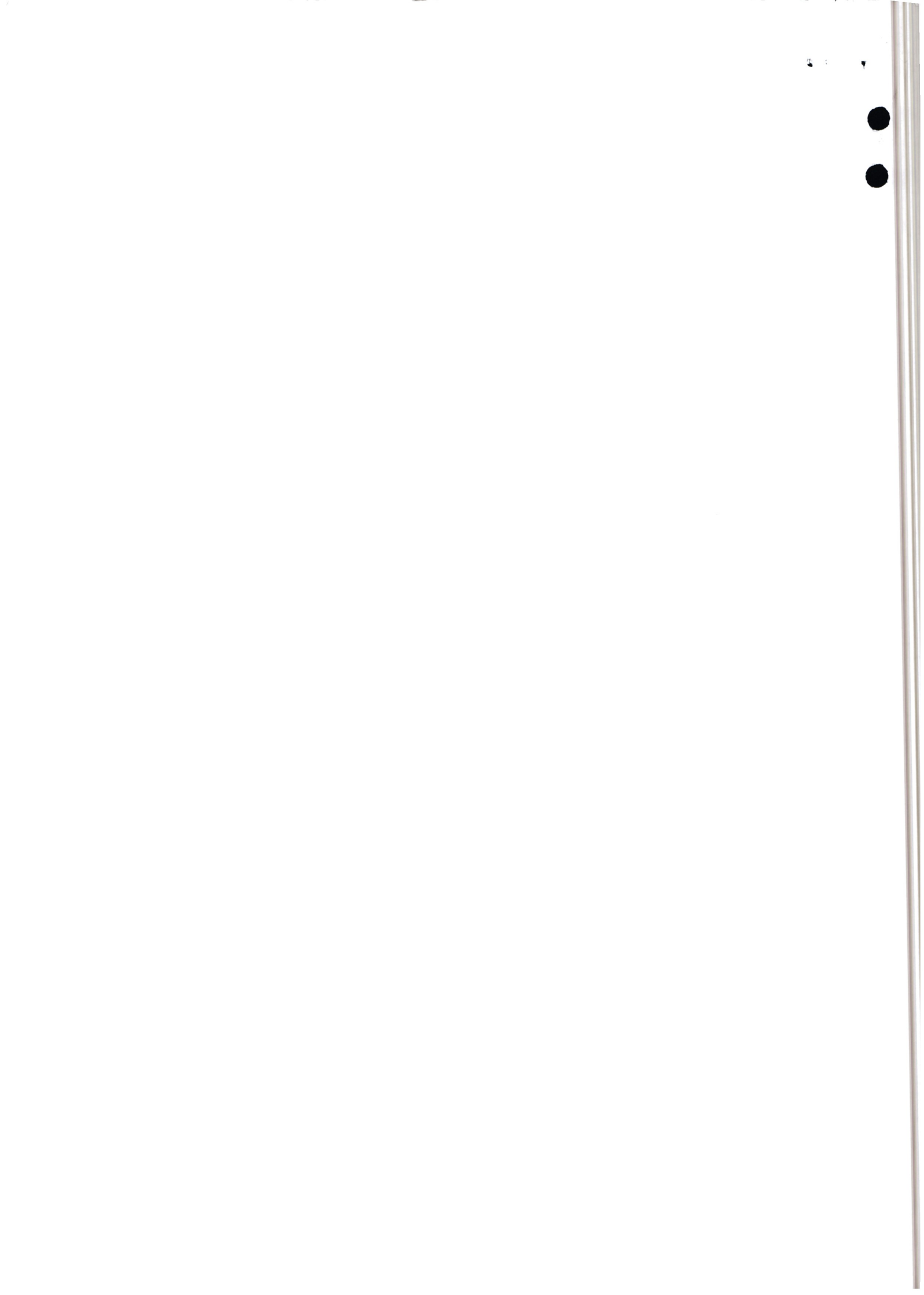
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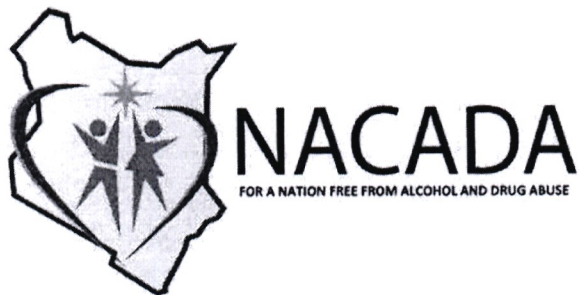
THE AUDITOR-GENERAL

ON

**FINANCIAL STATEMENTS OF
NACADA ALCOHOLIC DRINKS CONTROL
FUND**

**FOR THE YEAR ENDED
30 JUNE 2018**





**NATIONAL AUTHORITY FOR THE CAMPAIGN AGAINST ALCOHOL AND DRUG
ABUSE
ALCOHOLIC DRINKS CONTROL FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018**

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

NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018

Table of Contents		Page
I.	KEY ENTITY INFORMATION AND MANAGEMENT	1
II.	CHAIRMAN'S STATEMENT	11
III.	REPORT OF THE CHIEF EXECUTIVE OFFICER.....	12
IV.	CORPORATE GOVERNANCE STATEMENT	14
V.	MANAGEMENT DISCUSSION AND ANALYSIS	14
VI.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING	16
VII.	REPORT OF THE DIRECTORS.....	17
VIII.	STATEMENT OF DIRECTORS' RESPONSIBILITIES.....	18
IX.	REPORT OF THE INDEPENDENT AUDITORS ON NACADA	20
X.	STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018.....	21
XI.	STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018	22
XII.	STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018	23
XIII.	STATEMENT OF CASH FLOWS AS AT 30 JUNE 2018.....	24
XIV.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS	24
XV.	NOTES TO THE FINANCIAL STATEMENTS.....	24
XVI.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS.....	44

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

Corporate establishment

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

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

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

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

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

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

(b) Principal Activities

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

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

NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018

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

(c) Key Management

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

- Board of Directors
- Accounting officer/CEO
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2018 and who had direct fiduciary responsibility were:

1. Mr. Victor Okioma –Chief Executive officer
2. Mr. Samuel Makini- Acting Director, Finance & Administration
3. Prof. John Muteti – Director, Research & Policy Development
4. Ms. Susan Maua – Acting Manager, Public Education & Advocacy
5. Mrs Grace Otieno – Manager, Policy & Planning
6. Ms. Judith Twala – Manager, Counselling & Rehabilitation
7. Ms. Medina Ibrahim – Acting Manager, Corporate Communication
8. Ms. Joyce Lisanza – Manager, Human Resource & Administration.

Fiduciary Oversight Arrangements

Finance Board Committee

1. Mr. Stephen Mairori - Chairperson
2. Ms. Margaret Moitallel
3. Mr. Pius Mutisya
4. Mr. Arthur Osiya
5. Mr. Moses Ochieng

Staff & Welfare Committee

1. Ms. Margaret Moitallel - Chairperson
2. Mr. Stephen Mairori
3. Dr. Kepha Ombacho, MBS
4. Dr. Salwa Haithar
5. Mr. Arthur Osiya
6. Mr. Moses Ochieng

Technical Board Committee

1. Ms. Farida Rashid – Chairperson
2. Ms. Olivia Ouko
3. Rev. (Dr). W. Kogo
4. Dr. Kepha Ombacho, MBS
5. Dr. Hamisi Massa
6. Mr. Pius Mutisya
7. Dr. Salwa Haithar
8. Mr. Peterson Mwai

Audit Board Committee

1. Rev. Dr. Wilfred Kogo – Chairperson
2. Dr. Hamisi Massa
3. Ms. Farida Rashid
4. Ms. Olivia Ouko
5. Mr. Peterson Mwai

(e) NACADA Headquarters

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

**NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018**

(f) NACADA Contacts

Telephone: (254) 020 2721994

E-mail: info@nacada.go.ke

Website: www.nacada.go.ke

Helpline: 1192

Facebook: NACADA Kenya

Twitter: @NACADAKenya

(g) NACADA Bankers

Kenya Commercial Bank Ltd

P.O. Box 60000

Milimani Branch

Nairobi, Kenya

Co-operative Bank of Kenya Ltd

Ukulima Branch

Equity Bank of Kenya Ltd

Corporate Branch

(h) Independent Auditors

Auditor General

Office of the Auditor General

P.O. Box 30084-00100 GPO

Nairobi, KENYA

(i) Principal Legal Adviser

The Attorney General

State Law Office

Harambee Avenue





P.O. Box 40112

City Square 00200


Nairobi.

**NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018**





a) Board Members

 <p>Lt. Col. (Rtd.) Julius A. Githiri – Board Chairman</p>	<p>Lt. Col. (Rtd.) Julius A. Githiri was born on 3rd June 1957. He is a retired military officer with 35+ years' experience in local and international security risk management, training and consultancy. He possesses training in Security and Management.</p>
 <p>Ms. Margret Moitallel – Vice Chair</p>	<p>Ms. Moitallel was born on 28th February 1980 in Kajiado county. She holds a Diploma in Nursing and has previously worked with the Ministry of Health. Currently, she is a Health Director at My Chosen Vessels Organisation.</p>
 <p>Farida Rashid – Member</p>	<p>Ms. Rashid was born on 23rd July 1954. She possesses a certificate in Secretarial studies and has worked in the field for many years. Currently, she is a Social worker with the Kenya Muslim Women Alliance.</p>
 <p>Dr. Rev. Stephen Mairori – Member</p>	<p>Rev. Stephen K. Mairori was born on 15th September 1967. He is the Executive Director at the International Christian Ministries. He is an ordained Minister with the African Inland Church of Kenya. He has an Honorary Doctorate in Ministry from Georgia Christian University. Currently registered as a PhD student in Leadership and governance at Jomo Kenyatta University of Agriculture and Technology. He also has a Master's degree in Divinity (Leadership) from the Fresno Pacific University Seminary, USA and a Bachelor of Arts from Global University, USA. He holds a Diploma in Bible and Theology from Moffat College of Bible, Kenya.</p>

**NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018**

 <p>Dr. Hamisi Salim Massa – Rep. National Police Service</p>	<p>Dr. Hamisi Massa was born on 30th December 1962. He is currently the Officer In-Charge at the Anti-Narcotics Unit. He holds a Bachelor of Science Degree in Veterinary Medicine and Surgery from the University of Nairobi. He has attended several police trainings and Leadership Development both locally and internationally.</p> <p>Previously, he served as Commandant, Kenya Police Dog Unit. He has 20+ years' experience in the Civil Service.</p>
 <p>Dr. Salwa Haithar - represents the Kenya Medical Practitioners and Dentist Board</p>	<p>Dr. Salwa Haithar was born on 7th October 1979. She holds Master of Medicine, Psychiatry (MMED Psych) and a Bachelor of Medicine and Bachelor of Surgery (MBChB) both from University of Nairobi. She is a professional member of Kenya Medical Practitioners, Pharmacists and Dentists Union (KMPDU), East African Young Psychiatric Association, Kenya Psychiatrists Association and Kenya Medical Association.</p> <p>She has previously worked at Mathari National Referral and Teaching Hospital as Registrar in Psychiatry and the Aga Khan University Hospital as a Senior House Officer in the Paediatric Unit.</p>
 <p>Ms. Olivia Ouko - Alternate Member- Ministry of Public Service, Youth and Gender Affairs</p>	<p>Olivia A. Ouko was born on 3rd September 1967. She holds a Master of Arts in Sports Science and a Diploma in Sports Coaching from Leipzig University, Germany and a Bachelor Degree in Physical Education and Kiswahili from Kenyatta University.</p> <p>She is currently the Assistant Director Youth Development in the Ministry of Public Service, Youth and Gender Affairs. Prior to that she was the Principal Youth Development Officer at the Ministry of Devolution and Planning. She initiated and implemented the National Youth Talent Academy with the support of UNICEF.</p>

**NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018**

 <p>Mr. Victor Okioma, EBS – Chief Executive Officer</p>	<p>Mr. Victor Okioma EBS was born on 1st January 1959. He has a master’s degree in International Studies and a Bachelor’s Degree in Economics and Government.</p> <p>He has worked as a Senior Officer at the Ministry of Interior & Coordination of National Government having risen to the rank of Secretary, in charge of Rehabilitation & Integration.</p>
 <p>Dr. Rev. Wilfred Kogo</p>	<p>Rev. Kogo was born on 1st January 1943. He holds a master’s degree and is currently a Lecturer at St. Pauls University.</p>
 <p>Dr. Kepha Ombacho – Alternate Director to PS Ministry of Health</p>	<p>Dr. Ombacho is currently the Director, Public Health at the Ministry of Health</p>
 <p>Pius Mutisya – Alternate Director to PS Ministry of Education, Science and Technology</p>	<p>Mr. Mutisya is currently the Director of Quality Assurance Services at the Ministry of Education</p>

NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018







Arthur Osiya – Alternate Director to PS, Ministry of Interior and Coordination of National Government.





Mr. Osiya is currently Secretary of Administration at the Ministry of Interior and Coordination of National Government.

NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018

b) Key Management

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

NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018

 <p>Ms. Judith Twala</p>	<p>M.A. in Counselling Psychology</p> <p>Bachelor of Arts-Theology</p>	<p>In charge of Counselling and Rehabilitation department.</p>
 <p>Ms. Medina Ibrahim</p>	<p>Master's in communication, Bachelor of Arts-Design, Postgraduate Diploma in Management of NGO's</p>	<p>In charge of overseeing operation in the Corporate Communications Department.</p>
 <p>Ms. Grace Otieno</p>	<p>M.A in Economics</p> <p>PG Diploma in International Studies; PG Diploma Security Studies.</p>	<p>In charge of Policy and Planning Department in the Authority operations.</p>
 <p>Ms. Joyce Lisanza</p>	<p>MBA (Corporate Management)</p> <p>B. Com (Human Resource Management)</p> <p>CPS Part I</p> <p>Diploma in Human Resource Management</p>	<p>Overall responsibility of the Human Resource and Administration Department overseeing recruitment, succession planning, training and development, employee compensation, development of HR policies and procedures, department workplans and general administration.</p>

II. CHAIRMAN'S STATEMENT

On behalf of the Board, I have the pleasure of presenting the Annual Report and Financial Statements for ADCA Fund for year ended 30 June 2018. The National Authority for the Campaign Against Alcohol and Drug Abuse Act of 2012 requires the Board of Directors to ensure that proper books and other records of accounts of income, expenditure, assets and liabilities of the Authority are kept. This calls for preparation of Financial Statements.

The Board accepts this responsibility and therefore has prepared the attached Financial Statements as at 30th June 2018 based on prudence in judgement in accordance with the International Public Sector Accounting Standards (IPSAS).

During this financial year, the Authority accomplished significant success in the area of research and engagement with partners in furtherance of its mandate. Key achievements during the period under review include: - National Survey on the Status of Alcohol and Drug Abuse in Kenya, Development of various County-Specific Policies and Statutes as well as the Survey highlighting the Status of Alcohol and Drug Abuse among Secondary School students in Kenya.

The Board takes cognisance of the significant challenges that impede the effective implementation of its mandate. These include emerging trends in the manufacture; use and trade in alcohol and other psychotropic substances; devolution of the licensing function from the Authority to County governments which has resulted to reduced income for the Authority as well as the proliferation of alcohol selling outlets as Counties are yet to set up control mechanisms. This has greatly eroded the gains made by the Authority in curbing the menace.

The Authority has identified several gaps in implementation of Alcoholic Drinks Control Act, 2010 and the National Authority for the Campaign Against Alcohol and Drug Abuse Act, 2012 which when addressed, will resolve enforcement challenges in implementation of the two Laws. However, the review of the two laws is currently ongoing.

The Authority is on course towards the launch and implementation of its new strategic direction that largely focuses on prevention, treatment and rehabilitation. Consequently, the Authority is collaborating with County governments, Non-State Actors such as the Civil Society Organizations, Community-Based Organizations, religious institutions as well as youth and women groups. We are confident that the gains eroded over the years because of drug use and abuse will be reversed with implementation of these science-based prevention interventions.

The Authority's Strategic Plan for the period 2014-19 provides the strategic direction in the campaign against alcohol and drug abuse in Kenya taking into consideration national government policy provisions, devolved governance structures, as well as emerging alcohol and drug consumption trends.

On behalf of the Board, I wish to thank the Board Members, Management and staff for their dedication in continuously championing the fight against Alcohol and Drug Abuse (ADA) in Kenya.

Chairman:.....


Date:.....

III. REPORT OF THE CHIEF EXECUTIVE OFFICER

During the reporting period, the Authority implemented activities geared towards fulfilling its mandate as provided for under the NACADA Act 2012 and the strategic objectives set out in the Strategic Plan 2015-2019. These are;

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

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

During the Financial Year, the Authority carried out a number of activities to strengthen the legal and institutional framework at all levels of government. These included;

- i. Establishment of ADA prevention programs in collaboration with County governments through capacity building for County representatives
- ii. Development of ADA Prevention Science programs;
- iii. Quarterly distribution of publicity materials;
- iv. Support/establishment of Treatment and Rehabilitation facilities in Elgeyo Marakwet (Iten), Nyanza (Kodiaga Prison), Mombasa (Miritini).

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

i) Youth and children ADA prevention programs

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

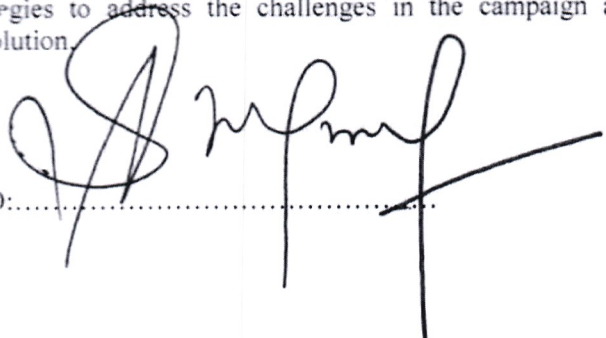
ii) Alcohol and drug abuse prevention programs at the County and National government levels

- i. During the reporting period, the Authority supported 2 County governments to undertake alcohol and drug abuse baseline surveys;
- ii. submitted bi-annual ADA status reports to both Houses of Parliament;
- iii. In order to collaborate with county governments in sensitizing the public on ADA, the Authority participated in National Trade Fairs as follows Kisumu ASK show, Nairobi ASK show; Nanyuki, Mombasa, Eldoret, Kakamega and Kisii.
- iv. Conducted 10 media interviews to enlighten the public on NACADA's mandate; conducted follow up meetings with 47 County Governments on ADA prevention science programs.
- v. The Authority participated and collaborate with County governments to mark important ADA calendar days which include the International Day against Drug Abuse and Trafficking (IDADA), World AIDS Day, Day of the African Child, Youth Week, World No Tobacco Day and World Mental Health Day.

- vi. The Authority inspected and accredited centres which comply with National Standards on Treatment and Rehabilitation.

Taking cognisance of the emerging challenges, the Authority is in the process of developing new strategies to address the challenges in the campaign against Alcohol and Drug Abuse in light of devolution.

CEO:.....



Date:.....

19/2/19

IV. CORPORATE GOVERNANCE STATEMENT

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

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

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

To ensure effective implementation, the NACADA Board has been trained on corporate governance which consisted of the following modules:

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

Through this training, the Board's capacity was built to ensure that NACADA operations are geared towards application of principles and practices which are in the best interest of the population of Kenya. The Board has also become more proactive in promoting issues of corporate fairness, transparency and accountability in the internal and external operations of the Authority.

V. MANAGEMENT DISCUSSION AND ANALYSIS

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

a) Operational and Financial Performance

The Authority implemented a number of programs by Quarter Four of the Financial Year aimed at ensuring delivery of its mandate. These programs have been delivered through four (4) programmatic areas: Public Education and Advocacy; Treatment and Rehabilitation; Strengthening of Institutional Capacity and Cross Cutting Issues respectively. The Authority implemented 100 days of Rapid Results Initiative (RRI) to eradicate illicit alcoholic drinks and drugs in 44 County Governments identified as hot spots.

The following activities in the Performance Contract and Annual Work Plan were accomplished during the year:

Public Education and Awareness

- i. The Authority conducted 2 cluster trainings on Workplace Based Prevention Interventions for Public Sector Institutions and 2 trainings on Family Based Prevention Interventions for Faith Based Organizations.
- ii. Held quarterly Inter-Agency meetings held in all 6 NACADA regions with various public sector stakeholders involved in prevention, control and mitigation of alcohol and drug abuse at the County level.
- iii. Implemented youth campaigns in 28 Counties for over 28,000 youth.
- iv. Rolled out Life Skills Training Pilot programs in selected primary schools in 5 NACADA regions; created awareness on Alcohol and Drug Abuse and provided counselling services during Ask Shows, trade, cultural fairs and educational institutions. During the FY, 32 schools from Kilifi, Lamu, Mombasa and Kwale Counties were taken through this LST training. 3 schools in Trans Nzoia County and one School in Elgeyo Marakwet County. 65 participants were trained on family-based interventions; 34 on workplace-based interventions; and one capacity building media-based training was conducted to guide the campaign for 30 members of staff.
- v. Engaged over 3,000 youth from 22 Counties in the Inter-County Youth Sports Association (KYISA) national championships held in Wote.
- vi. NACADA also trained 57 Reformed Brewers on alternative livelihood programme
- vii. Conducted Community Outreach Programme in Kinyoro, Trans Nzoia County for 250 participants.

Treatment and Rehabilitation

- i. Held community outreaches in two Regions;
- ii. Phase II certification exams for addiction professionals were held.
- iii. Inspected 100 treatment and rehabilitation centers

Strengthening Institutional Capacity

- i. A total of 20 staff were sensitized on customer service delivery
- ii. 30 NACADA staff were sensitized on comprehensive HIV and AIDS knowledge.
- iii. The Authority conducted capacity of 47 National Drug Observatory (NDO) Teams and review reporting systems with concerned agencies
- iv. The Biannual Status Reports on the situation of alcohol and drug abuse in the country was developed for the parliament and senate
- v. Commemorated the International Day Against Drug Abuse and Trafficking (IDADA) at the Mnarani club in Kilifi for over 800 youth from the six sub-counties in Kilifi County.
- vi. Revised and harmonized 6 National Policy and developed an overarching Draft National Policy together with members of the National Technical Committee on Drug Trafficking and Abuse representing various National Government Ministries, Departments and Agencies.
- vii. Conducted Community dialogue forums in Counties as part of the RRI in collaboration with stakeholders;
- viii. Conducted a Mid-Term Review of NACADA's Strategic Plan 2015-2019
- ix. Finalized the ADA Booklet on ADA Laws for dissemination to 47 County Governments

**NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018**

- x. 20 rehabs which complied to the National Standards for Treatment and Rehabilitation were awarded with certification

b) NACADA's Compliance with Statutory Requirements

NACADA has complied with statutory requirements in all aspects.

c) Key Projects and Investment Decisions the NACADA Is Planning/Implementing

NACADA is currently facilitating three (3) Elgeyo Marakwet, Kisumu (Kodiaga Prison) and Miritini NYS Treatment and Rehabilitation Centre. The 3 Counties have selected the projects they wish to establish from scratch or rehabilitation/refurbishment of existing facilities in collaboration with NACADA. These projects are at various stages of implementation.

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

CSR Commitments

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

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

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

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

GUIDING Principles

NACADA will be responsible for:

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

VII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2018 which show the state of the NACADA's affairs.

Principal activities

The principal activities of the entity are (continue to be) page 1

Results

The results of the entity for the year ended June 30, 2018 are set out on page 25

Directors

The members of the Board of Directors who served during the year are shown on page 5-8.

Auditors

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

By Order of the Board

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14(i) of the State Corporations Act, require the Directors to prepare financial statements in respect of that National Authority for the Campaign Against Alcohol and Drug Abuse, which give a true and fair view of the state of affairs of the Authority at the end of the financial year/period and the operating results of the National Authority for the Campaign Against Alcohol and Drug Abuse for that period. The Directors are also required to ensure that the Authority keeps proper accounting records which disclose with reasonable accuracy the financial position of the Authority. The Directors are also responsible for safeguarding the assets of National Authority for the Campaign Against Alcohol and Drug Abuse.

The Directors are responsible for the preparation and presentation of National Authority for the Campaign Against Alcohol and Drug Abuse's financial statements, which give a true and fair view of the state of affairs of the National Authority for the Campaign Against Alcohol and Drug Abuse for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of National Authority for the Campaign Against Alcohol and Drug Abuse; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the National Authority for the Campaign Against Alcohol and Drug Abuse's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act and the State Corporations Act. The Directors are of the opinion that the National Authority for the Campaign Against Alcohol and Drug Abuse's financial statements give a true and fair view of the state of National Authority for the Campaign Against Alcohol and Drug Abuse's transactions during the financial year ended June 30, 2018, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the National Authority for the Campaign Against Alcohol and Drug Abuse, which have been relied upon in the preparation of the National Authority for the Campaign Against Alcohol and Drug Abuse's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the National Authority for the Campaign Against Alcohol and Drug Abuse will not remain a going concern for at least the next twelve months from the date of this statement.

**NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018**

a) Approval of the financial statements

The NACADA's financial statements have been prepared in accordance with Section 81 of the PFM Act and were approved by the Board on _____ 2018 and signed on its behalf by:



Director



Director



REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
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 NACADA ALCOHOLIC DRINKS CONTROL FUND FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of NACADA Alcoholic Drinks Control Fund set out on pages 21 to 48, which comprise the statement of financial position as at 30 June 2018, 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 matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the NACADA Alcoholic Drinks Control Fund as at 30 June 2018, and of its financial performance and its cash flows for the year then ended, in accordance with international Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Discrepancies in Interest Earned from Treasury Bills

The statement of financial performance as at 30 June 2018 reflects interest earned-exchange transaction of Kshs.13,027,769. This amount, as disclosed in Note 6 to the financial statements, includes interest from treasury bills of Kshs.8,377,941. However, bank statements reflect interest earned of Kshs.8,971,750 while the general ledger shows an amount of Kshs.8,913,698. The resulting discrepancies between the three sets of records have not been clarified by the management.

Consequently, it has not been possible to confirm the accuracy and completeness of interest from treasury bills of Kshs.8,377,941 included in the interest earned –exchange transaction in the statement of financial performance for the year ended 30 June 2018.

Report of the Auditor-General on the Financial Statements of NACADA Alcoholic Drinks Control Fund for the year ended 30 June 2018

2. Outstanding Imprests

The statement of financial position as at 30 June 2018 reflects receivables from exchange transactions balance of Kshs.178,582,956 which includes imprests' debtors of Kshs.6,649,331. The imprests ought to have been recovered or accounted for on or before 30 June 2018. No reason has been provided for failure to surrender or account for the imprests.

In the circumstances, it has not been possible, therefore, to confirm the recoverability of the imprests' debtors balance of Kshs.6,649,331 included under receivables from exchange transactions.

3. Long Outstanding Receivables and Payables

The receivables and trade and other payables from exchange transactions balances of Kshs.178,582,956 and Kshs.52,545,737, respectively reflected in the statement of financial position as at 30 June 2018 includes balances which have been outstanding for more than three years in respect of the receivables from exchange transactions (Kshs.3,377,087) and trade and other payables (Kshs.2,920,034) all totaling to Kshs.6,297,121. No explanation has been provided for failure to clear the outstanding balances.

Consequently, it has not been possible to ascertain the recoverability of the long outstanding receivables from exchange transactions amounting to Kshs.3,377,087 or the ability to settle long outstanding and trade and other payables of Kshs.2,920,034.

4. Unreconciled Difference Between the Financial Statements and Bank Statements

The statement of financial position as at 30 June 2018 reflects cash and cash equivalents balance of Kshs.210,619,735. As disclosed under Note 17 to the financial statements, the balance includes staff car loan/mortgage scheme funds amounting to Kshs.82,959,799. However, the bank statement in respect of the Fund's fixed term deposit account No.2016343401-0 at HFC Head office reflects a balance of Kshs.80,062,178 in respect of the staff car/loan mortgage scheme as at 30 June 2018. The resultant difference of Kshs.2,897,621 has not been explained.

In the circumstances, it has not been possible to ascertain the completeness and accuracy of the staff car loan/mortgage scheme balance of Kshs.82,959,799 included in the cash and cash equivalents in the statement of financial position as at 30 June 2018.

5. Receivables from Exchange Transactions

As disclosed under Note 19 to the financial statements, receivables from exchange transactions balance of Kshs.178,582,956 includes non-current receivables in respect of a staff mortgage of Kshs.159,785,422. However, the bank statement in respect of the

mortgage scheme deposit account No.2016343101-0 at HFC Head office reflects a balance of Kshs.162,682,795. The resultant difference of Kshs.2,897,373 has not been explained or reconciled.

In the circumstances, it has not been possible to ascertain the accuracy and completeness of the staff mortgage scheme balance of Kshs.159,785,422 included under non-current receivables from exchange transactions.

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

Material Uncertainty in Relation to Sustainability of Services

I draw attention to a disclosure in Note 5 to the financial statements which indicates that liquor licensing which used to be the major source of income for the Fund was devolved to the Counties under the Constitution of Kenya, 2010. As a result, during the year ended 30 June 2018 the Fund recorded a deficit of Kshs.358,143,080 (2017: a deficit of Kshs.268,868,280). The deficit for the period eroded accumulated surplus from Kshs.723,401,040 as at 30 June 2017 to Kshs.363,837,305 as at 30 June 2018. This deterioration in the financial performance and position is an indication of the existence of a material uncertainty which may cast a significant doubt on the Fund's ability to sustain its services.

However, as disclosed and explained by the management, the financial statements have been prepared on a going concern basis on the assumption that the Fund will continue to receive financial support from the National Government. My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matters described in the Basis for Qualified Opinion and Material Uncertainty

in Relation to Sustainability of Services sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Qualified Opinion and Material Uncertainty in Relation to Sustainability of Services sections of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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 and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, management is responsible for assessing the ability of NACADA Alcoholic Drinks Control Fund to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the Fund or cease operations, or have no realistic alternative but to do so.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

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

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

within a timely period by employees in the normal course of performing their assigned functions.

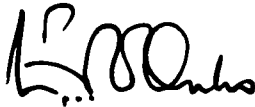
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the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

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

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

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

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



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

Nairobi

2 April 2019



NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018

X. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

	Note	2017-2018 Kshs	2016-2017 Kshs
Income			
Liquor Licensing (non-exchange transaction (Alcoholic Drinks Control Act 2010))	5	13,093,830	16,400,737
Interest Earned-Exchange Transaction	6	13,027,769	42,611,926
Other Income	7	908,530	4,815,178
Total Income		27,030,129	63,827,841
Expenses			
Refund of Licenses	8	15,000	493,634
Employee costs	9	68,907,173	49,592,798
Remuneration of directors	10	30,094,119	18,624,120
Depreciation and amortization expense	21	9,129,806	10,104,672
Repairs and maintenance	11	8,136,960	7,696,210
Campaign Expenses	12	87,947,557	72,076,102
Traveling Expenses	13	71,762,630	52,240,597
General expenses	14	69,326,189	69,745,536
Training & Research	15	33,669,227	29,651,201
Support to liquor licensing committees	16	6,184,548	22,471,250
Total Expenses		385,173,209	332,696,121
		(358,143,080)	(268,868,280)
Deficit for the period			

The notes set out on pages 27 to 44 form an integral part of these Financial Statements.



**NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018**

XI. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

		2017-2018 Kshs	2016-2017 Kshs
Assets			
Current assets			
Cash and cash equivalents	17	210,619,735	656,585,451
Receivables from exchange transactions	19	178,582,956	99,721,511
		389,202,691	756,306,962
Non-current assets			
Property, plant and equipment	21	27,770,351	31,736,287
		416,973,042	788,043,249
Total assets			
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions		52,545,737	64,052,209
Provisions-Audit Fee		580,000	580,000
	20	53,125,737	64,632,209
Total liabilities			
Net assets		363,847,305	723,411,040
Reserves-Capital Fund		10,000	10,000
Accumulated surplus		363,837,305	723,401,040
Total net assets and liabilities		363,847,305	723,411,040

The Financial Statements set out on pages 21 to 26 were signed on behalf of the Board of Directors by:


C.E.O
Name:

Head of Finance

Name: *SAMUEL Omuwela Makeni*

ICPAK Number: *8431*

Chairman of the Board

Name:

Date: *19/2/2019*

Date: *19/2/2019*

Date: *19/2/2019*

XII. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2018

		Reserves		
	Self-insurance reserve	Capital replacement development reserve/Capital Reserve	Accumulated surplus	Total
	Kshs	Kshs	Kshs	Kshs
Balance as at 1 July 2016		10,000	1,052,269,320	1,052,279,320
Transfer to Parent Ministry			(60,000,000)	(60,000,000)
Deficit for the period			(268,868,280)	(268,868,280)
Prior year adjustment adjusted *			(1,420,655)*	(1,420,655)*
Balance as at 30 June 2017		10,000	721,980,385	721,990,385
Balance as at 1 July 2017		10,000	721,980,385	721,990,385
Surplus/(deficit) for the period	-	-	(358,143,080)	(358,143,080)
Balance as at 30 June 2018		10,000	363,837,305	363,847,305

- The interest earned and accounted for in 2016-2017 was overstated by Kshs 1,420,655

NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018

STATEMENT OF CASH FLOWS AS AT 30 JUNE 2018

	Notes	2017-2018 Kshs	2016-2017 Kshs
Cash flows from operating activities			
Receipts			
Liquor Licensing (non-exchange transaction (Alcoholic Drinks Control Act 2010)	5	13,093,830	16,400,737
Interest Earned-Exchange Transaction	6	13,027,769	42,611,926
Other Income	7	908,530	4,815,178
Total Receipts		27,030,129	63,827,841
Payments			
Refund of Licenses	8	15,000	493,634
Compensation of employees	9	68,907,173	49,592,798
Remuneration of Board of Directors	10	30,094,119	18,624,120
Repairs & Maintenance	11	8,136,960	7,696,210
Campaign Expenses	12	87,947,557	72,076,102
Travelling Expenses	13	71,762,630	52,240,597
General Expenses	14	69,326,189	69,745,536
Training & Research	15	33,669,227	29,651,201
Support for Liquor Licensing Committees	16	6,184,548	22,471,250
Total Payments		376,043,403	322,591,449
Net cash flows from operating activities		(349,013,274)	(258,763,608)
Cash flows from investing activities			
Purchase of property, plant, equipment	21	(5,163,870)	(4,320,772)
Proceeds from sale of property, plant and Equipment	-	-	-
Increase /Decrease in non-current receivables		(78,861,445)	(29,780,758)
Increase /Decrease in non-current liabilities		(11,506,472)	(27,140,890)
Net cash flows used in investing activities		(95,531,786)	(61,242,420)
Cash flows from financing activities			
Prior year adjustment -Interest		(1,420,655)	-
Repayment of borrowings		-	-
Transfer to the Parent Ministry		-	(60,000,000)
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		(445,965,716)	(380,006,028)
Cash and cash equivalents at 1 July		656,585,451	1,036,591,479
Cash and cash equivalents at 30 June	17	210,619,735	656,585,451

NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018

III. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE PERIOD ENDED 30 JUNE 2018

	Original budget		Adjustments		Final budget		Actual on comparable basis		Performance difference		Variance percentage
	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs	2017-2018	Kshs	
Income											
Liquor Licensing	-	-	-	-	-	-	13,093,830	13,093,830	13,093,830	13,093,830	100%
Accumulated Reserves	330,000,000		64,780,000		394,780,000		394,780,000	-			
Interest Earned	7,500,000				7,500,000		13,027,769	5,527,769	5,527,769	74%	
Other Income	-				-		908,530	908,530	908,530	100%	
Total income	337,500,000		64,780,000		402,280,000		421,810,129	19,530,129			
Expenses											
Refund of license fee	-		-		-		15,000	(15,000)	(15,000)	100%	
Staff cost	57,038,019		16,780,000		73,818,019		68,907,172	491,0847	491,0847	7%	
Board Expenses	21,500,000		7,000,000		28,500,000		30,094,119	(1,594,119)	(1,594,119)	(6)%	
Depreciation	-						9,129,806	(9,129,806)	(9,129,806)	(100)%	
Repairs & Maintenance	8,550,000				8,550,000		8,136,961	413,039	413,039	5%	
Campaign Expenses	59,801,440		13,000,000		72,801,440		87,947,557	(15,146,117)	(15,146,117)	(21)%	
Travelling Expenses	56,750,000		15,000,000		71,750,000		71,762,630	(12,630)	(12,630)	(1)%	
General Expenses	77,260,541		3,000,000		80,260,541		69,326,189	10,934,352	10,934,352	15%	
Training & Research	39,100,000				39,100,000		33,669,227	5,430,773	5,430,773	14%	
Support to County Governments	-		10,000,000		10,000,000		6,184,548	3,815,452	3,815,452	38%	
Total expenditure	320,000,000		64,780,000		384,780,000		385,173,209	(393,209)			
Surplus for the period	17,500,000		-		17,500,000		36,636,919	19,923,338			

NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018

Budget notes

1. Liquor licensing though devolved some counties had not put in place necessary legal framework hence continued to license though NACADA.
2. Interest earned from Treasury bills and Mortgage deposit fund performed well due to cross monitoring by Finance Unit.
3. The revenue was not predictable as it relates to one month's salary in lieu of notice
4. It is not possible to budget for refunds as there are un predictable.
5. Authority had planned to replace three senior staff during the year but the excise extended to the following financial year.
6. Due to lean budgets the authority is unable to provided budget for depreciation /sinking fund to replace the assets relies on the National treasury to provide development budget for replacement of fixed assets.
7. Management undertook RRI activities during the year which were partly financed by the parent Ministry and the Authority however the spending surpassed the budgeted campaign amount
8. Medical insurance for the period had a prepayment at the beginning of the quarter.

9. The Authority had planned to train staff to enhance their skills however undertook RRI activities from February throughout to July which intensive and involved all staff ,hence training was shelve for some staff to enable them participate in the RRI activities.

10. Sub counties licensing committee s are entitled to fifty percent of liquor licensing fee as per Alcoholic Drinks Control Act 2010 to enable them meet their administrative cost. This is not part of the Authority's activities as such not budgeted.

XIV. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018

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

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

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

NACADA Authority adopted IPSAS in the year ended 30 June 2014

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i. Revenue from non-exchange transactions

Liquor Licensing

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

Other Income

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

ii. Revenue from exchange transactions

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

Interest income

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

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly on 08/06/2017. 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 Nacada upon receiving the respective approvals in order to conclude the final budget. Accordingly, Nacada recorded additional appropriations of 330 M on the 2017-2018 budget following the governing body's approval.

The Nacada'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

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

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

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

c) Property, plant and equipment

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

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

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

d) Research and development costs

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

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

e) Financial instruments

Financial Assets

Receivables

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

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

f) Financial liabilities

Payables

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

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

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

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

g) Provisions

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

Contingent liabilities

Nacada 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 not remote.

Contingent assets

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

h) Nature and purpose of reserves:

Capital reserve

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

Revenue reserves

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

l) Changes in accounting policies and estimates

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

j) Employee benefits

Retirement benefit plans

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

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

k) Foreign currency transactions

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

l) Borrowing costs

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

m) Related parties

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

n) Service concession arrangements

NACADA Authority does not have service concession arrangements.

o) Cash and cash equivalents

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

p) Comparative figures

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

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

q) 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, 2018.

5. Liquor Licensing Income

Description	2017-2018	2016-2017
	Kshs	Kshs
Received amount	1,465,000	2,662,000
Direct Credit to the Bank	11,628,830	13,738,737
Total revenue	13,093,830	16,400,737

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

6. Interest Earned Income

Description	2017-2018	2016-2017
	Kshs	Kshs
Interest from Treasury Bills	8,377,941	33,037,825
Interest from Fund Managers	-	-
Interest from Staff Mortgage Fund	4,649,827	9,574,101
Total	13,027,769	42,611,926

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

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

7. Other Income

Description	2017-2018	2016-2017
	Kshs	Kshs
Erroneous accrued liability from consultant	-	2,138,755
Erroneous omission of commitment expensed	-	312,608
Legal expenses reimbursed by former Employee	-	300,480
Estimation error in supply of Stationary	-	84,500
Estimation error in hire of Training facility	-	1,712,100
Estimation error in supply of campaign materials	-	225,000
Estimation error in Contractual retention amount	-	41,735
Recoveries from expensed amount	31,908	-
Sponsorship Colombo Activity	139,804	-
Outstanding credit by pension fund utilized	669,418	
One Month's salary in lieu of notice	67,400	-
Total	908,530	4,815,178

Recoveries was made from surrendered imprest from a staff, an accountant resign from Authority without prior notice and opted to pay one month's salary in lieu of notice.

8. Refund of License

	2017-2018	2016-2017
	Kshs	Kshs
Actual refund of license fee	15,000	95,000
Court award on licensee	-	279,836
Auctioneers fee on court award	-	118,798
Total amount	15,000	493,634

9. Employee costs

	2017-2018	2016-2017
	Kshs	Kshs
Salaries and wages	27,781,986	18,440,306
Pension Costs	16,221,008	16,557,971
Housing benefits and allowances	24,832,978	14,522,522
Social contributions-NSSF	71,200	72,000
Employee costs	68,907,172	49,592,798

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

10. Board Expenses

Description	2017-2018	2016-2017
	Kshs	Kshs
Conferences, Seminars & Committees	26,907,055	14,051,419
Board Allowances	3,187,064	4,572,701
Total	30,094,119	18,624,120

11. Repairs & Maintenance

Description	2017-2018	2016-2017
	Kshs	Kshs
Furniture & Fittings	320,029	669,850
Motor Vehicles	7,551,832	6,117,172
Computers & IT Equipment	265,100	909,188
Total	8,136,961	7,696,210

12. Campaign Expenses

Description	2017-2018	2016-2017
	Kshs	Kshs
Printing & Publishing	5,345,690	2,944,561
Advertising & Publicity	66,126,535	53,441,164
Subscription fee for Newspaper	939,782	771,026
Catering Expenses	9,189,468	9,283,938
Trade Show & Exhibitions	930,633	968,299
Consultancy Services	5,415,449	4,667,113
Total	87,947,557	72,076,102

13. Travelling Expenses

Description	2016-2018	2016-2017
	Kshs	Kshs
Domestic Travelling Cost	14,532,613	9,916,011
Domestic Accommodation	52,331,442	38,452,360
Foreign Travelling Cost	914,392	492,392
Foreign Subsistence	3,984,183	3,379,835
Total	71,762,630	52,240,597

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

14. General expenses

Description	2017-2018	2016-2017
	Kshs	Kshs
Communication & Supplies	9,006,441	7,771,811
Rental & Parking	28,164,632	28,170,730
Audit fees	580,000	580,000
Office & General Supplies	3,727,444	2,655,653
Medical Insurance	18,054,702	23,127,542
Motor Vehicle Insurance	2,205,068	1,833,728
Bank charges	323,581	274,895
Fuel and oil	5,955,798	4,445,338
Cleaning Services	1,308,524	885,840
Total general expenses	69,326,189	69,745,536

15. Staff Training & Research

Description	2017-2018	2016-2017
	Kshs	Kshs
Research	4,759,700	8,599,268
Staff Training	11,092,782	5,274,547
Hire of Training Facility	17,816,745	15,777,387
Total expenses	33,669,227	29,651,201

16. Support to liquor licensing committees

Description	2017-2018	2016-2017
	Kshs	Kshs
A.I.E issued sub Counties	4,005,000	13,513,250
A.I.E balance received from Sub Counties	-	(122,000)
A.I.E issued to County Commissioners	-	9,330,000
A.I.E balance received from County Commissioners	-	(250,000)
Supporting Rehabilitation centers	2,179,548	
Total expenses	6,184,548	22,471,250

17. Cash and cash equivalents

Description	2017-2018	2016-2017
	Kshs	Kshs
Current account On - call deposits	127,610,621	97,816,155
Fixed deposits account-Treasury Bill	-	491,086,302
Staff car loan/ mortgage	82,959,799	67,570,501
Other(specify)-cash in hand	49,316	112,493
Total cash and cash equivalents	210,619,735	656,585,451

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

18. Detailed analysis of the cash and cash equivalents

		2017-2018	2016-2017
Financial institution	Account number	Kshs	Kshs
a) Current account			
Kenya Commercial bank	1125676671	375,920	20,417,418
Kenya Commercial bank	1142111814	743,049	618,408
Kenya Commercial bank	1142111962	29,830	4,078
Kenya Commercial bank	1142112098	(1,320)	5,564
Kenya Commercial bank	1149503823	106,628	108,174
Kenya Commercial bank	1142112187	(1,120)	179,030
Cooperative Bank	1141134561900	126,357,634	76,483,483
Fixed deposits account-TB		-	491,086,302
Sub Total		127,610,621	588,902,457
b) Staff car loan/ mortgage			
Housing Finance Bank HFC	2016343401	82,959,799	67,570,501
Sub- total		82,959,799	67,570,501
c) Others(specify)			
cash in hand		49,316	112,493
Sub- total		49,316	112,493
Grand total		210,619,735	656,585,451

19. Receivables from exchange transactions

Description	2017-2018	2016-2017
	Kshs	Kshs
Current receivables		
Interest from Treasury Bills	-	3,820,156
Legal Deposit	100,000	100,000
Imprest Debtors	6,649,331	306,205
Earnest & Young	3,119,986	3,119,986
Toyota Kenya	59,709	59,709
Staff debts	167,213	196,463
Safaricom	97,392	97,392
CO-OP Bank	58,053	
KRA-VAT	735	
KRA-PAYE	87,554	18,000
AIE Outstanding	8,462,000	-
Total current receivables	18,797,534	7,717,911
Non-current receivables		
Staff Mortgage	159,785,422	92,003,600
Total non-current receivables	159,785,422	92,003,600
Total receivables	178,582,956	99,721,511

20.Trade and Other payables

	2017-2018	2016-2017
	Kshs	Kshs
Kenafic Diaries	36,000.00	36,000.00
Nation Media Group	32,185.00	32,185.00
Presbyterian guest house	209,300.00	209,300.00
Kenya Broadcasting Corporation	-	1,710,000.00
Standard Group Ltd	57,727.00	57,727.00
Audit fees	2,320,000.00	1,740,000.00
Bibilia Husema	-	464,000.00
The Star	6,750.00	6,750.00
Rift Valley Technical Training Institute	70,000.00	70,000.00
GOK Grant Account	26,508,174.00	43,492,959.00
Crinon Enterprises Ltd	41,638.00	41,638.00
Jamii Telecom	100,000.00	100,000.00
Kenya Literature Bureau	539,910.00	324,800.00
Africa General Entertainment	20,000.00	20,000.00
Safaricom Ltd	577,916.00	298,203.00
Peak Destiny International	23,000.00	23,000.00
Kenya Institute of Curriculum Development	240,700.00	240,700.00
Centre for Devolved Government	202,000.00	202,000.00
Eldoret Polytechnic	461,460.00	461,460.00
Kenya School of Government	40,100.00	40,100.00
Britam	408,069.00	408,069.00
Bunson Enterprises	14,000.00	14,000.00
Kenya Literature Bureau	112,300.00	112,300.00
Toyota Kenya	1,304,691.00	598,462.00
Down to Earth Technology	735.00	735.00
Richard Ngunjiri Maina	945,575.00	1,040,233.00
PAYE	1,257,626.00	1,931,115.00
Withholding Vat 6 percent	750,944.00	1,840,742.00
Cleon Enterprise	-	385,000.00
Flogin East Africa ltd	-	671,000.00
Pwani university	385,050.00	385,050.00
UNES University Bookstore	338,955.00	313,345.00
Actsure Office solutions ltd	-	705,000.00
Limber Solution ltd	-	896,565.00

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

Deltatech Solutions	179,200.00	179,200.00
Sai Raj	9,280.00	9,280.00
Wicklite Enterprises	80,000.00	80,000.00
Instigate General Supplies	172,000.00	172,000.00
Sijoja General Merchants	-	1,175,000.00
Joycode Enterprises	697,000.00	395,000.00
Maxcom Enterprises	-	395,000.00
Broyake Enterprises	-	1,100,000.00
Kenya Bureau of Standards	480,000.00	480,000.00
Summit Human Resource	-	721,160.00
Concern Development Consultants	-	996,000.00
Staff debts	25,101.00	57,131.00
Elavic Supplies	1,988,500.00	-
Ucom Enterprises	230,500.00	-
Warindi General Merchants	1,900,000.00	-
Machakos University	514,700.00	-
Government Advertising Agency	1,264,320.00	-
Kenya School of Government	788,800.00	-
Sarova Panafric	79,800.00	-
Tom Mboya Labour Colloge	234,000.00	
Utalii Hotel	368,000.00	
Cicom Enterprises	24,000.00	
Skycorp Technology	1,187,454.00	
UON Business Dept.of Management	614,800.00	
Sai Office Supplies	67,048.00	
DT Dobie	338,810.00	
Bokoh Ltd	114,495.00	
Adventure Enterprises	101,900.00	
Savoy Contractors Ltd	163,950.00	
Starbotech Suppliers Ltd	814,580.00	
Bridgetech Investment Ltd	738,375.00	
Novacott Industries	1,300,000.00	
Gika Enterprise	1,116,000.00	
Denalus Merchants	188,798.00	
Roofs Kenya Ltd	57,450.00	
NSSF-Rent	282,071.00	
Total	53,125,737.00	64,632,209.00

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

21. Property, plant and equipment

	Motor vehicles		Furniture and fittings		Computers & Equipment		Total	
	Kshs		Kshs		Kshs		Kshs	
Cost								
At 1 July 2017	48,594,836.00		11,816,784.00		17,210,480.00		77,622,100.00	
Additions	-		-		5,163,870.00		5,163,870.00	
Disposals	-		-		-		-	
Transfers/adjustments	-		-		-		-	
At 30th June 2018	48,594,836.00		11,816,784.00		22,374,350.00		82,785,970.00	
Depreciation and impairment								
At 1 July 2017	32,123,545.00		3,379,998.00		10,382,270.00		45,885,813.00	
Depreciation	4,117,822.00		1,054,598.00		3,957,386.00		9,129,806.00	
Impairment	-		-		-		-	
At 30 June 2018	36,241,367.00		4,434,596.00		14,339,656.00		55,015,619.00	
Net book values								
At 30 th June 2018	12,353,469.00		7,382,188.00		8,034,694.00		27,770,351.00	
At 30 th June 2017	16,471,291.00		8,436,786.00		6,828,210.00		31,736,287.00	

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22. Cash generated from operations

	2017-2018	2016-2017
	Kshs	Kshs
Surplus for the year before tax	(358,143,080)	(268,868,280)
Adjusted for:		
Depreciation	9,129,806	10,104,672
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	(349,013,274)	(258,763,608)

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

23. Financial Risk Management

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

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

	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2018				
Receivables from exchange transactions	215,154	215,154	-	-
Receivables from non-exchange transactions	178,370,802	178,370,802	-	-
Bank balances	210,619,735	210,620,043	-	-
Total	389,205,691	389,205,691	-	-
At 30 June 2017				
Receivables from exchange transactions	3,279,695	3,279,695	-	-
Receivables from non-exchange transactions	96,441,816	96,441,816	-	-
Bank balances	656,585,451	656,585,451	-	-
Total	756,306,962	756,306,962	-	-

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

(ii) Liquidity risk management

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

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

	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
At 30 June 2018				
Trade payables	28,200,482	-	21,347,629	49,548,111
Current portion of borrowings	-	-	-	-
Provisions	580,000	-	1,740,000	2,320,000
Deferred income	-	-	-	-
Employee benefit obligation	1,257,626	-	-	1,257,626
Total At 30 June 2017	30,038,108	-	23,087,629	53,125,737
Trade payables	16,855,318	-	44,105,776	60,961,094
Current portion of borrowings	-	-	-	-
Provisions	580,000	-	1,160,000	1,740,000
Deferred income	-	-	-	-
Employee benefit obligation	1,165,189	-	-	1,165,189
Total	18,600,507	-	45,265,776	63,866,283

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

Financial Risk Management (Continued)

(iii) Market risk

NACADA Authority is not a trading institution and as such it's not exposed to Market risk

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

Capital Risk Management

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

	2017-2018		2016-2017
	Kshs		Kshs
Revaluation reserve			-
Retained earnings	363,837,305		723,401,040
Capital reserve	10,000		10,000
Total funds	363,847,305		723,411,040
Total borrowings	-		-
Less: cash and bank balances	(210,619,735)		(656,585,451)
Net debt/(excess cash and cash equivalents)	153,227,570		656,585,451
Gearing	%		%

24. Related Party Balances

a) Nature of related party relationships

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

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Related Party Balances	2017-2018	2016-2017
a) Due from Parent Ministry	-	-
b) Directors'	30,094,119	18,624,120
c) Due to GoK Account	26,508,174	43,492,959

25. Contingent assets and contingent liabilities

NACADA currently has no feasible contingent assets or contingent liabilities

26. Events after the reporting period

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

27. Ultimate and Holding Entity

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

28. Currency

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

NACADA-Alcoholic Drinks Control Fund
Reports and Financial Statements
For the year ended June 30, 2018

XV. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1	Liquor Licensing Fee-Statement of Financial performance reflects an amount of Kshs. 16,400,737 against income from licensing for the year ended 30 th June 2017.No. satisfactory explanation has been provided for the continued collection of the fee by the Fund contrary to the provisions of section 4(C), part two of the fourth schedule of the Constitution of Kenya. The regularity of the income of Kshs. 16,400,737 could not be confirmed under the circumstances.	The Liquor licensing was devolved under schedule four of the Constitution. The Counties which have put in place framework of liquor licensing have taken over the Function. Those that are yet to put in place framework are licensing under Alcoholic Drinks Control Act 2010 till they formally take over the function of Licensing. Therefore, licensing income of Kshs.16,400,737.00 is from those Counties that have not put in place legal framework for liquor Licensing. NACADA continuing the licensing of those sub-Counties that have not put in place legal framework is legal as there is no vacuum in Law.	CEO	Not Resolved	Ongoing
2	Staff Car Loan and Housing Mortgage Schemes (i) Interest Earned Although it is disclosed under Note 7 to the financial statements	(i) The interest paid is a floating rate that is determined depending on the amount available in the account at any given time. Please note that this is not a fixed account where the interest rate can be	DCS	Not resolved	December 2018.

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018

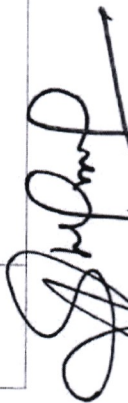
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>that the Fund earned interest from the staff</p> <p>Mortgage Fund amounting to Kshs. 9,574,101 during the year under review, the rate of interest has not been indicated.</p> <p>(ii) Unaccredited Principal Amounts</p> <p>Principal amounts of Kshs. 1,162,718 and Kshs.271, 904 received by HFC Limited in respect of Staff housing Mortgage scheme and car loan scheme respectively, appear not to have been credited to the staff housing Mortgage and Car Loan Bank account.</p>	<p>determined in advance. However, the Bank did indicate that the interest rate earned by Authority 7% and continued applying interest rate above 7 % despite CBR coming into effect.</p> <p>(ii) Management wrote to the bank raised the omission of crediting the principal repayment back to the Mortgage bank account. The banks view was to credit the principal every quarter; however, Management recommended that the principal be credited every Month once recoveries through check off has been remitted to HFC. All unaccredited principal amount by 30th June 2017 have now been credited to NACADA deposit account by 9th June 2018.</p>			
3	<p>Inaccuracy of Cash and Cash Equivalents.</p> <p>(i) The statement of financial position reflects cash and cash equivalents balance of Ksh.656, 585,451 and as disclosed in Note 17 to the financial statements, which includes an amount of</p>	<p>(i)The adjusted financial statement which was forwarded to the Office of Auditor General reflects cash and cash equivalent of Kshs.656, 585,451 which includes Kshs.67, 570,501 relating to staff car Loans/home Mortgage. This is different from initial figures of Kshs.656, 822,480 for cash and cash equivalent and Kshs. 67,781,647 being the cash balance held by HFC. The main</p>	DCS	Resolved	December 2018.

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
For the year ended June 30, 2018


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	<p>Kshs.67, 781,647 relating to staff car loans/Mortgage. However, the cash book and certificate of bank balance for the staff car loans/Mortgage schemes accounts reflects Kshs. 65,961,121 and Kshs. 94,570,636, respectively. The resulting difference of Kshs.1, 820,526 and Kshs.26, 788,989, respectively have not been explained.</p> <p>(ii) The schedules of bank reconciliation statements for the year under review includes a direct credit of Kshs.28,609,515 whose source has not been disclosed and the same is not reflected in the cash book.</p> <p>(iii) Disclosed also in Note 17 is a balance of Kshs.491, 086,302 in respect of fixed deposit account-Treasury Bill. The investment in the Treasury Bill is not, however supported by Central Bank of</p>	<p>reason for the difference is as a result of the bank had not provided more information regarding the component of the monthly instalment recovered from mortgage holders. These components are principal amount, Interest amount, Bank charges and the insurance amount. Only the instalment component and the interest component were initially accounted for. The difference between the initial figure of Kshs.67, 781,647 and the adjusted figure of Kshs.67, 570,501 is Kshs 211,519 which is the amount of ledger fee and insurance fee charged to the Mortgage holders.</p> <p>(ii) The initial bank reconciliation statement reflects direct credit of Kshs. 26,788,989.60. while adjusted bank reconciliation statement reflect a direct credit of Kshs. 27,000,136.14. The Bank in May 2017 advanced Mortgage to NACADA Staff of Kshs. 13,900,000 but erroneously credited NACADA deposit account with the amount. The effect of this error of commission is overstatement of the bank balance by Kshs 27,800,000 compared to the cash book balance.</p> <p>(iii) NACADA Opened a CDS accounts</p>			

National Authority for the campaign against Alcohol and Drug Abuse
Reports and Financial Statements
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	<p>Kenya CDS account in the name of the fund, the account statements for 2016/2017 and balance as at 30th June 2017.</p> <p>In the circumstances it is not possible to confirm full existence and accuracy of cash and cash equivalents balance of Kshs. 656,585,451 as at 30th June 2017</p>	<p>with Central Bank and used it during 2017/2018 financial year for treasury Bills investment.</p>			


Mr. Victor G. Okionga, EBS
Chief Executive Officer

Date 19/2/2019


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

Date 19/2/2019

11
12