

REPUBLIC OF KENYA



Enhancing Accountability



**REPORT
OF
THE AUDITOR-GENERAL
ON
NATIONAL AIDS CONTROL
COUNCIL
FOR THE YEAR ENDED
30 JUNE, 2022**



OFFICE OF THE ATTORNEY GENERAL
P. O. BOX 10001 - 00100 NAIROBI
KENYA

24 MAR 2023

RECEIVED

NATIONAL AIDS CONTROL COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDING
30TH JUNE 2022

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

**NATIONAL AIDS CONTROL COUNCIL
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

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ABBREVIATIONS AND ACRONYMS

ANC	Antenatal Care
AYP	Adolescents and Young People
CAIPs	County AIDS Implementation Plans
CAPR	Community Activities Program Reporting
CoG	Council of Governors
GF	Global Fund
HAT	HIV AIDS Tribunal
KASF	Kenya AIDS Strategic Framework
KICD	Kenya Institute of Curriculum Development
NACC	National AIDS Control Council
NCD	Non-Communicable Disease
NGO	Non-Governmental Organization
PMTCT	Prevention of Mother to Child Transmission
PSASB	Public Sector Accounting Standard Board
SGBV	Sexual and Gender Based Violence

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1. KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

The National AIDS Control Council (NACC) was established under Section 3 of the State Corporations Act Cap 446 through the National AIDS Control Council Order, 1999 published vide Legal Notice No. 170 of 1999.)

The entity has its headquarters at the Landmark Plaza, Argwings Kodhek Road, Nairobi. It has 18 regional offices as shown below.

Regional Offices

REGION	COUNTIES	OFFICE PHYSICAL ADDRESS
REGION 1	Mombasa (Kilifi, Kwale Taita Taveta)	County HQs, Uhuru Na Kazi Bldg, 7th Floor, Mombasa
REGION 2	Garissa (Lamu, Tana River)	Regional Commissioner's Office, 1st Floor, Garissa .
REGION 3	Wajir (Mandera)	Wajir East MOH Office, County Referral Hospital, 3rd Room .
REGION 4	Machakos. (Kitui, Makueni)	County Commissioner's, Office, Machakos .
REGION 5	Nairobi (Kajiado, Kiambu)	Nyayo Hse, 4th Floor, Nairobi .
REGION 6	Isiolo (Marsabit)	Isiolo North CDF Office, 1st Floor, Isiolo .
REGION 7	Meru (Tharaka Nithi, Embu)	Regional Coordinator's Office. Ground Floor, Room 18, Embu .
REGION 8	Nakuru (Narok, Bomet, Kericho)	Regional Coordinator's Office, Block A, 1st Floor, Nakuru .
REGION 9	Kisii (Nyamira)	Ministry of Planning & Devolution. Kisii .
REGION 10	Homabay (Migori)	County Commission Office, Homabay .
REGION 11	Kisumu (Siaya)	Nyanza Regional HQs, 6th Floor, Room C.
REGION 12	Busia (Bungoma)	Department of Immigration Bldg, 1st Floor.
REGION 13	Vihiga (Kakamega)	Western Regional Commissioner's Office, 2nd Floor, Block B, Room 74, Kakamega .
REGION 14	Turkana	IEBC Offices Opposite, Huduma Centre Turkana .
REGION 15	West Pokot (Trans Nzoia)	County Commissioner's Bldg, 2nd Floor, Room 3, Trans Nzoia .
REGION 16	Baringo (Elgeyo Marakwet, Uasin Gishu , Nandi)	County Commissioner's Office, 2nd Floor, Room 210, Eldoret .
REGION 17	Nyeri (Kirinyaga, Murang'a)	County Commissioner's Bldg, Annex A Nyeri .
REGION 18	Laikipi (Nyandarua, Samburu)	Nyandarua Bldg , Nyahururu Post Office 1st Floor, Nyahururu .

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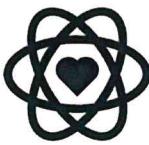
Our Vision

To be a global leader in providing people-centred solutions to ending epidemics.



Our Mission

To lead a people-centred response to end AIDS and related epidemics as public health threats in Kenya.



Our Values

The Core Values of the National AIDS Control Council constitute fundamental beliefs. These Core Values are drawn from the national values and principles of governance anchored in the Constitution of Kenya. NACC shall be guided by these Values in pursuit of its Vision and Mission.

Integrity

To act with honesty, fairness, and transparency in working with all stakeholders and in our internal operations.

Professionalism

To uphold ethics and commitment to high standards of excellence in working with all our stakeholders and in our day-to-day operations.

Accountability

To be responsive and accountable in the services provided and resources made available to ensure effective and efficient HIV response

Diversity

To work with and serve all without fear or favour or discrimination, based on race, tribe, gender, or sexual orientation

Flexibility

To change and be dynamic based on evidence on the disease pattern and the attendant response.

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b) Principal Activities

The National AIDS Control Council is a Not-for-Profit, semi-autonomous government organization that is mandated to coordinate all stakeholders involved in the HIV response in Kenya.

c) The Mandate of the National AIDS Control Council

- i. Develop strategies, policies, and guidelines for the prevention and control of HIV
- ii. Mobilize resources and provide grants to implementing partners in HIV response
- iii. Coordinate and supervise the implementation of the HIV programs in the country
- iv. Identify and address sector-specific training needs and devise appropriate workforce development strategies
- v. Facilitate the setting up of effective sectoral programs for the management and control of HIV
- vi. Mobilize stakeholders, including state and non-state actors to participate in the prevention and management of HIV response
- vii. Develop national management information systems for the HIV response
- viii. Develop appropriate mechanisms for the monitoring and evaluation of HIV and sexually transmitted infections programs
- ix. Lead in the advocacy and public relations for the HIV response and the Council's programs

d) Key Management

The entity's day-to-day management is undertaken by the following key organs:

- i) NACC Council
- ii) Chief Executive Officer
- iii) Management

e) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Chief Executive Officer	Dr. Ruth - Laibon Masha
2.	Ag. Deputy Director, Finance & Administration	CPA, CS, Kenneth O. Nyamolo
3.	Ag. Deputy Director, Policy, Monitoring and Research	Mr. Joshua Gitonga
4.	Ag. Deputy Director, Coordination and Support	Dr. Celestine Mugambi

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f) Fiduciary Oversight Arrangements

The Council through its Committees and the Secretariat has put in place systems aimed at enhancing governance, transparency, and accountability. The Council has four committees as listed below:

- i) Executive Committee
- ii) Finance and Administration Committee
- iii) Programmes Committee
- iv) Audit, Risk and Compliance Committee

A detailed description of the roles, functions and composition of these committees is found under the section on Corporate Governance.

g) NACC Headquarters

Landmark Plaza, 9th Floor
Argwings Kodhek Road
P.O. Box 61307,
Nairobi, KENYA

h) NACC Contacts

Telephone: (254) 20 2896 000
E-mail: communication@nacc.or.ke
Website: www.nacc.or.ke

i) NACC Bankers

- i) Citibank N.A, Upper Hill Branch, P.O. Box 30711-00100, Nairobi, Kenya
- ii) ABSA Bank of Kenya Ltd, Bonyala Road Branch, P.O. Box 18060, Nairobi, Kenya
- iii) Standard Chartered Bank Ltd, Kenyatta Avenue Branch, P.O. Box 40310, Nairobi, Kenya
- iv) NCBA Bank Ltd, NIC House Branch, P.O. Box 44599-00100, Nairobi, Kenya
- v) Co-operative Bank Ltd, Upper Hill Branch, P.O. Box 30415-00100, Nairobi, Kenya

j) Independent Auditors

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

k) Principal Legal Adviser

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

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2. THE COUNCIL



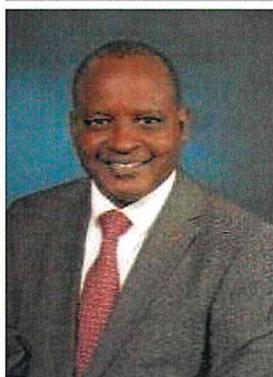
Mr. Geoffrey Mbirua Gitu
Board Chairperson
DOB: 1963
Appointed: March 2022

Mr. Gitu has finance, management and strategy development experience in public and private sectors spanning over thirty years. Most notably, he designed and implemented various strategies for the Food and Agriculture Organization (FAO), the Kenya Tea Development Agency (KTDA), the European Union Business Assistance Scheme and the Ministry of Finance. Mr. Gitu is also a board member of Dr. Kiano Secondary School, Kibutha High School, Chairperson of the Board of Governance of Kanyenyaini Secondary School, and the Chairman of Kangema FM 106.5. He holds a Bachelor's in Commerce and Master of Commerce from Indore University of Science and Technology and Rajasthan State University. Mr. Gitu is the Chair of the Finance and Resource Mobilization Committee and a Strategy and Programmes Committee member.



Dr Ruth Laibon-Masha (PhD)
Board Secretary/Chief Executive
DOB: 1976
Appointed: September 15, 2020

Dr. Masha has a wide-ranging experience in HIV, human rights, gender and sexual and reproductive health programs gained from more than 20 years of experience as a public health expert at the national, regional and global levels. Before her appointment, she served at the Kenya and Geneva offices of the United Nations Joint Programme for HIV and AIDS, ActionAid International, Engender Health and Family Health Options of Kenya. Dr. Masha holds a Ph.D. in Public Health from Jomo Kenyatta University of Agriculture and Technology and a Master of Science in Public Health.



Mr. Moses Njeru Mbaruku - Alternate Board Member to the Principal Secretary, Ministry of Health
DOB: 1966
Appointed: May 25, 2020

Mr. Mbaruku is an experienced administrator, having served in various government administrative positions, rising to his current rank of Secretary Administration in the Ministry of Health. He has led several initiatives to respond to various community issues, including improving community action towards prevention and treatment, care and support for people living with or affected by HIV. Mr. Mbaruku holds a Bachelor of Arts degree in Sociology and Swahili and a Master of Business Administration degree in Entrepreneurship. He is currently a PhD candidate in Leadership and Governance at Jomo Kenyatta University of Agriculture and

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Technology. Mr. Mbaruku is a member of two Board committees: Human Resource and Administration; Finance and Resource Mobilization.



Mr. Patrick Irungu Macharia - Alternate Board Member to the Principal Secretary, The National Treasury
DOB: 1976
Appointed: July 17, 2020

Mr. Macharia holds a Bachelors Degree in Economics from Kenyatta University and is currently pursuing a Masters degree in Economics at the University of Nairobi. As Principal Economist in the Public Debt Management Office at the National Treasury, he is tasked with planning, budgeting and tracking the implementation of foreign-financed projects, among other key responsibilities. Currently, he is handling the World Bank Portfolio. He has over 13 years of experience in the Public Service in development planning and financial matters. Mr. Macharia serves on the Marumi Secondary School Board in Murang'a County and is a member of the Board's NACC Audit, Compliance and Risk Management Committee.



Ms. Caroline Amondi Oloo
Alternate Board Member to The Attorney - General
DoB: 1973
Appointed: July 15, 2021

Caroline Amondi Oloo is an advocate of the High Court of Kenya and holds an LL.B from Mangalore University and L.L.M in International Constitutional and Human Rights Law from Pondicherry University-India. She has over 18 years of working experience and exposure in various fields, including Public Service-in policy administration, legal aid, leadership and management, corporate governance, and audit of management systems; the Private Sector as a legal practitioner and a professional mediator. She has been a pro bono lawyer, a part-time law lecturer and a volunteer Kenyan Sign Language teacher. She serves as a Chief State Counsel in the Office of the Attorney General and Department of Justice. Ms. Oloo is a member of the Strategy and Programmes Committee of the Board.



Mr. Mark Joseph Obuya EBS, MCIArb - Independent Member
DOB: 1957
Appointed: May 10, 2021

Mr. Obuya is an advocate of the High Court of Kenya, arbitrator, certified trustee, chartered insurer, and Patent Agent. He is a seasoned commercial lawyer, finance and insurance professional with over 25 years of experience in leadership with a thorough knowledge of corporate law, alternative dispute resolution mechanisms, medical law, intellectual property law, procurement law, corporate governance, financial markets, investments, labour laws and social security. He has served as President of the Federation of Kenya Employers, Chairman of the Association of Kenya Insurers, Chairman of the Insurance Institute of Kenya, board member National Bank of Kenya, and serves on the Board of Trustees of the National Social Security Fund.

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Mr. Obuya chairs the Board's Audit, Compliance and Risk Management Committee d. He is also a member of the Hu Board's Human Resource and Administration Committee



Dr. Lorna K. Sangale - Independent Member

DOB: 1952

Appointed: May 10, 2021

A holder of a Bachelor of Medicine and Bachelor of Surgery degree (MBChB) from Nairobi University. Dr. Sangale has over forty years of medical practice experience. She has served on various boards dealing with diverse healthcare issues, including the Child Fund, Vision 2030 Delivery Board, Women Corporate Directors - Kenya Chapter: East African Academy of Aesthetic Medicine, the Nairobi Hospital, and Gertrude Children's Hospital and Mater hospital. A renowned Healthcare Management professional, Dr. Sangale has a fellowship from the royal college of surgeons of Ireland and DARCS from England. She is a member of the Kenya Institute of Management, Kenya Medical Association, and the American Academy of Aesthetic Medicine. Dr. Sangale is the Chair of the NACC Human Resource and Administration Committee. She is also a member of the Board's Audit, Compliance and Risk Management Committee.



Ms. Lucy Ghati - Independent Member

DOB: 1975

Appointed: May 10, 2021

Ms. Ghati has worked with and for people living with and affected by HIV for over two decades and has vast experience in rights-based programming, capacity assessment and strengthening, resource mobilization and community HIV outreach programs. She worked at the Kenya Legal & Ethical Issues Network on HIV and AIDS (KELIN) and the National Empowerment Network of People living with HIV/AIDS in Kenya (NEPHAK). Before her appointment, she served in various national and international technical working groups and representative groups for the HIV response. She heads the International Community of Women living HIV and AIDS – Kenya Chapter. Ms. Ghati also serves on the AIDS Vaccine Advocacy Coalition (AVAC) board and is a member of the Multi-Stakeholder Task Team on Community-led AIDS Responses of UNAIDS. Ms. Ghati holds a master's degree in Education and a post-graduate diploma in project management. She is the Chair of the Strategy & Programmes Committee and a member of the Finance and Resource Mobilization Committee.

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3. MANAGEMENT TEAM



**Dr. Ruth Laibon –
Masha (PhD)**
**CEO, National AIDS
Control Council**
Doctor of Philosophy
in Public Health,
Master of Science
Public Health.



Mr. Geoffrey Obonyo
**Head Policy and
Strategy** Master of
Arts in Economics,
Bachelor of Arts
(Economics Major).

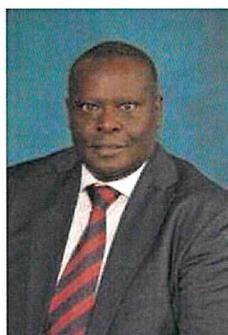


**Dr. Celestine
Mugambi**
**Ag. Deputy Director,
Coordination and
Support**
Master of Science,
Infectious Diseases,
Bachelor of Medicine
& Surgery



**CPA, CS, Kenneth O.
Nyamolo.**
**Ag Deputy Director
Finance and
Administration**
Master of Business
Administration
(Finance), Bachelor of
Law (LLB-UoN)-1st
Class Honours,
Bachelor of
Environmental Studies

(1st class Honours), a member of the Institute of Certified Public Accountants of Kenya (ICPAK), a member of the Institute of Certified Public Secretaries of Kenya (ICPSK), an Accredited Governance Auditor and a member of the Legislative Affairs Sub-Committee of the Public Policy and Governance at ICPAK and Finance and Strategy Committee at ICPSK



**Mr. Edwin Chumo
Kimutai**
**Head, Performance
Management**
Master of Public Health
and Epidemiology,
Advanced
management and
leadership, Dip. in
Environmental Health
Sciences, ISO Lead
Auditor



**Mr. Joshua Gitonga
M'Imaita**
**Ag. Deputy Director
Policy, Monitoring &
Strategy**
Master of Public
Health and
Epidemiology, HND-
Public Health
Education and
Promotion.

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Mr. Reuben T. Musundi
Head, Stakeholders' Coordination
Master of Arts in Project Planning and Management, Bachelor of Science Degree, Post Graduate Diploma in Community Development and Project Management and Certificate in HIV and AIDS monitoring.



Josephine Karambu Kaberia
Head, Costing and Expenditure Analysis
Master of Science in Finance and Investments, Bachelor of Commerce (Finance), Certified Public Accountant

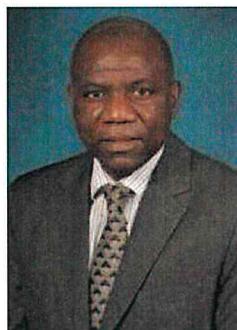


Mr. Gregory Weere
Head, HR and Administration
Master of Arts, Industrial and Health Psychology, Bachelor of Arts, Political Science and Public Administration Honours in Psychology, Higher Dip. in Human Resource Management, Post Graduate Dip. in

Guidance and Counselling and Full Member IHRM (K).



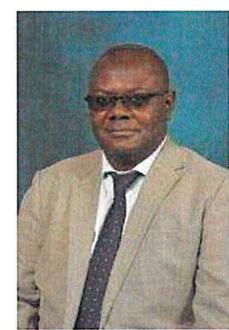
Ms. Fridah Ndinda Muinde
Head, Research
Master of Public Health Degree from Kenyatta University, Bachelor Degree in Nursing (BSc N)



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



Ms. Caroline Nkatha Kinoti
Head, County Support
Master of Public Health and Epidemiology, Bachelor of Education



Mr. Gabriel Mutembei Nkari
Head, Internal Audit
Master of Business Administration, Finance, Bachelor of Commerce (Accounting option), CPA, ICPAK, Member of Institute of Internal Auditors



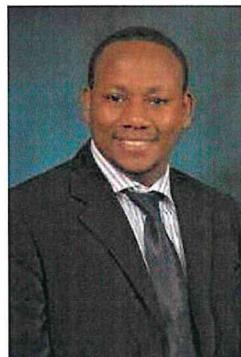
Ms. Njeri Kimuri,
Head Legal Services
Master of Laws (LLM) Degree in International Law & World order, Bachelor of Laws Degree (LLB), Postgraduate Diploma in law, Advocate of High of Kenya.

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**Tabitha Areba, Head
of Communication**

Master of Arts,
Communication,
Bachelor of Arts,
Communication and
Media Technology;
Postgraduate Diploma
in Professional
Marketing.

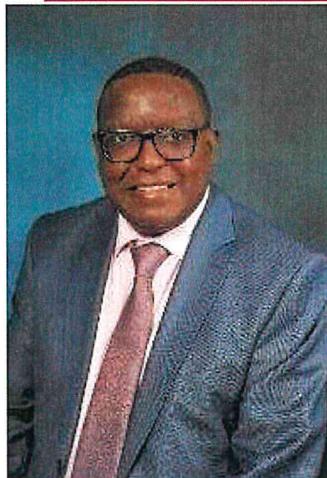


**Mr. Alex Kariuki
Migwi
Head, Management
Information Systems**

Master of Arts in
Project Planning and
Management,
Bachelor of Science,
Information
Technology,
Professional
certifications in CCNA,
MCSE, ITIL, PRINCE2,
MCSDT and CompTIA
Project+

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4. CHAIRPERSON'S STATEMENT



The National AIDS Control Council (NACC) is mandated to coordinate and supervise stakeholders engaged in a multi-sectorial AIDS response. The Council provides policy and strategic direction, mobilizes resources and provides technical assistance, while monitoring progress.

In recent years, external funding for technical and financial support for HIV, has been on the decline. Despite this, and to strengthen advocacy for a diversified and fully funded AIDS response, the NACC led the country in negotiations to receive 345 million USD from the PEPFAR COP 2022 and USD 99.91 million from the Global Fund COVID -19RM grant for the control of HIV and other epidemics for the period 2021 - 2023.

The NACC also worked with stakeholders to formulate policies to increase resources for the HIV response and decrease heavy dependence on external resources. They include Private Sector Engagement for HIV/STI Prevention, Care and Treatment 2021-2026, Health Financing Transition Roadmap, County Legal Frameworks, Guidelines for Mainstreaming of Health and HIV in Capital Infrastructure Projects, and an advisory note to the Cabinet on local manufacturing of health products and technologies, including strategic HIV commodities.

During the period under review, the NACC in partnership with stakeholders developed, validated, and submitted the 2022 Global AIDS Monitoring (GAM) Report, generated the 2022 HIV Estimates and developed the 2021 AIDS Response Progress Report dubbed the World AIDS Day Report. These reports helped the country review the performance of HIV programs against the global targets and the development of targeted programs.

The NACC would like to thank all staff and stakeholders for their contribution to the HIV response.

A handwritten signature in blue ink, appearing to read "Geoffrey Mbirua Gitu".

Mr. Geoffrey Mbirua Gitu

Board Chairperson

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5. REPORT OF THE CHIEF EXECUTIVE OFFICER



The Financial Year 2021/2022 was significant in the Council's calendar, where bold economic policies and interventions were made for robust service delivery in the HIV response. During the period under review, NACC strengthened community outreach initiatives for prevention, care and treatment through collaborations with civil society organizations, community leaders and gatekeepers at grassroots level.

The Council recorded major successes, key among them a steady decline of new HIV infections from 101,448 in 2013 to 32,027 in 2021, a 68.5% reduction. The country also significantly reduced AIDS-related deaths from 58,446 deaths in 2013 to 19,486 in 2021, signifying a 67% reduction. The reduction is attributed to the 83% coverage of antiretroviral treatment, which increased from 656,369 in 2013 to 1,199,101 in 2021. Additionally, 109,549 people living with HIV were newly initiated on ART in 2021, while access to treatment among children living with HIV significantly improved, with 87% of the 78,465 children on treatment.

The NACC worked with other stakeholders to reduce the number of new HIV infections among children from 12,826 in 2013 to 5,201 in 2021, a 59% decline in the new infections. The mother-to-child transmission rate declined from 13.9% to 9.7%, averting 89,495 new HIV infections among children between 2013 and 2021. The number of HIV-positive pregnant women initiated on antiretroviral drugs to prevent mother-to-child transmission of HIV increased from 70% in 2013 to 94% in 2021.

In the period under review, the NACC developed the 2021 AIDS Response Progress Report, which was launched by His Excellency the President of the Republic of Kenya. Key emerging issues was the high number of new HIV infections, pregnancies, and sexual and gender-based violence cases among adolescents and young people. In addressing these, the Council unveiled a community sensitization drive dubbed 'End the Triple Threat.' More than 30,000 girls learned about their health, 18,800 received sanitary towels, and national public sensitizations were conducted through mass media.

The NACC continues to partner with County Governments in the HIV response. During the period under review, counties increased allocations from Ksh37,312,484 (2014/15) to Ksh 97,540,162 (2018/19) and the projected allocations from Ksh107,294,770 (2019/20) to Ksh 129,826,672 (2021/22).

Finally, I wish to express my sincere gratitude to the Board, management, staff, key partners, and stakeholders for their support and input in ensuring that the Council delivered on its mandate.

A handwritten signature in blue ink, appearing to read 'Ruth Laibon - Masha'.

Dr. Ruth Laibon - Masha

CEO, National AIDS Control Council

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EXECUTIVE SUMMARY

This Report highlights the National AIDS Control Council's key achievements and financial statements for FY 2021/2022. During the reporting period, the board comprised nine (9) members; the non-executive Chairperson, the Principal Secretary Treasury, the Principal Secretary Ministry of Health, the Attorney General, the Chief Executive Officer, and four (4) independent directors appointed by the Cabinet Secretary responsible for health. The Chairperson's term expired, and H.E the President consequently appointed a new Chairperson in March 2022.

The board undertook an annual evaluation for FY 2020/21 to assess its performance, efficiency, and effectiveness. The State Corporations Advisory Committee (SCAC) facilitated the evaluation exercise, which was conducted as a self/peer review.

The board attained an overall score of 92.43 %, an indication of the board's commitment and ability to achieve its objectives.

Under the leadership of the National AIDS Control Council and in line with the targets set out in the Kenya AIDS Strategic Framework 2020/2021 - 2024/2025, the country reduced new HIV infections by 15% in FY 2020-2021. The 15% is the annual proportional reduction in new HIV infections to meet the 75% reduction by the end of the KASF II period (2024/2025). The country has also significantly reduced AIDS-related deaths from 58,446 in 2013 to 19,486 in 2021, signifying a 67% reduction. About 109,549 people living with HIV were newly initiated on ART in 2021. Access to treatment among children living with HIV significantly improved, with 87% of the 78,465 children on treatment.

To ensure a focused response, the NACC working with other key stakeholders, commenced the review of Kenya's fast-track plan to refocus and scale up high-impact interventions to end HIV and AIDS among adolescents and young people. The NACC also developed, validated, and submitted the 2022 GAM report by March 31, 2022, as per the UNAIDS guidelines.

In achieving the resource mobilization mandate, the NACC led Kenya's negotiations to receive approximately USD445 million in additional funds from the Global Fund to fight AIDS, tuberculosis, Malaria, and the COVID-19 pandemic for 2021-2023, and PEPFAR. The Council continues to partner with County Governments in the national response to HIV and AIDS. Counties increased allocations from Ksh37,312,484 (2014/15) to Ksh97,540,162 (2018/19) and the projected allocations from Ksh107,294,770 (2019/20) to Ksh129,826,672 (2021/22). The NACC also raised Ksh75,120,564 through aid in appropriation. The NACC reached 49 million people through mass media with messages on HIV prevention and treatment, COVID-19 vaccine uptake, reduction of teenage pregnancies, as well as sexual and gender-based violence.

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**6. STATEMENT OF NACC'S PERFORMANCE AGAINST
PREDETERMINED OBJECTIVES FOR FY 2021/2022**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

NACC has six Key Result Areas (KRAs) and objectives within its Strategic Plan for FY 2021/2022 – 2026/2027. These KRA's are as follows:

KRA 1: Enhanced coordination of a strategic, coherent, and result-based multisectoral HIV response

KRA 2: Strengthened advocacy for a diversified and fully funded AIDS response.

KRA 3: Enhanced capacity for effective sectoral response to HIV

KRA 4: Strategic Information, Research, and Innovation

KRA 5: Enhanced platforms for public education and advocacy

KRA 6: Strengthened NACC institutional capacities to deliver on its mandate

NACC develops its annual work plan aligned to the six KRAs. Performance review against the work plan is done on a quarterly basis. NACC's Key achievements against the targets for the FY 2021/2022 are outlined in the Table below

Key Result Area	Outcomes	Output Indicators	Achievements
Enhanced coordination of a strategic, coherent, and result-based multisectoral HIV response	Kenya AIDS Strategic Framework and County AIDS Implementation Plans developed and implemented	Kenya AIDS Strategic Framework, KASF supportive frameworks, County AIDS Implementation Plans, sector, and population policies developed	<ul style="list-style-type: none">• KASF II disseminated at the national and county levels.• Nine coordination structures established with representation from key stakeholders.• The coordination structures will review the progress made against the KASF II targets
		KASF II coordination mechanisms established	

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL AIDS CONTROL COUNCIL FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National AIDS Control Council set out on pages 56 to 78, which comprise of the statement of financial position as at

30 June, 2022 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Aids Control Council as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the National Aids Control Council Order, 1999 published vide Legal Notice No. 170 of 1999.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Aids Control Council Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on the Financial Statements and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management has not resolved all the issues or given explanation for failure to do so, in the format and contents prescribed by the Public Sector Accounting Standards Board.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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, I confirm that, nothing 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 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and The Council

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 overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them 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 review of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and overall 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 controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

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

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal 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 communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 March, 2023

NATIONAL AIDS CONTROL COUNCIL
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A. DEVELOPMENT AND IMPLEMENTATION OF POLICIES, STRATEGIES, AND GUIDELINES

i. Coordination of the implementation of KASF II strengthened

The Kenya AIDS Strategic Framework (KASF) II 2020/2021- 2024/2025, an overarching framework to guide the coordination and implementation of evidence-based HIV interventions in Kenya, was disseminated at the national and county levels. Coordination structures were established with representation from the key stakeholders. Each of the nine coordination groups held one quarterly meeting to review the progress against the KASF II targets. The coordination groups provided recommendations on how to accelerate progress and bridge gaps. During the period under review, 47 County HIV Coordination Committees were established. The committees held meetings to review the implementation of the HIV program at the county level. The NACC provided technical support for the review process.

ii. Emerging trends inform the review of the Adolescent and Young People Fast-Track Plan

Granulated HIV strategic information has continued to point out the uneven distribution of the HIV burden by population. Young people aged 15-24 accounted for 42% of all new adult HIV infections in 2021. To ensure a focused response, the NACC working with other key stakeholders, began reviewing Kenya's fast-track plan to end HIV and AIDS among adolescents and young people. A process to develop the 3rd generation fast track plan was initiated. The new fast track plan will refocus and facilitate the scale-up of high-impact interventions among this subpopulation.



Adolescents and young people, and male champions from Kiambu County during a training on the online data collection tool for HIV programs in May 2022.

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B. MANAGEMENT OF STRATEGIC INFORMATION, RESEARCH, AND INNOVATION

The development and maintenance of robust strategic information systems for the HIV response remains one of the key anchors of evidence-informed programming. It underpins planning and program review at all levels. During the period under review, the NACC achieved the following.

i. Development and submission of the 2022 Global AIDS Monitoring (GAM) Report

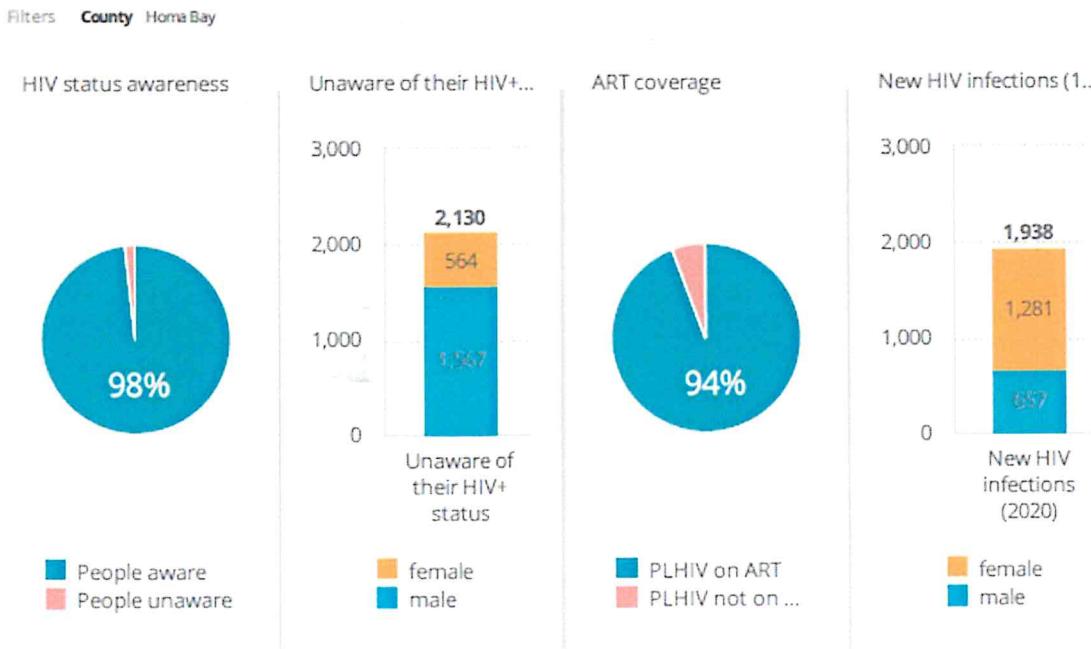
The NACC leads the development and submission of the Annual Global Monitoring Report for Kenya to UNAIDS. During the period under review, the NACC developed, validated, and submitted the 2022 GAM Report by March 31, 2022, as per the UNAIDS guidelines. More than 100 participants were involved in validating the data representing the national and county governments and other stakeholders. The GAM report reviews the performance of HIV programs against global targets.

ii. Successful cascading of the 2022 HIV estimates to the sub-county level

The NACC successfully generated national, county, and sub-county HIV estimates for 2022. The Country embarked on a data verification exercise to ascertain the number of people living with HIV on treatment for subsequent reports.

iii. Kenya HIV and Health Situation Room

Progress has been made in revamping the Kenya HIV and Health Situation Room (KHHSR), with more indicators added to the system over the three years. Currently, the country can track HIV program data, COVID-19, Key population, and RMNCH countrywide. The dashboard provides an interactive platform for tracking key health indicators such as the number of tests done, people living with HIV, and deaths reported, among other analytics. A coordination mechanism is in place to implement KHHSR at the national and county levels. All stakeholders/players in a technical working group review existing and give proposals for new dashboards.



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iv. Development of the Kenya AIDS Response Progress Report (KARPR)

The Kenya Monitoring and Evaluation Framework recommends an annual program review to assess the progress against country targets for the HIV program. During the period under review and in line with this requirement, the NACC developed the 2021 AIDS Response Progress Report. The Report was launched by His Excellency, the President of the Republic of Kenya. Among the key emerging issues from the 2021 KARPR was the high number of new HIV infections, pregnancies, and sexual and gender-based violence among adolescents and young people. A countrywide community sensitization drive, 'End the Triple Threat' was unveiled to deal with these challenges.

v. Community activity reporting strengthened

Strong social community structures/networks have supported the uptake of biomedical services to the often-underserved mainstream health service delivery. Community interventions continue to play key role in the country's HIV response. Over the years, Civil Society Organizations (CSOs) have been actively engaged in HIV prevention, care, and treatment through advocating for policy reforms, and supporting the achievement of targets. During the reporting period, the reports showed the following achievements:

Year	Number of mentor mothers trained to provide community-based services for HIV and AIDS	Number of individuals reached with anti-stigma and discrimination messages	Number of individuals who experienced sexual gender-based violence and reported to relevant institutions	Number of individuals referred for HIV testing and counseling youth-friendly services	Number of condoms distributed
2021	11,420	379,925	9,456	114,826	17,537,090
2020	8,652	428,718	4,549	70,546	8,436,530
2019	17,137	688,184	11,555	3,653,258	17,754,677

**COMMUNITY ACTIVITIES PROGRAM
REPORTING TRENDS 2017 - 2022**

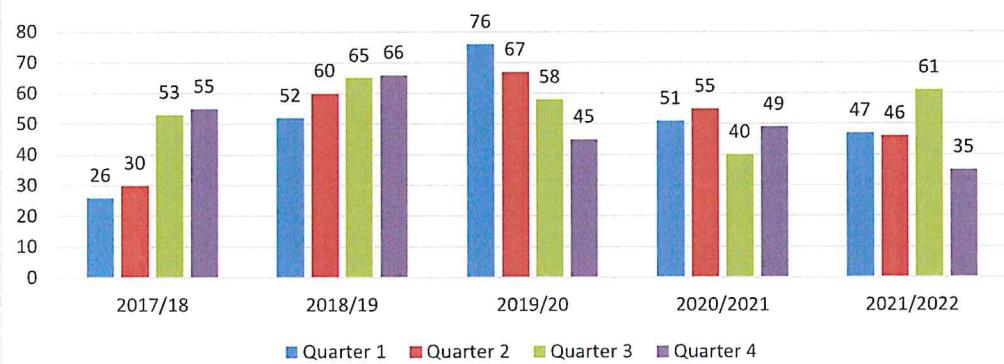


Figure 5: CAPR reporting trends

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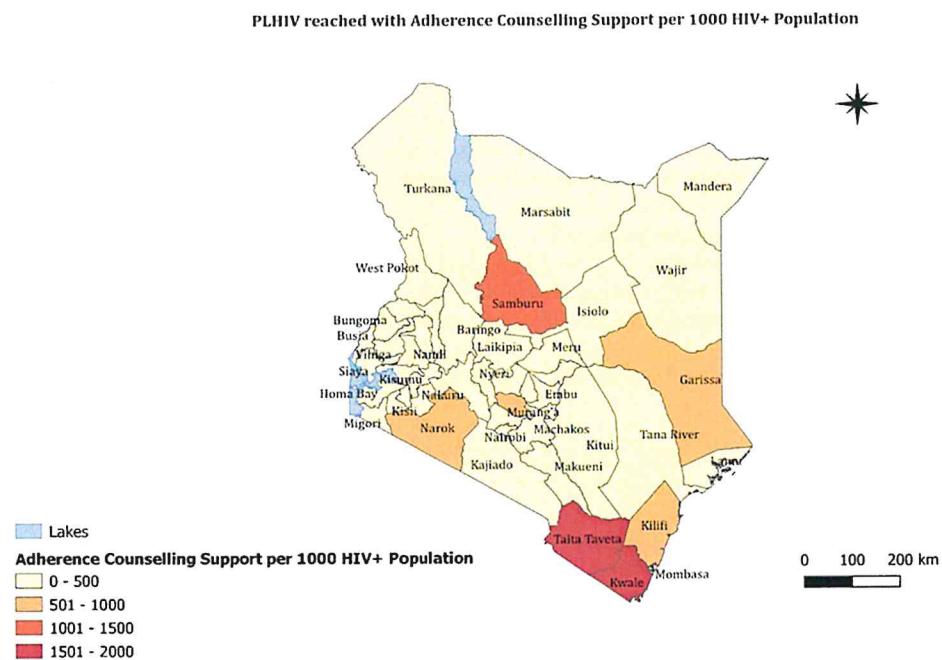


Figure 6: Number of PLHIV provided with Adherence counseling support (CAPR) in 2020



The National AIDS Control Council staff disseminates HIV and COVID-19 prevention messages to miners in Taita Taveta County in January 2021.

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vi. Review of the Kenya HIV Research Agenda in Line with KASF II

The Kenya HIV Research Agenda guides stakeholders on the priority areas of research in line with the duration of the Kenya AIDS Strategic Framework objectives. During the period under review, the NACC reviewed the Research Agenda to align it with strategic focus areas of the second-generation KASF II 2020/21-2024/25. The review was conducted in collaboration with stakeholders from various institutions.

vii. Operationalization of the Maisha Maarifa Research Hub

The Maisha Maarifa Research Hub is a web-based research repository that enhances access to research information for stakeholders at all levels for improved evidence-based decision-making and policy formulation. During the period under review, the Research Hub was operationalized by restructuring and cleaning its data, engaging Institutional Scientific and Ethics Review Committees to enhance reporting of approved research. Eight webinars on various HIV-related topics were hosted on the platform.

C. MOBILIZATION OF RESOURCES AND GRANTS TO IMPLEMENTING PARTNERS

NACC committed to increasing resources for the HIV response by 50% in the five-year KASF II period. During the reporting period, the following activities were undertaken:

Domestic and international resources raised for the HIV response: The NACC led Kenya's negotiations to receive an additional USD99,918,901 grant from the Global Fund to fight AIDS, Tuberculosis and Malaria to tackle the COVID-19 pandemic for the period of 2021-2023. The PEPFAR Country Operation was also finalized, with Kenya allocated USD345 million. Implementation of the plan is set to begin in October 2022. NACC has continued to partner with County Governments in the national response to HIV and AIDS. Key milestones include: a) technical assistance to 47 counties in developing and costing County AIDS Implementation Plans (in line with Kenya AIDS Strategic Framework II and County Integrated Development Plans); b) technical assistance to 47 counties in developing County Medium Term Expenditure Framework budget proposals for HIV and AIDS to enhance county allocations to HIV response. Counties increased allocations from Ksh37,312,484 (2014/15) to Ksh 97,540,162 (2018/19) and the projected allocations from Ksh107,294,770 (2019/20) to Ksh 129,826,672 (2021/22). The NACC also raised Ksh 75,120,564 through aid in appropriation.

Formulation of Policy/Guidelines to enhance domestic resources to sustain HIV response: During the year under review, NACC has worked with the Ministry of Health and County Governments to formulate policies to diversify funding options:

- i. The Council supported County governments to develop legal frameworks for ring-fencing resources. Six counties (Kitui, Murang'a, Kisii, Narok, Kakamega and Kericho) developed bills of parliament. An advisory note to the President's Cabinet on local manufacturing of health products and technologies including strategic HIV commodities was developed. The implementation of the recommendations will lead to increased job opportunities, income to the government through taxation, and increased purchasing power through local manufacturing.
- ii. Guidelines for mainstreaming health and HIV in capital infrastructure projects were developed for gazettement by the Ministry of Health. The guidelines provide a standardized framework to assess, mitigate and mobilize resources for HIV prevention and control within all capital projects. They emanate from the Environmental Control and Management Act, EMCA, 1999, which directs all projects that qualify for an Environmental and Social Impact Analysis to integrate HIV prevention as part of the social indicator. As at 2017, the HIV budget within infrastructure projects (KERRA, KENHA and KURRA) was estimated at Ksh1.8 billion.
- iii. The Private Sector Engagement Framework: The Private Sector Engagement in HIV and STI prevention, care, and treatment 2021-2026 was developed. It aims to increase the engagement of the private sector in HIV service delivery and programs. The sector will address existing gaps

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in workforce capacity and retention, standardization of service delivery between private and public sectors, commodity security and management, as well as financing of services.

As the country gears towards self-sustainability, effectiveness and efficiency are key. The private sector framework is an instrument to guide the enhancement of private sector involvement in providing quality HIV and STI services. The framework aims to expand the access and quality of HIV and STI services through the following approaches:

9. private sector engagement
10. public-private sector collaboration as effective stewardship of medical products and technologies
11. alignment of investments in HIV and STI service delivery, policies, strengthening research, sustaining the country's health financing mechanisms, and harnessing leadership, coordination, collaboration, and accountability for results from both the private and public sectors.

HIV in Kenya is mainly funded by external development partners. Therefore, there is an urgent need for a shift towards domestic resources mobilization (DRM) for sustainability. The private sector presents opportunities to enhance DRM, for instance, by leveraging on the growing middle class willing and able to pay for services, health insurance, and ARVs subsidies. Private sector facilities providing ART could decongest public health facilities, provide convenience to clients and support long-term retention to ART.

D. HEALTH FINANCING

Health Financing Transition Roadmap developed with stakeholders guides Kenya's gradual increase of domestic resources. The roadmap recommends an allocation of Ksh 13.2 billion in 2022/2023 for the response.

Kenya's attainment of upper-middle-income status triggered donors to scale down their support for Kenya. We are set to transition out of donor support and therefore necessitate us to transition into domestic financing. Thus, this plan provides insight towards a gradual shift from external to domestic health care financing in a progressive manner by 2030. The strategic health programs for transition to domestic funding include HIV, TB, malaria, health systems, vaccines, and RH/FP. The Ministry of Health, the NACC and stakeholders have prioritized the following cost centres for gradual and progressive transition between 2022 and 2030: essential commodities, service delivery, human resources for health, health information systems and health infrastructure. Successful consolidation of policy, operational, technical, and financial functions across the health system and integrated service delivery across government and non-government sites will be critical to a smooth and successful transition. The plan recommends an allocation of Ksh.13.2 billion in 2022/2023 for the response.

Financing the transition process will require considerable resources to cover a 10% annual projected drop in external financing, meet donor co-financing requirements, fill the Universal Health Coverage financing gap and reduce out-of-pocket expenditure on health.

Summary of recommendations by the Transition Roadmap.

- Ministry of Health, The National Treasury and County Governments should progressively increase the health sector budget by 10% annually to realise the following: Cover for a projected 10%, Meet donor co-financing and matching funds (up to 20% of externally funded programs); bridge an estimate of over \$20 Billion gap in UHC financing; and meet the 15% budget allocation to health in line with the Abuja declaration.
- To provide for 50% of all strategic program commodity requirements by 2026 and 90% by 2031,
- MOH to direct NHIF to commit a portion of increased revenues from mandatory enrolment to purchase all essential commodities for Reproductive, Maternal, Neonatal, Child, and

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Adolescent Health needs in the country; Update its benefits package annually to progressively increase coverage of treatment, treatment as prevention and treatment support in strategic programs. Support UHC subsidies for Universal Health Coverage for indigents.

- MOH to strengthen and contract local manufacturing of strategic commodities as a channel for mobilizing resources.

Unit costs for the HIV response to enhance efficiency and effectiveness: Given the increased demand for greater implementation efficiency in the quality of epidemiological estimates and HIV programme performance reviews, the NACC established a costing and reference bureau to provide an overview of different costs for HIV programming. The process included a review of activity-based costing and management approaches in 5 counties (Busia, Kitui, Kisumu, Mombasa, and Turkana) to identify actual costs for providing HIV prevention, testing, and treatment services.

E. PUBLIC PARTICIPATION, COMMUNICATION AND ADVOCACY FOR THE HIV RESPONSE

Public education on HIV and COVID-19 prevention: The NACC reached 49 million people through mass media with messages on HIV prevention and treatment, COVID-19 vaccine uptake, reduction of teenage pregnancies as well as sexual and gender-based violence. To enhance media involvement, improve the quality of reporting and increase coverage, 45 journalists were trained on factual reporting, data interpretation and correct HIV terminologies.

DAILY NATION FRIDAY, APRIL 8, 2022

Boldly address triple threat to HIV and Aids response

We must unlock the potential of our people to liberate society

Ruth Lubemo-Mashu

FRONTROW

TRIPLE THREATS FACING TEENS

The NACC, in partnership with the Ministry of Transport, State Department of Fisheries, National Boda Boda Association, and Beach management units also supported inter-personal engagement with motorbike riders and Fisherfolk to facilitate access to HIV information and services. More than 3,000 people were reached with comprehensive HIV prevention information services in 9 counties of Marsabit, Kilifi, Lamu, Meru, Kitui, Elgeyo Marakwet and Tana River.

High-level engagement and participation during the Commemoration of 2021 World AIDS Day: During the period under review, Kenya commemorated World AIDS Day in all 47 Counties. H.E., the President of the Republic of Kenya, presided over the national event in Nakuru county. The Ministry of Health in collaboration with key stakeholders unveiled a national campaign with the theme "End Teenage Pregnancy towards eliminating inequalities and new HIV Infections; #Komesha Mimba za Utoton" focusing on the need to end teenage pregnancies that impact the health of adolescents and young women. More than 30,000 girls received health education, and 18,800 received sanitary towels and national public sensitizations conducted through mass media.

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Dr. Ruth Laibon-Masha, CEO, National AIDS Control Council receives H.E. President Uhuru Kenyatta at the 2021 World AIDS Day commemoration in Nakuru County.

F. ENHANCED CAPACITY FOR EFFECTIVE SECTORAL RESPONSE TO HIV

NACC coordinates stakeholders from the public sector, private sector, civil society, development, and implementing partners to implement the KASF II 2020/21 – 2024/25. Additionally, the NACC provides technical assistance for formulating policies, strategies, and pilot projects for the management and control of HIV.

i. Enhanced capacities of sectors through technical assistance

During the reporting period, the NACC convened stakeholders from various sectors:

Faith sector: 43 chaplains across counties from primary and secondary schools were trained on HIV reporting through the community activities program reporting tool. The NACC also sensitized 4,723 religious leaders to address congregational stigma and discrimination. We reached an estimated 15,330,013 Kenyans with messaging on HIV prevention, stigma reduction, and SGBV through religious forums.

Internal security sector: The NACC held meetings with the Regional and County Commissioners to accelerate progress toward the Country's commitments to ending HIV, teenage pregnancies, and sexual and gender-based violence. All 8 Regional Commissioners and 47 County Commissioners discussed their role as key partners and stakeholders in ending the triple threat in Kenya. The meeting also provided a platform for stocktaking of the National and County-specific progress, sharing and documenting best practices and challenges, prioritizing strategies for ending these threats, particularly among children and teenagers, and drawing a joint action plan for accountability.

Education sector: The NACC, in partnership with the Teachers Service Commission, trained 160 Beacon and Kenya Network of Positive Teachers (KENEPOTE) on HIV, TB, and Gender-related stigma and discrimination in learning institutions. The teachers were drawn from the five high and medium stigma index counties, namely Wajir, Garissa, Kirinyaga, Mombasa, and Kakamega.

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Public Sector workplace programme: The public sector is the largest employer in Kenya, with a population of approximately 750,000 employees. To ensure that all MDAs are actively engaged in developing and implementing policies and activities to address the prevention and management of HIV at the workplace, NACC has managed to retain the 'HIV Prevention Indicator,' a performance contract indicator. The workplace programs achieved a 71% reporting rate. The NACC allocated approximately Ksh. 340,156,585 for HIV interventions reaching 264,654 employees and their family members with the screening of communicable and Non-Communicable Diseases (NCDs), including breast cancer, diabetes, blood pressure, and stress-related mental illness such as anxiety and depression.

Persons living with disabilities: the NACC, in partnership with the National Council for Persons with Disability (NCPWD), organized an advocacy meeting with 29 people with disability living with or affected by HIV in the quarter of January to March 2022. The meeting brought together 29 people with different forms of disability.

People living with HIV: The NACC supported stakeholders to develop Meaningful Involvement of People living with HIV & AIDS (MIPA) guidelines for meaningful engagement of people living with HIV in 2021 and operationalizing county working groups.

Human rights: The multisectoral engagement forums brought together key stakeholders in HIV, Gender, and human rights in Busia, Nakuru, Meru, Wajir, Mombasa, Nyeri, Machakos, Samburu, Nairobi, Marsabit, Garissa, Kwale, Kakamega & Tharaka Nithi. Over 600 stakeholders were engaged and sensitized on gender-based violence.

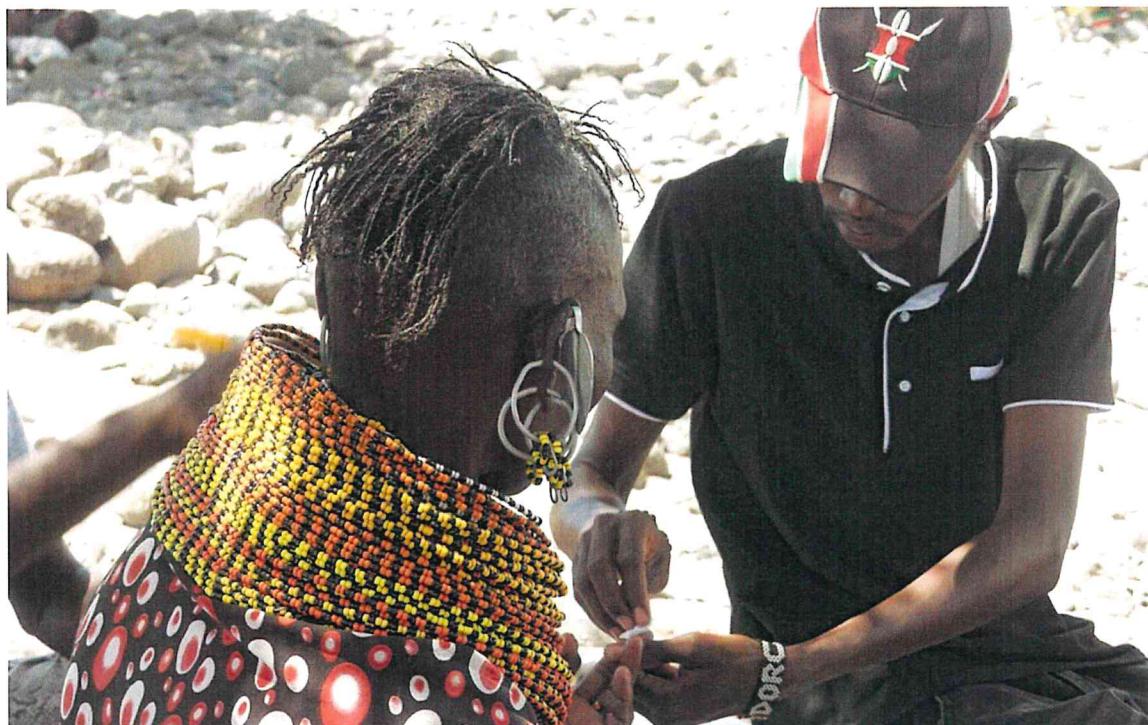
ii. Peer-to-peer HIV programme for young people

The NACC has established 47 Maisha Youth Chapters to enhance youth reproductive health and HIV prevention programmes. The Maisha Youth chapter expands access to HIV information and services. In the reporting period, 46 counties held meetings every quarter. The youth reached over 225,000 young people with messages on preventing HIV, sexually transmitted infections, and sexual and reproductive health (SRH). They also distributed over 438,555 condoms to young people, and reached 60,000 youths through social media.

iii. Expanding access to services in marginalized communities

The NACC facilitated HIV prevention and testing services in Narok, Lamu, Kilifi, Marsabit, Wajir, Baringo, West Pokot, and Garissa Counties, targeting the vulnerable and marginalized communities (Ogiek, Senwer, Waata, Sanye, El Mollo, Boni, Cherangany and Ngikebotok). The project reached 5,500 communities with HIV prevention information, tested 1,604 for HIV, distributed 38,000 condoms, and dewormed children and other community members.

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A healthcare worker offers HIV testing services during a community outreach exercise at Loiyangalani, Marsabit County in May 2022.

Voluntary male circumcision: The NACC, together with the respective County officials from Kisumu, Siaya, Turkana, Homabay, and Migori, trained 20 facilitators to champion the programme.

iv. Preparing Kenya for pre-validation of elimination of mother-to-child transmission of HIV by the World Health Organization

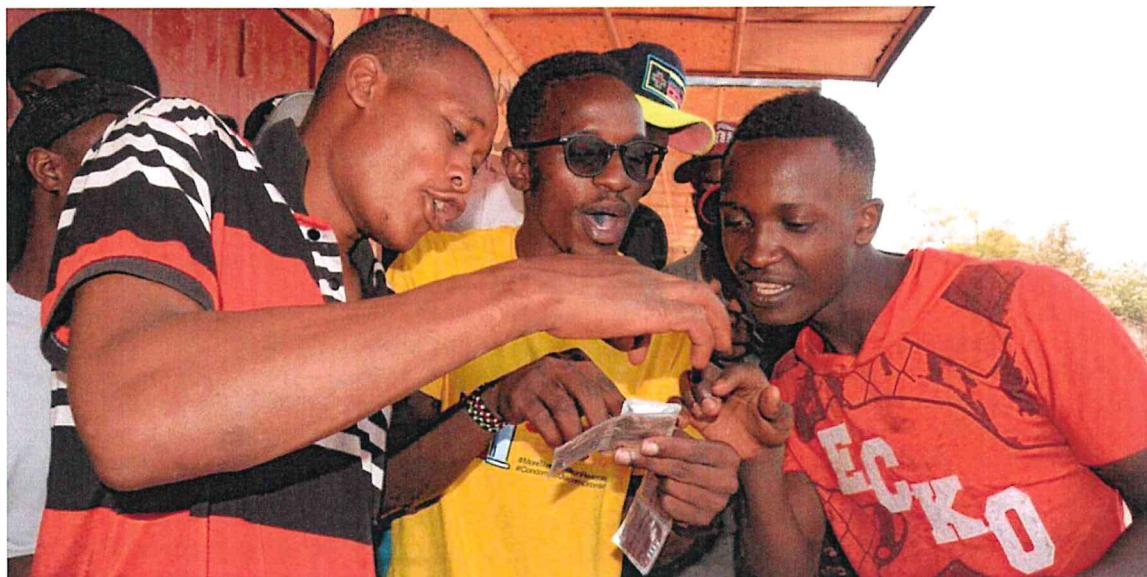
The NACC held a meeting with the 47 County Directors of Health and the NACC Regional coordinators to define priority areas to fast-track progress towards validation of elimination of mother-to-child transmission of HIV and Syphilis. During the reporting period, the NACC supported community dialogues and information dissemination targeting men and women through radio talk shows, health talks, and chief barazas to promote the prevention of mother-to-child transmission and ANC uptake in the community. The NACC implemented the programme in 27 counties and trained 513 community champions. Additionally, the exercise reached 29,000 pregnant with information; 7,908 were referred for ANC and skilled delivery and 5,303 mothers for childhood immunization. In addition, the programme sensitized over 24,000 men on the elimination of mother-to-child transmission and how they can support their partners access these services.

v. Institutionalizing a total market condom approach

The NACC held a condom national symposium to dialogue on condom programming, aiming at identifying strategies to increase uptake and strengthen and sustain access through a total market approach. In attendance were County Directors for Health from all 47 counties, Ministry of Health leadership, various ministries, partners, and stakeholders. A 10-point action plan to improve the sustainability of the national condom was discussed and endorsed. In addition, the NACC committed to increasing condom outlets in non-health settings by 25 % to increase access, availability, and use of condoms, especially among young people, who account for almost half of

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the new HIV infections in Kenya. Condom outlets increased by 26.7 % from 4,611 to 5,840 in Nakuru, Nyeri, Tharaka Nithi, Isiolo, Muranga, Kajiado, Kiambu, and Homabay Counties. A total of 6,451,258 condoms were distributed in non-health settings, including bars, lodgings, Huduma centers, and Boda Boda sheds during the reporting period. The NACC organized a national event in Muranga County with over 70,000 citizens reached through social mobilization strategies.



Michuki Technical College students in a discussion during the 2022 International Condom Day on 13th February. The day is set aside to promote condom use as one of the most effective ways to prevent new HIV infections.

vi. Training of magistrates and judges

The HIV epidemic has raised and presented new and complex legal and human rights issues and challenges that have confronted all arms of government, including the judiciary. *A well-informed judiciary upholds Kenya's commitment to protecting human rights as enshrined in the constitution. Accordingly, sensitization of the judiciary on the HIV epidemic is a critical strategy in explicitly addressing laws and policies that adversely affect access to HIV services and the rights of persons affected by HIV.*

The NACC partnered with the Kenya Judiciary Academy and the International Development Law Organisation to host a three-day workshop from 28th February to 4th March 2022. The primary outcome of the workshop was an increase in understanding among judges of the Employment and Labour Relations Court of the HIV epidemic, including their role in the HIV response, specifically in protecting the rights of persons living with HIV. This activity was propelled by the knowledge that to effectively handle the complex legal and human rights issues raised by the HIV epidemic, all arms of government must be enjoined in the fight.

vii. Increasing access to justice

The HIV and AIDS tribunal, in partnership with the NACC, set up Teleconferencing facilities in 4 Counties, namely, Kisumu, Nyeri, Meru, and Mombasa, to increase access to justice for people living with HIV. Additional teleconferencing facilities have been installed at the respective Judiciary Law Courts in Ndhiwa and Kericho counties. The teleconferencing facilities have been linked to the HIV tribunal offices in Nairobi, eliminating travel-related costs and thus reducing the costs of accessing justice for people living with HIV.

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9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The National AIDS Control Council continues to work toward achieving its vision, '**To be a global leader in the provision of people-centered solutions to end epidemics.**' In the delivery of its mandate, NACC puts the interests of internal and external stakeholders first. Below is an outline of the National AIDS Control policies and activities that promoted sustainability and transparency in the year of reporting:

i) Sustainability strategy and profile

The NACC endeavors to transform lives and contribute to sustainable living. Based on this fundamental aspiration, our vision sets out how we use innovative services to improve the quality of life and livelihoods of the people we reach. Central to achieving this vision is our commitment to managing our operations responsibly and ethically.

ii) Environmental performance

The following are some of the key initiatives undertaken by NACC towards environmental conservation.

a. Electronic Document Management System (EDMS)

The NACC has integrated finance, procurement, and human resources into one information financial management system through an enterprise planning resource (ERP) system. The EDMS infrastructure in ERP facilitates the online processing and archiving of documents. The system has a mechanism for retrieving documents and eliminating paper transactions to a great extent.

b. Whole Life Cycle Costing & Disposal Mechanism

The procurement of capital equipment is accompanied by a schedule detailing the projected life span and disposal mechanisms before approval is given. The tendering and evaluation processes factor whole life costing of the assets/items being procured with an efficient disposal mechanism.

c. Production of Multi-Purpose IEC Materials

NACC strives to develop IEC materials standardized for multiple occasion use instead of single occasion use. Reusing IEC materials such as banners, brochures, and pamphlets is meant to support environmental conservation.

iii) Employee welfare

The NACC is committed to ensuring that various benefits and facilities are given to the employees to work in a better environment. During the reporting year, the NSDCC undertook an all-staff team building programme that was geared towards creating a team that is cohesively working together towards a common goal. The NSDCC undertook various staff sensitization on mental health, non-communicable diseases, drug and substance abuse, road safety and also carried out various medical test to staff including the general health annual checkups. In addition, the NSDCC provided all staff with medical insurance and group life covers during the reporting year.

iv) Market Place Practices

a) Responsible competition practice: The National AIDS Control Council adopted an e-procurement system that enhances transparency and audit trail. All procurement transactions are processed online end-to-end, including supplier registration, as indicated below

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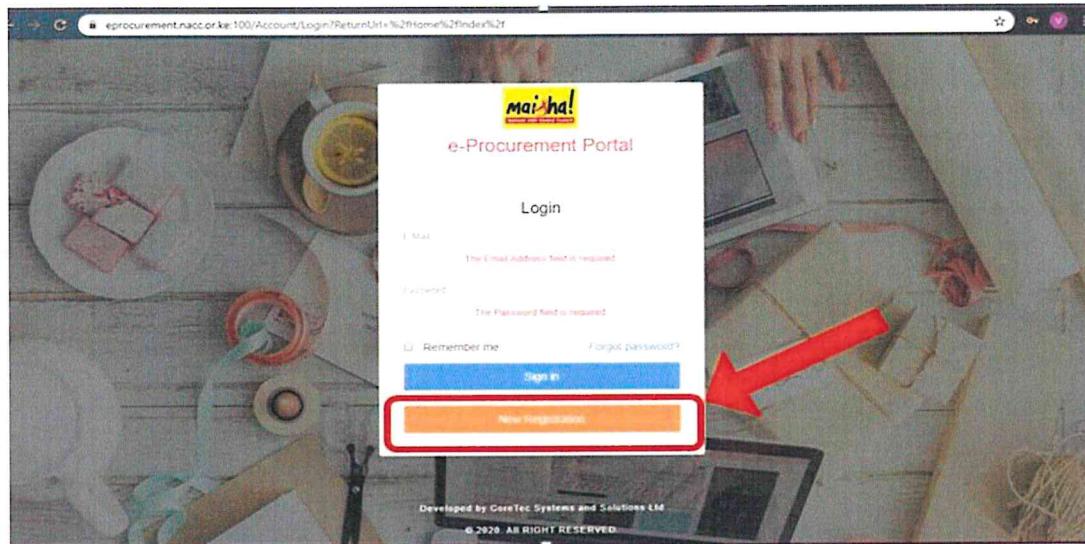


Figure 7: NACC Supplier Registration Portal

The tendering process is transacted online as indicated in the vendor profile portal below:

Figure 8: NACC Vendor Profile Portal

Some of the e-procurement processes transacted online include:

- Preparation and implementation of the Annual Procurement Plan
- Memo and purchase requisition approval and tracking
- Supplier registration and updates for renewal of statutory documents
- Supplier/Vendor Profile (Table 2 above) that hosts all tenders invited and participated, approved LPO/LSOs where a supplier is successful
- E-invoicing and end-to-end online payment process, which has increased efficiency in supplier payments
- Online opening of tenders and automatic receipt of tender opening report/minutes by bidders who participated in a tender

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- Online evaluation and generation of evaluation reports etc.
- b) Responsible marketing and advertisement:** The NACC uploaded tenders and contracts for the procurements and contracts awarded during FY 2021/2022, as indicated below in the Public Procurement Information Portal

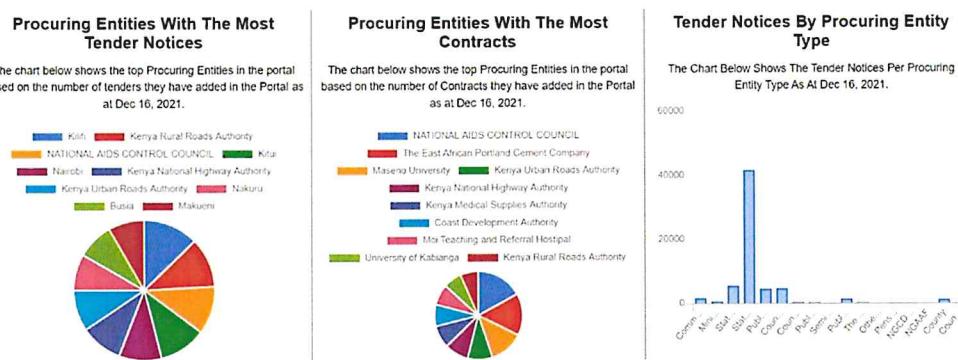
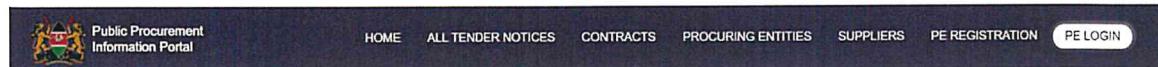


Figure 9: Public Procurement Information Portal

- a) Compliance on Anti-Corruption Commission Regulations:** The NACC awarded 96 contracts valued at Kshs 500,000 and above, totaling Kshs 148 million during the FY 2021/2022. Submitted quarterly reports, including the firm's directors list, awarded to Ethics and Anti-Corruption Commission (EACC).
- b) Implementation of the Preference and Reservation for Special Groups:** The NACC set aside Kshs 78 million worth of procurement opportunities for special groups, 30% of the procurement budget for the period under review. The NACC achieved the target and complied with the constitutional provision of support for disadvantaged groups by awarding contracts worth Kshs 79 million during the period under review.
- c) Responsible supply chain and supplier relations:** The NACC processed all procurements and program-based invoices to provide goods, services, and works. We also settled all duly supported invoices during the period under review.

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10. REPORT OF THE DIRECTORS

The Directors submit their report together with the financial statements for the year ended June 30, 2022, which show the state of the NACC affairs.

i. Principal activities

The principal activities of the entity are:

- Provision of policy and a strategic framework
- Mobilization and coordination of resources
- Prevention of HIV transmission
- Care and support for those infected and affected by HIV and AIDS

ii. Results

The results of the NACC for the year ended June 30, 2022 are set out on page 56

iii. Directors

The members of the Board who served during the year are shown on pages 9-11.

iv. Surplus remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The NACC did not have any surplus and hence no remittance to the Consolidated Fund.

v. Auditors

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

By Order of the Board


Chairperson of the Board


Date

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11. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act Cap 446 requires the Directors to prepare financial statements in respect of NACC, which give a true and fair view of the state of affairs of NACC at the end of the financial year and the operating results of NACC for that year. The Directors are also required to ensure that NACC keeps proper accounting records which disclose with reasonable accuracy the financial position of NACC. The Directors are also responsible for safeguarding the assets of NACC.

The NACC Board is responsible for the preparation and presentation of the NACC's financial statements, which give a true and fair view of the state of affairs of the NACC for and as at the end of the financial year ended on June 30, 2022. This responsibility includes:

1. Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period.
2. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the NACC.
3. 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.
4. Safeguarding the assets of the NACC.
5. Selecting and applying appropriate accounting policies; and
6. Making accounting estimates that are reasonable in the circumstances.

The NACC Board accepts responsibility for the NACC's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Board is of the opinion that the NACC's financial statements give a true and fair view of the state of NACC's transactions during the financial year ended June 30, 2022, and of the NACC's financial position as at that date. The Board further confirm the completeness of the accounting records maintained for the NACC which have been relied upon in the preparation of the NACC's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Board to indicate that the NACC will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The NACC's financial statements were approved by the Board on September 27, 2022 and signed on its behalf by:



Mr. Geoffrey Mbirua Gitu
Chairperson of the Board



Dr. Ruth Laibon Masha
Chief Executive Officer

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12. REPORT OF THE INDEPENDENT AUDITORS ON THE NACC

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13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30th JUNE 2022

	Note	2021/2022 Ksh	2020/2021 Ksh
Revenue from non-exchange transactions			
Transfers from other government entities	6	972,500,000	988,745,000
Public contributions and donations	7	30,765,231	45,167,548
		1,003,265,231	1,033,912,548
Revenue from exchange transactions			
Other income	8	9,732,410	11,689,054
		1,012,997,641	1,045,601,603
Total revenue			
Expenses			
Use of Goods and services	9	677,565,103	732,313,228
Employee costs	10	471,218,078	501,679,334
Council Expenses	11	15,364,670	21,356,348
Depreciation and amortization expense	12	19,353,795	-
Repairs and maintenance	13	16,582,754	12,189,942
		1,200,084,400	1,267,538,852
Total expenses			
Other gains/(losses)			
Gain on sale of assets	14	352,920	269,282
Deficit/Surplus before taxation			
Taxation	15	(1,302,974)	(3,517,013)
		(188,036,813)	(225,184,980)

The notes set out on pages 61 to 76 form an integral part of these Financial Statements
 The Financial Statements set out on pages 56 to 76 were signed on behalf of the Board by:

Name: Mr. Geoffrey Mbirua Gitu
 CHAIR, NACC BOARD

Name: Dr. Ruth Laibon-Masha
 BOARD SECRETARY/CEO

Name: Kenneth Nyamolo
 Ag. DEPUTY DIRECTOR, F&A
 ICPAK MEMBER No: 6532

Note:

1. The reported deficit of Ksh 188 million was financed from accumulated surplus that amounted to 835 million (see page 58) and supported by cash and cash equivalent that amounted to Ksh 772 million (see page 70) at the beginning of the financial year.
2. The expenditure items previously reported as "program management, general expense and finance costs" have been aggregated together and reported as "use of goods and services" in compliance with the IPSAS accrual template.

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14. STATEMENT OF FINANCIAL POSITION AS AT 30th JUNE 2022

Assets	Note	2021/2022 Ksh	2020/2021 Ksh
Current assets			
Cash and cash equivalents	16	892,714,264	772,004,222
Inventories	17	13,514,027	11,700,339
Receivables from exchange transactions	18	57,124,046	12,988,513
Receivables from non-exchange transactions	19	13,173,172	20,720,191
		976,525,509	817,413,264
Non-current assets			
Property, plant and equipment	20	159,294,159	193,676,531
Intangible assets	21	32,354,121	63,427,555
Total non-current assets		191,648,280	257,104,086
Total assets		1,168,173,789	1,074,517,350
Liabilities			
Current liabilities			
Trade and other payables	23	12,863,153	4,801,291
Provisions	24	7,900,000	7,600,000
Employee benefit obligation	25	80,819,287	115,376,037
Taxation	26	1,096,409	12,147,048
Total current liabilities		102,678,849	139,924,376
Non-Current liabilities			
Deferred Revenue	27	486,000,000	100,000,000
Total non-current liabilities		486,000,000	100,000,000
Total liabilities		588,678,849	239,924,376
Net assets		579,494,940	834,592,974
Funds and reserves			
Revaluation reserve	28	137,961,123	205,022,345
Accumulated surplus		441,533,816	629,570,629
Total funds and liabilities		579,494,940	834,592,974

The Financial Statements set out on pages 56 to 76 were signed on behalf of the Board by:

Name: Mr. Geoffrey Mbirua Gitu
 CHAIR, NACC BOARD

Name: Dr. Ruth Laibon-Masha
 BOARD SECRETARY/CEO

Name: Kenneth Nyamolo
 Ag. DEPUTY DIRECTOR, F&A
 CPAK MEMBER No: 6532

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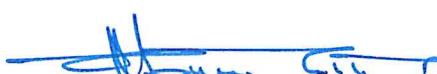
15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022			
	ACCUMULATED SURPLUS	REVALUATION RESERVE	TOTAL
	Ksh	Ksh	Ksh
Balance as at June 30, 2020	854,755,609	205,022,345	1,059,777,954
Balance as at July 1, 2020	854,755,609	205,022,345	1,059,777,954
Surplus for the year	(225,184,980)	-	(225,184,980)
Balance as at June 30, 2021	<u>629,570,629</u>	<u>205,022,345</u>	<u>834,592,974</u>
Surplus for the year	(188,036,813)	-	(188,036,813)
Adjustment during the year	-	(67,061,221)	(67,061,221)
Balance as at June 30, 2022	<u>441,533,816</u>	<u>137,961,124</u>	<u>579,494,940</u>

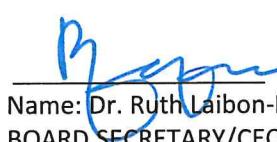
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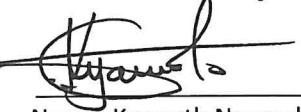
16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022

	Note	2021/2022	2020/2021
		Ksh.	Ksh.
Cash flows from operating activities			
Receipts			
Transfers from other governments entities		972,500,000	988,745,000
Public contributions and donations		30,765,231	45,167,548
Other income		9,732,410	11,689,054
Total receipts		1,012,997,641	1,045,601,602
Payments			
Use of goods and services		368,515,807	681,112,545
Employee costs		471,218,078	501,679,334
Board Expenses		15,364,670	21,356,348
Repairs and maintenance		16,582,754	12,189,942
Total payments		871,681,309	1,216,338,169
Net cash flows from/ (used in) operating activities	30	141,316,332	(170,736,567)
Cash flows from investing activities			
Purchase of PPE and Intangible assets		(21,127,378)	(15,960,472)
Proceeds from sale of PPE		521,088	269,283
Net cash flows from/(used in) investing activities		(20,606,290)	(15,691,190)
Net increase/(decrease) in cash & Cash equivalents		120,710,042	(186,427,756)
Cash and cash equivalents at 1 July	16	772,004,222	958,431,978
Cash and cash equivalents at 30 June		892,714,264	772,004,222

The Financial Statements set out on pages 56 to 76 were signed on behalf of the Board by:


 Name: Mr. Geoffrey Mbirua Gitu
 CHAIR, NACC BOARD


 Name: Dr. Ruth Laibon-Masha
 BOARD SECRETARY/CEO


 Name: Kenneth Nyamolo
 Ag. DEPUTY DIRECTOR, F&A
 ICPAK MEMBER NO: 6532


 DEPUTY DIRECTOR
 FINANCE & ADMINISTRATION
 23 MAR 2023

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17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	Original budget	Adjustments	Final budget	Actual on comparable basis		Performance difference	Performance difference (%)		
				2021/2022					
				Ksh	Ksh				
Revenue						Ksh	Ksh		
Balance of funds brought forward	356,703,094	-	356,703,094	356,703,094	356,703,094	-	0%		
Appropriations In Aid (A/I/A)	53,390,543	(10,000,000)	43,390,543	40,497,642	2,892,901	7%			
Government grants and subsidies-recurrent	747,000,000	-	747,000,000	747,000,000	747,000,000	-	0%		
Government grants & subsidies-development									
i) Elimination of Mother to Child Transmissions of HIV	49,900,000	-	49,900,000	49,900,000	49,900,000	-	0%		
ii) Data infrastructure -situation room	75,600,000	-	75,600,000	75,600,000	75,600,000	-	0%		
Grants from development partners	511,573,154	(411,573,154)	100,000,000	100,000,000	100,000,000	-	0%		
Staff mortgage and car loan	30,000,000	(30,000,000)	-	-	-	-			
Transfer-community intervention	100,000,000	(100,000,000)	-	-	-	-			
Total income	1,924,166,791	(421,573,154)	1,372,593,637	1,369,700,736	2,892,901		0%		
Expenses									
Compensation of employees	497,198,959	-	497,198,959	471,218,078	25,980,881	5%			
Rent paid	63,200,000	-	63,200,000	65,257,867	(2,057,867)	-3%			
Other payments (program and admin costs)	877,432,338	(421,573,154)	455,859,184	518,754,662	(62,895,478)	-14%			
i) Elimination of Mother to Child Transmission of HIV	49,900,000	-	49,900,000	49,900,000	-	0%			
ii) Data infrastructure -situation room	75,600,000	-	75,600,000	75,600,000	-	0%			
Total expenditure	1,563,331,297	(421,573,154)	1,016,258,143	1,180,730,607	(38,972,464)		-4%		
Operating surplus				188,970,129					
Adjustment for:									
Fund balance brought forward						(356,703,094)			
Taxation						(1,352,974)			
Depreciation						(19,355,795)			
Gain on disposal						352,920			
Deficit as per statement of financial performance						(188,036,813)			

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18. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The NACC was established under Section 3 of the State Corporations Act Cap 446 and derives its authority and accountability from Legal Notice No. 170 of 1999 and the State Corporations Act. The NACC is wholly owned by the Government of Kenya and is domiciled in Kenya. The NACC principal activity is Coordination of the HIV and AIDS response in Kenya

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the NACC accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 4. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the NACC.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act Cap 466, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

i. New and amended standards and interpretations in issue effective in the year ended 30 June 2022.

IPSASB deferred the application date of standards from 1st January 2022 owing to Covid 19. This was done to provide entities with time to effectively apply the standards. The deferral was set for 1st January 2023.

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2022.

Standard	Effective date and impact:
IPSAS 41: Financial Instruments	Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none">Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; andApplying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p>This standard has no impact on NACC's financial reporting</p>

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Standard	Effective date and impact:
IPSAS 42: Social Benefits	<p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <p>(a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows.</p> <p>This standard has no impact on NACC's financial reporting</p>
Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments	<p>Applicable: 1st January 2023:</p> <p>a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued.</p> <p>b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued.</p> <p>c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued.</p> <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p> <p>This standard has no impact on NACC's financial reporting</p>
Other improvements to IPSAS	<p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> IPSAS 22 Disclosure of Financial Information about the General Government Sector. <p>Amendments to refer to the latest System of National Accounts (SNA 2008).</p> <ul style="list-style-type: none"> IPSAS 39: Employee Benefits <p>Now deletes the term composite social security benefits as it is no longer defined in IPSAS.</p> <ul style="list-style-type: none"> IPSAS 29: Financial instruments: Recognition and Measurement <p>Standard no longer included in the 2021 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023.</p> <p>This standard has no impact on NACC's financial reporting</p>
IPSAS 43	<p>Applicable 1st January 2025</p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p>This standard has no impact on NACC's financial reporting</p>

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Standard	Effective date and impact:
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p>Applicable 1st January 2025</p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and: Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p> <p>This standard has no impact on NACC's financial reporting</p>

iii. Early adoption of standards

The NACC did not early – adopt any new or amended standards in year 2021/2022

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Grants from National Government

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development/capital grants are recognized as deferred revenue in the statement of financial position and realized in the statement of comprehensive income over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The NACC recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Interest income

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

b) Budget information

The original budget for FY 2021-2022 was approved by the National Assembly. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The NACC budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial

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statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis.

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

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

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

c) Taxes

Current income tax

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

d) Property, plant and equipment

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

The annual depreciation rates are calculated using reducing method. The rates in use are:

Nature of Asset	Rate
Motor Vehicle	25%
Computers	33.3%
Office Equipment	20%
Furniture and Fitting	12.5%
Computer software amortization	12.5%

Leases

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

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e) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Financial liabilities

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit. The NACC determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized at fair value.

f) Inventories

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

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

g) Provisions

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

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

h) Contingent liabilities

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

i) Contingent assets

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

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j) Nature and purpose of reserves

The NACC creates and maintains accumulated surplus as a reserve. Any surplus or deficits at the end of the financial year are transferred into this reserve.

k) Changes in accounting policies and estimates

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

l) Employee Benefits

Retirement benefit plans

The NACC provides gratuity benefits for its employees. The amount is calculated at 31% of basic pay for the duration of the three-year renewable contract. The amount earned during the year are expensed in statement of financial performance and recognized as a current liability in the statement of financial position. The earned amount is payable at the end of the employees' contract or when exiting the NACC.

m) Foreign currency translations

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

n) Related parties

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

o) Cash and cash equivalents

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

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, 2022.

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5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates and assumptions

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

Useful lives and residual values

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

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

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 23 - 24. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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	2021/2022	2020/2021
	Ksh	Ksh
6 Transfers from Other Government entities		
Unconditional grants		
GOK-Recurrent	747,000,000	722,270,000
GOK-Development	125,500,000	66,475,000
Global Fund Grants	100,000,000	200,000,000
	972,500,000	988,745,000
7 Public contributions and donations		
Funding partner		
Georgetown University	12,744,170	36,917,543
UNDP /UNFPA/UNICEF/UNOP/WHO	16,523,015	5,640,123
AVAC	-	2,459,883
Other miscellaneous donations and support	1,498,046	150,000
	30,765,231	45,167,548
8 Other Income		
This represents interest earned from bank deposits during the period.		
Interest earned	9,732,410	11,689,054
9 Use of Goods and Services		
Program travel expense	327,995,769	346,637,300
Design printing and publishing	26,537,528	12,926,098
Hire charges	63,325,416	69,813,534
Advertising	32,201,353	125,610,466
Conferences and Workshops	-	7,301,648
Consulting fees	42,754,058	18,273,988
Other program management expense	-	8,207,265
Audit fees	4,000,000	3,900,000
Consumables	7,837,404	5,224,285
Utilities	3,587,002	4,157,839
Fuel and oil	14,660,960	11,657,877
Insurance	4,947,265	7,147,343
Licenses and permits	16,457,791	6,139,084
Postage	695,210	547,795
Stationery	16,225,409	15,809,890
Rent	65,257,867	57,464,395
Security costs	1,978,598	1,465,831
Telecommunication	21,380,025	16,092,143
Training	11,704,221	6,252,721
Membership and subscriptions	1,602,816	881,460
Other General expenses	10,120,006	2,395,453
Bank charges	4,296,405	4,406,814
	677,565,103	732,313,228

Note

1. In the current reporting period expenses that were previously reported under conferences and workshops have been consolidated with hire charges expenses.
2. Other program management expense reported in FY 2020/21 related to sanitary and food items distributed during year 2020 World AIDS day commemoration. This was a once off event.

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	2021/2022	2020/2021
	Ksh	Ksh
10 Employee costs		
Basic Salary	225,680,008	222,620,371
House Allowance	59,487,684	59,608,537
Remuneration Allowances	30,995,096	31,630,562
Staff Gratuity	59,159,289	73,097,204
Staff Medical Insurance	41,083,786	40,856,813
Other Allowances	12,592,514	5,661,353
Bonuses	-	27,648,418
Non-Practicing allowance	1,240,000	758,710
Acting/Special duty Allowance	2,253,385	1,050,211
Leave allowance	3,376,579	3,372,207
Employer NSSF Contribution	367,800	367,800
CACC responsibility allowances	34,497,562	34,323,929
Casual wages	484,375	683,218
	471,218,077	501,679,334
11 Board Expenses		
Sitting Allowance	6,320,000	9,280,000
Bonus	-	6,681,367
Meal Allowance	222,000	116,000
Per Diem Allow	4,900,560	3,276,000
Chair Honoraria and airtime	1,044,000	1,044,000
Medical insurance	491,987	958,981
Mileage reimbursement	182,223	-
Board Training	2,203,900	-
	15,364,670	21,356,348
12 Depreciation and amortization expense		
Motor Vehicles Depreciation	8,034,167	-
Computer equipment depreciation	6,532,331	-
Office Equipment Depreciation	2,118,936	-
Furniture & Fittings Depreciation	1,255,696	-
Computer software amortization	1,412,665	-
	19,353,795	-
13 Repairs and maintenance		
Repairs and Maintenance General	5,873,642	3,564,912
Motor Vehicles Repairs & Maintenance	10,043,382	8,531,930
Office Equipment & Furniture Repairs	665,730	93,100
	16,582,754	12,189,942
14 Gain on sale of assets		
During the year under review, NACC received compensation for lost items resulting a gain.		
Proceeds from insurance compensation/sale	521,088	269,282
Less Cost of items disposed	(810,321)	(304,000)
Add Accumulated depreciation	642,153	304,000
	352,920	269,282
15 Taxation expense		
Tax charged on interest income	1,302,974	3,517,013

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	2021/2022	2020/2021
	Ksh	Ksh
16 Cash and cash equivalents		
During the financial year, the NACC closed three inactive bank accounts and opened nineteen new bank accounts, one for development fund and eighteen for the devolved regional offices.		
ABSA Bank -Recurrent vote account	17,533,231	157,194,183
Citibank -Development vote account	-	199,508,910
Stanchart -UNDP project account	2,460,056	2,460,056
NCBA Bank -UNFPA Operating project account	2,000,711	770,264
ABSA Bank -Development vote account	660,161,491	-
Citibank -TOWA Project Account	-	131,594,835
Coop Bank - IRAPP Project Account	-	1,210,920
NCBA GLOBA FUND-KN-H-TNT-1547	169,548,127	162,044,293
NCBA Bank- Gratuity Fund Account	39,653,458	49,153,260
Cash in transit	-	68,067,500
Co-op Bank Coast	204,139	-
Co-op Bank Garissa and Tana River	1,290	-
Co-op Bank Wajir and Mandera	490	-
Co-op Bank Machakos	1,431	-
Co-op Bank Nairobi	163,653	-
Co-op Bank Eastern (Isiolo)	1,344	-
Co-op Bank Eastern (Embu)	27,585	-
Co-op Bank South Rift (Nakuru)	211,178	-
Co-op Bank Nyanza -Kisii	55,286	-
Co-op Bank Nyanza - H/Bay	5,956	-
Co-op Bank Nyanza - Kisumu	246,450	-
Co-op Bank Western - Bungoma	22,898	-
Co-op Bank Western - Kakamega	8,842	-
Co-op Bank North Rift - Lodwar	1,867	-
Co-op Bank North Rift - Kitale	249,197	-
Co-op Bank North Rift - Eldoret	137,124	-
Co-op Bank North Rift - Central	17,142	-
Co-op Bank North Rift - South Rift (Nyahururu)	1,318	-
	892,714,264	772,004,222
17 Inventories		
Office consumables	13,514,027	11,700,339
18 Receivables from exchange transactions		
Deposits	10,009,348	10,009,348
Prepayments	47,114,698	550,275
Other receivables	-	2,428,889
	57,124,046	12,988,513
19 Receivables from non-exchange transactions		
NACC Field Office Advance	8,587,792	14,886,277
Advances to District Technical Committees	19,820,858	19,820,858
Advance to TOWA project Financial Management Agency	47,020,210	47,020,210
Direct advances to implementers	2,952,973	2,952,759
Advances to Constituency AIDS Committees	7,294,776	8,138,370
Advances - World AIDS Day	2,161,700	2,161,700
AIDS Control Units Advances	3,697,926	3,697,926
Staff Imprest Advances	2,313,370	2,508,712
Other advances	883,659	1,093,472
Less Impairment	(81,560,092)	(81,560,092)
	13,173,172	20,720,191

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20 Property, plant and equipment

	Motor Vehicles	Computers	Office Equipment	Furniture & fittings	Total
Cost	Ksh	Ksh	Ksh	Ksh	Ksh
At 30 June 2020	272,400,358	145,624,325	91,201,411	89,245,685	598,471,779
Additions	-	9,231,829	870,960	125,000	10,227,789
Revaluation	160,135,000	-	1,737,656	3,731,689	165,604,345
At 30 June 2021	432,535,358	154,856,154	93,810,028	93,102,374	774,303,913
Additions	-	13,727,878	6,114,814	1,216,100	21,058,792
Revaluation Adjustment	(63,725,000)	5,244,733	4,948,600	16,199,800	(37,331,867)
Disposal	(263,250)	(547,071)	-	-	(810,321)
At 30 June 2022	368,547,108	173,281,694	104,873,442	110,518,274	757,220,518
Depreciation					
At 30 June 2020	272,400,358	142,526,423	85,319,028	80,381,574	580,627,383
Depreciation	-	-	-	-	-
Disposal	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-
At 30 June 2021	272,400,358	142,526,423	85,319,028	80,381,574	580,627,383
Depreciation	8,034,167	6,532,331	2,118,936	1,255,696	17,941,130
Disposal	(263,250)	(378,903)	-	-	(642,153)
Transfer/adjustment	-	-	-	-	-
At 30 June 2022	280,171,275	148,679,851	87,437,964	81,637,270	597,926,359
Net book values					
At 30 June 2022	88,375,833	24,601,843	17,435,478	28,881,004	159,294,159
At 30 June 2021	160,135,000	12,529,731	8,491,000	12,720,800	193,676,531

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21 Intangible assets

Computer Software	2021/2022	2020/2021
	Ksh	Ksh
Cost		
At beginning of the year	63,427,555	-
Additions	68,586	24,009,555
Revaluation adjustment	(29,729,355)	39,418,000
At end of the year	33,766,786	63,427,555
Amortization and impairment		
At the beginning of the year	-	-
Amortization	(1,412,665)	-
At end of the year	(1,412,665)	-
NBV	32,354,121	63,427,555

		2021/2022 Ksh	2020/2021 Ksh
22	Capital Work in Progress		
Opening Balance		-	18,276,874
Additions during the year		-	5,732,681
Transferred to non-current assets (computer software)		-	<u>(24,009,555)</u>
		-	-
23	Trade and other payables from exchange transactions		
Payable to suppliers of goods and services		12,811,297	4,767,870
Other payables		<u>51,856</u>	<u>33,421</u>
		<u>12,863,153</u>	<u>4,801,291</u>
24	Provisions		
Audit fees	Opening balance	7,600,000	7,200,000
	Payments during the year	(3,700,000)	(3,500,000)
	Provision for the year	<u>4,000,000</u>	<u>3,900,000</u>
	Closing balance	<u>7,900,000</u>	<u>7,600,000</u>
25	Employee benefit obligation		
Staff gratuity	Opening balance	115,376,037	81,644,314
	Payments during the year	(93,716,039)	(39,365,482)
	Provision for the year	<u>59,159,289</u>	<u>73,097,204</u>
	Closing balance	<u>80,819,287</u>	<u>115,376,037</u>
26	Tax payable		
	Tax payable at beginning of the year	12,147,048	25,498,556
	Income tax charge for the year (note 17)	1,302,974	3,517,013
	Income tax paid during the year	<u>(12,353,613)</u>	<u>(16,868,521)</u>
	At end of the year	<u>1,096,409</u>	<u>12,147,048</u>

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27 Deferred revenue	2021/2022	2020/2021
	Ksh	Ksh
This refers to funds disbursed for capital projects that had not been utilized		
Opening balance	100,000,000	100,000,000
Addition during the year	386,000,000	-
Transferred during the year	-	-
	<u>486,000,000</u>	<u>100,000,000</u>
28 Revaluation reserve		
The NACC carried out a revaluation of all non-current asset during the year under review resulting in a revaluation reserve of Ksh 205,022,345. This amount has been adjusted during the year as follows.		
Opening balance	205,022,345	-
Additions during the year	-	205,022,345
Adjustments -Property plant and equipment (note 20)	(37,331,867)	-
Adjustments -Intangible assets (note 21)	(29,729,355)	-
	<u>137,961,123</u>	<u>205,022,345</u>
29 Provision for doubtful debts		
The outstanding advances listed below were considered doubtful		
First World AIDS Day Commemoration Advance	2,161,700	2,161,700
AIDS Control Units Advances	3,697,926	3,697,926
District Technical Committees	19,613,358	19,613,358
Advances to former employees	2,216,487	2,216,487
Community Based Organizations	782,283	782,283
TOWA Project Sub-implementers Advances	53,088,338	53,088,338
	<u>81,560,092</u>	<u>81,560,092</u>
30 Cash generated from operations		
(Deficit)for the year before tax	(188,036,809)	(225,184,980)
Adjustments for:		
Depreciation	19,353,795	-
Gain on asset disposal	(352,920)	(269,282)
Working capital changes		
Increase in trade and other payables	348,754,474	6,114,891
Increase in inventories	(1,813,688)	(4,040,297)
Increase in trade and other receivables	<u>(36,588,514)</u>	<u>52,643,100</u>
Cash flows from operating activities	<u>141,316,338</u>	<u>(170,736,56)</u>

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31. Related party disclosures

	2021/2022 Ksh	2020/2021 Ksh
a) Government Transfers through parent ministry	972,500,000	988,745,000
b) Management remuneration		
Board emoluments	15,364,670	21,356,348
Compensation to the CEO	8,969,132	8,259,522
Compensation to key management	71,851,815	109,375,779
	<u>96,185,617</u>	<u>138,991,649</u>

32. Operating Lease Obligation-Disclosure

Within one year	65,575,729	62,073,038
After 1 year but not later than 5 years	<u>129,780,495</u>	<u>195,356,224</u>
Total Commitments	<u>195,356,224</u>	<u>257,429,262</u>

The NACC has a 6-year term lease for office premises from March 1, 2019. The lease stipulates that rent is payable on quarterly in advance in US Dollars. An exchange rate of Ksh 118 to USD (112 for 2020/21) has been used for projection.

33. Financial Risk Management

The NACC activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The corporation's overall risk management program focuses on unpredictability of changes in the business environment and seeks to minimize the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The Council of the board has the overall responsibility for the establishment and oversight of the NACC risk management framework. Compliance with policies and exposure limits is reviewed by the internal auditors on a continuous basis.

The NACC's financial risk management objectives and policies are detailed below

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The NACC credit risk is primarily attributable to its liquid funds with financial institutions staff receivables as well as fund advanced the regional offices and CACCs to undertake projects. The credit risk with financial institutions is low because the counter parties are banks with high credit rating. The financial assets are fully performing as NACC continues to enjoy services secured by these balances.

Credit risk arising from cash and cash equivalents and trade and other receivables are managed in line with the corporation's credit policies as laid down by the board so as to ensure effective oversight and reduction of credit risk.

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The NACC maximum exposure to credit risk as at 30th June 2022 is analyzed in the table below:

	Total Amount	Fully Performing	Past Due	Impaired
			Kshs	Kshs
At 30 June 2022				
Receivables from exchange transactions	57,124,047	57,124,047	-	-
Receivables from non-exchange transactions	94,733,263	13,173,171	-	81,560,092
Bank balances	892,714,269	892,714,269	-	-
Total	1,044,571,578	963,011,486	-	81,560,092
At 30 June 2021				
Receivables from exchange transactions	12,988,513	12,988,513	-	-
Receivables from non-exchange transactions	102,280,282	20,720,190	-	81,560,092
Bank balances	772,004,222	772,004,222	-	-
Total	887,273,017	805,712,925	-	81,560,092

2) Liquidity risk management

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The NACC approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed economic conditions.

The NACC manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The institution derives most of its income from the government (95% for the financial year 2021/2022). Thus, risks faced by the central government's revenue raising abilities directly impact the NACC. In a bid to cushion Kenyans against adverse economic and financial effects from the pandemic, the government introduced the Tax Laws (Amendment) Act, 2020 that reduced the government's revenue. Though the government later sought to reduce the income gap through the Finance Act, 2020, it remains to be seen what effect this will have on the government's revenue raising abilities and NACC's future revenue from non-exchange transactions.

3) Market risk

The NACC takes on exposure to market risk, which is the risk that changes in the market prices, such as interest rates and foreign exchange rates will affect the Council cashflow or value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Monitoring of risk exposures is done by the management in conjunction with the Board of the Council. Market risk exposures are measured using sensitivity analyses. The NACC market risk exposures related primarily to foreign currency risk and interest rate risk.

a) Foreign currency risk

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

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The main foreign currency risk faced by the NACC is in regard to the payment of lease obligations for the corporations Head Office occupancy (further details can be found in the lease obligations footnote). These payments are made in US dollars and an adverse effect in US dollars would mean higher lease rentals. The Kenya shilling depreciated on an average 9% to the US Dollar making the rent payments in Kenya Shillings appreciate by the same percentage rate. A further weakening of the shilling would make future lease obligations more expensive. This results in exposure to exchange rate fluctuations. The Council does not hedge its foreign currency risk.

In light of the above, any adverse movement in exchange rates may result in either exchange gain or loss, with the latter having a negative impact on earnings, as the Council reports its financial performance in Kenya shillings

b) Interest rate risk

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

Management of interest rate risk.

To manage the interest rate risk, management has endeavored to bank with tier 1 banking institutions that offer favorable and stable interest rates on the NACC institutions deposits. While this offers some level of mitigation against unfavorable movements in interest rates, it does not eliminate this risk.

Interest income has however represented only 1% of our total income over the last two financial years and thus any move by the banks to reduce the interest payable on deposits should not have a materially adverse effect on the NACC institution's capabilities to perform its core functions.

34 Contingent Liability

S/No	No. Case Number	Parties	2021/22	2020/21
1	CMCC NO 61 OF 2013	Huzzan Printers and Stationery	5,000,000	5,000,000
2	CMCC NO. 1184 OF 2015	Patrick Mbiyu Kagiri vs NACC	3,000,000	3,000,000
	Total		8,000,000	8,000,000

35 Events after the Reporting Period

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

36 Ultimate and Holding Entity

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

37 Currency

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

38 Surplus Remission

In accordance with Section 219 (2) of the Public Financial Management Act regulations, regulatory entities shall remit into Consolidated Fund, ninety per centum of its surplus funds reported in the audited financial statements after the end of each financial year. The NACC did not make any surplus during the year and hence no remittance to the Consolidated Fund.

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19. APPENDIX

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
Global Fund project audit FY 2020/21: Emphasis of matter – Budgetary control and performance	Statement of comparative budget and actual amounts reflects budget underutilization of 34%	<p>During the reporting period, implementation of funded activities was affected by Covid 19 containment measures by limiting person to person and group meetings the primary means of engagement with the populations targeted.</p> <p>To deal with this challenge, the NACC resulted to use of digital platforms leading to efficiency savings. In addition, the NACC withheld 16% VAT on all payments as per regulations. These explains the unspent balances at the end of project implementation.</p> <p>In compliance with Global Fund grant implementation guidelines, unutilized funds at the end of grant implementation were reported to the Global Fund and authorization granted to utilize these funds in the subsequent grant cycle whose implementation commenced in July 2021.</p>	Closed	
Global Fund project audit FY 2020/21: Report on lawfulness and effectiveness in use of	Reported expenditure included excise duty tax of Ksh 229,00 contrary to article 3.5(l) of the Global Fund grant regulations (2014).	NACC management took cognizance of this audit observation and made a request to the National Treasury to have bank transactions involving funds from Global Fund being exempted from Tax. This exemption took effect from October 2021.	Closed	

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status:	Timeframe:
public resources				
NACC audit FY 2020/21	Receivables from non-exchange transactions	These are long outstanding advances issued during NACC's inception. NACC has made a request for authority to write-off these advances from the National Treasury	Open	
	Inaccuracies in the statement of changes in equity	These have been addressed during FY 2021/22 annual audit	Closed	FY 2022/23
	Misstatement of comparative balance for related parties' disclosure	This have been addressed during FY 2021/22 annual audit	Closed	FY 2022/23



Dr. Ruth Laibon-Masha

Chief Executive Officer

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APPENDIX II

PROJECTS IMPLEMENTED BY THE NACC

Projects implemented by the State Corporation/ SAGA Funded by development partners and/ or the Government.

Project title	Project Number	Donor	Period/ duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
1 Report For The Global Fund HIV/AIDS Project	Grant Number Ken-H-Tnt-2065	The Global Fund	July 2021 to June 2024	Ksh 892,073,176	Yes	Yes

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APPENDIX III

INTER-ENTITY TRANSFERS

	ENTITY NAME:	National AIDS Control Council	
	Break down of Transfers from the Ministry of Health		
	FY 2021/2022		
a. Recurrent Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	10/09/2021	186,750,000	2021/2022
	04/11/2021	186,750,000	2021/2022
	04/02/2022	186,750,000	2021/2022
	10/05/2022	186,750,000	2021/2022
	Total	747,000,000	
b. Development Grants			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	19/10/2021	62,750,000	2021/2022
	26/05/2022	62,750,000	2021/2022
	22/06/2022	150,000,000	2021/2022
	22/06/2022	236,000,000	2021/2022
	Total	511,500,000	
c. Direct Payments			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Total	XXX	
d. Donor Receipts			
	<u>Bank Statement Date</u>	<u>Amount (KShs)</u>	<u>Indicate the FY to which the amounts relate</u>
	Global Fund	21/10/2021	100,000,000
		Total	100,000,000
			2021/2022

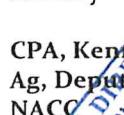
The above amounts have been communicated to and reconciled with the parent Ministry

CPA, Kenneth Nyamolo
Ag, Deputy Director Finance & Administration
NACC

**Head of Accounting Unit
Ministry of Health**

Signature:

Signature:

The above amounts have been
Ministry
CPA, Kenneth Nyamolo
Ag, Deputy Director Finance
NACC
Signature: 
Date: 


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APPENDIX IV

SUMMARY ON KEY HIV IMPACT AND OUTCOME INDICATORS

KENYA				
INDICATOR	2016	2018	2020	2021
HIV PREVALENCE				
Adults aged 15-49	5.9%	4.8%	4.5%	4.3%
Male HIV Prevalence	5.5%	4.5%	3.1%	2.9%
Female HIV prevalence	6.3%	5.2%	5.8%	5.5%
ESTIMATED PEOPLE LIVING WITH HIV				
All ages	1,517,707	1,493,382	1,508,405	1,435,271
15+ Adults	1,419,537	1,388,169	1,401,598	1,356,806
10-19	133,455	105,230	91,634	99,159
15-24	268,586	184,719	145,471	173,228
0-14 Children	98,170	105,213	106,807	78,465
ESTIMATED NEW HIV INFECTIONS				
All ages	77,647	52,767	41,416	32,027
15+ Adults	71,034	44,789	34,610	26,826
10-19	18,004	8,177	6,166	5,294
15-24	35,776	17,667	14,410	11,229
0-14 Children	6,613	7,978	6,806	5,201
AIDS RELATED DEATHS				
All ages	35,821	28,214	20,997	19,486
15+ Adults	30,817	23,902	16,664	16,394
10-19	2,793	2,072	2,275	1,473
15-24	3,853	2,830	2,621	2,196
0-14 Children	5,004	4,312	4,333	3,092
ON ANTI-RETROVITAL THERAPY				
All ages	897,644	1,121,943	1,160,479	1,199,101
15+ Adults	826,097	1,035,618	1,087,511	1,130,513
0-14 Children	71,547	86,325	72,968	68,588
PREVENTION OF MOTHER TO CHILD TRANSMISSION				
Need of PMTCT	79,475	69,497	63,045	53,889
Receiving PMTCT	59,214	53,067	59,304	50,612
MTCT Rate	8.30%	11.50%	10.80%	9.70%
PMTCT Coverage	75%	76%	94%	94%

Source: HIV Estimates 2021, Kenya Health Information System (KHIS MOH 731)

