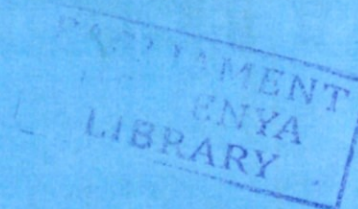
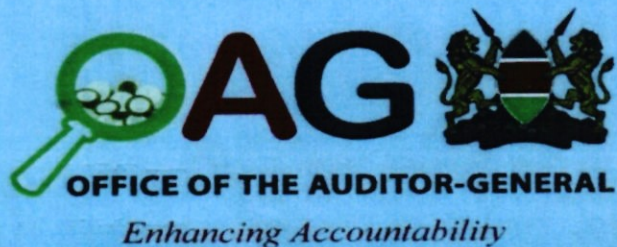


REPUBLIC OF KENYA



REPORT

OF

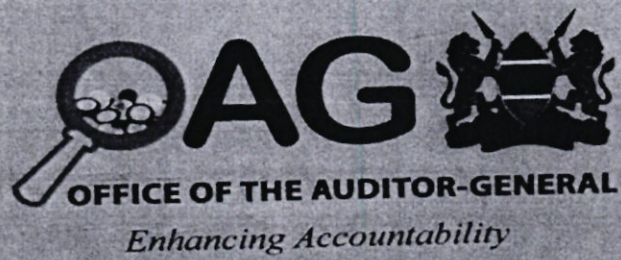
THE AUDITOR-GENERAL

ON

NATIONAL EMPLOYMENT AUTHORITY

FOR THE YEAR ENDED
30 JUNE, 2019

REPUBLIC OF KENYA



REPORT

OF

THE AUDITOR-GENERAL

ON

NATIONAL EMPLOYMENT AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2019**

For the year ended June 30, 2019



Employment opportunities for all

NATIONAL EMPLOYMENT AUTHORITY

Tel: +207855746/7
Fax: +254(0)273980
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Seasons, Kasarani
P.O. Box 25780-00100
NAIROBI

NATIONAL EMPLOYMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
JUNE 30 2019

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The NATIONAL EMPLOYMENT AUTHORITY (NEA) was established on 21st April, 2016 by an Act of Parliament (the National Employment Authority Act 2016) which effectively provided the legal framework and mandates for its operations. The Authority was created out of the then National Employment Bureau (NEB) which was one of the Departments in the Ministry of Labour and Social Protection. The **National Employment Authority** is domiciled in Kenya and has branches in a number of counties.

(b) Principal Activities

The principal activity is to provide for a comprehensive institutional framework for employment management; enhancement of employment promotion interventions; and increasing access to employment by the youth, minorities and marginalized groups for connected purposes.

(c) Key Management

THE NATIONAL EMPLOYMENT AUTHORITY day-to-day management is under the following key organs:

- Board of Directors;
- Ag. Director-General
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag. Director-General	Edith Okoki
2.	Ag. Head of Technical services	Festus Mutuse
3.	Ag. Head of Finance	Michael Mutua
4.	Ag. Head of Accounting unit	Mark Mugambi

(e) Fiduciary Oversight Arrangements

The Authority Committees facilitate decision making to assist in the execution of its duties.

For the year ended June 30, 2019

The following Committee were in place:

(i) Finance, Human Resource & Governance

	Name	Position
1.	Jefferson N. Kariuki	Chair
2.	Rose Aduda	Member
3.	Jacqueline Mugo	Member
4.	Winnie Karingithi	Member
5.	Mark Ngecho	Member
6.	Edith Okoki	Ag. Director General

(ii) Employment, Promotion Services & Strategy

	Name	Position
1.	Jacqueline Mugo	Chair
2.	Amb Michael Oyugi	Member
3.	Fatuma Abubakar	Member
4.	Winnie Karingithi	Member
5.	Jefferson N. Kariuki	Member
6.	Eng DishonAtemo	Member
7.	Rose Aduda	Member
8.	Mark Ngecho	Member
9.	Prof. Walter Oyawa	Member
10.	Edith Okoki	Ag. Director General

(iii) Audit Risk and Compliance

	Name	Position
1.	Eng. DishonAtemo	Chair
2.	Fatuma Abubakar	Member
3.	Amb Michael Oyugi	Member
4.	Prof. Walter O. Oyawa	Member

(f) Entity Headquarters

P.O. Box 25780-00100
Seasons.Kasarani
Nairobi, Kenya

(g) Entity Contacts

Telephone: +207855746/7
E-mail: dg.nea@nea.go.ke OR info@nea.go.ke
Website: www.nea.go.ke

(h) Entity Bankers

Kenya Commercial Bank
Milimani Branch
P.O BOX 69695-00400
Nairobi, Kenya

(i) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O. Box 30084 00100
Nairobi, Kenya

(j) Principal Legal Adviser

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

For the year ended June 30, 2019

II. THE BOARD OF DIRECTORS



1. Mrs. Winnie Pertet -Chairperson

Date of Birth: 2nd April, 1965

MBA Human Resource Management

B.Ed. Degree

Higher Diploma in Human Resource Management

Diploma in Executive Coaching from the Academic of Executive Coaching (AEOC)

Winnie is currently the CEO and Lead Consultant at Serian Consulting Limited (SCL). She has over 25 years of HR experience at various management and leadership levels in leading local and global multinational organizations. Her career includes over 10 years in the Banking Industry and a further 7 years in the manufacturing sector, (FMCG) at East African Breweries and Coca-Cola Sabco (now Africa Beverages) as well as 4 years in Financial services at UAP Old Mutual that included Insurance, Asset Management, Banking and Property.

Winnie is an HR Generalist but her experience spans across all the various facets of HR Practice. She has been instrumental in designing and implementing Culture and People Change strategies and practices in most of the organizations she has worked for. She also has credible experience in restructuring, mergers and acquisitions, performance management and other related people practices.

Winnie is a holder of an MBA in Human Resource Management, and a B.Ed Degree both from Kenyatta University, a Higher Diploma in Human Resource Management (IHRM) and a Diploma in Executive Coaching from the Academic of Executive Coaching (AEOC). She is also a member of the global Organization Design Community.

Winnie is a council member at the Kenya Institute of Management (KIM), Institute of Human Resource Management (IHRM), Kenya Women on Boards Network (KWOBN) as well as the Honorary Secretary of Parklands Sports Club (A private members club).

Winnie is a past Chairperson of the Association of Retirement Benefits Schemes (RBS) Council. She is also the Chairperson of Ngare Narok Holdings Limited.



2. Mrs. Jacqueline Mugo

Date of Birth: 20th November, 1957

Jacqueline Mugo, EBS, MBS, OGW is the Executive Director and Chief Executive Officer of the Federation of Kenya Employers.

Jacqueline plays a strong leadership role in the continent and represents employers and the private sector at the regional and international level including the Governing Body of the International Labour Organization (ILO) and the International Organization of Employers (IOE), both based in Geneva, Switzerland, the ACP-EU Follow-up Committee in Brussels and several public sector boards in Kenya.

Jacqueline is an advocate of the High Court of Kenya. She holds a Bachelor of Laws (LLB. Hons) degree, from the University of Nairobi and a Higher Diploma in Human Resource Management from the Institute of Personnel Management and is also a graduate of Kenya School of Law. She has over 30 years' experience acquired from serving in the public and private sector covering legal, human resource management, governance, advocacy and leadership.



3. Mr. Jefferson Kariuki

Date of Birth :1st January, 1957

Mr. Jeff Kariuki: Jeff Kariuki is currently Deputy National Chairman of Kaco dealing in skills and competencies mapping available in the informal sector for initiating and developing cottage industries in various counties.

He is long serving lecturer in TVET programmes in various technical and vocational institutions. His last posting is being Chief Principal for Thika Technical for 12 years during which period was a member of commonwealth

association of polytechnics and technical universities in Africa Executive Board. Served as a trustee of KATTI as national chairman for many years. He has had training in TVET programmes and management in various colleges and university

Holds an MBA degree in Human Resources Management, Higher Diploma in Education management and entrepreneurship development.

Diploma in technical education and diploma in construction and building services. A diploma in theology and a certificate in advanced skills in leadership and management. Haggai institute Singapore.

He serves as Chairman of Board of Governors of Equip Africa college of medical and health sciences in Kitale. He is also the Chair Finance, HRM and Governance Committee.

A member of board of governor of Githunguri Komothai Vocational Centre.

A family man with three Adult children.



4. Eng. Dishon Atemo

Date of Birth: 26th June, 1984

Atemo studied Engineering at the University of Nairobi. He is a registered member of Institution of Engineers of Kenya, holds a Master of Arts degree in Monitoring and Evaluation. Currently, pursuing Masters of Science in Strategic Management at JKUAT and also pursuing Certified Secretary Professional Examinations Part III, section 5 at KASNEB.

He is an advocate of young people's agenda, served in capacities of the Chairman, National Youth Council, NYC Board Member, Student Leader and Speaker of the Students Organization of Nairobi University (SONU). Currently, he serves as an independent Board Member at National

Employment Authority (NEA) representing the Chief Executive Officer

National Youth Council. Atemo also serves as Chairperson of Audit, Risk and Compliance Committee of NEA.

For the year ended June 30, 2019



5. Prof. Walter Oyawa

Date of Birth: 23rd August, 1965

PhD Civil Engineering Structural Engineering

MSc and BSc in Civil Engineering

Executive Master of Business Administration (EMBA)

Certificate in Corporate Governance for Directors

He has served as Ag. Vice Chancellor/CEO of Multimedia University of Kenya (MMU), Principal/CEO of the then Multimedia University College, Ag.

Principal of the pioneering College of Engineering & Technology (COETEC) at JKUAT, Director of a research Centre at JKUAT christened SMARTEC, and the Chairman of the Department of Civil, Construction & Environmental Engineering at JKUAT

Deputy Commission Secretary/Deputy CEO (Administration and Finance Commission for University Education (CUE) Kenya



6. Ms. Fatuma Abubakar

Date of Birth: 1st December, 1985

Ms Fatuma Abubakar joined the National Employment Authority in the year 2016 as representative of the National Youth Council where she sits as the Chairperson.

She holds a degree in Business Administration and a Master's Degree in Governance and Ethics. She is also a trained in Corporate Governance by Centre for Corporate Governance and Senior Leadership Training Program

for the Kenya School of Government.

Ms. Fatuma Abubakar has over ten years' experience on matters youth and Gender. Currently, Ms Fatuma Abubakar is also serving as a Board Member of National Council of Nomadic Education of Kenya.



7. Mr. Ngecho Mark Lugwisa

Date of Birth 16th September 1979

Mr. Ngecho Mark Lugwisa joined the National Employment Authority Board of Directors in November 2017 as the representative to the Cabinet Secretary - The National Treasury & Planning. He is currently the Senior Investment Officer/Government Investment and Public Enterprises at The National Treasury & Planning. He holds Bachelor's Degree in Business Administration 2nd class Upper (Accounting Option) from Bugema University, Uganda, he also holds a Senior Management Course Certificate

(SMC) from Kenya School Of Government and he is currently undertaking his professional training in CPA programmes. He has also attended short-term courses in Corporate Governance and Accounting Skills Management.

Mr. Ngecho has over 8 years' experience in the public sector, having previously worked in the Directorate of Government Accounting and Quality Assurance - The National Treasury & Planning, Departments of National Sub County Treasuries where he served in Sub County Treasury for 8 years, 4 of which he served as The National Sub County Accountant, Loiyangalani National Sub County Treasury - Marsabit County. Prior to joining Public service, Mr. Ngecho worked in private sector as an Office Manager, Tax Credit

Consulting Ltd (Management Consulting Firm with Bias in Tax Planning and Management) and more recently as customer advisor/Lead Generator in Barclays Bank of Kenya.



8. Mrs. Winnie Karingithi (Mrs), OGW

Date of Birth 3rd March 1963

Mrs. Karingithi holds a Master's Degree in Economics and Bachelor's Degree in Economics both from University of Nairobi (UON). She is a member of the Economics Association of Kenya. She joined the National Employment Authority Board in 2018 as a representative of the Principal Secretary, State Department for Labour. She is currently the Chief Economist in the State Department for Labour. Mrs. Karingithi has 30 years working experience in government in the area of economic policy, planning and budgeting. She is in-charge of coordination of economic planning, formulation and implementation of the overall macro-economic policies related to Labour and Employment matters: budgeting: collection, production and compilation of statistical data: formulation and review of the Ministry's policies: development and monitoring the implementation of the Ministry's Strategic Plan, work plan and Performance Contract and Monitoring and Evaluation of the Ministry's activities /programs/projects.

Prior to joining the Ministry of Labour, Mrs. Karingithi worked with Ministry of Planning for a period of 12 years where she was in charge of coordinating project design, Monitoring and Evaluation, reviewing of policies affecting the development of micro and small enterprises. She has attended several courses including *Basic Training Course for Productivity Practitioners*; Strategic Leadership Development Programme; *Monitoring, Evaluation and Learning Course: Small and Medium Enterprise Development* and a *Diploma in Project Management*.



9. Amb. Michael Oyugi

Date of Birth: 30th April, 1960

Amb. Michael Adipo Okoth Oyugi is currently the Director for Diaspora & Consular Affairs at the Ministry of Foreign Affairs, Nairobi, Kenya. Prior to this appointment, he served as Kenya's Ambassador to Austria, Hungary, Slovakia, and Permanent Representative to the United Nations & International Organizations based in Vienna. During this time, he chaired & co-chaired various Committees or Working Groups of the UN Organization based in Vienna. He was also a member of The Multilateral Committee of

Ambassadors of The International Peace Institute, Vienna Chapter. Ambassador Oyugi has led numerous Kenya delegations to various UN conferences and has also served in various other capacities in the Kenyan Foreign Service.

Ambassador Oyugi is a career diplomat of longstanding in the Ministry of Foreign Affairs of Kenya specializing in multilateral diplomacy. He has been on posting in Kenyan Embassies/Missions in France, Switzerland, Ethiopia and Austria. He holds a B.A. degree in International Relations and French language from the University of Nairobi, and post-graduate diploma of specialization in international relations and in multilateral diplomacy from the Geneva Institute of Graduate Studies. He also studied diplomacy and international relations at the Rio Branco Institute in Brasilia, Brazil.

For the year ended June 30, 2019

III. MANAGEMENT TEAM

This comprises the Ag. Director General and top management that is responsible for the day to day running of the Authority and implementation of key policies passed by the Board.



1. Edith Okoki - Ag. Director General

Date of Birth: 28th May 1965
Master of Business Administration
PGD Law, Kenya School of Law, LLB
Higher Diploma in Human Resource
BA in Public Administration



2. Festus Mutuse

Ag. Head Technical Unit
Date of Birth: 15th March, 1967
Master of Business Administration.
BA in Business and Economics



3. Michael Mutua

Ag. Head of Finance
Date of Birth: 14th February, 1981
Bachelor of Arts (Economic & Business Studies
MBA Finance (On-going at KU)

IV. CHAIRPERSON'S STATEMENT

The National Employment Authority was established by an Act of Parliament in April 2016. The main purpose of the Authority is to provide a comprehensive institutional framework for employment; enhancement of employment promotion interventions; management of foreign employment; and increasing access to employment by the youth, minorities and marginalized groups and for connected purposes.

The Board, through its three Board Committees, continued to exercise its oversight role and providing strategic direction to the Authority in line with the NEA Act 2016, State Corporations Act, and Mwangozo guidelines. During the financial year 2018/2019, the Authority accomplished various milestones in line with the financial resources that were availed. During the period, the Authority's Strategic Plan 2018-2022 was finalised awaiting launching. The Plan provides a blue print and the basis of our core activities and mandate from where the Authority's performance will be measured and upraised. The plan is aligned to the Kenyan Vision 2030; Medium Term Plan and the NEA Act, 2016. The following operationalization manuals were also developed. These were: the Human Resource Policy and Procedures Manual, Organizational Structure, Proposed Staffing Levels and Career Progression Guidelines.

Further, the National Internship Policy and Guidelines were finalized and are awaiting Cabinet approval to pave way for the rolling out of the National Internship Programme. Implementation of the Programme will help to enhance employability of the young graduates leaving universities and tertiary institutions thus assisting to reduce unemployment spells among young Kenyan graduates. The period under contemplation also saw the development of a Homecare Management Curriculum for homecare workers. The curriculum promotes knowledge, skills, values and attitude that will enable them to manage or perform operations of homecare services in private households, children's homes, hospitals, hostels, and boarding institutions both locally and abroad.

The Board remains focused on its mandate in regard to addressing the country's unemployment challenge. To this end implementation of the National Employment Policy and Strategy for Kenya are on course for purposes of exploring job opportunities for Kenyans, particularly the youth, minorities and marginalized. The overall goal is to promote full employment and access to employment opportunities for all. The Authority seeks partnership and collaboration with stakeholders for purposes of tackling unemployment in the country. In this regard, the

For the year ended June 30, 2019

Authority liaises closely with the mother Ministry and other organizations/institutions at local and international levels for the realization of this noble cause.

The greatest challenge to the Authority is non-categorization which hinders recruitment of staff. This, coupled with majority of seconded staff nearing retirement age, has continued to hamper effective service delivery and fulfilment of the Authority's mandate. Our success as an Authority is pegged on how we handle these challenges in the next few years to come.

I take this opportunity to acknowledge the commitment and contribution of my fellow Board members during the year under review and thank our Ag. Director General Mrs. Edith Okoki and her team for their continued excellent work. I also extend my appreciation to the Cabinet Secretary for the Ministry of Labour and Social Protection, Hon. Amb (Dr.) Ukur Yatani, and the Principal Secretary, State Department for Labour, Dr. Ibrahim M. Mohamed, CBS, for their continued leadership and guidance.



Mrs. Winnie Pertet
CHAIRPERSON

V. DIRECTOR GENERAL'S STATEMENT

The Authority's mandate and core activities are anchored in the National Employment Authority Act 2016 and guided by the State Corporations Act, and Mwongozo guidelines. The Authority's functions include creation of interventions to increase access to employment opportunities to Kenyans, particularly the youth, minorities and marginalized. Further, the Authority advises the government on the development and implementation of policies and programmes for employment promotion locally and abroad.

Achievements

Under the able strategic leadership and guidance of our Board, the management and staff of the Authority managed to accomplish various targets that were set in the financial year 2018/2019. The Strategic Plan 2018-2022 was finalized. The Plan will guide implementation of the Authority's strategic programmes and activities for the next five years in line with Kenya's Vision 2030 and Medium Term Plan.

The Authority vetted and registered 154 private Employment agencies through the Inter ministerial vetting committee. Most of the registered recruitment agencies were those exporting labour to foreign countries majority being in the Middle East. During the same period, a Curriculum for Homecare Management was developed and finalised. The curriculum was developed out of the need to impart knowledge and skills to this special cadre of people who provide essential services to individual households, children's homes, hospitals, hostels and boarding institutions both in Kenya and abroad. The Curriculum includes a pre-departure training module aimed at equipping Kenyan migrant workers with the necessary knowledge and skills required before they travel for work outside the country.

As part of the efforts to operationalize the Authority, we moved from our former offices in NSSF building in Upper Hill Nairobi and settled in new offices in Kasarani along Kasarani Road, next to Deputy County Commissioner's offices. The new NEA offices have been equipped with internet connectivity and installation of Orange land line. The Authority also acquired a new postal address. Further, the following operational manuals and documents were put in place: Human Resource Policy and Procedures Manual, Organizational Structure, Proposed Staffing Levels, and Career Progression Guidelines. The operational manuals are

For the year ended June 30, 2019

Appreciation

I am grateful to the leadership of the Ministry of Labour and Social Protection and all stakeholders for the support given to the Authority in the financial year 2018/2019. My profound thanks also goes to the Chair of the Board and Board Members for the support and guidance provided during the year; and to the staff at the Authority for their collective effort made in ensuring that the Authority fulfilled its mandate. This report is testimony to the great work put in to ensure compliance with the law and value for money to the citizens of our great country.



Mrs. Edith Okoki

Ag. DIRECTOR GENERAL

VI. CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of the National Employment Authority regards corporate governance as pivotal to the attainment of the Board's core mandates and ensuring that the Authority is managed to facilitate employment and internship to the youth, marginalized groups and minority effectively.

Board Composition and Appointment

The National Employment Authority comprises of a Chairperson and nine (9) non-executives board members, three (3) represent the private sector institutions and six (6) members represents the public sector. Each member is eligible to serve for a maximum of two terms of three (3) years each. The Chairperson of the Board is appointed by the Cabinet Secretary responsible for labour.

Board Roles and Responsibilities

The Board members are independent of management, they appoint the Director General and establish a framework for the delegation of authority and ensure succession planning for the Director General and senior management is in place. Their role is to advise, constructively challenge and monitor the success of the management in delivering the agreed performance targets set out by the Board.

The roles and responsibilities of the Chairperson of the Board, the board members and Director General remain distinct and separate which ensures a balance of power of authority and provides for checks and balances such that no one individual has unfettered powers of decision making. Their roles have been documented and are expected to be independent and free from conflict upon appointment.

The Chairperson provides overall leadership to the Board without limiting the principles of collective responsibility for Board's decisions. The Chairperson builds an effective board and sets the board agenda in consultation with the Secretary/Director General and ensures effective communication to stakeholders.

The Director General is responsible to the Board, and takes the overall responsibility for the management of the National Employment Authority for effective and efficient day to day

running of its affairs. The Director General recommends the strategy to the Board and implements it and makes operational decisions. Noting that the position also doubles as the secretary to the Board, the Director General ensures appropriate and timely information flows within the Board, its committees and management.

Other roles include:

- (a) Determine the organization's mission, vision, purpose and core values.
- (b) Set and oversee the overall strategy and approve significant policies of the organization.
- (c) Ensure the strategy is aligned with the purpose of the organization and the legitimate interests and expectations of its shareholders and other stakeholders.
- (d) Ensure that the strategy of the organization is aligned to the long-term goals of the organization on sustainability so as not to compromise the ability of future generations to meet their own needs.
- (e) Ensure availability of adequate resources for the achievement of the organization's objectives.

Board Meetings Attendance

The National Employment Authority Act provides that the Board shall meet at least four times in every financial year and not more than four months shall elapse between the date of one meeting and the date of the next meeting. The chairperson may, and upon requisition in writing by at least five members, convene a special meeting of the Board at any time for the transaction of the business of the Board.

The table below details board membership and attendance at scheduled board meetings during the year: -

Board Membership and Attendance of Meetings.

Board Member	Classification	Sector	Organization	Attendance
Mrs Winnie Pertet	Chairperson	Private		9/9
Mrs. Winnie Karingithi	Member	Public	Ministry of Labour and Social Protection, State Department for Labour.	5/9
Mr. Jefferson Kariuki	Member	Public	Kenya Association of Technical Training Institutions	9/9
Eng. Dishon Atemo	Member	Public	National Youth Council	9/9

Amb. Michael Oyugi	Member	Public	Ministry of Foreign Affairs	3/9
Ms Fatuma Abubakar	Member	Public	National Youth Council	6/9
Mrs. Jacqueline Mugo	Member	Private	Federation of Kenya Employers	6/9
Prof. Walter Oyawa	Member	Public	Commission on University Education;	8/9
Rose Aduda	Member	Public	Public Service Commission	5/9
Mr. Mark Ngecho	Member	Public	National Treasury	7/9
Mrs. Edith Okoki	Ag. Director General	Public	National Employment Authority	9/9

Board Committees and Responsibilities

The Board delegates certain functions to well-structured committees but without abdicating its own responsibilities. The Board has developed a committee structure that assists in the execution of its duties, powers and authorities. Each Committee is guided by Terms of Reference, which outlines its responsibilities as mandated by the Board. The Committees are appropriately constituted drawing membership from amongst the board members with appropriate skills and experience. The Board may co-opt into the membership of the committees established any person whose knowledge and expertise may be required.

The committees are expected to operate transparently, ensure full disclosure to the Board and conduct themselves within the rules and procedures set out by the board. Matters deliberated by the Committees are presented to the board by the respective chairman during the next board meeting. The Board Committees and their TOR's are as below:

1. Finance, Human Resource and Governance committee

The Finance, Human Resource and Governance committee assists the board in fulfilling its oversight responsibilities for funds collection, sourcing of funds, allocation and disbursements, review of budgets and implementation of reports.

The responsibilities of the committee are as follows: -

- 1) To approve and maintain budgetary systems of the Authority:

- 2) Monitor the financial reporting process to ensure compliance with all regulatory returns, and reports as required to be filed:
- 3) Review, approve or recommend to the Board as appropriate all matters pertaining to investments:
- 4) Review the annual procurement plan:
- 5) To receive a quarterly report on the actual expenditure compared to budget
- 6) To approve recommendations on Terms of Conditions of Employment in the Authority, recruitment functions and staff appraisals:
- 7) To ensure that effective management succession planning and management development plans are in place:
- 8) To approve programmes and policies involving the overall compensation of employees and Authority's collective bargaining agreement:
- 9) To review and monitor corporate performance against approved targets:
- 10) Review the Authority's corporate governance policies and practices:
- 11) Implement a system for the regular assessment of the Board and its committees with respect to their respective mandates and charters and carry out an annual assessment of individual directors:
- 12) Establish and oversee internal procedures and monitoring systems to promote compliance with applicable laws, regulations and standards:
- 13) Ensure a Comprehensive and independent Legal Audit is carried out at least once every two years:

Committee Membership

Name	
Mr. Jefferson Kariuki Chairman	Chairman
Mrs. Rose Aduda	Member
Mr. Mark Lugwisa	Member
Mrs. Winnie Karingithi	Member
Mrs. Jackline Mugo	Member
Mrs. Edith Okoki	Ag. Director General

Board Members Induction and Training

During the year, the new board members were inducted on 'Mwongozo' at a workshop held in Mombasa. Board members were also trained in corporate governance.

2. Employment Promotion Services and Strategy committee

The responsibilities of the committee are as follows: -

1. To ensure the implementation of national policies on employment.
2. To approve strategies on formulation of Employment policies and strategies national and county governments
3. Develop regulations to facilitate effective labour migration management;
4. Monitor Employment and placement of job seekers in formal and informal or any other form of employment locally and internationally;
5. Advice on Employment policy reviews:

Committee Membership

Name	Position
Mrs. Jacqueline Mugo	Chairman
Mr. Michael Oyugi	Member
Prof. Walter Oyawa	Member
Ms. Rose Aduda	Member
Ms Fatuma Abubakar	Member
Mr. Jefferson Kariuki	Member
Eng. Dishon Atemo	Member
Mrs. Winnie Karingithi	Member
Mrs. Edith Okoki	Ag. Director General

4. Audit & Risk Management committee

The Audit & Risk Management committee reviews the annual financial statements of the Authority, focusing particularly on: Compliance with Government Financial Regulations, International Accounting Standards, other legal requirements and best practice.

The responsibilities of the committee are as follows: -

1. Discuss and review the management letter and any other communications between the external auditor(s) and management;
2. consider the major findings of internal investigations and management's response;
3. To approve and monitor compliance with significant policies and procedures which have a material impact on the operations of the Authority;

4. Review of the adequacy, scope, functions and resources of the internal audit function, and ensure that it has the necessary authority to carry out its work;
5. Review the compliance and effectiveness of the Authority's accounting and internal control systems;
6. Review and make recommendations on management programs established to monitor compliance issues;
7. Ensure the careful and responsible management of resources entrusted upon the Authority;
8. Promote and enhance corporate accountability- ensuring effectiveness, efficiency, accountability, transparency and integrity of people, structures, processes among others;
9. Establish a NEA risk management policy;
10. To understand and monitor the principal risks of the environment under which the Authority operates and to oversee appropriate risk management;
11. Review guidelines, policies from Management with respect to risk assessment, risk management and major financial risk exposures;
12. Review the implementation of the Risk management framework on a quarterly basis;
13. Appoint and evaluate a Committee responsible for risk management in the Authority

Committee Membership

Name	Position
Eng. Dishon Atemo	Chairman
Ms Fatuma Abubakar	Member
Prof. Walter Oyawa	Member
Amb. Michael Oyugi	Member

Conflict of Interest, Code of Conduct and Ethics

During the year, board members and employees demonstrated their commitment to the public service through professionalism, integrity, moral and ethical requirements with no conflict of interest. They also showed political neutrality through compliance with relevant laws.

Appointment and Removal of Directors

The NEA Act provides for the Cabinet Secretary responsible for Labour to appoint the Chairperson.

The Board of Directors are nominated by the organizations of representation from both the public and private sector and appointed and gazetted by the Cabinet Secretary.

The appointed Directors serve for a term of three (3) years and are eligible for re-appointment for one further and final term of three years.

VII. MANAGEMENT DISCUSSION AND ANALYSIS

The National Employment Authority management team oversees development and implementation of annual budget approved by the National Employment Authority Board. NEA management therefore monitors the implementation of approved budget in line with the PFM Act 2012, Public Procurement and Assets Disposal Act 2015, Corporate Work Plan and the Performance Contract during the Financial Year.

The Management gives advice to the Board of Directors on issues related to budget implementation and also prepares quarterly, semi-annual and annual reports to The National Treasury. This promotes accountability and transparency in the use of public financial resources.

The approved budget for 2018/19 FY by The National Authority was KShs. 200 million comprising of a government grant of Kshs. 190 million and Internally Generated Revenue (AIA) of KShs. 10 Million. The Authority on the other hand received KShs. 180 Million from the parent State Department for Labour and therefore the actual receipt is what the Authority could account for.

During the Financial Year the Authority's operations were 87% funded by a grant of Kshs. 180 Million from the National Government (GOK) and 13% from internal generated revenue (AIA). The funds were fully absorbed by the Authority in financing its operational activities and purchase of motor vehicles, furniture and fittings, computers and office equipment.

The Authority vetted and registered 154 private Employment agencies through the Inter ministerial vetting committee. It is worthy to note that in terms of revenue generated through fees charged for registration, the target set. of Kenya shillings 10 Million in AIA was exceeded. The Authority collected a total of KShs. 47.08Million (inclusive of 2.7 Million accrued) thus surpassing the target by 37.08Million. It is expected that when the Authority will be fully operationalized it will be able to finance part of its activities through funds generated from licenses, levies and permits.

Other key achievements during the FY 2018/19 include the following:

Operationalization of the National Employment Authority in terms of putting in place structures to enable recruitment of staff, finding office accommodation, purchase of motor vehicles, furniture and fittings, computers and office equipment. In this regard, the Authority settled on the Ministry's new office block at Nairobi-Kasarani. Further, and the Authority finalized development of operationalization manuals to enable recruitment of its staff. These

were HR and Procedure Manual, Career Progression Guidelines, Organization Structure, Staff establishment and staffing levels. During the same period, the Authority managed to finalise the NEA Strategic Plan, the Internship Policy and Guidelines, the Home Care Management Curricula (with pre-departure module) and developed draft Occupational Guidance Guidelines for job seekers.

VIII. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORT

Employment plays a vital role in the realization of full economic potential and living standard of an individual and the general welfare of society, thereby providing the opportunity for people to build better lives. At NEA we are fully committed to playing our part in helping our country achieve sustainable growth through our Corporate Social Responsibility (CSR) programmes. Our CSR programmes will focus our commitment to economic, environmental and social issues. NEA will invest in initiatives geared towards supporting communities in the areas of education and training, environment, water and health as part of its contribution to the sustainable development of the youth, minority, and marginalized members of the Kenyan society. Through our CSR programmes, we will support sustainable, long-term initiatives that will contribute to positive change to the communities by empowering and availing them new opportunities.

NEA seeks to work with various communities across Kenya to improve access to training opportunities for the youth, minority and marginalized. This is because a well-grounded skills development is a strong foundation which will ensure that these groups of underprivileged people are appropriately skilled for the demanding job market. Our initiatives will aim at delivering sustainable training programs that support communities from the grassroots.

IX. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ending June 30, 2019, which show the state of the Authority's affairs.

Principal activities

The National Employment Authority (NEA) was established in April, 2016 by the National Employment Authority Act, 2016. The Authority was created to: provide a framework and facilitation of employment of Kenyans in the private sector; develop a framework to facilitate increased employment of Kenyans in the national government, county governments, state organs, and national and county government entities; promote foreign employment to absorb excess labour force; maintain a database of all Kenyans seeking employment; facilitate and promote equity and diversity, and eliminate discrimination in employment of Kenyans; give effect to the constitutional values and principles in matters of employment and give effect to provisions to Articles 55(c) and 56(c) of the Constitution; and facilitate and track employment creation. National Employment Policy and Strategy for Kenya provides the policy framework for employment creation in the country. The Act provides for a comprehensive institutional framework for employment management; enhancement of employment promotion interventions; and increasing access to employment by the youth, minorities and marginalized groups.

Results

Employment Promotion

1. Implementation of the National Employment Policy and Strategy

The National Employment Policy and Strategy for Kenya was passed by the National Assembly in July 2015. The overall objective of the policy is to promote full employment as a priority in national, economic and social policy and to enable the economically active population to attain and secure sustainable livelihood through productive and freely chosen employment. The policy proposes several strategies aimed at accelerating employment creation within the country and enhance its sustainability.

The Authority developed a plan of action for the National Employment Policy and Strategy for Kenya and a framework that will monitor employment creation. The framework will enable the Authority to monitor the number and quality of jobs being created in all new and ongoing projects in Kenya.

2. Development and implementation of mechanisms for internship placement in the Country

Section 36 of the National Employment Authority Act, 2016 requires the Authority to facilitate placement of graduates at tertiary institutions in positions of internship. The Act also mandates the Authority to monitor all placements to ensure that persons on internship are not exploited or their rights are not violated by any employer or institutions in which they are undertaking internship.

Kenya lacks an adequate legal framework or guidelines to guide internship in the country. This has led to uncoordinated implementation of internship interventions. In addition, there is no framework for monitoring internship programmes in the country despite the fact that internship offers benefits to both the employers and the interns.

In order to address this challenge, the Authority has developed a draft policy and guidelines on internship that will facilitate placement of trainees in internship and establish and maintain a database of trainees seeking and on internship.

3. Foreign Employment Administration and Labour Migration Management

Labour migration and foreign employment provides employment opportunities for increased foreign remittances, skills transfer and source of livelihood to thousands of Kenyan migrant workers.

During the financial year under review the Authority in collaboration with stakeholders established mechanism that will effectively streamline labour migration management in the country and at the same time enhance promotion of foreign employment. The Authority undertook the following measures: negotiation and signing of bilateral labour agreements; registration of employment agencies and development of draft Labour Migration Policy and Bill.

4. Re-engineering Public Employment Services

The National Employment Authority's outreach of Public employment services in the country is currently restricted to 28 counties due, mainly, to lack of human resource. There is need to cover the rest of the 19 counties in the country. Towards this end, the Authority undertook a re-engineering of public employment Services countrywide which will include the following activities: establishment of 19 more county employment offices; purchase of equipment for all

county employment offices; and recruitment of staff. Enhancing and Modernization of Public Employment Services

The existing public employment offices will be modernized mainly through expansion, adoption of Information and Communications Technology (ICT), establishment of Resource Centres and capacity building for officers. The Authority targets to establish new Public Employment Offices, staffed with qualified officers and equipped to handle activities of a modern employment office. The employment offices will primarily serve the functions of placement of registered jobseekers in employment and collection of Labour Market Information. Special programmes for supporting new graduates to find employment will be developed alongside guidance and counselling services to enable jobseekers develop their occupational awareness and make the right choice of their jobs. The employment offices will also be used in implementing internship programmes for introducing trainees to the world of work.

Directors

The members of the Board of Directors who served during the year are shown on page seven. They were appointed with effect from October 2016.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act to carry out the audit of the Authority for the year/period ended June 30, 2019 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Mrs. Edith Okoki

Ag. DIRECTOR GENERAL

Date: 30/12/19.....

X. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for the financial year ended on June 30, 2019. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority, (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority'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 Directors are of the opinion that Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2019, and of the Authority's financial position as at that date. The Directors further confirm completeness of the accounting records maintained by the Authority which have been relied upon in the preparation of the Authority's financial statements, as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 20/07 2019 and signed on its behalf by:

Signed: [Signature]
Name: Winnie Perrett

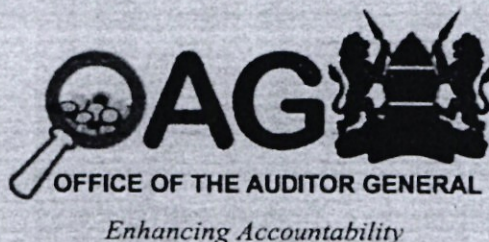
Signed: _____
Name: _____

Director

Director

REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-001
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL EMPLOYMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Employment Authority set out on pages 1 to 19, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, statement of cash flows, statement of changes in net assets 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 Employment Authority as at 30 June, 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012 and the National Employment Authority Act, 2016.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Employment Authority 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. I have determined that there are no key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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, except for the matters described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance Section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Segregation of Duties

Section 18(1) of National Employment Authority Act, 2016 provides that the Board shall competitively appoint suitably qualified staff as may be necessary for the efficient performance of the functions of the Authority. However, the Authority largely depended on staff seconded from the parent Ministry. Key Departments such as Procurement and Accounting were handled by only one person. The weak internal control environment may have hindered the ability of the Authority to effectively deliver on its mandate.

2. Lack of a Comprehensive Information Technology (IT) Policy

The Authority had not developed a comprehensive Information Technology Policy. In the circumstances, data confidentiality, integrity and availability could not be confirmed. In addition, IT service continuity and ability to recover from an interruption or disaster could not be confirmed.

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 controls, 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 those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

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

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

Auditor-General's Responsibilities for the Audit

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

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

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

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. In addition, 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 policies and procedures may deteriorate.

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

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

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern or 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 Authority to cease to continue as a going concern or 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 Authority to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

06 July, 2021

**XII. STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2019**

Description	Note	2018-2019	2017-2018
		Kshs	Kshs
Revenue			
Licenses and permits	4	47,084,333	33,250,000
Grants Transfers from Ministry	5	180,000,000	200,000,000
Total		227,084,333	233,250,000
Expenses			
Use of goods and services	6	1,172,429	3,836,885
Employee costs	7	3,497,983	1,483,940
Remuneration of directors	8	22,962,472	21,877,641
Depreciation and amortization expense	9	34,154,781	18,610,270
Repairs and maintenance	10	2,931,986	6,994,704
General expenses	11	214,306,483	135,904,343
Finance costs/Bank Charges	12	122,108	145,566
Total		279,148,242	188,853,349
Other gains/(losses)			
Surplus before tax		-52,063,909	44,396,651
Taxation			-
Surplus/(deficit)for the period		-52,063,909	44,396,651
Surplus Carried Forward		-52,063,909.44	44,396,651

The notes set out on pages 6 to 19 form an integral part of these Financial Statements

**XIII. STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

Description	Note	2018-2019 Kshs	2017-2018 Kshs
Assets			
Current assets			
Cash and cash equivalents	13a	62,961,512	138,509,049
Accounts receivables	15	2,725,000	4,250,000
		65,686,512	142,759,049
Non-current assets			
Property, Plant & Equipment	9	81,615,967	56,607,340
Sub-Totals: Non-current assets	9	81,615,967	56,607,340
Total		147,302,480	199,366,389
Liabilities			
Current liabilities			
Provision for audit fee	16	100,000	100,000
Sub- Totals:		100,000	100,000
Non-current liabilities			
Sub- Totals: Non-current liabilities		-	-
Total		100,000	100,000
Net assets		147,202,480	199,266,389
Financed By:			
Surplus/(deficit)for the year		52,063,909	44,396,651
Surplus Brought Forward		199,266,389	154,869,738
Total		147,202,480	199,266,389

The Financial Statements set out on pages 1 to 8 were signed on behalf of the Board of Directors by:

Ag. Director General

Head of Finance

Chairperson of the Board

Name: EDITH OKOKI

Name: Peter N. Kamau

Name: Winnie Peritt

Sign: [Signature]

Sign: [Signature]

Sign: [Signature]

Date: 30/9/19

Date: 30/09/2019

Date: 30/9/2019

XIV. STATEMENT OF CHANGES IN NET ASSETS

For the year ended 30 June 2019

	Surplus	Accumulated surplus
Balance as at 30 JUNE 2016	0	
Surplus/(deficit) for the period	0	154,869,738
Transfers to/from accumulated surplus	-	-
8Balance as at 30 JUNE 2017	0	154,869,738
Surplus/(deficit) for the period	44,396,651	44,396,651
Transfers to/from accumulated surplus	-	0
Balance as at 30 JUNE 2018		199,266,389
Surplus/(deficit) for the period	-52,063,909	-52,063,909
Transfers to/from accumulated surplus	-	0
Balance as at 30 JUNE 2019	0	147,202,480

NATIONAL EMPLOYMENT AUTHORITY
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XV. STATEMENT OF CASH FLOWS
AS AT 30 JUNE 2019

Description	Note	2018-2019	2017-2018
		Kshs	Kshs
Cash flows from operating activities			
Licenses and permits	4	47,084,333	33,250,000
Government grants and subsidies	5	180,000,000	200,000,000
Total		227,084,333	233,250,000
Payments			
Compensation of employees	7	3,497,983	1,483,940
Remuneration of Directors	8	22,962,472	21,877,641
Repairs and Maintenance	10	2,931,986	6,994,704
Use of goods and services	6	1,172,429	3,836,885
General expenses	11	214,306,483	135,804,343
Finance cost	12	122,108	145,566
Taxation paid		-	-
Increase or (Decrease) in receivables		-1,525,000	4,250,000
Total		243,468,461	174,393,079
Net cash flows from operating activities		-16,384,128	58,856,921
Cash flows from investing activities			
Purchase of property, equipment and intangible assets	9	-59,163,409	-65,617,010
Proceeds from sale of property, plant and Equipment			
Net cash flows used in investing activities		-59,163,409	-65,617,010
Cash flows from financing activities			
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-75,547,537	-6,760,089
Cash and cash equivalents at JULY 2018		138,509,049	145,269,138
Cash and cash equivalents at 30 JUNE 2019	13	62,961,511	138,509,049

**XVI. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE PERIOD ENDED 30 JUNE 2019**

Description	Original	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Property taxes	-	-	-	-	-
Public contributions and donations	-	-	-	-	
Fines, penalties and levies	-	-	-	-	
Licenses and permits	10,000,000	-	10,000,000	47,084,333	-37,084,333
Government grants and subsidies	180,000,000	-	180,000,000	180,000,000	-
Unutilized cash balances brought forward	138,509,049	-	138,509,049	138,509,049	-
Rendering of services	-	-	-	-	-
Finance Income	-	-	-	-	-
Gains on disposal, rental income and agency fees	-	-	-	-	
Total	328,509,049	0	328,509,049	365,593,382	-37,084,333
Expenses					
Compensation of employees	29,496,000	-21,315,000	8,181,000	3,497,983	4,683,017
Goods and services	299,465,096	21,315,000	320,780,096	299,564,827	21,215,269
Finance cost	101,000	-	101,000	122,108	-21,108
Rent paid	-	-	-	-	
Taxation paid	-	-	-	-	
Other payments	-	-	-	-	
Grants and subsidies paid	-	-	-	-	
Total	329,062,096	0	329,062,096	303,184,918	25,877,178
Surplus carried down	-553,047	0	-553,047	62,408,464	-62,961,511

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2019

Budget notes

The over collection of Kenya shillings 37,084,333 and under expenditure of Kenya shillings 24,905,225 was due to: -

- An amount of **Kenya shillings 44,359,333.00** was a collection of licences and permits from registration of private recruitment agencies and an increase of account receivable of KShs. **2,725,000** totalling to **KShs. 47,084,333.00**. Hence, this amount will be accounted for by the Authority.
- The under expenditure of **Kenya shillings 4,683,017** in respect of staff salary top-up was due to lack of categorisation of the Authority by the end of the year. Hence no salary top-up was paid.
- The under expenditure of **Kenya shillings 20,243,316** was due to non-categorization, hence the Authority's staffing level is minimal.

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The National Employment Authority is established by an Act of Parliament and derives its authority and accountability from The National Employment Act No. 3 of 2016. The Authority is wholly owned by the Government of Kenya and is domiciled in Kenya. Its principal activity is to provide for a comprehensive institutional framework for employment management; enhance employment promotion interventions; enhance access to employment for youth, minorities and marginalized groups and for connected purposes.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a). Revenue recognition

i). Revenue from non-exchange transactions- Fees, taxes and fines

The entity recognizes revenues from fees, taxes and fines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

ii). Revenue from exchange transactions- Rendering of services

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

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 National Treasury approved the original budget for FY 2018-2019. The budget was revised and additional appropriation made to the approved budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas 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 actual as per the statement of financial performance has been presented under section XII of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

c). Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Entity operates and generates taxable income.

Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d). Property, plant and equipment

Depreciation is calculated on a straight line basis annually regardless of the date of purchase and carrying amount written-off. After the useful life of the assets. However no provision was provided during the period since the assets were delivered at the beginning of the following year.

The annual depreciation rates are as follows:-

Furniture, Fixtures and fittings	12.5%
Plant and Equipment	12.5%
Electronic Data processing equipment	33.0%
Motor Vehicles	25.0%

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

e). Cash and Cash Equivalent

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 also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

f). Related Parties

The Authority 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 Authority, or vice versa.

Members of key management are regarded as related parties and comprise the Board of Directors, the chief executive officer and the senior managers.

The following transactions were carried out with related parties:

Description	2018/2019	2017/2018
	Shs 000	Shs 000
(i) Key management compensation		
(ii) Board remuneration		
Allowances paid to board members	22,962,471.80	21,877,641
(iii) Grants from related parties	180,000,000	200,000,000
Grant from GOK		

a). Contingent Liabilities

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

Contingent Assets

The Authority 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 Authority 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.

b) Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Authority 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

State all judgements, estimates and assumptions made: e.g.

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 Authority based its assumptions and estimates on parameters available when the consolidated 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 Authority. 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 Authority
- 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

iii). Financial Risk Management Objectives and Policies

An entity's activity exposes it to a variety of financial risks, including credit risk, liquidity risk and interest rates. The company's overall risk management programme focuses on the

unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The authority regularly reviews its risk management policies and systems to reflect changes in markets and emerging best practices. Risk management is carried out by the management under the supervision of the Board of Directors. The Board provides policies for overall risk management, as well as policies covering specific areas such as liquidity risk, interest rate risk, credit risk, use of non-derivative financial instruments and investing excess liquidity.

a). Credit Risk Management

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the company.

Credit risk arises from bank balances, trade receivables and amounts due from related parties. The company's management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilization of credit limits is regularly monitored.

4. Licences & Permits

Description	2018-2019	2017-2018
	Kshs.	Kshs.
Sale of Goods and Services-AIA	47,084,333.00	33,250,000.00
Total	47,084,333.00	33,250,000.00

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Grants Transfers from Ministry

Name of the Entity sending the grant	2018-2019	2017-2018
	KShs	KShs
Ministry of Labour& Social Protection	45,000,000.00	50,000,000.00
Ministry of Labour& Social Protection	45,000,000.00	50,000,000.00
Ministry of Labour& Social Protection	45,000,000.00	50,000,000.00
Ministry of Labour& Social Protection	45,000,000.00	50,000,000.00
Total	180,000,000.00	200,000,000.00

6. Use of Goods and Services

Description	2018-2019	2017-2018
	KShs	KShs
Electricity	68,506.00	115,000
Water	94,813.40	-
Security	905,984.00	117,163
Postage Services	103,126.00	-
Subscriptions to membership bodies	0	3,604,722
Total	1,172,429.40	3,836,885.00

7. Employee Costs

	2018-2019	2017-2018
	KShs	KShs
Salaries and wages	-	-
Housing benefits and allowances	-	-
Commuted Leave	1,164,223.00	1,483,940.00
Intern Salary	2,333,760.00	-
Total	3,497,983.00	1,483,940.00

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8. Remuneration of Directors

Description	2018-2019	2017-2018
	KShs	KShs
Chairman's Honoraria	960,000.00	960,000
Directors Sitting Allowance	8,512,955.00	7,784,000
Other allowances	13,489,516.80	13,133,641
Total	22,962,471.80	21,877,641.00

9. Property, Plant and Equipment

	Motor vehicles	Furniture and fittings	Computers	Office Equipments	Software	Total
Cost	Shs	Shs	Shs	Shs	Shs	Shs
As At 1 July 2018	45,523,000	5,993,000	20,101,110	3,600,500	-	75,217,610
Additions	30,959,400	9,650,225	17,573,784	-	980,000	59,163,409
Disposals	-	-	-	-	-	-
Transfers adjustments	-	-	-	-	-	-
As At 30 th June 2019	76,482,400	15,643,225	37,674,894	3,600,500	980,000	134,381,019
Depreciation and impairment						
As At 1 July 2018	11,380,750	749,125	6,030,333	450,063	-	18,610,271

Charge for the year	19,120,600	1,955,403	12,432,715	450,063	196,000	34,154,781
As At 30 June 2019	30,501,350	2,704,528	18,463,048	900,126	196,000	52,765,052
Net book values						
As At 30 th June 2019	45,981,050	12,938,697	19,211,846	2,700,375	784,000	81,615,967
As At 30 th June 2018	34,142,250	5,243,875	14,070,777	3,150,437	-	56,607,339

10. Repairs and maintenance

Description	2018-2019	2017-2018
	KShs	KShs
Property/Building Maintenance	1,188,966	4,278,259
Equipment and machinery		
Vehicles	1,743,020	771,332
Furniture and fittings		-
Computers and accessories		-
Others- Sign post	0	29,800
Reinforcement of office doors -NEA HQT	0	299,770
Renovation of Siaya County Office	0	1,615,543
Total	2,931,986	6,994,704

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. General Expenses

Description	2018-2019	2017-2018
	KShs	KShs
Advertising	3,269,540	90,000
Admin fees	4,409,100	3,398,026
Audit fees	100,000	100,000
Catering services, Conferences & delegations	47,073,711	47,017,872
Consumables	13,958,103	4,652,180
Subscriptions to Newspapers	-	422,310
Fuel and oil	3,803,332	3,851,440
Insurance	2,686,098	1,635,172
Legal expenses	-	-
Travel & Subsistence Costs	102,800,607	51,477,993
Office & general Supplies	13,301,894	7,763,483
Printing and stationery	4,002,691	4,708,400
Telecommunication	5,316,172	2,402,600
Training	13,585,236	7,741,189
Other (Sanitary & cleaning materials, Supplies & services)	-	543,678
Total	214,306,483	135,804,343

12. Finance costs

Description	2018-2019	2017-2018
	KShs	KShs
Bank Charges	122,108	145,566
Total	122,108	145,566

13. (a) Cash and Cash Equivalents

Description	2018-2019	2017-2018
	KShs	KShs
Current account	62,961,512	139,021,360.00
Cash book posting	-	-553,047.00
On - call deposits	-	-
Fixed deposits account	-	-
Staff car loan mortgage	-	-
Others (Cash in Hand)	-	40,736.00
Total	62,961,512	138,509,049.00

13 (b). Detailed analysis of the cash and cash equivalents

		2018-2019	2017-2018	2016-2017
Financial institution	Account number	KShs	KShs	KShs
a) Current account				
Kenya Commercial bank	120512093	62,961,512	139,021,360	145,136,788
Sub- total		62,961,512	139,021,360	145,136,788
b) Others(specify)			-	-
Cash in transit			-	-
cash in hand		-	40,736	132,350
M-Pesa			-	-
Sub- total		-	40,736	132,350
Grand total		62,961,512	139,062,096	145,269,138

14. Goods and Services

	2018-2019	2017-2018
Description	KShs	KShs
Use of goods and services	2,518,931.40	3,836,885.00
General expenses	212,959,981.44	135,904,343.00
Total	215,478,912.84	139,741,228.00

15. Accounts Receivables

	2018/2019	2017/2018
	KShs	KShs
Sale of Goods and services	2,725,000	4,250,000
Total	2,725,000	4,250,000

16. Provisions for audit fees

	2018/2019	2017/2018
	KShs	KShs
Provision for audit fees	100,000	100,000
Total	100,000	100,000

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XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.1	Receipts The Authority had budgeted for receipts totalling Kshs.355,000,000 but actual receipts amounted to Kshs.378,519,138 resulting to an over collection of Kshs.23,519,138		Board		
1.2	Expenditure The Authority had budgeted to spend Kshs.355,000,000 but actual expenditure totaled Kshs.235,860,089 resulting to an under expenditure of Kshs.119,139,911 or 34%		Board and Management		
2.0	As previously reported, the Authority did not have a substantive Director-General as required under Section 17 of the National Employment Act of April 2016. The position has been occupied by officers in an acting capacity. No reason has been given for the failure to fill the position of the Director General since inauguration of the Authority.	Lack of categorization	Board	Not Resolved	All the process required for categorization have been finalised. The Authority is waiting for the approval letter from the office of the President
3.0	A review of internal controls disclosed that the Authority did not have in place an accounting software and adequate staff which are necessary for smooth operations and segregation of duties to guarantee checks and balances in transactions cycle. In the circumstances, the integrity of financial data could not be assured by management. The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective	Lack of internal control systems occasioned by lack of key staff to develop and manage the systems	Board & Management	Not Resolved	Staff will be recruited once the Authority has been categorized

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe (Put a date when you expect the issue to be resolved)
	risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.				



Ag Director General
(National Employment Authority)



Chairperson of the Board

Date 30/9/19

Date 30/09/2019

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