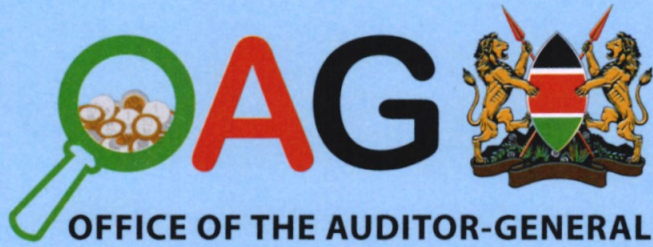


REPUBLIC OF KENYA



*Enhancing Accountability*

# REPORT

OF

**THE AUDITOR-GENERAL**

ON

**STATE DEPARTMENT FOR YOUTH  
AFFAIRS AND CREATIVE ECONOMY**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 11 MAR 2026

DAY 30 JUNE, 2025

WEDNESDAY

TABLED  
BY:

DEPUTY MAJORITY LEADER

HON. OWEN BATA, MP

CLERK-AT  
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***STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY***

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**JUNE 30, 2025**

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**Transitional International Public Sector Accounting Standards (IPSAS) Financial Statements**

**STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

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**1. Acronyms and Definition of Key Terms**

**A: Acronyms and Abbreviations**

<i>CS</i>	<i>Cabinet Secretary</i>
<i>PS</i>	<i>Principal Secretary</i>
<i>CBK</i>	<i>Central Bank of Kenya</i>
<i>ICPAK</i>	<i>Institute of Certified Public Accountants of Kenya</i>
<i>IPSAS</i>	<i>International Public Sector Accounting Standards</i>
<i>OCOB</i>	<i>Office of the Controller of Budget</i>
<i>OAG</i>	<i>Office of the Auditor General</i>
<i>OSHA</i>	<i>Occupational Safety and Health Act of 2007</i>
<i>PFM</i>	<i>Public Finance Management</i>
<i>PPE</i>	<i>Property Plant &amp; Equipment</i>
<i>PSASB</i>	<i>Public Sector Accounting Standards Board</i>
<i>SAGAs</i>	<i>Semi-Autonomous Government Agencies</i>
<i>SC</i>	<i>State Corporations</i>
<i>TNT</i>	<i>The National Treasury</i>
<i>WB</i>	<i>World Bank</i>

**B: Definition of Key Terms**

**Fiduciary Management-** Members of Management directly entrusted with the responsibility of financial resources of the organisation.

## **2. Key MDA Information and Management**

### **(a) Background information**

The State Department for Youth Affairs and Creative Economy is one of the State Departments under the Ministry of Youth Affairs, Creative Economy and Sports formed through the Executive Order No.1 of 2025. At cabinet level, the *State Department for Youth Affairs and Creative Economy* is represented by the Cabinet Secretary who is responsible for the overall policy and strategic direction.

### **Vision**

To position Kenya as a leader in youth development and talent monetization in creatives.

### **Mission**

To provide leadership, coordination and an enabling environment for youth and creatives development

### **Core Values**

The State Department will undertake the following core values:

- Professionalism
- Patriotism
- Integrity
- Teamwork
- Inclusivity
- Innovativeness

### **Strategic objectives**

The broad strategic objectives of the State Department is to spearhead youth empowerment in all aspects of national development and specifically;

- (i) To create job opportunities for youth to earn decent and sustainable livelihoods.
- (ii) To enhance youth employability and competencies
- (iii) To develop talent, creativity and innovation for wealth creation.
- (iv) To promote and develop creative industry and youth empowerment.
- (v) To enhance youth engagement and participation in national development.
- (vi) To enhance an enabling environment for youth and creative development.

### **(b) Mandate**

In line with the Executive Order No. 1 of 2025, the State Department's mandate involves: Youth Policy and Empowerment; Mainstreaming Youth in National Development; Managing and Promoting engagement with Youth for National Development; Harnessing Youth Talent for National Development; Business Innovation and Incubation; Facilitating the mobilization of

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resources for youth entrepreneurship and development; Self-development programme designed for young persons in Kenya to equip them with positive life skills; National Volunteer Policy and Interventions through work, community service and various learning opportunities; Coordination of the National Internship & Apprenticeship Programme in both public and private sectors; In collaboration with other stakeholders promote interventions to enhance access to employment for youth; Policy on Kenya's creative economy across film, pageantry, Theatre, Fine, Performing and Literary Creative Industries; Development of the Film Industry; Promotion of investments in the development of the creative industry; and Lead in the development of the creatives industry as a key driver of the Kenyan economy.

**(c) Key Management**

The *State Department's* day-to-day management is under the following key organs:

- a. Directorate of Youth Social Development;
- b. Directorate of Policy, Research and Mainstreaming;
- c. Directorate of Talent and Innovation;
- d. Directorate of Entrepreneurship and Skills Development;
- e. Department of Film Services (DFS); and
- f. General Administration Services

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2025 and who had direct fiduciary responsibility were:

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No	Designation	Name	Date of Appointment
1.	Cabinet Secretary	Hon Salim Mvurya, Mgala, EGH	19/12/2024 to date
2.	Cabinet Secretary	Hon. Onesimus Kipchumba Murkomen, EGH	24/7/2024 to 18/12/2024
3.	Accounting Officer	Mr. Fikirini Jacobs Katoi Kahindi	17/04/2025 to date
4.	Accounting Officer	Mr. Ismail Maalim Madey, CBS	02/12/2022 to 16/04/2025
5.	Ag. Secretary, Youth Development	Mr. George Mbogo	
6.	Director, Administration	Mr. Kennedy K. Kimuyu	
7.	Director of Talent and Innovation	Mr. Charles Muhombe	
8.	Director of Policy, Research and Mainstreaming	Dr. Josephine Etenyi	
9.	Director of Youth Social Development	Ms. Emiy Maina	
10.	Ag. Director of Entrepreneurship and Skills Development	Mr. Tom Oduol	
11.	Head, Finance Unit	Mr. Kagali Lumasei	
12.	Head of Human Resource Management & Development	Mr. Joseph Wambo	
13.	Head of Accounting Unit	CPA. Robert Asumani	

**(e) Fiduciary Oversight Arrangements**

The State Department for Youth Affairs and Creative Economy was over-sighted by Audit Committee, Public Finance Management Standing Committee, Departmental Human Resources Management Advisory Committee, and Budget Implementation Committee.

**1) Audit Committee**

The Ministerial Audit Committee encompasses issues relating to compliance with internal control, financial reporting and governance, risk management, fraud and ethics. The Committee reviews Internal Audit charter, Strategic Plan among other duties.

**2) Public Finance Management Standing Committee**

The State Department has a Public Finance Management Standing Committee. The committee is charged with the responsibility of providing strategic guidance on public finance management matters. The duties of the committee include:

- (i) Ensuring that there is prioritization on resources allocated for the smooth implementation of the State Department's mission, strategy, goals, risk policy plans and objectives;
- (ii) Regularly reviewing, monitoring budget implementation and advice on the State Department's accounts, major capital expenditures and reviewing performance and strategies at least on a quarterly basis;
- (iii) Identifying risks and implementation of appropriate measures to manage such risks or anticipated changes impacting on the State Department;
- (iv) Reviewing on a regular basis the adequacy and integrity of the State Department's internal control, acquisition and divestitures and management information systems including compliance with applicable laws, regulations, rules and guidelines;
- (v) Establishing and implementing a system that provides necessary information to the stakeholders including stakeholder communication policy for the entity in line with Article 35 of the Constitution;
- (vi) Monitoring the effectiveness of the corporate governance practices under which the State Department operates and propose revisions as may be required, from time to time;
- (vii) Monitoring timely resolution of audit issues; and
- (viii) Any other matter referred to it from time to time by the responsible Cabinet Secretary.

### **3) Departmental Human Resources Management Advisory Committee**

This is the committee charged with the responsibilities of human resource needs. Its duties include but not limited to:

- (i) Review of promotions of officers in Job Group A-P
- (ii) Review of confirmations in appointment
- (iii) Review of disciplinary matters
- (iv) Review of re-designation of officers from one cadre to another and
- (v) Confirmation of surcharge of officers found to have misused Government resources.
- (vi) Training and development of officers.
- (vii) Promotion of values and principles of public service

### **4) Budget Implementation Committee (BIC)**

The State Department has a Budget Implementation Committee. The committee is charged with the responsibility of implementation of the budget and its prudent management. The duties of the committee include:

- (i) To review and consider the cash flow plan.
- (ii) To review the utilization of the cash limits and consider any changes as may be required.
- (iii) To review the utilization of the donor funds voted for the Departments.
- (iv) To advise the Accounting Officers on the challenges related to the budget implementation.
- (v) To review and recommend the re-allocation of expenditures.

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**(f) MDA Headquarters**

P.O. Box 34303-00100  
Kencom House,  
Moi Avenue  
**NAIROBI, KENYA**

**(g) MDA Contacts**

Telephone: (254) 22240068  
E-mail: ps@youth.go.ke  
Website: www.go.ke

**(h) MDA Bankers**

1. Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
**Nairobi, Kenya**
2. Kenya Commercial Bank  
Moi Avenue, Kencom House  
P.O. Box 48400-00100  
**NAIROBI**

**(i) Independent Auditors**

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

**(j) Principal Legal Adviser**

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

### **3. Profile of Cabinet Secretary, H.E. Salim Mvurya, EGH**



H.E. Salim Mvurya, EGH, currently serves as the Cabinet Secretary for Youth Affairs, the Creative Economy and Sports in the Government of Kenya. A distinguished leader with extensive experience in public administration, development and policy implementation. Mvurya is widely recognized for his impactful service in both governmental and non-governmental sectors, nationally and internationally.

Before this, he served as Cabinet Secretary for Investments, Trade and Industry (from August 2024 to December 2024) where he championed the enhancement of Kenya's business climate by addressing policy and regulatory challenges, promoting backward linkages and creating incentives for local producers and investors within Special Economic Zones (SEZs) and Export Processing Zones (EPZs). The Cabinet Secretary also served in the Ministry of Mining, Blue Economy and Maritime Affairs (October 2022 to July 2024), where he introduced strategic management reforms that revitalized the mining sector and stimulated growth in Kenya's blue economy and maritime domains. From 2013 to 2022, he was the inaugural Governor of Kwale County, serving two consecutive terms. During this tenure, he was twice elected Vice Chair of the Council of Governors, where he advocated for devolution, inclusive governance and equitable development.

H.E. Salim Mvurya also has wealth of experience in social development and leadership. He has worked with Plan International Kenya as the Acting Country Director. He also worked for Aga Khan Foundation and Tegemeo Institute of Agricultural Policy and Development (an institute of Egerton University).

H.E Mvurya holds a Master's degree in Participation, Power and Social Change from the Institute of Development Studies (IDS), University of Sussex, UK and a Bachelor's degree in Agri-Business Management from Egerton University.

**4. Profile of the Principal Secretary, Mr. Fikirini Jacobs Katoi Kahindi**



Mr. Fikirini Jacobs is the Principal Secretary for Youth Affairs and Creative Economy, having been appointed by His Excellency, President William Ruto on March 20, 2025. A dynamic leader and passionate advocate for youth empowerment, Mr. Fikirini Jacobs brings a wealth of experience in public service, governance and grassroots mobilization. Before his appointment to the State Department, he served as the Director of the Governor's Service Delivery Unit under the County Government of Kilifi. In this role, he oversaw the coordination of county services and delivery of flagship projects, gaining hands-on experience in public administration and youth-focused development programs.

As Principal Secretary, Mr. Jacobs is committed to advancing inclusive youth development policies, expanding economic opportunities for young people and promoting civic engagement. His vision is to create a vibrant, empowered and innovative generation of youth that actively contributes to national development.

He began his academic journey at Mnagoni Primary School and later attended Mwakitawa Secondary School, where he completed his Kenya Certificate of Secondary Education (KCSE) in 2014. Driven by a passion for education and leadership, he joined Maasai Mara University in 2015, where he served as Deputy President of the Students' Organisation of Maasai Mara University. This role marked the beginning of his active involvement in youth leadership and advocacy. In 2017, he transferred to Pwani University, where he graduated in 2023 with a Bachelor of Arts degree in Philosophy, equipping him with critical thinking skills and a deep understanding of ethical governance. He is currently pursuing a Master of Philosophy at the same university.

## 5. Statement by the Cabinet Secretary



The Financial Year 2024/25 presented both opportunities and challenges as we pursued our mandate to empower the youth, strengthen the creative industries, and transform Kenya's sports ecosystem. While we recorded commendable progress, we also faced structural hurdles, particularly inadequate budgetary allocation and delays in the disbursement of funds, which affected the pace of implementing critical programmes and projects.

Youth unemployment remains a pressing national concern, largely driven by a mismatch between available opportunities and market-relevant skills. Many young people continue to face barriers in accessing affordable credit and enterprise support, while the absence of fully developed policy, legal and institutional frameworks has slowed the institutionalization and scaling of youth-focused

interventions.

In response, the Ministry undertook a number of strategic reforms and high-impact initiatives. We made substantial progress in finalizing the Youth Development Bill, which will provide a coordinated, rights-based framework for youth empowerment. We also launched the National Youth Opportunities Towards Advancement (NYOTA) program, aimed at unlocking livelihood pathways for young people through structured skilling, mindset change and enterprise support.

In the creative economy, we prioritized investment in capacity-building, infrastructure and digital access. A key milestone was the successful hosting of the U.S.-Kenya Creative Economy Conference, which created a platform for bilateral engagement, co-productions, financing and technology transfer. The conference showcased Kenya's growing potential as a continental creative hub in film, fashion, music, gaming and digital content. We also expanded training in digital media through the ongoing revamp of the Kenya Film School and we are now launching Mashinani Digital Hubs in counties to provide access to digital tools, innovation platforms and creative workspaces, especially for youth in underserved regions.

In the sports docket, we continue to make historic strides. The modernization of key stadiums, including Moi International Sports Centre, Kasarani and Nyayo National Stadium, is underway in readiness for the Total Energies African Nations Championship (CHAN) 2024 and the Confederation of African Football (CAF) Africa Cup of Nations (AFCON) 2027. In addition, we are launching 37 Sports and Talent Academies across the country to serve as grassroots centres for talent identification, structured training, mentorship and elite performance development.

Despite budget limitations, we have continued to support our sports federations, enabling Kenya's representation in international events, talent scouting platforms and competitive preparations. We remain committed to working closely with federations to ensure our athletes and teams receive the technical and logistical support needed to excel at the global stage.

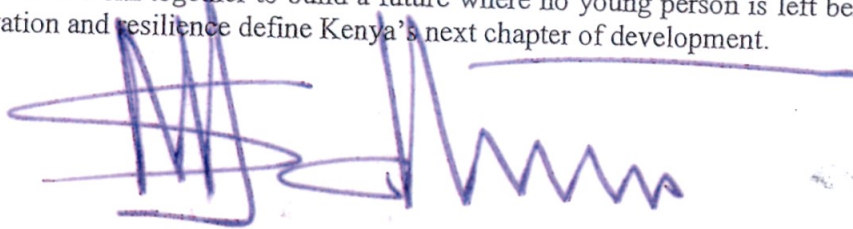
Looking ahead, the Ministry is committed to consolidating these gains by strengthening policy and institutional frameworks, mobilizing sustainable financing and deepening collaboration with our partners across all sectors. By doing so, we will unlock the full potential of our youth, grow the

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creative economy into a pillar of national prosperity and use sports as a powerful tool for pride, unity and economic transformation.

Let us continue to work together to build a future where no young person is left behind, and where talent, innovation and resilience define Kenya's next chapter of development.

A handwritten signature in blue ink, consisting of several overlapping loops and a wavy tail, positioned below the text.

**HON. SALIM MVURYA MGALA, EGH  
CABINET SECRETARY  
MINISTRY OF YOUTH AFFAIRS, CREATIVE ECONOMY AND SPORTS**

## 6. Statement by the Accounting Officer



I am pleased to present the performance report for the State Department for the Financial Year 2024/25, which outlines key activities implemented, achievements realized, and challenges encountered across our core programmes—Youth Empowerment, Youth Development Services, General Administration and Film Development Services.

During the year under review, the Department made notable strides in advancing youth empowerment and promoting the creative economy, despite prevailing financial constraints. We surpassed several key performance targets, demonstrating the impact of our interventions and the resilience of our implementation frameworks.

In particular, 6,300 youth actively participated in civic engagement initiatives, 3,360 youth entrepreneurs were absorbed into green job opportunities and 6,109 were mobilized through sports. Additionally, 406 youth were trained as peer educators and 23,672 received training in entrepreneurship and life skills.

In the creative sector, we successfully produced 118 documentaries showcasing government programmes and trained 50 youth in film production through the Kenya Film School, fully meeting the annual target.

These achievements reflect the Department's steadfast commitment to empowering young people, promoting inclusion and building a vibrant, creative industry that contributes meaningfully to national development.

Nevertheless, we acknowledge that systemic and resource-related challenges affected the full realization of all intended outcomes. Addressing these challenges, particularly funding limitations, it will be crucial for enhanced performance in the coming years.

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**Budget Performance against Actual Amounts**

**i.) Analysis of Programme Expenditure (Amount in Ksh Million)**

Economic Classification	Approved Budget (Kshs. M)	Actual Expenditure (Kshs. M)
	2024/2025	2024/2025
Programme 1: Youth Empowerment Services	749,463,132	738,548,594
Programme 2. Youth Development Services	837,122,250	773,544,808
Programme 3. General Administration, Planning and Support Services	1,668,387,673	1,378,721,630
Programme 4. The Arts	-	-
Programme 5. Library Services	-	-
<b>TOTAL</b>	<b>3,254,973,055</b>	<b>2,890,815,032</b>

**ii.) Analysis of Programme Expenditure by Economic Classification (Amount in Millions)**

	APPROVED BUDGET	ACTUAL EXPENDITURE
Economic Classification	FY 2024/25	FY 2024/25
<b>Current Expenditure</b>		
Compensation to Employees	775,370,000	775,369,005
Use of goods and Services	175,304,042	180,710,073
Current Transfers to Govt. Agencies	1,267,195,900	1,252,839,236
Social Security benefits	3,743,622	3,571,404
<b>Sub-totals</b>	<b>2,221,613,604</b>	<b>2,212,489,718</b>
<b>Capital Expenditure</b>		
Compensation to Employees	-	-
Use of goods and Services	763,434,490	452,739,914
Acquisition of Non-Financial Assets	59,925,000	30,884,150
Capital Transfers to Govt. Agencies	210,000,000	200,000,000
<b>Sub-totals</b>	<b>1,033,359,490</b>	<b>683,624,064</b>

In the financial year 2024/2025, the State Department for Youth Affairs and Creative Economy had a gross budget of Kshs. 3,254,973,055 which was made up of Kshs 2,221,613,564 and Kshs 1,033,359,490 for recurrent and development votes respectively.

**Key Performance Highlights**

Below is an overview of the financial performance for the year ended 30<sup>th</sup> June 2025 as reported in the detailed financial statements together with the commentary and comparative analysis against budget and prior year for the key items in the financial statements.

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Key Performance Highlights (Continued)

Current Year Performance against Prior Year

Financial Performance	Year to 30 <sup>th</sup> June 2025	Year to 30 <sup>th</sup> June 2024	Change
	KShs	KShs	KShs
Total Receipts	2,981,563,154	3,746,351,391	(764,788,237)
Total Payments	2,890,815,032	3,840,655,148	(949,840,116)
Surplus/(Deficit) for the Year	90,748,122	(94,303,757)	

Financial Performance summary

Actual Performance against Budget for Year to 30<sup>th</sup> June 2025

Financial Performance	Printed Estimates	Actual	Variance	%
	KShs	KShs	KShs	Utilisation Variance
Total Receipts	4,048,471,229	2,981,563,154	1,066,908,075	36%
Total Payments	4,048,471,229	2,890,815,031	1,157,656,198	40%
Surplus/Deficit for the Year	-	90,748,123	90,748,123	

Actual receipts by the State Department were at 36% below budget while actual payments were at 40% below budget.

Budget Utilisation (Payments)

The State Department spent Kshs 2,894,658,474 against an approved budget of Ksh 3,254,973,055 (inclusive of Appropriations-In-Aid) for the period ended 30th June 2025, representing an absorption of 89%. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

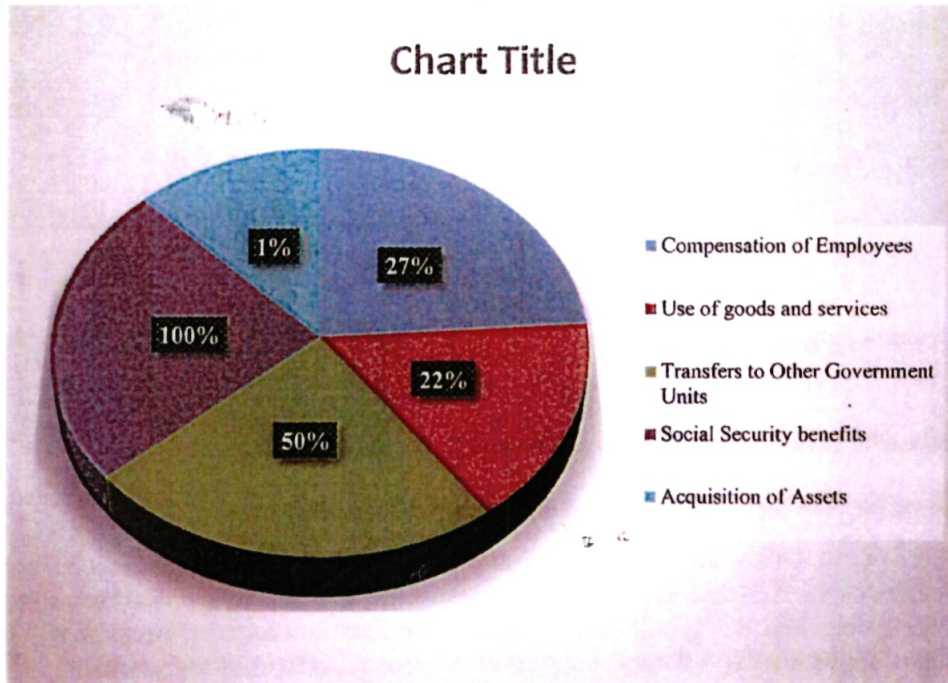
	Approved Budget Allocation	Actual Payments	Variance
Compensation of Employees	775,370,000	775,369,005	995
Use of goods and services	938,518,845	633,449,987	305,068,858
Transfers to Other Government Units	1,477,195,900	1,452,839,236	24,356,664
Social Security benefits	3,743,622	3,571,404	172,218
Acquisition of Assets	60,144,688	25,585,400	34,559,288
<b>Total Payments</b>	<b>3,254,973,055</b>	<b>2,890,815,032</b>	<b>34,559,288</b>

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**Key Performance Highlights (Continued)**

It is noted that 27% of the State Department's budget was utilized on compensation of employees while 22% was utilized on use of goods and services. Transfers to Other Government Units accounted for 50%, Acquisition of Assets at 1% of the total budget whereas Social Security benefits accounted for 100% of its budget. This is shown in the Pie Chart below.



**Receipts**

The State Department's receipts mainly comprise of exchequer releases from the National Treasury, proceeds from domestic and foreign grants and other receipts sources including proceeds from sale of assets and Appropriations-In-Aid.

The total receipts for FY 2024/2025 stood at **Kshs. 2,890,815,032** representing 89% against the total budget of **Kshs. 3,254,973,055**.

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*Key Performance Highlights (Continued)*

**Total Receipts Breakdown (inclusive of Appropriations-In-Aid)**

	Approved Budget Allocation	Actual Payments	Variance
Receipts	KShs	KShs	KShs
Transfers from National Treasury	2,898,914,831	2,629,134,955	269,779,876
Proceeds from Domestic and Foreign Grants	150,000,000	160,703,029	(10,703,029)
Proceeds from sale of Assets	70,000,000	58,074,139	11,925,861
Other Receipts	136,058,224	125,092,807	10,965,417
<b>Total Receipts</b>	<b>3,254,973,055</b>	<b>2,973,004,930</b>	

**Implementation challenges and way forward**

**The challenges**

During the period under review, the following challenges were experienced:

**i. Inadequate funding for implementation of programmes and projects:**

Despite the numerous contributions of the Sub-sector to the Gross Domestic Product (GDP) over the years, the Sub-sector has experienced low budgetary allocation and budget cuts thus affecting logistics, office space, staff, ICT equipment, transport, furniture and internet connectivity. This has led to under-performance of planned programmes, projects, initiatives and activities.

**ii. Inadequate Infrastructure:**

The Sub-sector's physical facilities are overstretched; inadequate ICT equipment and lack of connectivity that affects the implementation of programmes and service delivery. In addition, the Sub-sector suffers encroachment and vandalism of the existing facilities causing high cost of maintenance.

**iii. Employment creation challenges:**

Youth face unemployment, underemployment, lack employable skills, poor health, and insufficient socio-economic support for empowerment

**iv. Youth Vulnerability:**

Youth are increasingly becoming vulnerable due to high unemployment rate, globalization and technological advancement exposing them to exploitation, crime thus hampering their meaningful engagement in social economic development. There is thus a need for the Sub-Sector to continuously redesign interventions and strategies to suit the emerging needs of the youth.

**Key Performance Highlights (Continued)**

**v. Inadequate policy, legal and regulatory frameworks:**

There is emerging social and new media that is responsible for moral decadence of the youth and hence need for policy. legal and regulatory frameworks regulate the Film, Creative and Library Service sectors.

**vi. Inadequate mechanism for talent identification, nurturing and development:**

Due to inadequate resources, there are fragmented mandates on talent and innovation development and the lack information on monetization of talents.

**vii. Changing face of copyright piracy:**

The inefficiencies of the Collective Management Organizations (CMOs) in the collection and distribution of royalties has over the years impacted negatively on the welfare of the artists.

**viii. Minimal youth inclusion and Representation in leadership:**

There are few youths in leadership decision making table despite accounting for more than 29.1% of the Kenya's population.

**Recommendations and way forward.**

In view of the emerging issues and challenges, the Sub-Sector has identified and recommended the following measures for effective implementation of quality programmes, projects and initiatives to enhance delivery of its mandate on Youth Development, Art, Film and Library services. The recommendations are as follows:

**i. Need for Enhanced funding:**

The Sub-Sector seeks additional funding for construction/ leasing of adequate office space. hire staff, and procure ICT equipment, transport, furniture and internet connectivity. There is thus need to increase the current funding level to the Sub-sector progressively.

**ii. Enhancement of infrastructure:**

There is need to expand the capacity of the physical infrastructure through increased investment and seeking for partnerships and collaboration with development partners, private sector and other stakeholders to compliment government efforts.

**iii. Need to address unemployment challenge:**

There is need to promote alternative forms of livelihoods through Arts and Film to reduce pressure on available white-collar jobs. This will be realized through the various youth empowerment programmes to address their vulnerability.

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*Key Performance Highlights (Continued)*

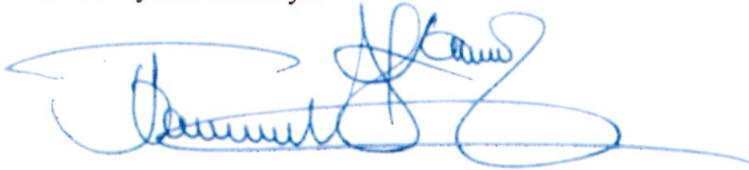
iv. **Enhance policy, legal and regulatory frameworks:**

There is need for harmonization of Policy, Legal and Regulatory Frameworks between the National and County Governments for unified regulation of the film and art industries.

v. **Enhance talent identification, nurturing and development:**

Through capacity building and development of programmes, there are projects and initiatives to assist in the identification, nurturing and monetization of talents and innovations.

As we look ahead, the Department remains committed to strengthening institutional frameworks, scaling impactful programmes, and deepening collaboration with partners and stakeholders to better serve the youth of Kenya.



**Mr. Fikirini Jacobs Katoi Kahindi**  
**PRINCIPAL SECRETARY**

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**7. Statement of Performance Against Predetermined Objectives for FY 2024/25**

**Introduction**

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer presents a statement of performance against predetermined objectives of the State Department.

The key objectives of the State Department of Youth Affairs and Creative Economy are to:

- i. Promote youth empowerment and development;
- ii. Strengthen youth mainstreaming in all sectors;
- iii. Promote youth participation and inclusion in National development and leadership;
- iv. Harness and develop youth talents for national development;
- v. Harness, develop and regulate the fine, creative and performing arts industry;
- vi. Develop and regulate Film industry; and
- vii. Provide an enabling policy, legal and institutional framework.

**Progress on attainment of Strategic Development Objectives**

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement. Below we provide the progress on attaining the stated objectives:

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**Table 1: Programme performance**

Programme	Strategic Objectives	Outcomes	Key Output	Key Output Indicator	Achievement for the FY 2024/25			Remarks
					Annual Target	Actual	Variance	
P1. Youth Empowerment  SP 1.1: Youth Social and Sustainable Community Development	To enhance Youth employability, entrepreneurship and job creation for National development	Enhanced youth engagement and participation in national development	Sustainable community development	No. of youth engaged in volunteerism	4,700	163	-4,537	Target not achieved due to inadequate funds
				No. of youth engaged in intergenerational dialogue	10,000	6,000	-4,000	
				No. of youth engaged in environmental conservation	4,700	163	-4,537	
			Youth Well-being promoted	No. of youth involved in positive health seeking behaviour	8,000	4,996	-3,004	Target not achieved due to inadequate funds
				No. of Youth peer educators trained	150	406	256	Target achieved
				No. of Youth engaged in physical fitness and recreation	6,000	6,109	109	
			Kenya Youth Development Index (KYDI)	Kenya Youth Development Index	1	0	-1	Target not achieved due to inadequate funds
			Youth participation in Leadership and Governance	No. of Youth capacity built on in leadership and Governance	33,500	37,000	3,500	Target achieved through partnership and collaboration with SDYA
				No. of Youth leaders engaged in civic participation	5,000	6,300	1,300	

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SP 1.2: Youth Mentorship, Leadership and Governance			No. of youths mobilized to participate in IYW/D celebrations and Youth creative challenge including film music, art and fashion.	5,000	5,250	250	
			No. of youth engaged in Intergenerational Dialogue Forum	10,000	9,800	-200	Quarterly target achieved
			No. of youth leaders engaged in inter-communal youth exchange programme and peace forums	5,000	5,750	750	Target achieved during the IYD
			No. of youth engaged in environmental conservation initiatives (tree planting, clean-ups)	6,000	9,000	3,000	Target achieved
		Government empowerment initiatives on youth promoted and popularised	No. of youth sensitized on existing empowerment initiatives	10,000	35,250	25,250	Target achieved during the IYD
		Youth Serving Organizations Coordinated and Regulated	No. of Youth Serving Organizations Registered in NYC Database	5,000	1,450	-3,550	Target not achieved due to inadequate funds
		Youth engaged in peace	No. of youth engaged in peace exchange initiatives	1,320	0	-1,320	Target not achieved due to inadequate funds

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SP 1.3: Youth employability and employability scheme		building initiatives						
			Enrolment and participation of Young people in the President's Award Programme	No. of new Youths enrolled	4,125	10,876	6,751	Target Achieved
				No. of Award leaders trained	1,800	1,550	-250	Target not achieved due to budget cuts
		No. of Youth awarded Bronze, Silver and Gold level certificate	1,750	4,054	2,304	Target Achieved		
	Promotion of job creation	Loans disbursed	Amount of loans disbursed to Youth to start or expand their businesses (Kshs. M)	535	410	-125	Target not achieved. Limited finances to provide loans to youth entrepreneurs. The Fund was allocated zero budget to support business loans among the youth.	
			Youth benefited	No. of Youth beneficiaries of the loan products	18,770	52,264		33,494
		Loans repayment Kshs. (M)	Amount of loans recovered (Kshs. M)	535	290	-245	Loans recoveries is majorly influenced by the amount disbursed. Limited funds to make prompt follow-ups on defaulters	
			No. of Youth trained on entrepreneurship skills	No. of Youth trained on entrepreneurship skills	50,000	52,264		2,264
		Youth entrepreneurs facilitated	No. of Youth entrepreneurs facilitated to access business incubation services	2,350	2,673	323	Target achieved	

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			Youth enterprises provided with market support services	No. of Youth enterprises provided with market support services	2,050	2,100	50	
			Youth supported to secure jobs abroad	No. of youth supported to secure jobs abroad	1,500	1,962	462	
			Youth entrepreneurs mentored	No. of youth mentored	6,500	5,017	-1,483	Target not achieved due to inadequate funds
P. 2: Youth Development Services  SP 2.1 Youth Development Research and Quality Management	To strengthen capacity among the Youth for improved livelihoods and effective engagement in National development	Strengthened Policy, legal, regulatory, and institutional framework	Youth Development Bill	Youth Development Bill developed	1	0	-1	A draft bill is in place and a bill validation exercise has been conducted and a cab memo has been forwarded
SP 2.2: Youth Entrepreneurship, Innovation and Talent Development			Skills Development	Youth Skilling, Employment and Wealth Creation	No. of Community Youth SACCOs operationalized	290	25	-265
		No. of youth entrepreneurs engaged in green jobs			2,000	3,360	1,360	Target achieved
		No. of Youth trained on entrepreneurship and Life Skills			40,000	23,672	-16,328	Target not achieved due to inadequate funds
No. of youth trained on online jobs		4,000			2,314	-1,686		

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		Enhance income generation among the youth	Youth placed on apprenticeship and employment	No. of youth placed in internship and employment	10,000	0	-10,000	Target not achieved. The NYOTA project has not been rolled out but call for applications have been sent out for youth to apply.
			Business start-up grants	No. of youth provided with business start-up grants	10,000	0	-10,000	
			Youth skills and competencies developed	No. of Youth trained on market technical specific skills	10,000	0	-10,000	
				No. of Youth trained on social emotional skills	10,000	0	-10,000	
			Youth talent nurtured	No. of talented Youth nurtured	5,000	3,750	-1,250	Target not achieved due to inadequate funds
			Youth innovation incubation hubs established	No. of youth innovation hubs established	10	0	-10	
			Youth Business Ventures supported	No. of innovators incubated	12	12	0	Target achieved.
				No. of innovations scaled into business ventures	12	12	0	Target achieved.
				No. of innovators linked to markets	430	30	-400	Target not achieved .30 innovators linked to the market.

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SP 2.3 Youth Development Field Extension Services		Talent development , innovation, and creatives sector	Presidential Innovation challenge and award	No. of innovators awarded	30	33	3	30 County Winners, each receiving Ksh. 500,000. In addition,3 R2C national winners received a total of Ksh. 10 million, distributed as follows: Winner – Ksh. 5 million, 1st Runner-Up – Ksh. 3 million, and 2nd Runner-Up – Ksh. 2 million.
		Youth empowerment and Creative Industry infrastructure development	Establishment of Youth Empower Centres	No. of YECs equipped	40	0	-40	Target not achieved due to zero allocation on the development budget
				No. of Youth accessing Youth Friendly Services at YECs (30% of either gender)	300,000	123,000	-177,000	Target not achieved
P.3: General Administration, Planning and Support Services SP  3.1 Administration and Support Services.	To improve efficiency and effectiveness in service delivery and programmes implementation	Strengthened M&E and reporting systems	Monitoring and Evaluation reports	No. of M&E reports disseminated	4	1	-3	Target not achieved
Financial Services			No of quarterly financial reports disseminated	4				
			% absorption of allocated funds	100				
P.4: Film Development Services  SP 4.1 Film Services	A vibrant film industry	Enhance film services	Documentaries on Government programs and projects produced	No. of Documentaries produced	80	118	38	Target achieved.

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			National film catalogue	No. of film catalogues produced	500	500	0	
			Students nurtured in film production	No. of students nurtured	60	60	0	Target achieved.60 student have been enrolled to the Kenya Film school.
			Film location mapping, promotion, and marketing	No. of local and foreign films produced/shot on location in Kenya	500	719	219	Target achieved and surpassed due to collaborations
				Organize Film events (Awards, Festivals and Markets)	5	9	4	
				% Completion of the Location Mapping/Ultra-Modern Cinema Facilities	100	95	-5	The facility is fully equipped and awaiting launch
				No. of film makers trained	70	91	21	Target achieved due to partnerships and collaborations
			Film and Broadcast Content Regulated	No. of Film Licenses issued to Film Distributors and Exhibitors	2,650	2,620	-30	Performance affected by inadequate financial resources, occasioned by budget cuts
				No. of Film Agents registered	80	125	45	Target achieved
				No. of Filming Licenses issued to filmmakers	650	769	119	
				No. Films Classified	800	939	139	
				No. of Consumer Awareness programmes conducted	22	45	23	

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			Refurbished and Equipped Nairobi Film Centre (Nairobi Cinema)	% Refurbishment and Equipping of the theatre	28.85	22	-7	The Board received zero development budget in the period
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## **8. Governance Statement**

The State Department is headed by the Principal Secretary who is the Accounting Officer who provides strategic leadership role in implementing programmes and projects. Below him is the Secretary Youth Development who is the technical advisor to the principal Secretary. The Statement Department has five (5) technical directorates (Entrepreneurship and Skills Development, Youth Innovation and Talent Development, Youth Social Development, Policy Research and Mainstreaming; Film Services) with support provided by the administrative departments (Finance, Planning, Procurement, Accounts, ICT, Communication, Legal, Internal Audit and Human Resource). The Ministry has an Audit Committee appointed by the Cabinet Secretary. The committee is composed of the Chair, Secretary (the head of internal audit) and three independent Members plus the National Treasury representative. The Ministerial Audit Committee encompasses issues relating to compliance with internal control, financial reporting and governance, risk management, fraud and ethics. The Committee reviews Internal Audit charter, Strategic Plan among other duties.

The State Department has been guided by internationally accepted procedures and guidelines to identify, assess, mitigate and monitor risks. Key among these is the Public Sector Risk Management Guidelines, 2022. Going forward, there is need to sensitize all staff on risk management guidelines for the State Department

During the period under review, the main activity involving public participation was on the formulation of Kenya Youth Bill 2024 which was held in December 2024.

Public participation is one of the principles and values of governance enshrined in the Constitution. Its main objective is to promote democracy by providing the public with the opportunity to take part in decision-making processes within government. Through Public participation the State Department interacts with public and other non-state actors in public communication and access to information, capacity building and actual engagement in governance processes. Specifically, the State Department undertakes public participation in development of bills, Policies, frameworks and strategies.

The Process involves public invitation to the events through invitation letters, radio broadcast, TV announcements, newspapers, social media, State Department's field offices or any other medium necessary. The invitation ensures that special interest groups, marginalized communities and geographical representation is catered for.

After the end of the public participation, the State Department prepares a report. The report highlights, among other things the agenda for the public participation, issues raised and responses/recommendations agreed during the meeting.

The State Department has ensured compliance with the provisions of the Constitution of Kenya, the Public Finance Management Act, the Public Procurement and Asset Disposal Act, the Employment Act, and other relevant legislations and enabling Regulations governing public administration and service delivery.

## **9. Management Discussion and Analysis**

The State Department of Youth Affairs and Creative Economy has been focusing on six Key Strategic Objectives, namely;

- i. Enhance an enabling environment for youth empowerment and creative development
- ii. Create job opportunities for youth to earn decent and sustainable livelihoods.
- iii. Enhance youth employability and competencies
- iv. Develop talent, creativity, and innovation for wealth creation.
- v. Develop youth empowerment and creative industry Infrastructure
- vi. Enhance youth engagement and participation in national development.

### **A) Key Programs/Projects Implemented or Ongoing,**

Key priority programmes/projects undertaken by the State Department include:

- i. Talanta Hela Programme: Aims at promoting talents among the youths and revitalizing the creative economy through identifying, nurturing, and monetizing youth talents in the creative economy, digital space (AI), and streamlining the collection and distribution of royalties to artists
- ii. Vijana Vuka na Afya (VIVA): The project aims to enhance equal access to reproductive health and socio-economic services to youth aged 15 - 24 years in informal settlements, using an IT-based platform. This entails: training youth on appropriate Sexual Reproductive Health (SRH) training peer educators and tracking access to SRH services in real time.
- iii. Skills Development: The project aims to impart entrepreneurial and life skills and enhance the employability of youths aged 18-29 years to promote decent and sustainable livelihoods through the National Youth Opportunities Towards Advancement (NYOTA) project and other interventions.
- iv. Promotion and Development of Creatives and Film Industry: It aims at promoting the developing creative and film industry through engaging artists in mentorships and apprenticeships programmes; issuing licenses to exhibitors, distributors, and new film-makers
- v. Presidential Challenge Innovation and Awards: The objective is to empower youth to harness innovations to transform the economy.

### **B) MDA'S Compliance with Statutory Requirements.**

The State Department for Youth Affairs and the Creative Economy is committed to upholding all statutory and regulatory obligations in the execution of its mandate. The Department has been adhering to the provisions of the Constitution of Kenya, the Public Finance Management Act, the Public Procurement and Asset Disposal Act, the Employment Act, and other relevant legislations and enabling Regulations governing public administration and service delivery. Regular audits, performance reviews, and reporting mechanisms are in place to ensure transparency, accountability, and effective compliance with applicable laws, policies, and government directives.

### **C) Major Risks Facing the Organisation.**

The following are the major risks facing the State Department and their mitigation measures

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<b>Risks</b>	<b>Likelihood</b>	<b>Severity</b>	<b>Overall Risk Level</b>	<b>Mitigation Measures(s)</b>
Non-optimal budgetary allocation and delays in exchequer release	High	High	High	<ul style="list-style-type: none"> <li>• Mobilisation of external resources</li> <li>• Enhancing internal revenue generation mechanisms</li> <li>• Timely release of exchequer</li> </ul>
Mismatch in resources to priority programmes	Medium	High	Medium	<ul style="list-style-type: none"> <li>• Prudent management of resources</li> <li>• Strengthen internal controls and systems and compliance</li> <li>• Enforce accountability and transparency</li> </ul>
Inadequate human resource capacity	Medium	Medium	Medium	<ul style="list-style-type: none"> <li>• Continuous engagement with the PSCK for optimal staffing</li> <li>• Engaging interns, technical professional volunteers</li> </ul>
Non-automation of Processes	High	Medium	Medium	<ul style="list-style-type: none"> <li>• Automation of the processes</li> <li>• Digitization of service delivery</li> </ul>
Breach to data security	Low	High	Medium	<ul style="list-style-type: none"> <li>• Training and sensitization of staff on data security</li> <li>• Regular maintenance of ICT systems and equipment</li> <li>• Establish data backup systems</li> </ul>
Weak policy and legal framework	Medium	Medium	Medium	<p>Review existing policies and legal framework Formulate relevant policies and strategies</p>
Non-optimal investments in research and innovation	Medium	Medium	Medium	Increase investment in research, innovation and appropriate technologies
Effects of climate change	Medium	Medium	Medium	<p>Disaster reduction mechanisms Greening of Youth Empowerment centres</p>
Litigation	Low	Medium	Medium	<p>Proper working relations with stakeholders Seeking timely legal advice from the Attorney General</p>

**D) Material Arrears in Statutory and Other Financial Obligations.**

The State Department has been complying with statutory obligations in execution of its mandate. This includes prompt payments of statutory deductions including Pay As You Earn (PAYE) contributions, National Social Security Fund (NSSF) contributions, Value Added Tax (VAT), Social Health Authority (SHA) deductions and Housing Levy deduction. The financial obligations include: Prompt payments of suppliers, loans repayments, pensions repayments and other utility bills. The State Department has been prioritizing clearing pending Bills by ensuring that their payments constitute first charge as per PFM Act (2012)

**E) Review of The Economy and Sector.**

In the medium Term, the State Department has made a number of achievements against declining resource allocations.

**Achievements realized over the last financial year include:**

1. Under the Vijana Vuka na Afya (VIVA) project, the State Department trained 406 peer educators; trained 3,296 youth on Sexual and Reproductive Health (SRH) and facilitated 11,301 youth to access SRH services. Further 6,109 youth were mobilized on sporting activities.
2. Under Talanta Hela initiative, the State Department developed a talent and innovation Commercialization framework; identified and nurtured 2,963 talents and innovations and developed a training module on creatives talent search.
3. To promote and develop Creatives and Film Industry, International art and creative festival exhibitions was hosted in the Country. Further, 52 students were trained to bridge the gap between film industry and skills. The State Department also produced and disseminated 118 documentaries on national priorities and other thematic areas.
4. To enhance youth skilling for employment and wealth creation, 554 youth entrepreneurs were trained in green jobs; 2,989 on entrepreneurship skills and on 1,116 on life skills. The State Department also trained 669 youth on online jobs.
5. The State Department also developed Kenya Youth Development Draft Bill

**F) Future Developments**

The State Department will continue implementing programmes geared towards youth development and growth of the creative sector. To achieve this, the following are the thematic areas of focus;

- i. Strengthen policy, legal, regulatory, and institutional framework.
- ii. Job Creation
- iii. Skills Development
- iv. Talent, Innovation, and Creative Industry Development
- v. Development of youth empowerment and creative industry infrastructure
- vi. Youth Social Development.

## **10. Environmental and Sustainability Reporting**

The mandate of the State Department includes; -Management of Youth Policy; Youth Empowerment; Harnessing and developing Youth Talents for National Development; Mainstreaming Youth in National Development; Managing and promoting engagement with Youth for National Development; and collaborating and overseeing Stakeholders engaged in Youth promoting activities.

Below is a brief highlight of the sustainability activities conducted in the year:

### **a) Sustainability Strategy and Profile**

The SDYCE developed the Kenya Youth Developed Policy (KYDP) which is under implementation. The policy guides programs, projects and initiatives under implementation by the State Department.

Further, SDYCE has developed a draft risk management policy. This Risk Management Policy confirms the SDYCE's commitment, when identifying, assessing and managing risks which may prevent the achievement of strategic goals and objectives. Risk management is regarded as an integral part of good management practice and the provision of safe workplace environments based on international best practices.

The State Department has integrated risk management into its culture, decision-making processes, programs, practices, business planning and performance reporting activities and established a safe work environment for its staff.

### **b) Environmental Performance /Climate Change/ Mitigation of Natural Disasters**

Guided by the Kenya Youth Development Policy, SDYCE has engaged youth in environmental management through planting fruit and medicinal trees for improved livelihood and increased forest cover. This is also guided by other local and international environmental management policies.

To realize a healthy and productive youth population, Youth have been empowered to invest in agribusiness activities. SDYCE has put in place mechanisms that support youth engagement in the development, protection, conservation of natural resources and environment while engaging in eco-entrepreneurship and green jobs and built capacity of the youth in green processes, technology and waste management.

The Covid-19 pandemic adversely affected youth led businesses especially in agriculture and other environmental conservation ventures. However, the government and relevant stakeholders developed mitigation measures to cushion youth owned businesses from effects of the pandemic.

The entity has environmental Core Values impeded on the Service Delivery Charter, developing and adopting respect for the environment as a core value in the Service Charter. Also, installation of energy saving devices and having all printers, fridges and water dispensers automatically switched to safe mode when not in use.

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**c) Employee welfare**

The principles of affirmative action, gender and persons living with disability and national values applies. The State Department observes gender mainstreaming, balance on appointment, promotion and ensures that minimum of a third ( $\frac{1}{3}$ ) are of either gender).

**d) Operational practices**

**i. Responsible Supply chain and supplier relations**

The State Department carries out procurement as per the Public Procurement and Assets Disposal Act 2015 and its regulation of 2020 by ensuring that goods, works and services are procured through competitive bidding among suppliers. Further the Department ensures that suppliers are paid on time and in case they are not paid during the financial year they are given first priority and treated as first charge in the next year's budget.

**e) Community Engagements-**

The State Department engaged youth in various forums in community social investments, for example, KIKAO and YUNITOK which were funded by partners.

## **11. Statement of Management Responsibilities**

Section 81 (1) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed by the Public Sector Accounting Standards Board of Kenya from time to time.

The Accounting Officer in charge of the State Department for Youth Affairs and Creative Economy is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2025. 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 statement and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the State Department; (v) selecting and applying appropriate accounting policies and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Youth Affairs and Creative Economy accepts responsibility for the State Department's financial statements, which have been prepared on the Accrual Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the State Department for Youth Affairs and Creative Economy's financial statements give a true and fair view of the state of the State Department's transactions during the financial year ended June 30, 2025, and of the State Department's financial position as at that date. The Accounting Officer in charge of the State Department for Youth Affairs and Creative Economy further confirms the completeness of the accounting records maintained for the State Department which have been relied upon in the preparation of the State Department's financial statements as well as the adequacy of the systems of internal financial control.

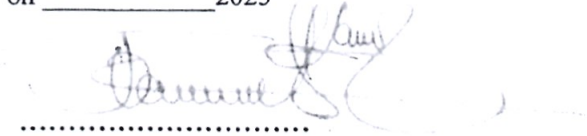
The Accounting Officer in charge of the State Department for Youth Affairs and Creative Economy confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the State Department's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the State Department's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

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**Approval of the financial statements**

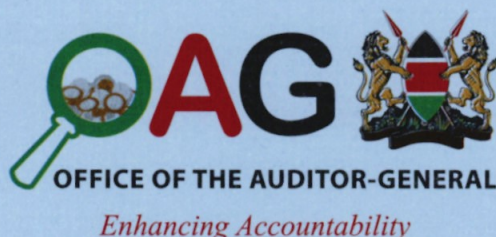
The State Department's financial statements were approved and signed by the Accounting Officer  
on \_\_\_\_\_ 2025



.....  
**Mr. Fikirini Jacobs Kato Kahindi**  
**Principal Secretary**

# REPUBLIC OF KENYA

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## **REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY FOR THE YEAR ENDED 30 JUNE, 2025**

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### **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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

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

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Opinion**

I have audited the accompanying transitional IPSAS financial statements of State Department for Youth Affairs and Creative Economy set out on pages 1 to 44, which comprise of the statement of financial position as at 30 June, 2025 and the statement of

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

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of State Department for Youth Affairs and Creative Economy as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33 and comply with the Public Finance Management Act, 2012 and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the State Department for Youth Affairs and Creative Economy Management in accordance with ISSAI 130 on the 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.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of comparison of budget and actual amounts reflects budgeted receipts and actual on comparable basis amounting to Kshs.3,253,628,619 and Kshs.2,981,563,154 respectively resulting in under-funding of Kshs.272,065,465 or 8% of the budget. However, the State Department spent an amount of Kshs.2,891,369,936 against actual receipts of Kshs.2,981,563,154 resulting to an under-expenditure of Kshs.90,193,218 of actual receipts.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on the State Department's activities and service delivery.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year Matters**

In the prior year audit report, two issues were raised regarding budgetary control and performance and understaffing of the State Department. Review of the status during the audit of the State Department in 2024/2025 revealed that the matters remained unresolved.

### **Other Information**

Management is responsible for the Other Information set out on page iii to xxxv which comprise of Key Entity Information and Management, Management Team, Project Information and Overall Performance, Statement of Performance against Project's predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the State Department's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1. Non-Adherence to Human Resource Manual on Staff Establishment**

The statement of financial performance reflects Kshs.778,940,409 being employee costs as disclosed in Note 9 to the financial statements. However, review of the authorized staff establishment for the State Department for Youth Affairs revealed that the authorized establishment was a total of one thousand one hundred and sixty-seven (1167) staff

members while the in-post number was five hundred and seventy-nine (579) resulting in a deficit of five hundred and eighty-eight (588) as at 30 June, 2025. Failure to comply with the approved staff establishment is a contravention of Section A.15 of the Human Resource Policies and Procedures Manual for the Public Service, 2016, which stipulates the functions of Ministerial Human Resource Management Advisory Committees, that include making recommendations to the Authorized Officer regarding among others Establishment and Complement control.

Further, the number of staff above the age of 50 years was 249 (43%), staff aged between 35-49 years was 290 (50%) whereas those below the age of 35 years totalled 40 (7%). If the status quo remains, in future the State Department will experience human resource deficiencies due to an ageing work force. Failure to ensure a balanced workforce in terms of age is a contravention of Section 68.(1) of the Public Finance Management Act, 2012 which requires an accounting officer for a national government entity, be accountable to the National Assembly for ensuring that the resources of the respective entity for which he or she is the accounting officer are used in an effective and efficient manner.

In the circumstances, Management was in breach of the law.

## **2. Inadequate Staffing at Youth Empowerment Centres**

Audit verification undertaken during the year under review revealed that, most Youth Empowerment Centres (YECs) were significantly understaffed, which adversely affects the coordination and delivery of services to the youth especially where one officer is in charge of more than one Youth Empowerment Centre. According to the Management, over forty (40) Centres countrywide do not have substantive Centre Managers who are the Sub-County Youth Development Officers (SCYDOs) in charge of the areas where the Youth Empowerment Centres are located.

In the circumstances, efficient and effective delivery of services to the youth could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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 and based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on the 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 governance were not effective.

## **Basis for Conclusion**

### **1. Management of Youth Empowerment Centres**

#### **1.1 Underfunding of Development Budget**

Review of youth empowerment centres records indicated a significant reduction in development budgetary allocation which is used in management of the Youth Empowerment Centres (YECs) Programme over the last five financial years, as detailed below:

<b>Financial Year</b>	<b>Original Development Budget</b>	<b>Revised Budget</b>	<b>% Reduction</b>
2020/2021	48 million	24 million	50%
2021/2022	361 million	261 million	28%
2022/2023	425 million	61 million	86%
2023/2024	300 million	141 million	53%
2024/2025	230 million	19.4 million	92%

There was minimum funding for development expenditure in the year under review.

#### **1.2 Failure to Comply with Vision 2030 Policy Requirements**

The Government of Kenya initiated the Youth Empowerment Centres (YECs) Programme as part of the Kenya Vision 2030 Blueprint, with the objective of establishing one YEC in each of the two hundred and ninety (290) constituencies. However, records of centres in existence provided for audit revealed that, only one hundred and fifty-six (156) YECs have been constructed leaving a balance of one hundred and thirty-four (134) YECs still not in place.

Management explained that, the delay was due to progressive decrease in budget allocations which had made it difficult for the State Department to construct any new YECs, renovate or equip the existing ones.

In the circumstances the State Department's ability to realize the Vision 2030 requirements by constructing the remaining one hundred and thirty-four (134) YECs 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 the 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 controls 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 controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the State Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing State Department'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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

  
FCPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**

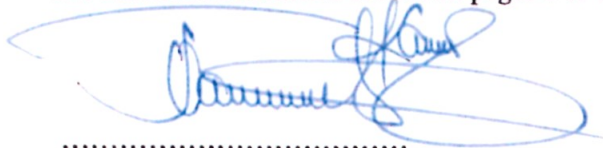
**05 December, 2025**

STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025

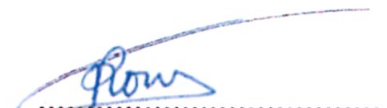
13. Statement of Financial Performance for the year ended 30 June 2025

	Notes	FY 2024-2025
		Kshs
<b>Revenue from non-exchange transactions</b>		
Transfers from Exchequer	6	2,629,134,955
Transfers from Domestic and Foreign Partners	7	160,703,029
<b>Total</b>		<b>2,789,837,984</b>
<b>Revenue from exchange transactions</b>		
Miscellaneous income	8	191,725,170
<b>Total revenue</b>		<b>2,981,563,154</b>
<b>Expenses</b>		
Employee costs	9	778,940,409
Use of goods and services	10	634,004,892
Transfers to other Government Entities	11	1,452,839,236
Depreciation and amortization expense	12	6,913,377
<b>Total expenses</b>		<b>2,872,697,913</b>
<b>Other gains/(losses)</b>		
<b>Surplus/Deficit for the year</b>		<b>108,865,241</b>
Taxation		-
<b>Net Surplus/Deficit</b>		<b>108,865,241</b>


The Financial Statements set out on pages 1 to 7 were signed by:



Mr. Fikirini Jacobs Katoi Kahindi  
Accounting Officer



CPA. Robert Asumani  
Head of Accounting Unit  
ICPAK M/No...10100

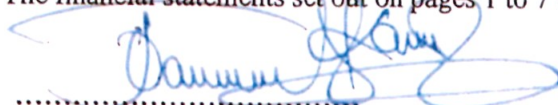
 <b>THE NATIONAL ASSEMBLY</b> <b>PAPERS LAID</b>	
<b>DATE: 11 MAR 2026</b>	
<b>DAY: WEDNESDAY</b>	
<b>TABLED BY:</b>	DEPUTY MAJORITY LEADER HON. DWEN BMA, MP
<b>CLERK AT THE TABLE:</b>	J. LEMERELLE

**STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

**14. Statement of Financial Position as at 30 June 2025**

	Notes	FY 2024-2025	Opening Statement 1 <sup>st</sup> July 2024
		Kshs	Kshs
<b>Assets</b>			
<b>Current Assets</b>			
Cash and Cash equivalents	13	112,756,500	53,088,916
Receivables from Exchange Transactions	14	45,607	600,512
Investments			
<b>Total Current Assets</b>		<b>112,802,107</b>	<b>53,689,428</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	15	18,672,023	-
<b>Total Non- Current Assets</b>		<b>18,672,023</b>	<b>-</b>
<b>Total Assets (a)</b>		<b>131,474,130</b>	<b>53,689,428</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	17	-	-
Refundable Deposits	18	22,019,804	52,385,686
<b>Total Current Liabilities</b>		<b>22,019,804</b>	<b>52,385,686</b>
<b>Total Liabilities (b)</b>		<b>22,019,804</b>	<b>52,385,686</b>
<b>Net Assets (a-b)</b>		<b>109,454,326</b>	<b>1,303,741</b>
<b>Represented by:</b>			
Accumulated Surplus		109,454,326	1,303,742
<b>Net Assets</b>		<b>109,454,326</b>	<b>1,303,742</b>

The financial statements set out on pages 1 to 7 were signed by:



**Mr. Fikirini Jacobs Katoi Kahindi**  
Accounting Officer



**CPA. Robert Asumani**  
Head of Accounting Unit  
ICPAK M/No10100

**STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY  
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**15. Statement of Changes in Net Assets for the year ended 30 June 2025**

	<b>Accumulated Surplus</b>	<b>Reserves</b>	<b>Capital Fund</b>	<b>Total</b>
<b>Fund balance as at 30<sup>th</sup> June 2024</b>	<b>1,303,742</b>	-	-	<b>1,303,742</b>
<b>Adjustments</b>				
Recognition of Liabilities	-			-
<b>As at July 1, 2024</b>	<b>1,303,742</b>	-	-	<b>1,303,742</b>
Return to Exchequer	(714,657)			(714,657)
Surplus/ deficit for the year	108,865,241			108,865,241
Capital funds received in the year	-	-	-	-
<b>As at June 30, 2025</b>	<b>109,454,326</b>	-	-	<b>109,454,326</b>

STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY  
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16. Statement of Cash Flows for the year ended 30 June 2025

		<i>FY 2024-2025</i>
	Notes	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from exchequers	6	2,629,134,955
Transfers from other governments entities	7	160,703,029
Miscellaneous income	8	191,725,170
<b>Total receipt:</b>		<b>2,981,563,154</b>
<b>Payments</b>		
Employee costs	9	778,940,409
Use of goods and services	10	634,004,892
Transfers to other Government Entities	11	1,452,839,236
<b>Total payments</b>		<b>2,865,784,537</b>
<b>Cashflows before working capital adjustments</b>		<b>115,778,617</b>
<b>Working capital adjustments</b>		
Change in Receivables		554,905
Change in Payables		(30,365,882)
<b>Net cash flows from/ (used in) operating activities</b>		<b>85,967,641</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE	15	(25,585,400)
<b>Net cash flows from/ (used in) investing activities</b>		<b>(25,585,400)</b>
<b>Cash flows from financing activities</b>		
Return to Exchequer		(714,657)
Proceeds from borrowings		-
Repayment of borrowings		-
<b>Net cash flows from financing Activities</b>		<b>(714,657)</b>
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>		<b>59,667,584</b>
Cash and cash equivalents at 1 July		53,088,916
<b>Cash and cash equivalents at 30 June</b>		<b>112,756,500</b>

STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY  
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17. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2025

Recurrent and Development Combined

Description	Original budget	Adjustments	Final budget	Actual on a comparable basis	Budget utilization difference	% of utilization
	A	B	C=a+b	D	E=c-d	F=d/c %
<b>Revenue</b>						
Tax Receipts		8,558,224	8,558,224	8,558,224	-	100%
Proceeds from Domestic and Foreign Grants	0	150,000,000	150,000,000	160,703,029	10,703,029	107%
Transfers from exchequer	3,850,971,229	(953,400,834)	2,897,570,395	2,629,134,955	268,435,440	91%
Proceeds from Sales of Assets	70,000,000	-	70,000,000	58,074,139	11,925,861	83%
Other income	127,500,000	-	127,500,000	125,092,807	2,407,193	98%
<b>Total revenue</b>	<b>4,048,471,229</b>	<b>- 794,842,610</b>	<b>3,253,628,619</b>	<b>2,981,563,154</b>	<b>272,065,465</b>	<b>92%</b>
<b>Expenses</b>						
Employees Costs	729,670,000	45,700,000	775,370,000	775,369,005	995	100%
Use of goods and services	1,749,101,470	- 811,754,843	937,346,627	634,004,892	303,341,736	68%
Transfers to other government units	1,315,368,676	161,827,224	1,477,195,900	1,452,839,236	24,356,664	98%
Social Security Benefits	3,743,622	(172,218)	3,571,404	3,571,404	-	100%
<b>Total recurrent expenses</b>	<b>3,797,883,768</b>	<b>(604,399,837)</b>	<b>3,193,483,931</b>	<b>2,865,784,537</b>	<b>327,699,395</b>	<b>90%</b>
<b>Capital items</b>						
Acquisition of PPE	250,587,461	(190,442,773)	60,144,688	25,585,400	34,559,288	43%
<b>Total expenses Development</b>	<b>250,587,461</b>	<b>(190,442,773)</b>	<b>60,144,688</b>	<b>25,585,400</b>	<b>34,559,288</b>	<b>43%</b>
<b>Total expenses</b>	<b>4,048,471,229</b>	<b>(794,842,610)</b>	<b>3,253,628,619</b>	<b>2,891,369,936</b>	<b>362,258,683</b>	<b>89%</b>
<b>Surplus/ deficit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>90,193,218</b>	<b>(90,193,218)</b>	

**STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

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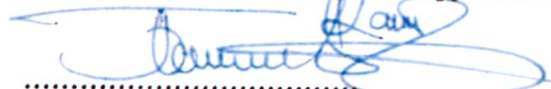
*(a) Variance analysis:*

- i. Proceeds from sale of non-Financial Assets- Non-collection of Appropriations-In-Aid (AIA) by the entities as per the budget ceilings.*
- ii. Use of goods and Services- Late receipt of Exchequer for the NYOTA Programme to enable the Project fund its various programmes and activities.*
- iii. Acquisition of Property, Plant and Equipment- Late receipt of Exchequer for the NYOTA Programme to enable the Project fund its various programmes and activities.*

*(b) Reallocations within the year:*

*The changes between the original and final budget are as a result of increase/decrease of the budget during supplementary budget process.*

The entity financial statements were approved on \_\_\_\_\_ 2025 and signed by:



.....  
**Mr. Fikirini Jacobs Katoi Kahindi**  
**Accounting Officer**



.....  
**CPA. Robert Asumani**  
**Head of Accounting Unit**  
**ICPAK M/No. 10100**

**STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY  
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**Budget Execution by Programmes and Sub-Programmes for FY 2025**

<b>Programme/Sub-programme</b>	<b>Original Budget</b>	<b>Adjustments</b>	<b>Final Budget</b>	<b>Actual on comparable basis</b>	<b>Budget utilization difference</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
Programme 1					
Sub-programme 1					
Sub-programme 2					
Sub-programme 3					
Programme 2					
Sub-programme 1					
Sub-programme 2					
Sub-programme 3					
<b>Total</b>					

*(NB: This statement is a disclosure statement indicating the utilisation in the same format at the Entity's budgets which are programme based. It should tie with the combined Statement of Budgeted Vs Actual Amounts. Ensure that this document is completed to enable consolidation by the National Treasury)*

## **18. Notes to the Financial Statements**

### **1. Establishment**

The State Department for Youth Affairs and Creative Economy is established by and derives its authority and accountability from Executive Order No 2 of 2023. *The State Department is wholly owned by the Government of Kenya and is domiciled in Kenya.* The State Department's principal activity is Youth Policy and Empowerment; Mainstreaming Youth in National Development; Managing and Promoting engagement with Youth for National Development; Harnessing Youth Talent for National Development; Business Innovation and Incubation; Facilitating the mobilization of resources for youth entrepreneurship and development; Self-development programme designed for young persons in Kenya to equip them with positive life skills; National Volunteer Policy and Interventions through work, community service and various learning opportunities; Coordination of the National Internship & Apprenticeship Programme in both public and private sectors; In collaboration with other stakeholders promote interventions to enhance access to employment for youth; Policy on Kenya's creative economy across film, pageantry, Theatre, Fine, Performing and Literary Creative Industries; Development of the Film Industry; Promotion of investments in the development of the creative industry; and Lead in the development of the creatives industry as a key driver of the Kenyan economy.

### **2. Statement of Compliance and Basis of Reporting**

#### **Statement of compliance**

These financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and the entity has taken advantage of the transition provisions under International Public Sector Accounting Standards (IPSAS 33) and therefore these 1<sup>st</sup>/ 2<sup>nd</sup>/ 3<sup>rd</sup>/year financial statements are transitional financial statements and the following elements of the financial statements have not been recognised as the State Department has taken advantage of the transition provisions outlined in IPSAS 33.

- i) Furniture and fittings-full recognition in the subsequent two years of transition.
- ii) Computer and ICT Equipment- full recognition in the subsequent two years of transition.
- iii) Recognition of PPE is based on historical figures. Full recognition of PPEs will be in subsequent 2 years of the transition.

These financial statements were authorized for issue by the Accounting Officer on 29<sup>th</sup> August 2025.

#### **Reporting Period**

The reporting period for these financial statements is for the period ended 30 June, 2025.

#### **Guiding note during the transition period**

1. The State Department has recognised all fixed assets acquired in the Financial Year 2024/225. Fixed Assets acquired in the prior periods will be recognised in the 2<sup>nd</sup> and 3<sup>rd</sup> year Financial Statements once the valuation process is done.

**STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025**

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***Notes to the Financial Statements (Continued)***

2. The historical pending bills of Kshs. 19,624,060 reported in the Financial Year 2023/2024 were submitted to the Pending bills verification Committee of the National Treasury for verification and recommendation on their eligibility for payment. The bills lacked original supporting documents and therefore the state Department has not settled them. However, should the Committee of the National Treasury recommend otherwise, the State Department will implement that recommendation. Therefore, the bills have not been recognised in the Financial Statements for the Financial Year 2024/2025.

*STATE DEPARTMENT FOR YOUTH AFFAIRS AND CREATIVE ECONOMY  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2025*

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*Notes to the Financial Statements (Continued)*

**Reporting period**

The reporting period for these financial statements is for the period ended 30<sup>th</sup> June, 2025.

**Basis of preparation**

These financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the period on an accrual basis unless otherwise specified (for example, the Statement of Cash Flows). Under an accrual basis, revenues are recognised when rights to assets are earned or levied rather than when cash is received, and expenses are recognised when obligations are incurred rather than when they are settled. The financial statements have been prepared and presented in Kenya Shillings to the nearest shilling. The accounting policies adopted have been consistently applied to all the years presented.

**Critical accounting judgements**

IPSAS requires accounting judgements to be made in determining accounting policies that impact the presentation of these financial statements. The most critical of these judgements, and their impact, are:

**Recognition of revenue**

A revenue is an increase in the net financial position, other than increases arising from ownership contributions. Revenue is required to be measured when the event occurs and when recognition criteria (probable inflow of resources and ability to reliably measure their value) are met. Judgment is required to determine if these criteria are met, particularly where limited evidence is available at the time the revenue is earned.

**Recognition of non-exchange expenses and liabilities**

A liability is a present obligation of the State Department for an outflow of resources that results from a past event. Expenses (and other liabilities) are recognized when there is a present obligation (legal or constructive) as a result of a past event. An outflow of resources embodying economic benefits will probably be required to settle the obligation and a reliable estimate of the obligation can be made. Judgment is required in assessing each of these conditions, and therefore reporting if an expense and a present obligation should be reported.

The State Department pursues a number of policy targets and outcomes. However, the commitment to these targets and outcomes, generally, do not of themselves constitute a present obligation unless the State Department is clear on the cost it intends to incur, when payment will be made, and to whom and as a consequence has raised a valid expectation. As a consequence, liabilities are not reported for costs associated with the State Department's policy objectives and targets. Where a policy choice gives rise to an obligation that exists independently of the State Department's future actions, expenses (and other related liabilities) are recognized for that policy.

**Purpose and nature of financial instruments**

Judgment is required in determining whether financial assets (including investment in securities and advances) and financial liabilities are held for trading or to provide a return through interest

***Notes to the Financial Statements (Continued)***

and principal transactions. Depending on that judgment, financial instruments will be reported at fair value or on an amortized cost basis.

**Climate change obligations**

Kenya's current National Determined Contribution (NDC) to deliver on the goals of the Paris Agreement sets a headline target of a 32 per cent emission reduction by 2030 relative to the business-as-usual scenario of 143 MtCO<sub>2</sub>eq. The State Department's commitment to climate change action does not constitute a present obligation on the balance sheet but are disclosed separately.

**Physical assets**

An asset is a resource presently controlled by the State Department as a result of a past event. The primary reason for holding property, plant and equipment and other assets is for their service potential rather than their ability to generate cash flows. Because of the types of services provided, a significant proportion of assets used by public sector entities including roads, national parks, heritage buildings etc are specialized in nature. There may be a limited market for such assets and so judgement is required on measurement. Judgment is also required whether assets are held for commercial purposes or public benefit purposes.

**3. Adoption of New and Revised Standards**

***i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.***

There were no new and amended standards issued in the financial year.

***ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.***

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 43	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an MDA.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires, Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p>

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Standard	Effective date and impact:
	Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.
IPSAS 45- Property Plant and Equipment	<b><i>Applicable 1<sup>st</sup> January 2025</i></b>  The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<b><i>Applicable 1<sup>st</sup> January 2025</i></b>  The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> The standard also introduces a public sector specific measurement bases called the current operational value.
IPSAS 47- Revenue	<b><i>Applicable 1<sup>st</sup> January 2026</i></b>  This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an MDA shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.
IPSAS 48- Transfer Expenses	<b><i>Applicable 1<sup>st</sup> January 2026</i></b>  The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<b><i>Applicable 1<sup>st</sup> January 2026</i></b>

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Standard	Effective date and impact:
	The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><b><i>Applicable 1<sup>st</sup> January 2027</i></b></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li><b>iii.</b> Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul>

***iii) Early adoption of standards***

The State Department did not early – adopt any new or amended standards in the financial year.

*Notes to the Financial Statements (Continued)*

**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Fees, taxes and fines**

The State Department 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 State Department 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 State Department and can be measured reliably. Recurrent grants are recognized in the statement of comprehensive income. Development grants are recognized in the statement of financial performance after meeting the revenue recognition criteria. Conditional grants are recognized as revenue upon fulfilment of the set conditions.

**ii) Revenue from exchange transactions**

**Rendering of services**

The State Department 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.

**Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

*Notes to the Financial Statements (Continued)*

*Summary of Significant Accounting Policies (Continued)*

**b) Budget information**

The original budget for FY 2024/25 was approved by the National Assembly on 14<sup>th</sup> June 2024. 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 State Department upon receiving the respective approvals in order to conclude the final budget. Accordingly, the State Department recorded additional appropriations on the 2024/25 budget following the governing body's approval. The State Department'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 actuals as per the statement of cash flows has been presented in these financial statements.

**c) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over a period. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**d) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the State Department 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.

*Notes to the Financial Statements (Continued)*

*Summary of Significant Accounting Policies (Continued)*

**e) Right of use asset**

The right-of-use assets comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. Whenever the State Department incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IPSAS 21 or IPSAS 26. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the State Department expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented as a separate line in the statement of financial position.

**f) Tangible Natural Resources**

The State Department recognises a tangible natural resource recognized if, and only if: It is probable that service potential associated with the natural resource will flow to the State Department; the State Department controls the tangible natural resource as a result of past events; and the tangible natural resource can be measured reliably. Where this criteria is not met, the State Department discloses the tangible natural resource in the notes to the financial statements. Where a tangible natural resource is recognized as an asset as the result of an event that is not a transaction in an orderly market, including non-exchange transactions, the asset shall be measured initially at its deemed cost. An MDA shall apply IPSAS 46, Measurement, when measuring the deemed cost of such a recognized tangible natural resource. A recognized tangible natural resource acquired through an exchange transaction shall be measured at its cost. Historical cost model is applied after initial recognition less any depreciation and impairment losses.

**g) Leases**

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the State Department. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The State Department also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the State Department will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

*Notes to the Financial Statements (Continued)*

*Summary of Significant Accounting Policies (Continued)*

**h) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite.

**i) Research and development costs**

The State Department expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the State Department can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale
- ii) Its intention to complete and its ability to use or sell the asset
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**j) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The State Department does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one State Department and a financial liability or equity instrument of another State Department. At initial recognition, the State Department measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

*Notes to the Financial Statements (Continued)*

*Summary of Significant Accounting Policies (Continued)*

**a) Financial assets**

**Classification of financial assets**

The State Department classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the State Department's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless the State Department has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the State Department classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

*Notes to the Financial Statements (Continued)*

*Summary of Significant Accounting Policies (Continued)*

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the MDA manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Impairment**

The State Department assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The State Department recognizes a loss allowance for such losses at each reporting date. No critical estimates and significant judgments have been made by the management in determining the expected credit loss (ECL).

**b) Financial liabilities**

**Classification**

The State Department classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

**k) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- i) Raw materials: purchase cost using the weighted average cost method.
- ii) Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

*Notes to the Financial Statements (Continued)*

*Summary of Significant Accounting Policies (Continued)*

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the State Department.

**l) Provisions**

Provisions are recognized when the MDA has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the MDA expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

**m) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The MDA recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the MDA will incur in fulfilling the present obligations represented by the liability.

**n) Contingent liabilities**

The MDA 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.

**o) Contingent assets**

The State Department 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 MDA 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.

**p) Nature and purpose of reserves**

The State Department has not created and maintained any reserves in terms of specific requirements.

*Notes to the Financial Statements (Continued)*

*Summary of Significant Accounting Policies (Continued)*

**q) Changes in accounting policies and estimates**

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

**r) Employee benefits**

**Retirement benefit plans**

The State Department provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an MDA pays fixed contributions into a separate MDA (a fund), and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**s) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

**t) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**u) Related parties**

The State Department regards a related party as a person or an MDA with the ability to exert control individually or jointly, or to exercise significant influence over the *MDA*, or vice versa. Members of key management are regarded as related parties and comprise the Principal Secretary and heads of Departments.

*Notes to the Financial Statements (Continued)*

*Summary of Significant Accounting Policies (Continued)*

**v) Service concession arrangements**

The State Department analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the State Department recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price.

In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the State Department also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**w) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

**x) Comparative figures**

In preparing these financial statements, the State Department has elected to apply paragraph 79 of IPSAS 33, which allows for the election by an MDA to present one statement of financial performance, one statement of cash flow, one statement of net assets and the statement of financial position and an opening statement of financial position as at the time of first-time adoption of the accrual basis of accounting.

**y) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

*Notes to the Financial Statements (Continued)*

*Summary of Significant Accounting Policies (Continued)*

**5. Significant Judgments and Sources of Estimation Uncertainty**

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

**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 State Department 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 MDA. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual value**

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

- a) The condition of the asset based on the assessment of experts employed by the MDA.
- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- c) The nature of the processes in which the asset is deployed.
- d) Availability of funding to replace the asset.
- e) Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material. *(include provisions applicable for your organisation e.g. provision for bad debts, provisions of obsolete stocks and how management estimates these provisions).*

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Notes to the Financial Statements (Continued)

6. Transfers from Exchequer

Nature of transfer	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Total transfers Period ended June 30 <sup>th</sup> 2025
	Kshs	Kshs	Kshs
Recurrent	2,009,774,052	-	2,009,774,052
Development	619,360,903	-	619,360,903
<b>Total</b>	<b>2,629,134,955</b>	<b>-</b>	<b>2,629,134,955</b>

7. Transfers from Domestic and Foreign Partners

Description	FY 2024-2025
	Kshs
Direct Payments	154,927,279
Grants in cash from Bilateral donors	5,775,750
<b>Total</b>	<b>160,703,029</b>

*The Grant is from Federal Republic of Germany through KfW whose purpose is to support youth empowerment in the areas of health and social-economic well-being.*

*Details on Transfers from domestic and foreign partners*

Name of The Entity Sending The Grant/Transfer	Amount recognized to Statement of Financial performance Kshs	Amount deferred under deferred income Kshs	Total transfers Period ended June 30 <sup>th</sup> 2025
			Kshs
Federal Republic of Germany through KFW	160,703,029	-	160,703,029
<b>Total</b>	<b>160,703,029</b>	<b>-</b>	<b>160,703,029</b>

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*Notes to the Financial Statements (Continued)*

**8. Miscellaneous Income**

<b>Description</b>	<b>FY 2024-2025</b>
	<b>Kshs</b>
Sale of non-market establishment	58,074,139
Administrative fees and charges	118,605,424
Other incomes not specified elsewhere	15,045,607
<b>Total Miscellaneous income</b>	<b>191,725,170</b>

**9. Employee Costs**

<b>Description</b>	<b>FY 2024-2025</b>
	<b>Kshs</b>
Basic salaries of permanent employees	525,881,090
Personal allowances – part of salary	249,487,916
Government Pension and Retirement Benefits	3,571,404
<b>Employee costs</b>	<b>778,940,410</b>

**10. Use of Goods and Services**

<b>Description</b>	<b>FY 2024-2025</b>
	<b>Kshs</b>
Utilities, supplies and services	10,932,861
Communication, supplies and services	6,604,127
Domestic travel and subsistence	117,715,458
Foreign travel and subsistence	-
Printing, advertising, and information supplies & services	4,969,440
Rentals of produced assets	90,219,891
Training expenses	62,351,115
Hospitality supplies and services	40,832,937
Insurance costs	-
Specialized materials and services	8,119,923
Bank Charges	-
Office and general supplies and services	13,091,909
Fuel Oil and Lubricants	22,398,378
Routine maintenance – vehicles and other transport equipment	12,382,801
Routine maintenance – other assets	3,880,038
Other operating expenses	240,506,014
<b>Total Use of Goods and Services</b>	<b>634,004,892</b>

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11. Transfers to Other Government Entities

Description	FY 2024-2025
	Kshs
Transfers to national govt entities- SAGAs & SC	1,452,839,236
<b>Total</b>	<b>1,452,839,236</b>

12. Depreciation and Amortization Expense

Description	FY 2024-2025
	Kshs
Property, plant and equipment	6,913,377
<b>Total</b>	<b>6,913,377</b>

13. Cash and Cash Equivalents

Description	Period ended June 30th 2025	Opening statement 1 <sup>st</sup> July 2024
	Kshs	Kshs
Recurrent Account	8,858	71,827
Development Account	-	87,214
Deposits Account	22,019,804	52,384,621
Others (Detailed below)	90,727,838	545,253
<b>Total</b>	<b>112,756,500</b>	<b>53,088,916</b>

13 (a) Detailed Analysis of the Cash and Cash Equivalents

		FY 2024-2025	Opening statement 1 <sup>st</sup> July 2024
Financial Institution	Account number	Kshs	Kshs
Recurrent Account			
CBK001	1000733985	8,858	71,827
Development Accounts			
CBK002	1000734167	-	87,214
Deposits Accounts	1000734272	22,019,804	52,384,621
Others			
VIVA	1000736763	259,467	85,131
UNFPA	1000738577	63,720	63,720
NYOTA	1000741759	90,404,651	-
KYEOP		-	395,337
Cash on Hand		-	1,065
<b>Sub- Total</b>		<b>90,727,838</b>	<b>52,929,874</b>
<b>Grand Total</b>		<b>112,756,500</b>	<b>53,088,916</b>

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**14. Receivables from Exchange Transactions**

<b>Description</b>	<b>Period ended June 30<sup>th</sup> 2025</b>	<b>Opening statement 1<sup>st</sup> July 2024</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Total Receivables</b>		
a) Current receivables	45,607	600,512
b) Non-current receivables	-	-
<b>Total receivables (a+b)</b>	<b>45,607</b>	<b>600,512</b>

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15. Property, Plant, and Equipment

	Land	Buildings	Motor vehicles	Infrastructure assets	Furniture and fittings	Computers & ICT Equipment	Heritage assets	Work in progress	Service concession assets	Total
Depreciation Rate		2-10%	10-16.67%	2-20%	12.5%	30%	x%			
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Opening Bal as 1 <sup>st</sup> July 2024	-	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	4,355,675	21,229,725	-	-	-	25,585,400
Disposals	-	-	-	-	-	-	-	-	-	-
Transfer/Adjustments	-	-	-	-	-	-	-	-	-	-
As at June 2025	-	-	-	-	4,355,675	21,229,725	-	-	-	25,585,400
Depreciation and Impairment										
Depreciation/impairment	-	-	-	-	(544,459)	(6,368,918)	-	-	-	(6,913,377)
Disposals	-	-	-	-	-	-	-	-	-	-
Transfer/Adjustment	-	-	-	-	-	-	-	-	-	-
As At 30 <sup>th</sup> June 2025	-	-	-	-	3,811,216	14,860,808	-	-	-	18,672,023
Net Book Values										
Opening Bal as at 1 <sup>st</sup> July 2025	-	-	-	-	-	-	-	-	-	-
As At 1 <sup>st</sup> July, 2025	-	-	-	-	3,811,216	14,860,808	-	-	-	18,672,023

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**Valuation**

Items of PPE are valued at Historical cost at the point of recognition in the financial statements. Where historical cost is not available or the item has been acquired at, PPE has been valued at the current operational value which is the amount the State Department would pay for the remaining service potential of an asset at the measurement date.

**16. Right- of-use assets**

	<i>Buildings</i>	<i>Motor vehicles</i>	<i>Plant and equipment</i>	<i>Total</i>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>Cost</b>				
As at 1 July 2024	-	-	-	-
Additions	-	-	25,585,400	-
As at 30 June 2025	-	-	25,585,400	-
<b>Accumulated Depreciation</b>				
As at 1 July 2024	-	-	-	-
Charge for the year	-	-	(6,913,377)	-
As at 30 June 2025	-	-	18,672,023	-
<b>Carrying Amount</b>				
As at 30 June 2025	-	-	18,672,023	-

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17. Trade and Other Payables

Description	FY 2024-2025		Opening Statement 1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Employee payables	-		15,060	
Third-party payments	-		5,367,243	
Other payables	-		19,624,060	
<b>Total trade and other payables</b>	-		<b>25,006,363</b>	
<b>Ageing analysis: (Trade and other payables)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>1<sup>st</sup> July</b>	<b>% of the Total</b>
Under one year	-	%	-	%
1-2 years	-	%	5,382,303	22%
2-3 years	-	%	-	%
Over 3 years	-	%	19,624,060	78%
<b>Total (tie to above total)</b>	-		<b>25,006,363</b>	

The historical pending bills of Kshs. 19,624,060 reported in the Financial Year 2023/2024 were submitted to the Pending bills verification Committee of the National Treasury for verification and recommendation on their eligibility for payment. The bills lacked original supporting documents and therefore the state Department has not settled them. However, should the Committee of the National Treasury recommend otherwise, the State Department will implement that recommendation. Therefore, the bills have not been recognised in the Financial Statements for the Financial Year 2024/2025.

18. Refundable Deposits and Prepayments

Description	FY 2024-2025		Opening Statement 1 <sup>st</sup> July 2024	
	Kshs		Kshs	
Customer deposits	22,019,804		52,384,621	
Deposit-Keyop (KCB) Disbursement Account	-		1,065	
<b>Total deposits</b>	<b>22,019,804</b>		<b>52,385,686</b>	
<b>Ageing analysis: (Refundable deposits)</b>	<b>Current FY</b>	<b>% of the Total</b>	<b>1<sup>st</sup> July</b>	<b>% of the Total</b>
Under one year	10,230,446	46%	50,920,100	97%
1-2 years	7,000,000	32%	5,280,337	2.5%
2-3 years	4,638,157	21%	151,201	0.3%
Over 3 years	151,201	1%	-	-
<b>Total</b>	<b>22,019,804</b>	<b>100%</b>	<b>52,385,686</b>	<b>100%</b>

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-Customer deposits for 2023/2024 Financial Year relates to various Payments for retention; Youth Connekt Africa Summit 2024 payment to Ministry of Health whose documents have not been fully supported for payment eligibility, and other payments.

-Detailed analysis of the Deposits is attached as Annex II in the Financial Statements

**19. Employee Benefit Obligations**

Description	Defined benefit plan	Post-employment medical benefits	Other Benefits	Opening Bal As At 1 <sup>st</sup> July 2024	FY 2024-2025
	Kshs	Kshs	Kshs	Kshs	Kshs
Current Benefit Obligation	-	-	-	-	-
Non-Current Benefit Obligation	-	-	-	-	-
<b>Total Employee Benefits Obligation</b>	-	-	-	-	-

**Retirement benefit Asset/ Liability (Applicable to Pensions)**

The State Department operates a defined benefit scheme for all full-time employees from July 1, 2024. The scheme is administered by Public Service Superannuation Scheme Pension Fund while the Government of Kenya is the custodians of the scheme. The scheme is based on 7.5 percentage of salary of an employee at the time of retirement.

An actuarial valuation to fulfil the financial reporting disclosure requirements of IPSAS39 was carried out as at 30<sup>th</sup> June 2025 actuarial valuers on this basis the present value of the defined benefit obligation and the related current service cost and past service cost were measured using the Projected Unit Credit Method. The principal assumptions used for the purposes of valuation are as follows:

	FY 2024-2025
Discount Rates	-
Future Salary Increases	-
Future Pension Increases	-
Mortality (Pre- Retirement)	-
Mortality (Post- Retirement)	-
Withdrawals	-
Ill Health	-
Retirement	-

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**Recognition of Retirement Benefit Asset/ Liability**

a) Amounts recognised under other gains/ Losses in the statement of Financial Performance:

	<i>FY 2024-2025</i>	<i>Opening Statement 1<sup>st</sup> July 2024</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
The return on defined plan assets	-	-
Actuarial gains/ losses arising from changes in demographic assumptions	-	-
Actuarial gains/ losses arising from changes in financial assumptions	-	-
Actuarial gains and losses arising from experience adjustments	-	-
Others (specify)	-	-
Adjustments for restrictions on the defined benefit asset	-	-
<b>Remeasurement of the net defined benefit liability (asset)</b>	-	-

b) Amounts recognised in the Statement of Financial Position

	<i>FY 2024-2025</i>	<i>Opening Statement 1<sup>st</sup> July 2024</i>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Present value of defined benefit obligations(a)	-	-
Fair value of plan assets(b)	-	-
Funded status(=a-b)	-	-
Restrictions on asset recognised	-	-
Others	-	-
<b>Net asset or liability arising from defined benefit obligation</b>	-	-

The State Department also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The State Department's obligation under the scheme is limited to specific contributions legislated from time to time and is currently at KShs. 360 per employee per month. Other than NSSF, the State Department also has a defined contribution scheme operated by Public Service Superannuation Scheme Pension Fund. Employees contribute 7.5% while employers contribute 15% of basic salary. Employer contributions are recognised as expenses in the statement of financial performance within the period they are incurred.

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20. Borrowings

Description	FY 2024-2025	Opening Statement
	Kshs	1 <sup>st</sup> July 2024 Kshs
<b>a) External borrowings</b>		
Balance at beginning of the year	-	-
External borrowings during the year	358,470,415	-
Repayments of during the year	(268,065,764)	-
<b>Balance at end of the year</b>	<b>90,404,651</b>	-
<b>b) Domestic borrowings</b>	-	-
<b>Balance at end of the period- domestic and External borrowings c = a+b</b>	<b>90,404,651</b>	-

The analyses of both external and domestic borrowings are as follows:

	FY 2024-2025	Opening Statement 1 <sup>st</sup> July 2024
	Kshs	Kshs
<b>External Borrowings</b>		
Euro Denominated Loan from World Bank	358,470,415	-
<b>Domestic Borrowings</b>	-	-
Total Balance at End of The Year	-	-

The amount relates to National Youth Opportunities Towards Advancement (NYOTA) Programme funded by World Bank.

21. Social Benefit Liability

Description	FY 2024-2025	Opening Statement
	Kshs	1 <sup>st</sup> July 2024 Kshs
Health social benefit scheme	-	-
Unemployment social benefit scheme	-	-
Orphaned and vulnerable benefit scheme	-	-
Elderly social benefit scheme	-	-
Disability social benefits	-	-
<b>Total</b>	-	-
Current social benefits	-	-
Non- current social benefits	-	-
<b>Total (tie to totals above)</b>	-	-

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Social benefit schemes include benefits such as cash transfers for unemployment or elderly in line with IPSAS 42. They are incurred to mitigate against a certain social risk e.g poverty, age, unemployment among others.

**22. Cash Generated from Operations**

	<i>FY 2024-2025</i>
	<b>Kshs</b>
<b>Surplus for the year before tax</b>	<b>108,865,241</b>
<b>Adjusted for:</b>	
Depreciation	6,913,377
Non-cash grants received	-
Contributed assets	-
Impairment	-
Gains and losses on disposal of assets	-
Contribution to provisions	-
Contribution to impairment allowance	-
<b>Working capital adjustments</b>	
Increase in inventory	-
Increase in receivables	554,905
Increase in deferred income	-
Increase in payables	(30,365,882)
Increase in payments received in advance	-
<b>Net cash flow from operating activities</b>	<b>85,967,641</b>

**23. Financial Risk Management**

The State Department's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The State Department's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The State Department does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The State Department's financial risk management objectives and policies are detailed below:

**i) Credit risk**

The State Department has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its

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financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the State Department's management based on prior experience and their assessment of the current economic environment.

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

	<b>Total amount</b>	<b>Fully performing</b>	<b>Past due</b>	<b>Impaired</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As at at July 2025</b>				
Receivables from exchange transactions	-	-	-	-
Receivables from non-exchange transactions	-	-	-	-
Bank balances	-	-	-	-
<b>Total</b>	-	-	-	-

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the State Department has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts. The State Department has no significant concentration of credit risk. The board of directors sets the State Department's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the State Department's directors, who have built an appropriate liquidity risk management framework for the management of the State Department's short, medium and long-term funding and liquidity management requirements. The State Department manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The State Department does not have cash flows payable under non-derivative financial liabilities by their remaining contractual maturities at the reporting date.

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	Less than 1 month	Between 1-3 months	Over 5 months	Total
	Kshs	Kshs	Kshs	Kshs
<b>As at 30 June 2025</b>				
Trade payables	-	-	-	-
Current portion of borrowings	-	-	-	-
Provisions	-	-	-	-
Deferred income	-	-	-	-
Employee benefit obligation	-	-	-	-
<b>Total</b>	-	-	-	-

**iii) Market risk**

The State Department has put in place an internal audit function to assist it in assessing the risk faced by the State Department on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the State Department's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The State Department's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the State Department's exposure to market risks or the manner in which it manages and measures the risk.

**a) Foreign currency risk**

The State Department has transactional currency exposures. Such exposure arises through purchases of goods and services that are done in currencies other than the local currency. Invoices denominated in foreign currencies are paid after 30 days from the date of the invoice and conversion at the time of payment is done using the prevailing exchange rate. The State Department manages foreign exchange risk from future commercial transactions and recognised assets and liabilities by projecting for expected sales proceeds and matching the same with expected payments.

The carrying amount of the State Department's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

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**FY 2024-2025**

	<b>In Kshs</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As At 30 June 2025</b>			
<b>Financial Assets</b>	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Total Financial Assets</b>	-	-	-
<b>Financial Liabilities</b>	-	-	-
Trade and Other Payables	-	-	-
Borrowings	-	-	-
<b>Total Financial Liabilities</b>	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	-	-	-

**Foreign currency sensitivity analysis**

**FY 2024-2025**

	<b>In Kshs</b>	<b>Other currencies</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As At 30 June 2025</b>			
<b>Financial Assets</b>	-	-	-
Investments	-	-	-
Cash	-	-	-
Debtors	-	-	-
<b>Total Financial Assets</b>	-	-	-
<b>Financial Liabilities</b>	-	-	-
Trade and Other Payables	-	-	-
Borrowings	-	-	-
<b>Total Financial Liabilities</b>	-	-	-
<b>Net Foreign Currency Asset/(Liability)</b>	-	-	-

The following table demonstrates the effect on the State Department's statement of comprehensive income on applying the sensitivity for a reasonable possible change in the exchange rate of the three main transaction currencies, with all other variables held constant. The reverse would also occur if the Kenya Shilling appreciated with all other variables held constant.

Notes to the Financial Statements (Continued)

	Change in currency rate	Effect on Profit before tax	Effect on Equity/Net assets
	Kshs	Kshs	Kshs
2025			
Euro	-	-	-
USD	-	-	-

**b) Interest rate risk**

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

**Management of interest rate risk**

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**Financial Risk Management**

**Sensitivity analysis**

The State Department analyses its interest rate exposure on a dynamic basis by conducting a sensitivity analysis. This involves determining the impact on profit or loss of defined rate shifts. The sensitivity analysis for interest rate risk assumes that all other variables, in particular foreign exchange rates, remain constant. The analysis has been performed on the same basis as the prior year. Using the end of the year figures, the sensitivity analysis indicates the impact on the statement of comprehensive income if current floating interest rates increase/decrease by one percentage point as a decrease/increase of KShs Nil (2025: KShs Nil). A rate increase/decrease of 5% would result in a decrease/increase in profit before tax of KShs Nil (2025 – KShs Nil)

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**Fair value of financial assets and liabilities**

**a) Financial instruments measured at fair value.**

**Determination of fair value and fair values hierarchy**

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the State Department's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The State Department considers relevant and observable market prices in its valuations where possible.

The following table shows an analysis of financial and non- financial instruments recorded at fair value by level of the fair value hierarchy:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>
<b>As At 30 June 2025</b>				
<b>Financial Assets</b>				
Quoted Equity Investments	-	-	-	-
<b>Non- Financial Assets</b>				
Investment Property	-	-	-	-
Land and Buildings	-	-	-	-
	-	-	-	-

There were no transfers between levels 1, 2 and 3 during the year. Disclosures of fair values of financial instruments not measured at fair value have not been made because the carrying amounts are a reasonable approximation of their fair values.

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**iv) Capital Risk Management**

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

	<i>FY 2024-2025</i>
	<b>Kshs</b>
Revaluation Reserve	-
Retained Earnings	-
Capital Reserve	-
<b>Total Funds</b>	-
Total Borrowings	-
Less: Cash and Bank Balances	-
Net Debt/ (Excess Cash and Cash Equivalents)	-
<b>Gearing</b>	-

**22. Related Party Disclosures**

**Nature of related party relationships**

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

**Government of Kenya**

The Government of Kenya is the principal shareholder of the State Department, holding 100% of the State Department's equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the State Department, both domestic and external.

**Other related parties include:**

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
  - a) President Award Scheme Secretariat
  - b) National Youth Council
  - c) Kenya National Innovation Agency (KENIA)
  - d) Youth enterprise Development Fund
  - e) Kenya Film Classification Board
  - f) Kenya Film Commission

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*Notes to the Financial Statements (Continued)*

- iv) Development Projects
  - a.) National Youth Opportunities Towards Advancement (NYOTA) Programme
  - b.) Vijana Vuka Na Afya (VIVA) Youth Programme
  - c.) GOK/UNFPA 10<sup>TH</sup> COUNTRY PROGRAMME
- v) Key management personnel that include the Cabinet Secretary and Principal Secretary.

	<i>FY 2024-2025</i>
	<b>Kshs</b>
<b>Transactions with related parties</b>	
<b>a) Sales to related parties</b>	
Sales of electricity to govt agencies	-
Rent income from govt. Agencies	-
Water sales to govt. Agencies	-
Others (specify) e.g. interest and bank charges	-
<b>Total</b>	-
<b>B) purchases from related parties</b>	
Purchases of electricity from KPLC	-
Purchase of water from govt service providers	-
Rent expenses paid to govt agencies	-
Training and conference fees paid to govt. Agencies	-
Others (specify)	-
<b>Total</b>	-
<b>b) Grants /transfers from the government</b>	
Grants from national govt	-
Grants from county government	-
Donations in kind	-
<b>Total</b>	-
<b>c) Expenses incurred on behalf of related party</b>	
Payments of salaries and wages for employees	-
Payments for goods and services	-
<b>Total</b>	
<b>d) Key management compensation</b>	
Directors' emoluments	-
Compensation to key management	-
<b>Total</b>	

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**Notes to the Financial Statements (Continued)**

**24. Program for Results (PforR) Disclosure**

This disclosure note is for entities implementing Programs for Results (PforR). Implementing entities are required to make disclosures in accordance with their respective financing agreements. The disclosure should capture the program's goal and expenditures designated in the expenditure framework.

Name of PforR:		Name of Financing Partners:				
Expenditure Details*	Opening Cumulative for Previous FYs		Current FY		Total Cumulative	
	Budget	Actual	Budget	Actual	Budget	Actual
Program code						
Sub-program						
Sub-program						
<b>Sub-total</b>						
Program code						
Sub-program						
Sub-program						
<b>Subtotal</b>						
<b>Total</b>	-	-	-	-	-	-

**31 Events after the Reporting Period**

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

**32 Ultimate and Holding MDA**

The State Department's ultimate parent is the Government of Kenya.

**33 Currency**

The financial statements are presented in Kenya Shillings (Kshs) and is rounded off to the nearest shilling.

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**25. Appendix**

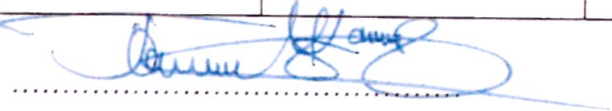
**Appendix 1: Implementation Status of Auditor-General's Recommendations**

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1370	Budgetary Control and Performance	Financial Statements for the State Department is all inclusive for KYEOP, VIVA and UNFPA. KYEOP project ended in Quarter 3 of the Financial Year, and amount spent were payments already committed up to Quarter 3 of March 2024; thus, the project could not spend further on Domestic travel, Foreign travel, Training, Specialised materials and equipment, fuel and Routine maintenance items. The overall absorption of the project reported was 98%.	Not Resolved	30 <sup>th</sup> June 2026
1372	Under staffing of the State Department	Understaffing is a major challenge facing the State Department especially in its field stations. The State Department has made efforts to ensure optimal staffing for efficient service delivery to the public. The State Department requested the Public	Not Resolved	30 <sup>th</sup> June 2026

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>Service Commission for approval to recruit additional staff as per the attached request Ref. MOYACES/SDYACE/2/34(8) dated 22nd May 2024.</p> <p>The State Department obtained an approval from the Public Service Commission (PSC) vide a letter Ref. PSC/27/1/ (4) dated 16th August 2024 to recruit one hundred and fifty-three (153) Youth Development Officers I (CSG 11) at entry levels. The PSC requested that the State Department seeks concurrence from the National Treasury on the availability of funds. This was undertaken through a letter Ref. MOYACES/SDYACE/2/34(13) dated 2nd September 2024). The National Treasury has not responded to this request but we believe the authority will be granted.</p>		



Accounting Officer

Date

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**Appendix II: Projects implemented by the State Department**

Project title	Project Number	Donor	Period/duration	Donor commitment	Separate donor reporting required as per the donor agreement (Yes/No)	Consolidated in these financial statements (Yes/No)
Vijana Vuka na Afya (VIVA) Programme	IDA Credit No.201367465	KfW	4 years	6.5M Euros	Yes	Yes
GOK/UNFPA 10 <sup>TH</sup> COUNTRY PROGRAMME	IDA Credit No. B4210	UNFPA	4 years		No	Yes
National Youth Opportunities Towards Advancement (NYOTA)	IDA Credit No. 7356-KE  IDA Credit No. 7355-KE  Grant No. E210-KE	World Bank	4.5Years	150,025,191 Euros	Yes	Yes

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**Status of Projects completion**

Project	Total project Cost	Total expended to date	Completion % to date	Budget	Actual	Sources of funds
Vijana Vuka na Afya (VIVA)	Euros 7.2M Kshs. 914,400,000	KfW 6.5M GoK 0.7M	67%	250M	186,431,860	KfW/ GoK
United Nations Population Fund (UNFPA)	23,275,750	12,712,030	54%	5,775,750	5,775,750	UNFPA
National Youth Opportunities Towards Advancement (NYOTA)	Euros 150,025,191 Kshs. 22,134,212,150	Kshs. 272,010,214	1.2%	553,994,490	272,010,254	IDA World Bank/GoK

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**Appendix III: Fixed Asset Register**

<b>Asset class</b>	<b>Historical Cost b/f (Kshs) Previous Year</b>	<b>Additions during the year (Kshs)</b>	<b>Disposals during the year (Kshs)</b>	<b>Transfers in/(out) during the year</b>	<b>Historical Cost c/f (Kshs) Current Year</b>
Buildings and structures	-	-	-	-	-
Transport equipment	-	-	-	-	-
Office equipment, furniture and fittings		167,000	-	-	167,000
ICT Equipment	-	25,418,400	-	-	25,418,400
Machinery and Equipment		-	-	-	-
Heritage and cultural assets	-	-	-	-	-
Intangible assets		-	-	-	-
<b>Total</b>	-	<b>25,585,400</b>	-	-	<b>25,585,400</b>