

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY

DATE: 10 NOV 2022

Thursday OF

Hon. Kimani Ichungwa, MP
Leader of majority

Samuel Katame

THE AUDITOR-GENERAL

ON

**NATIONAL AUTHORITY FOR THE
CAMPAIGN AGAINST ALCOHOL AND
DRUG ABUSE MORTGAGE AND CAR
LOAN FUND**

**FOR THE YEAR ENDED
30 JUNE, 2021**



**NATIONAL AUTHORITY FOR THE CAMPAIGN AGAINST
ALCOHOL AND DRUG ABUSE (NACADA)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS
(MORTGAGE & CAR LOAN)**

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2021

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

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1. NACADA MORTGAGE AND CAR LOAN SCHEME FUND INFORMATION AND MANAGEMENT

a) Background Information

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

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

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

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

In August 2010, the Authority's mandate was expanded to facilitate the Alcoholic Drinks Control Act 2010.

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

Scheme fund was established in line with the constitutional principles under Article 230(5) of the Constitution of Kenya, 2010 on attraction and retention of requisite skills in the public service. The scheme fund is owned by NACADA and domiciled in Kenya.

b) Principal Activities

The scheme fund's principal activity is to offer low interest loan facilities to members of the Authority for the purchase of motor vehicles, existing residential property, purchase of land and construction, renovation and improvement of an existing residential property, and takeover of loans on existing mortgages or equity release.

c) Key Management

The Mortgage and Car Loan Scheme Fund Committee, which is made up of the management team representatives and officers of the Authority, execute the scheme fund's day-to-day operations.

The scheme fund's Committee members, who served during the financial year (FY), ended 30 June 2021, and who had direct fiduciary responsibility were;

1. Mr. Victor Okioma, EBS	-	Chief Executive Officer
2. Mr. Patrick Obura	-	Director, Corporate Services
3. Prof. John Muteti	-	Director, Research and Policy Development
4. Mr. Kirwa Lelei	-	Manager, Policy and Planning
5. Ms. Joyce Lisanza	-	Manager, Human Resource and Administration
6. Mr. Samwel Makini	-	Manager, Finance and Accounts
7. Ms. Judith Twala	-	Manager, Counseling and Rehabilitation
8. Mr. Daniel Konyango	-	Corporation Secretary and Legal Services Manager
9. Mr. Simon Mwangi	-	Manager, Corporate Communications
10. Mr. Jeremiah Muchembi	-	Manager, Supply Chain Management
11. Ms. Susan Maua	-	Acting Manager, Public Education and Advocacy

d) Fund Headquarters

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

e) NACADA Contacts

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

f) Fund Bankers and Administrators

Housing Finance Corporation of Kenya
Rehani House Branch
P.O. Box 30088- 00100
Nairobi, Kenya

g) Independent Auditors

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

h) Principal Legal Adviser

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

2. THE BOARD OF DIRECTORS



**Prof. Mabel Opanda Imbuga, PhD,
EBS
Board Chairperson**

Prof. Mabel Opanda Imbuga, Ph.D., EBS, was appointed the Chairperson of the NACADA Board in May 2020. She is a renowned Professor and Scientist who has made great strides in the Education Sector in Kenya. She is a Professor of Biochemistry with over 35 years of teaching, scholarly, and leadership experience. She is also a Scientist, having trained as a Post-Doctoral Fellow at the International Centre of Insect Physiology and Ecology. She is the immediate past Vice-Chancellor (VC) of Jomo Kenyatta University of Agriculture and Technology - a position she held for ten (10) years from 2008 to July 2018.

Prof. Imbuga has driven the change agenda in education and research across Africa and beyond and has served on several Boards. She is the widow of the renowned Prof. Francis Imbuga, a well-known writer, literature scholar, teacher, and professor at Kenyatta University.



**Vincent Muasya Mutua
Vice Chairperson**

Mr. Muasya is an Artist with a passion for community outreach programmes targeting the youth in and out of learning institutions to teach behaviour change and mentorship. He was a presenter of a Youth Program at a local television channel - Ebru TV. He represents the Youth at the NACADA Board.



**Ms. Margret Moitallel
Board Member**

Ms. Moitallel holds a Diploma in Nursing and has previously worked with the Ministry of Health. Currently, she is a Health Director at My Chosen Vessels Organisation. She is an Independent Director at the Board.



**Farida Rashid
Board Member**

Ms. Rashid has been a renowned Coast Anti-Drugs Activist for the last two decades. She is also the Chairlady of Kenya Muslim Women Alliance and has previously served as a Treasurer of Maendeleo ya Wanawake (Coast region). Currently, she heads the Coast Community Anti-Drug Coalition.



Mr. George Ogalo
Board Member

Mr. Ogalo is currently the National Coordinator of Fellowship of Christian Unions (Focus-Kenya). He holds a Bachelor of Education (Arts), Master of Divinity, Biblical Studies, and is currently a Ph.D. candidate in the same field. He is a Teaching Fellow at Africa International University, teaching undergraduate students and offering tutorials (Hebrew language). Mr. Ogalo is also a Board Member in many institutions and has a wealth of experience in leadership and strategic management. He represents the National Council of Churches of Kenya at the Board.



Priscilla Thairu Gathiga
Board Member

Ms. Gathiga is the National Executive Officer of the Kenya Girl Guides Association – one of Kenya's largest and oldest girl's only organization. She holds a Bachelor's Degree in Social Work and an Executive Master of Business Administration from the Management University of Africa. She is an accomplished professional in Social work and management with over 25 years of experience gained within and outside the country.



Hon. Esther Gathogo
Board Member

Hon. Esther Nyambura Gathogo is an accomplished and creative Businesswoman and leader possessing multifaceted experience and proven ability to re-energize and restructure organizations, develop strategic initiatives and Capture emerging opportunities. She is a results-oriented, decisive leader adept at forging lucrative relationships with key partners to achieve sustained growth.



Dr. Hamisi Salim Massa
Board Member

Dr. Hamisi holds a Bachelor of Science Degree in Veterinary Medicine and Surgery from the University of Nairobi and has attended several police and leadership development training both locally and abroad. He is the current Officer-In-Charge at the Anti-Narcotics Unit. Has previously served as Commandant, Kenya Police Dog Unit and has over 20 years' experience in the Civil Service. He represents the National Police Service at the Board.



Dr. Kepha Ombacho
Board Member

Dr. Kepha Ombacho, FAIPH, EBS is A Public Health specialist. He is the Director of Public Health Kenya and the Head of the Directorate of Special Programs at the Ministry of Health. Previously head of Research Department of MOH, Member of Global Committee on water and Secretary to Tobacco Control Board and Board to the Science Consortium for Human Health.



Andrew G. Rukaria
Board Member

He is currently the Director of Administration in the State Department of Early Learning and Basic Education in the Ministry of Education. In addition, he is the Alternate Director to Permanent Secretary in the Ministry of Education, Science, and Technology and represents the ministry at the Board.



Ms. Acquillyne Mbaka
Board Member

She is the Deputy Director/Head of Division in charge of Youth Innovation and Talent Development in the State Department of Public Service, Youth, and Gender. She is the Alternate Director in the Ministry of Public Service, Youth, and Gender Affairs and represents the ministry at the Board.



Mr. Arthur Amug Osiya
Board Member

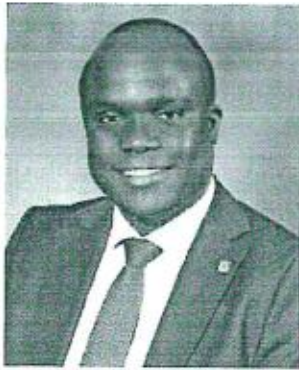
He is the Alternate to the Principal Secretary, State Department of Interior, and Citizen Services. As Secretary, National Administration, Mr. Osiya Coordinates the work of National Government Administrative Officers (NGAO) comprising of Regional Commissioners, County Commissioners, Deputy County Commissioners, Assistant County Commissioners, Chiefs, and Assistant Chiefs.



**Mr. Victor Okioma, EBS
Chief Executive Officer**

Mr. Victor Okioma has a master's degree in International Studies and a Bachelor's Degree in Economics and Government.




He is the Secretary to the Board in his capacity as the Chief Executive Officer of the Authority. He has worked as a Senior Officer at the Ministry of Interior and Coordination of National Government has risen to the rank of Secretary, in charge of Rehabilitation and Integration.



**Mr. Daniel Konyango
Corporation Secretary**

Mr. Daniel Konyango holds a Master of Laws degree, a Diploma in Advanced Management and Leadership, and a Certificate in Legislative Drafting. He is an Advocate of the High Court of Kenya and a Certified Public Secretary (CPS-K). He is a member of the Law Society of Kenya, East Africa Law Society, International Bar Association, and the Institute of Certified Public Secretaries of Kenya. He is the Corporation Secretary and Manager, Legal Services for the Authority.

3. MANAGEMENT TEAM

Name	Academic and Professional Qualifications	Key Responsibilities
 <p data-bbox="239 683 542 750">Mr. Victor Okioma Chief Executive Officer</p>	<p data-bbox="614 358 1013 504">Master of Arts in International Studies and a Bachelor's Degree in Economics and Government.</p>	<p data-bbox="1045 358 1388 504">In charge of overall leadership and management of the Authority's operations.</p>
 <p data-bbox="199 1142 582 1209">CPA Patrick Obura Director, Corporate Services</p>	<p data-bbox="614 795 1013 862">MBA Finance CPA (K)</p>	<p data-bbox="1045 795 1388 1030">In charge of overseeing overall operations in the Directorate of Corporate services including Finance, Accounts, Human Resources, ICT and Administration Departments.</p>
 <p data-bbox="215 1624 566 1736">Prof. John Muteti Director, Research, Policy and Planning</p>	<p data-bbox="614 1254 1013 1489">Doctorate in Strategic Management; Masters in Economic and Social studies; Postgraduate Certificate in Project Planning, Appraisal and Financing; Post Graduate Diploma in Agri. Economics</p>	<p data-bbox="1045 1254 1388 1456">In charge of overseeing operations in the following department: Research, Regulatory, Policy and Planning, Monitoring and evaluation.</p>



Ms. Yvonne Olando
**Director Public Education,
Advocacy and Rehabilitation**

Masters of Science in Clinical
Psychology
Bachelor's Degree in
Psychology
Graduate Certificate in Global
Tobacco Control
Diploma in Chemical
Dependency Treatment
(Addictions)
Diploma in Public Relations
ICAP 111
CTTS- MAYO

In charge of overseeing
operations in the following
department:
Public Education and
Advocacy
Counseling and Treatment
Regional Coordination



Mr. Kirwa Leley
**Manager, Policy and
Planning**

Master of Arts in Economics
and Master of Arts in Project
Planning and Management.

In charge of Policy and
Planning department in the
Authority operations



Ms. Joyce Lianza
**Manager, Human Resource
and Administration**

MBA (Corporate Management)
Bachelor of Commerce in
Human Resource Management;
Diploma in Human Resource
Management
CHRP(K)
CPS Part I
Licensed Human Resource
Practitioner

In charge of the Human
Resource and Administration
Department.



Mr. Samuel Makini
Manager, Finance and
Accounts

MBA in Finance and Strategic
Management
CPA(K)
CPS (K)

In charge of overseeing
operations in the Accounts,
Finance and Administration
departments.



Ms. Judith Twala
Manager, Counselling and
Rehabilitation

Master of Arts in Counselling
Psychology; Bachelors of Arts-
Theology

In charge of Counselling and
Rehabilitation department



Ms. Susan Maua
Ag. Manager, Public
Education, and Awareness

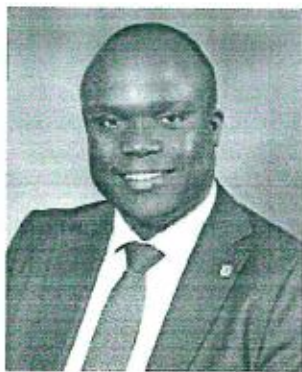
Master of Arts in Counselling
Psychology, Bachelor of
Psychology-Counselling
PG Diploma in Education

In charge of overseeing
operations in the Public
Education and Advocacy
department



Mr. Simon Mwangi, MPRSK
Manager, Corporate
Communications

Master of Arts Degree in Communication Studies, Bachelor of Arts Degree in Journalism and Media Studies, Professional Diploma in Broadcast Journalism. In charge of overseeing operations in the Corporate Communications department



Mr. Daniel Konyango
Corporation Secretary

Masters of Law, Masters of Public Administration, Advocate of the High Court of Kenya, Diploma in Advanced Management and Leadership, Certificate in Legislative drafting and a CPS (K). In charge of Legal Services department



Mr. Jeremiah Muchembi
Manager Supply Chain

Msc Procurement and Logistics, BBM(Purchasing and Supply), Diploma Supplies Management, SLDP, MKISM, Licenced Supply Practitioner, MCIPS. In charge of Supply Chain Management Dept.

4. CHAIRPERSON'S STATEMENT

NACADA established a Mortgage and Car Loan Scheme Fund Committee whose objective is to coordinate and engage with Housing Finance Corporation of Kenya in the management of the scheme fund on behalf of NACADA. The scheme fund's Committee members are drawn from all the directorates.

NACADA in consultation with the Housing Finance Corporation of Kenya, developed internal rules and a Memorandum of Understanding (MOU), which are binding on matters relating to the scheme fund. They set out rules, regulations and guidelines on accessibility of the loans, as well as requirements to be met by the applicants.

The key objective of the scheme fund is to support employees acquire a mortgage and car facility as a way of motivation and retention of staff at the Authority. It also enhances loyalty and commitment to the Authority.

The scheme fund has since supported forty eight members of staff and disbursed **Ksh 249,217,978**. The Housing Finance Corporation of Kenya continues to carry out due diligence for all loan applications so as to minimize risks in acquiring property.

The Committee shall endeavor to support staff through the continuous engagement with the Housing Finance Corporation of Kenya and ensure more employees benefit from the scheme fund in the foreseeable future.

Chairperson: *m. vege*

Date: *28/07/2022*

5. REPORT OF THE OFFICER ADMINISTERING THE FUND

The Mortgage and Car Loan Scheme fund was established in 2015. As at the close of the period, the fund had received **Ksh 249,925,307** and disbursed **Ksh 249,217,978**

The scheme fund's funds were utilized in accordance with the provisions of the Public Finance Management (PFM) Act, 2012, the Public Financial Management Regulation, 2015, and all other applicable legislation and for the purpose for which it was intended.

The scheme fund's principal activity is to offer low interest loan facilities to members of the Authority for the purchase of motor vehicles, existing residential property, purchase of land and construction, construction, renovation and improvement of an existing residential property, and takeover of loans on existing mortgages or equity release.

The scheme fund's administrators hereby submit their report together with the audited financial statements for the year ended 30 June 2021, which show the state of the scheme fund's affairs.

Chief Executive Officer:



Date: 28/07/2022

6. STATEMENT OF COMPLIANCE

The NACADA Mortgage and Car Loan Scheme Fund is regulated by various laws and regulations. The Fund is committed to ensuring compliance with all the laws and regulations governing government entities.

On Financial reporting, Section 84 of the PFM Act, 2012, Financial statements shall be prepared for a public fund established by the constitution, an Act of Parliament or Entity legislation for each financial year in a form prescribed by the Public Sector Accounting Standards Board.

Not later than three months after the end of each financial year, the administrator of the fund shall submit the financial statements prepared under this section to the Auditor General.

The administrator shall submit a copy of the report to the cabinet secretary responsible for the fund.

The Fund has complied with these requirements and submitted the reports within the stipulated timelines.

7. MANAGEMENT DISCUSSION AND ANALYSIS

a) Operational and financial performance

As at the close of the FY 2020/21, the scheme fund's financial position was **Ksh 230,000,000** in capital and **Ksh 19,925,307** as interest earned from utilized funds held in the call- deposit account. During the year, scheme fund had no withdrawals as compared to six withdrawals at **Ksh 37,800,000** in FY 2019/2020.

Compliance with statutory requirements

The scheme fund terms of reference and regulations are anchored on the Authority's guidelines on Mortgage and Car Loan Scheme Fund.

b) Key activities the scheme fund is undertaking

The main reason for setting up the scheme fund is to provide financial support for the acquisition of mortgage facility at a subsidized interest rate relating to;

1. Home development loans
2. Acquisition or purchase of residential homes
3. Purchase of land for home construction
4. Purchase of motor vehicles

c) Major risks facing the scheme fund

Liquidity risk

Liquidity risk is the risk that the scheme fund will not be able to meet financial obligations when they fall due. This risk is managed by ensuring that the scheme fund is liquid enough to meet its obligations whenever they fall due. This has since been managed over the previous years by ensuring sufficient budget allocations are appropriated to the scheme fund.

Credit risk

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. The scheme fund's exposure to credit risk is low owing to the fact that properties acquired are charged to the Bank and thus held as security. The administrator also mitigates the risk by strictly scrutinizing the prevailing financial state of the borrower before processing an application.

d) The scheme fund's financial probity and governance issues

The Nacada Mortgage and Car Loan fund operates through a Committee whose main role is to oversee its operations and implementation by both the Administrator and the Authority. The Committee's membership is drawn from all directorates and departments of the Authority for inclusivity purposes.

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL AUTHORITY FOR THE CAMPAIGN AGAINST ALCOHOL AND DRUG ABUSE MORTGAGE AND CAR LOAN FUND FOR THE YEAR ENDED 30 JUNE, 2021

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 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 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 the National Authority for the Campaign Against Alcohol and Drug Abuse Mortgage and Car Loan Fund set out on

Report of the Auditor-General on National Authority for the Campaign Against Alcohol and Drug Abuse Mortgage and Car Loan Fund for the year ended 30 June, 2021

pages 1 to 12, which comprise the statement of financial position as at 30 June, 2021, statement of financial performance, statement of changes in net assets, statement of cash flows, 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 National Authority for the Campaign Against Alcohol and Drug Abuse Mortgage and Car Loan Fund as at 30 June, 2021, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Authority for the Campaign Against Alcohol and Drug Abuse Mortgage and Car Loan Fund 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 audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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.

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 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 Board of Directors

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error 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 Fund's ability to continue 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 Fund 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, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Board of Directors is responsible for overseeing the Fund'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 and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and 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 control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of 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 Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with 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

16 August, 2022

The Authority's Mortgage and Car Loan Scheme Fund financial statements for the year ended 30th June 2021 were approved by the Board on21/10.....2021 and signed on its behalf by:

Signature.....*M. Lege*.....

Name *Prof. MABEL IMBUQA*.....

Chairperson of the Board

Signature.....*[Handwritten Signature]*.....

Name *V.G. Okima*.....

Accounting Officer

9. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2021

	Note	2020-2021 Kshs	2019-2020 Kshs
Revenue from Exchange Transactions			
Interest Earned from Fund Balances	5	832,152	2,357,021
Interest Earned on Mortgage Balances	6	6,763,644	6,084,752
Total Revenue		7,595,796	8,441,773
Expenses			
Withholding Tax on Interest Earned	7	124,823	353,553
Fund Administration Expenses	8	6,763,644	6,084,752
Total Expenses		6,888,467	6,438,305
Net Surplus		707,329	2,003,468
Attributable to:			
Surplus Attributable to Owners of Nacada		707,329	2,003,468

The notes set out on pages 6 to 11 form an integral part of these Financial Statements.

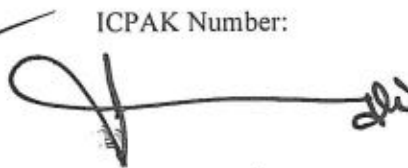
The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

Chief Executive Officer
Name:



Date: 28/07/2022

Head of Finance
Name:

ICPAK Number:


Date: 28/07/2022

Chairman of the Board
Name:



Date: 28/07/2022

10. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

		2020-2021	2019-2020
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	9	23,463,958	25,349,097
Receivables from exchange transactions	11	224,107,719	221,515,251
Total assets		247,571,677	246,864,348
Debtors - HFC		2,353,630	2,353,630
Total assets		249,925,307	249,217,978
Reserves-Capital Fund			
Capital Fund		230,000,000	230,000,000
Accumulated surplus		19,925,307	19,217,978
Total net assets and liabilities		249,925,307	249,217,978


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

Chief Executive Officer
Name:


Date: 28/07/2022

Head of Finance
Name:

ICPAK Number:


Date: 28/07/2022

Chairman of the Board
Name:


Date: 28/07/2022


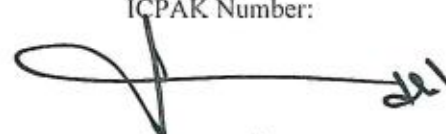

11. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2021

	Reserves		
	Capital Fund	Accumulated Reserves	Total
	Kshs	Kshs	Kshs
Balance as at 1 July 2019	230,000,000	17,214,510	247,214,510
Surplus/(deficit) for the period	-	2,003,468	2,003,468
Balance as at 30th June 2020	230,000,000	19,217,978	249,217,978
Surplus/(deficit) for the period	-	707,329	707,329
Balance as at 30th June 2021	230,000,000	19,925,307	249,925,307

12. STATEMENT OF CASH FLOWS AS AT 30 JUNE 2021

	Notes	2020-2021 Kshs	2019-2020 Kshs
Cash flows from operating activities			
Receipts			
Interest Earned from Fund balance	5	832,152	2,357,021
Interest Charged on Mortgage balances	6	6,763,644	6,084,752
Net Instalment received during the year	12	19,463,532	16,341,632
Mortgage capital paid back		744,000	2,650,000
Total Receipts		27,803,328	27,433,406
Payments			
Withholding Tax on Interest	7	124,823	353,553
Fund Administration Expenses	8	6,763,644	6,084,752
Mortgage advanced during the year		22,800,000	56,983,828
Total Payments		29,688,467	63,422,133
Net cash flows from operating activities		(1,885,139)	(35,988,728)
Cash flows from investing activities			
Increase in current Receivables		-	(2,353,631)
Net cash flows used in investing activities		(1,885,139)	(38,342,358)
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at 1 July		25,349,097	63,691,455
Cash and cash equivalents at 30 June		23,463,958	25,349,097

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

Chief Executive Officer Name:  Date: 28/07/2022	Head of Finance Name:  ICPAK Number: Date: 28/07/2022	Chairman of the Board Name:  Date: 28/07/2022
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13. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR PERIOD ENDED 30 JUNE 2021

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Variance percentage
	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	2020-2021 Kshs	
Revenue						
Opening Balance	25,349,097	-	25,349,097	25,349,097	-	
Interest Earned	1,267,455	-	1,267,455	832,152	(435,303)	(34%)
Interest Charged	6,774,119	-	6,774,119	6,763,644	(10,475)	(1%)
Instalment Repaid	19,364,909	-	19,364,909	19,463,532	98,623	1%
Mortgage capital repaid	-	-	-	744,000	744,000	100%
Total income	52,755,580	-	52,755,580	53,152,425	396,845	1%
Expenses						
Withholding Tax on Interest earned	190,118	-	190,118	124,823	65,295	34%
Professional fee charged	6,774,119	-	6,774,119	6,763,644	10,475	1%
Mortgage Advances						
Plot	10,000,000	-	10,000,000	2,600,000	7,400,000	74%
Car	5,000,000	-	5,000,000	2,400,000	2,600,000	52%
Home Ownership	30,000,000	-	30,000,000	17,800,000	12,200,000	40%
Total expenditure	51,964,237	-	51,964,237	29,688,467	22,275,770	42%
Surplus for the period	791,343	-	791,343	23,463,958	22,672,615	2.865%

14. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

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

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared based on historical costs unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on an accrual basis.

3. Adoption of New and Revised Standards

Nacada did not early – adopt any new or amended standards in year 2020/2021.

4. Summary of Significant Accounting Policies

a) Revenue recognition

Revenue from exchange transactions

Revenue is recognized in the period in which it is earned. Income is not accrued if its recoverability is doubtful. Revenue constitutes all incomes accruing to the Fund in the form of interest earned on unutilized fund. The rate applicable during the year was 3%.

b) Budget information

The original budget for the FY 2020/2021 was approved. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the scheme fund upon receiving the respective approvals in order to conclude the final budget.

c) 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 Housing Finance Corporation of Kenya at the end of the financial year.

d) Fund Account

The Nacada Mortgage and Car Loan fund was enhanced initially with Kshs 150M through appropriation from the Authority's Budget. Later, the fund was beefed up with Kshs 80M. Further, all interest earned from funds held in the call account is recouped back to the fund. The Fund was mainly established in order to enable members purchase motor vehicles, acquire existing residential property, purchase of land and construct, renovate and improve existing residential property, and takeover loans on existing mortgages or equity release. The facility is extended to applicants at an interest rate of 3% which are funds utilized by the Bank for administration of the Fund.

e) Comparative figures

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

5. Interest Earned

Description	2020-2021	2019-2020
	KShs	KShs
Actual		
Interest on Fund balance	832,152	2,357,021
Total	832,152	2,357,021

6. Interest Charged on Mortgage Balances

Description	2020-2021	2019-2020
	Kshs	Kshs
Interest earned Mortgage Holders	6,763,644	6,084,752
Total	6,763,644	6,084,752

7. Withholding Tax on Interest Earned

Description	2020-2021	2019-2020
	Kshs	Kshs
Withholding Tax	124,823	353,553
Total	124,823	353,553

8. Fund Administration Expenses

Description	2020-2021	2019-2020
	Kshs	Kshs
Fee charged by HFC	6,763,644	6,084,752
TOTAL	6,763,644	6,084,752

9. Cash and Cash Equivalents

Description	2020-2021	2019-2020
	Kshs	Kshs
Current account		
Staff car loan/ mortgage	23,463,958	25,349,097
Total cash and cash equivalents	23,463,958	25,349,097

10. Detailed Analysis of Cash and Cash Equivalents

Financial institution	Account number	2020-2021	2019-2020
		Kshs	Kshs
a) Current account			
HFC -Rehani House	2016343401-0	23,463,958	25,349,097
Grand total		23,463,958	25,349,097

11. Receivables from Exchange Transactions

Description	2020-2021	2019-2020
	Kshs	Kshs
Non-current receivables		
Long term debtors-Mortgage balances	224,107,719	221,515,251
Total receivables	224,107,719	221,515,251

12. Net Instalment Received during the year

Description	2020-2021	2019-2020
	Kshs	Kshs
Home ownership Mortgage	14,381,985	12,139,458
Car ownership Mortgage	4,462,693	3,925,506
Plot Ownership	618,854	276,669
Total	19,463,532	16,341,633

13. Mortgage Advanced during the year

Description	2020-2021	2019-2020
	Kshs	Kshs
Home ownership Mortgage	17,800,000	48,683,828
Car ownership Mortgage	2,400,000	8,300,000
Plot ownership	2,600,000	-
Total receivables	22,800,000	56,983,828

14. Cash Generated from Operations

	2020-2021	2019-2020
	Kshs	Kshs
Surplus for the year before tax	707,329	2,003,468
Adjusted for:		
	-	-
Net Instalment received during the year	19,463,532	16,341,632
Mortgage Capital repaid	744,000	2,650,000
Mortgage advanced to staff;		
Home ownership	(17,800,000)	(48,683,828)
Car Ownership	(2,400,000)	(8,300,000)
Plot ownership	(2,600,000)	
Working Capital adjustments		
Increase in inventory	-	-
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	(1,885,139)	(35,988,728)

15. Events after the reporting period

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

16. Ultimate and Holding Entity

The NACADA Mortgage and Car Loan fund is a Public Fund established by NACADA. Its ultimate parent is NACADA.

17. Currency

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

18. Financial risk management

The Nacada Mortgage and Car Loan fund's activities expose it to a variety of financial risks, including credit and liquidity risks. The scheme fund's overall risk management Programme 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 Nacada Mortgage and Car Loan fund does not hedge any risks and has in place policies to ensure that credit is only extended to borrowers with an established credit history. The Nacada Mortgage and Car Loan fund's financial risk management objectives and policies are detailed below:

Credit risk management

Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or meet contractual obligations. Nacada Mortgage and Car Loan fund's exposure to credit risk is low owing to the fact that properties acquired are charged to the Bank and thus held as security. The administrator also mitigates the risk by strictly scrutinizing the prevailing financial state of the borrower before processing an application.

Liquidity risk management

Liquidity risk is the risk that the scheme fund will not be able to meet financial obligations when they fall due. This risk is managed by ensuring that the scheme fund is liquid enough to meet its obligations whenever they fall due. This has since been managed over the previous years by ensuring sufficient budget allocations are appropriated to the Nacada Mortgage and Car Loan fund.

Interest rate risk

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

Management of interest rate risk

To manage the interest rate risk, management has endeavored to bank with a local commercial Bank and negotiate for favorable interest rates from time to time in tandem with prevailing market rates and economic conditions.

Capital risk management

The objective of the Nacada Mortgage and Car Loan fund's capital risk management is to safeguard the scheme fund's ability to continue as a going concern. The scheme fund capital structure comprises of the following funds:

	2020/21	2019/20
	Ksh	Ksh
Revaluation reserve	-	-
Capital fund	230,000,000	230,000,000
Accumulated surplus	19,925,307	19,217,978
Total funds	249,925,307	249,217,978
Total Advances	224,107,719	221,515,251
Less: cash and bank balances	23,463,958	25,349,097
Net debt/ (excess cash and cash equivalents)	2,353,630	2,353,630
Gearing	-	-



Mr. Victor G. Okioma, EBS
Chief Executive Officer

Date 28/07/2022



Prof. Mabel Opanda Imbuga, PhD, EBS
Chairperson of the Board

Date 28/07/2022

APPENDIX

APPENDIX I

PROGRESS ON FOLLOW UP OF THE AUDITOR'S RECOMMENDATIONS

There were no audit issues and recommendations to be reported on.

Reference No. on the external audit report	Issue / Observations from Auditor	Management comments	Focal point person to resolve the issue (Name and designation)	Status: (Resolved/ Not Resolved)	Timeframe: (Date when expect issue will be resolved)
NIL	NIL				