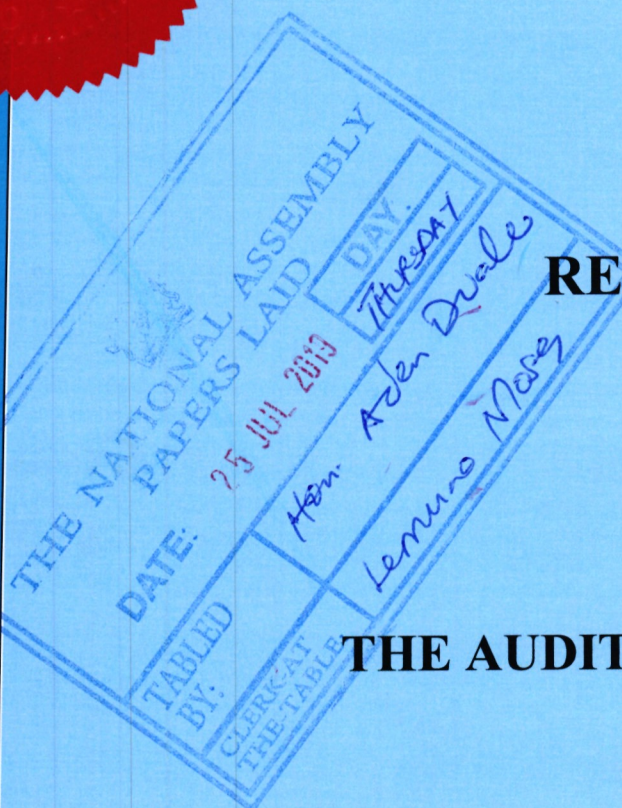
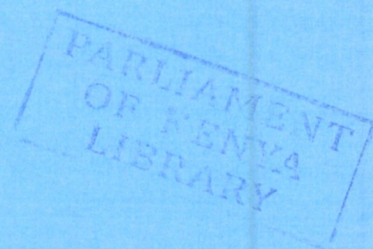


REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



REPORT

OF

THE AUDITOR-GENERAL

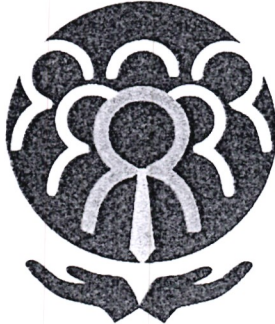
ON

**THE FINANCIAL STATEMENTS OF
THE NATIONAL EMPLOYMENT AUTHORITY**

**FOR THE YEAR
ENDED 30 JUNE 2018**



NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018



Employment opportunities for all

NATIONAL EMPLOYMENT AUTHORITY

Tel: +207855746/7
Fax: +254(0)273980
Email: dgnea@nea.go.ke or info@nea.go.ke

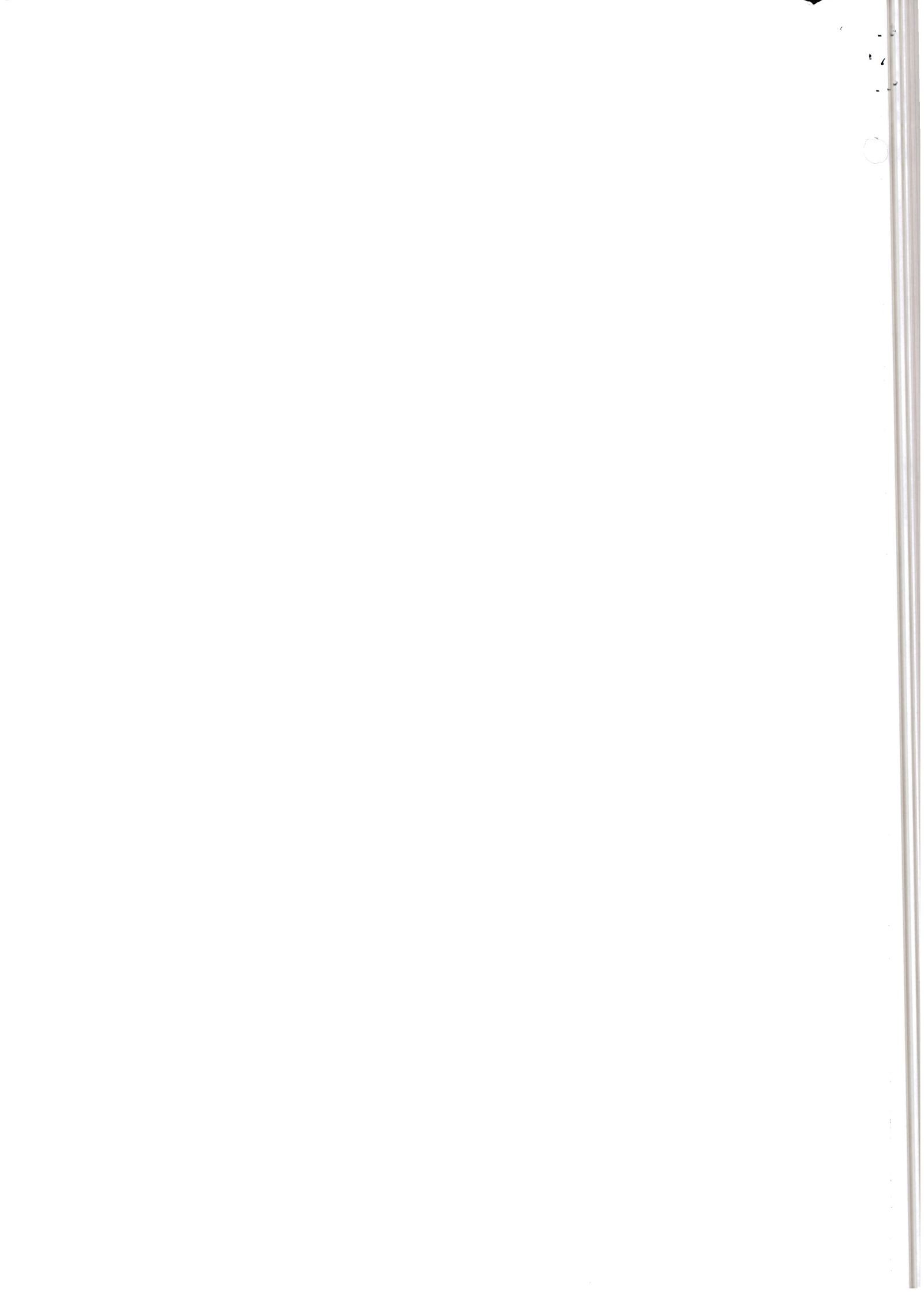
Kasarani Seasons
P.O. Box 25780-00100
NAIROBI

NATIONAL EMPLOYMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2018

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



NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

I. TABLE OF CONTENTS

| | | |
|--------|---|--------|
| I. | TABLE OF CONTENTS..... | i |
| II. | KEY ENTITY INFORMATION AND MANAGEMENT | ii |
| III. | THE BOARD OF DIRECTORS | v |
| IV. | MANAGEMENT TEAM..... | ix |
| V. | CHAIRPERSON'S STATEMENT..... | x |
| VI. | DIRECTOR GENERAL'S STATEMENT | xii |
| VII. | CORPORATE GOVERNANCE STATEMENT..... | xv |
| VIII. | MANAGEMENT DISCUSSION AND ANALYSIS | xxii |
| IX. | CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORT | xxiv |
| X. | REPORT OF THE DIRECTORS..... | xxv |
| XI. | STATEMENT OF DIRECTORS' RESPONSIBILITIES..... | xxviii |
| XI. | REPORT OF THE INDEPENDENT AUDITORS ON NATIONAL EMPLOYMENT AUTHORITY..... | xxix |
| XII. | STATEMENT OF FINANCIAL PERFORMANCE | - 1 - |
| XIII. | STATEMENT OF FINANCIAL POSITION..... | - 3 - |
| XIV. | STATEMENT OF CHANGES IN NET ASSETS | - 4 - |
| XV. | STATEMENT OF CASH FLOWS..... | - 5 - |
| XVI. | STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS | - 7 - |
| XVII. | NOTES TO THE FINANCIAL STATEMENTS..... | - 9 - |
| | 1. GENERAL INFORMATION..... | - 9 - |
| | 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION..... | - 9 - |
| | 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES..... | - 9 - |
| XVIII. | PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS | - 23 - |

II. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

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

(b) Principal Activities

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

(c) Key Management

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

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

(d) Fiduciary Management

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

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

(e) Fiduciary Oversight Arrangements

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

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

The following Committee were in place:

(i) Finance, Human Resource & Governance

| | Name | Position |
|----|----------------------|----------------------|
| 1. | Jefferson N. Kariuki | Chair |
| 2. | Mary Maungu | Member |
| 3. | Jacqueline Mugo | Member |
| 4. | Chege Mwangi | Member |
| 5. | Mark Ngecho | Member |
| 6. | Edith Okoki | Ag. Director General |

(ii) Employment, Promotion Services & Strategy

| | Name | Position |
|-----|----------------------|----------------------|
| 1. | Jacqueline Mugo | Chair |
| 2. | Washington Oloo | Member |
| 3. | Fatuma Abubakar | Member |
| 4. | Chege Mwangi | Member |
| 5. | Jefferson N. Kariuki | Member |
| 6. | Dishon Atemo | Member |
| 7. | Mary Maungu | Member |
| 8. | Mark Ngecho | Member |
| 9. | Prof. Walter Oyawa | Member |
| 10. | Edith Okoki | Ag. Director General |

(iii) Audit Risk and Compliance

| | Name | Position |
|----|-----------------------|-----------------|
| 1. | Eng. Dishon Atemo | Chair |
| 2. | Fatuma Abubakar | Member |
| 3. | Washington Oloo | Member |
| 4. | Prof. Walter O. Oyawa | Member |

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

(f) Entity Headquarters

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

(g) Entity Contacts

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

(h) Entity Bankers

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

(i) Independent Auditors

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

(j) Principal Legal Adviser

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

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

III. THE BOARD OF DIRECTORS



1. Mrs. Winnie Pertet -Chairperson

Date of Birth: 2nd April, 1965

MBA Human Resource Management

B.Ed. Degree

Higher Diploma in Human Resource Management

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

Winnie is currently in the employment of a leading Global African Financial Services company as the HR Director. She has 23 years of HR experience at various management and leadership levels in leading local and global multinational organizations. Her career includes over 10 years in the Banking Industry and a further 7 years in the manufacturing sector, (FMCG) at East African Breweries and Coca-Cola Sabco, (now Africa Beverages) as well as 3 years in Financial services that includes Insurance, Asset Management, Banking and Property.

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

Winnie is also a past Chairperson of the Association of Retirement Benefits Schemes (RBS) Council.



2. Mrs. Jacqueline Mugo

Date of Birth: 20th November, 1957

Executive Director of the Federation of Kenya Employers. She is a lawyer by profession and has spread her experience in Legal practice, human resource management and leadership. She holds a Bachelor of Laws (LLB, Hons), from the University of Nairobi, Advocate of the High Court of Kenya and a Higher Diploma in Human Resource Management from the Institute of Personnel Management.

Other national duties include: a Commissioner at the Salaries and Remuneration Commission, a Trustee of the National Social Security Fund (NSSF) Board of Trustees, a member of the Board of the Higher Education Loans Board (HELB). At the international level she is a titular member of the Governing Body of the International Labour Organization (ILO), member of the Management Board of the International Organization of Employers (IOE).

Mrs. Mugo was the Chairperson of the East African Employers' Organization (EAEO) and is also currently serving as the Secretary General of Business Africa – the voice of Employers on the African Continent and represents employers on various forums in the continent including the African Union and the ACP-EU Follow-up Committee on Economic Partnership Agreements and the Joint EU-Africa Parliamentary Assembly (JPA).



3. Mr. Jefferson Kariuki

Date of Birth :1st January, 1957

Masters of Business Administration Human Resource and Entrepreneurship

Senior Principal -Thika Technical Training Institute



4. Eng. Dishon Atemo

Date of Birth: 26th June, 1984

BSc .Mechanical Engineering – University of Nairobi

Chair National Youth Council



5. Prof. Walter Oyawa

Date of Birth: 23rd August, 1965

PhD Civil Engineering Structural Engineering

MSc and BSc in Civil Engineering

Executive Master of Business Administration (EMBA)

Certificate in Corporate Governance for Directors

He has served as Ag. Vice Chancellor/CEO of Multimedia University of Kenya (MMU), Principal/CEO of the then Multimedia University College, Ag. Principal of the pioneering College of Engineering & Technology (COETEC) at JKUAT, Director of a research Centre at JKUAT christened SMARTEC, and the Chairman of the Department of Civil, Construction & Environmental Engineering at JKUAT

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

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018



5. Mr. Washington Oloo

Date of Birth: 23rd May 1963
Master in International and Development Economics
Bed (science) Mathematics/Statistics
Certified Public Accountant (CPA)
Strategic Leadership Development Programme
Director/Diaspora and Consular Affairs and International Trade
Deputy Director/Africa and AU Directorate, MFA

Deputy Head of Mission/Kenya Embassy to the European Union, Brussels, Belgium
Head/Central Planning Unit, Ministry of Foreign Headquarters
Cousellor/Europe and Commonwealth Headquarters
Programme Officer, Public Service Reforms Office of the President
Planning Officer, Ministry of Labour
Graduate Teacher, Garissa High School, Kenya



6. Ms. Fatuma Abubakar

Date of Birth: 1st January, 1985
Masters in Governance and Ethics,

Member of the Youth Council representing North Easter Region



7. Mr. Ngecho Mark Lugwisa

Mr. Ngecho Mark Lugwisa joined the National Employment Authority Board of Directors in November 2017 as the representative to the Cabinet Secretary - The National Treasury & Planning. He is currently the Senior Investment Officer/Government Investment and Public Enterprises at The National Treasury & Planning. He holds Bachelor's Degree in Business Administration 2nd class Upper (Accounting Option) from Bugema University, Uganda, and he is currently undertaking his professional training in CPA programmes. He has also attended short-term courses in Corporate

Governance and Accounting Skills Management.

Mr. Ngecho has over 8 years' experience in the public sector, having previously worked in the Directorate of Government Accounting and Quality Assurance - The National Treasury & Planning, Departments of National Sub County Treasuries where he served in Sub County Treasury for 8 years, 4 of which he served as The National Sub County Accountant, Loiyangalani National Sub County Treasury – Marsabit County. Prior to joining Public service, Mr. Ngecho worked in private sector as an Office Manager, Tax Credit Consulting Ltd (Management Consulting Firm with Bias in Tax Planning and Management) and more recently as customer advisor/Lead Generator in Barclays Bank of Kenya.



8. Mary Adhiambo Maungu,

Holds a Bachelor of Arts degree from the University of Nairobi (1990), Masters of Science in Management and Organization Development from USIU-Africa (2006) and is a full member of the Institute of Human Resource Management.

Alternate Director, representing the Secretary/Chief Executive Officer, Public Service Commission. She is an all-round Human Resource professional with over twenty-five (25) years' extensive experience in Human Resource Management and Development in the Public Service. Director Maungu started her career in 1990 as a teacher with the Teachers Service Commission and taught in various secondary schools in Nyanza and Western Kenya before resigning to join Kenyatta National Hospital as a Personnel Officer II in 1994. At KNH, she rose through the ranks to the position of Chief Human Resource Management Officer and later transferred her services to the then Ministry of Public Service at the level of Senior Assistant Director, Human Resource Management in the year 2010. She was promoted to her current position of Director, Human Resource Management and Development in 2015 and seconded to the Public Service Commission. At PSC, she specializes in HR policy development with a strong bias on performance management in the Public Service and has been instrumental in the development and/or review of various HR policies released by the Commission in the recent past.

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

IV. MANAGEMENT TEAM

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



1. Edith Okoki - Ag. Director General

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



2. Festus Mutuse

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



3. Michael Mutua

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



4. CPA Kimani Kaganjo

Ag. Head Accounting Unit
Date of Birth 20th October, 1958
CPA(K)
MSC Finance and Accounting
University of Westminster (London, UK)

V. CHAIRPERSON'S STATEMENT

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

The Board, through its three Board Committees, continued to exercise its oversight role and providing strategic direction to the Authority in line with the NEA Act 2016, State Corporations Act, and Mwongozo guidelines. During the financial year 2017/2018, the Authority accomplished various milestones in line with the financial resources that were availed. During the period, the Authority's Strategic Plan 2018-2022 was finalised awaiting launching. The Plan provides a blue print and the basis of our core activities and mandate from where the Authority's performance will be measured and upraised. The plan is aligned to the Kenyan Vision 2030; Medium Term Plan and the NEA Act, 2016. The following operationalization manuals were also developed. These were; the Human Resource Policy and Procedures Manual, Organizational Structure, Proposed Staffing Levels and Career Progression Guidelines.

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

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

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

to employment opportunities for all. The Authority seeks partnership and collaboration with stakeholders for purposes of tackling unemployment in the country. In this regard, the Authority liaises closely with the mother Ministry and other organizations/institutions at local and international levels for the realization of this noble cause.

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

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



Mrs. Winnie Pertet

CHAIRPERSON

VI. DIRECTOR GENERAL'S STATEMENT

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

Achievements

Under the able strategic leadership and guidance of our Board, the management and staff of the Authority managed to accomplish various targets that were set in the financial year 2017/2018. The Strategic Plan 2018-2022 was finalized. The Plan will guide implementation of the Authority's strategic programmes and activities for the next five years in line with Kenya's Vision 2030 and Medium Term Plan.

The Authority vetted and registered 65 private Employment agencies through the Inter ministerial vetting committee. Most of the registered recruitment agencies were those exporting labour to foreign countries majority being in the Middle East. During the same period, a Curriculum for Homecare Management was developed and finalised. The curriculum was developed out of the need to impart knowledge and skills to this special cadre of people who provide essential services to individual households, children's homes, hospitals, hostels and boarding institutions both in Kenya and abroad. The Curriculum includes a pre-departure training module aimed at equipping Kenyan migrant workers with the necessary knowledge and skills required before they travel for work outside the country.

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

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

awaiting categorization of the Authority before execution by the Board and implementation by Management.

The Authority also managed to finalize development of the Internship Policy and Guidelines that will assist placement of graduates from universities and other tertiary institutions into internship. Internship is aimed at exposing the graduates into the world of work and to enhance their employability skills and personal career development.

In terms of revenue generation, it is worthy to note that the target set of Kenya shillings 10 Million in AIA was exceeded. The Authority collected 33.25 Million through fees charged to recruitment agencies that were vetted and registered.

Challenges

Delays and inadequate AIE allocations to the County Employment offices affected operations in the field. The continued embargo the government placed on the exportation of domestic workers to the Middle East countries continued to be a challenge in foreign employment promotion for Kenyans. Further, the Authority still faced a human resource challenge in that during the period under contemplation, a total of eight (8) officers retired. The stations affected were; Kasarani Hqt (An employment officer and an accountant), Embakasi (one employment officer), Laikipia (one employment officer), Kitale (one employment officer), Siaya (one employment officer), Embu (one support staff) and Bungoma (one driver). The staff shortage remained acute in the sense that in some instances, several county employment offices are being manned by one staff. Also, a number of staff are due to retire or are retiring in the next one year. The Authority cannot recruit due to non-categorization by SCAC thus The Board is closely pursuing the issue of categorization with relevant authorities.

Collaborations

The Authority continues to collaborate with the mother Ministry, National Industrial Training Authority, the Youth Fund, and other Government agencies to streamline employment and internship activities in the Country. Internationally and regionally, the Authority collaborates with ILO, IOM, WAPES, APES, EAC Secretariat, and Northern Corridor Integration Projects in the development, implementation and monitoring of conventions, Laws and Policies related to employment issues. The Authority intends to reach out to other institutions and stakeholders in its quest for continuous development and modernization of the labour market information.

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

Appreciation

I am grateful to the leadership of the Ministry of Labour and Social Protection and all stakeholders for the support given to the Authority in the financial year 2017/2018. My profound thanks also goes to the Chair of the Board and Board Members for the support and guidance provided; and to the team of staff at the Authority for the collective effort made in propelling the Authority towards meeting its mandate. This report is testimony to the great work put in to ensure compliance with the law and value for money to the citizens of our great country.


Mrs. Edith Okoki

Ag. DIRECTOR GENERAL

VII. CORPORATE GOVERNANCE STATEMENT

Introduction

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

Board Composition and Appointment

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

Board Roles and Responsibilities

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

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

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

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

The Director General is responsible to the Board and takes the overall responsibility for the management of the National Employment Authority for effective and efficient day to day running of the affairs of the Authority. The Director General recommends the strategy to the Board and implements it and makes operational decisions. Noting that the position also doubles as the secretary to the Board, the Director General ensures appropriate and timely information flows within the Board, its committees and management.

Other roles include:

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

Board Meetings Attendance

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

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

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

Board Membership and Attendance of Meetings.

| Board Member | Classification | Sector | Organization | Attendance |
|-----------------------|-----------------------|---------------|---|-------------------|
| Mrs Winnie Pertet | Chairperson | Private | | 7/9 |
| Mr. Chege Mwangi | Member | Public | Ministry of, Labour and Social Protection, State Department for Labour. | 7/9 |
| Mr. Jefferson Kariuki | Member | Public | Kenya Association of Technical Training Institutions | 9/9 |
| Eng. Dishon Atemo | Member | Private | National Youth Council | 9/9 |
| Mr. Washington Oloo | Member | Public | Ministry of Foreign affairs and International Trade | 8/9 |
| Ms Fatuma Abubakar | Member | Private | National Youth Council | 9/9 |
| Mrs. Jacqueline Mugo | Member | Private | Federation of Kenya Employers | 6/9 |
| Prof. Walter Oyawa | Member | Public | Commission on University Education; | 7/9 |
| Mary Maungu | Member | Public | Public Service Commission | 5/9 |
| Mr. Kenneth Odhiambo | Member | Public | National Treasury | 2/9 |
| Mr. Mark Ngecho | Member | Public | National Treasury | 5/9 |
| Mrs. Edith Okoki | Ag. Director General | Public | National Employment Authority | 9/9 |

Board Committees and Responsibilities

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

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

1. Finance, Human Resource and Governance committee

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

The responsibilities of the committee are as follows:-

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

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

Committee Membership

| Name | |
|--------------------------------|----------------------|
| Mr. Jefferson Kariuki Chairman | Chairman |
| Mrs. Mary Maungu | Member |
| Mr. Mark Lugwisa | Member |
| Mrs. Jackline Mugo | Member |
| Mrs. Edith Okoki | Ag. Director General |

Board Members Induction and Training

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

2. Employment Promotion, Services and Strategy committee

The responsibilities of the committee are as follows: -

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

Committee Membership

| Name | Position |
|-----------------------|----------------------|
| Mrs. Jacqueline Mugo | Chairman |
| Mr. Washington Oloo | Member |
| Prof. Walter Oyawa | Member |
| Mary Maungu | Member |
| Ms Fatuma Abubakar | Member |
| Mr. Jefferson Kariuki | Member |
| Eng. Dishon Atemo | Member |
| Mrs. Mary Maungu | Member |
| Mrs. Edith Okoki | Ag. Director General |

3. Audit & Risk Management committee

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

The responsibilities of the committee are as follows:-

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

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

Committee Membership

| Name | Position |
|---------------------|-----------------|
| Eng. Dishon Atemo | Chairman |
| Ms Fatuma Abubakar | Member |
| Prof. Walter Oyawa | Member |
| Mr. Washington Oloo | Member |

Conflict of Interest, Code of Conduct and Ethics

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

Appointment and Removal of Directors

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

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

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

VIII. MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The approved budget for 2017/18 FY by The National Authority was Kshs. 210 million comprising of a government grant of Kshs. 200 million and Internally Generated Revenue (AIA) of Kshs. 10 Million and cash balance of Kshs. 145 Million brought forward. The Authority on the other hand received Kshs. 200 Million from the parent State Department for Labour and therefore the actual receipt is what the Authority could account for.

During the Financial Year the Authority's operations were 87% funded by a grant of Kshs. 200 Million from the National Government (GOK) and 13% from internal generated revenue (AIA). The funds were fully absorbed by the Authority in financing its operational activities and purchase of motor vehicles, furniture and fittings, computers and office equipment.

The Authority vetted and registered 65 private Employment agencies through the Inter ministerial vetting committee. It terms of revenue generated through fees charged for registration, it is worthy to note that the target set of Kenya shillings 10 Million in AIA was exceeded. The Authority collected 33.25 Million (inclusive of 4.25 Million accrued) thus surpassing the target by 23.25 Million. It is expected that when the Authority will be fully operationalized it will be able to finance part of its activities through funds generated from licenses, levies and permits.

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

Other key achievements during the FY 2017/18 include the following:

Operationalization of the National Employment Authority in terms of putting in place structures to enable recruitment of staff, finding office accommodation, purchase of motor vehicles, furniture and fittings, computers and office equipment. In this regard, the Authority settled on the Ministry's new office block at Nairobi-Kasarani, Further, and the Authority finalized development of operationalization manuals to enable recruitment of its staff. These were HR and Procedure Manual, Career Progression Guidelines, Organization Structure, Staff establishment and staffing levels. During the same period, the Authority managed to finalise the NEA Strategic Plan, the Internship Policy and Guidelines, the Home Care Management Curricula (with pre-departure module) and developed draft Occupational Guidance Guidelines for job seekers.

IX. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORT

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

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

X. REPORT OF THE DIRECTORS

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

Principal activities

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

Results

Employment Promotion

1. Implementation of the National Employment Policy and Strategy

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

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

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

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

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

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

3. Foreign Employment Administration and Labour Migration Management

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

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

4. Re-engineering Public Employment Services

The National Employment Authority's outreach of Public employment services in the country is restricted to only 28 counties. There is need to cover the rest of the 19 counties in the country. Towards this end, the Authority undertook a re-engineering of public employment Services countrywide which will include the following activities; establishment of 19 more county employment offices; purchase of equipment for all county employment offices; and recruitment of staff. Enhancing and Modernization of Public Employment Services

NATIONAL EMPLOYMENT AUTHORITY

Reports and Financial Statements

For the year ended June 30, 2018

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

Directors

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

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act to carry out the audit of the Authority for the year/period ended June 30, 2018 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Mrs. Edith Okoki

Ag. **DIRECTOR GENERAL**

Date: 10/14/19.....

XI. STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

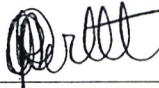
The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for the financial year ended on June 30, 2018. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority, (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2018, and of the Authority's financial position as at that date. The Directors further confirm completeness of the accounting records maintained by the Authority which have been relied upon in the preparation of the Authority's financial statements, as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 9/4/ 2019 and signed on its behalf by:

Signed: 
Name WINNIE PERTET

Signed: 
Name: DISTON ASEMWA

Director

Director

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke

P.O. Box 30084-00100
NAIROBI



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON THE NATIONAL EMPLOYMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the National Employment Authority (NEA) set out on pages 1 to 22, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Employment Authority as at 30 June 2018, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the National Employment Authority Act, 2016

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. I have determined that there are no key audit matters to communicate in my report.

Report of the Auditor-General on the Financial Statements of The National Employment Authority for the year ended 30 June 2018

Other Matter

Budget and Budgetary Performance

1. Receipts

The Authority had budgeted for receipts totalling Kshs.355,000,000 but actual receipts amounted to Kshs.378,519,138 resulting to an over collection of Kshs.23,519,138 as follows:

| Receipts | Budget Kshs. | Actual Kshs. | Over/(Under) Kshs. | Variance % |
|---------------------------------|--------------------|--------------------|--------------------|------------|
| Government grants and subsidies | 200,000,000 | 200,000,000 | 0 | 0 |
| Licenses and permits | 10,000,000 | 33,250,000 | 23,250,000 | 233 |
| Cash balance brought forward | 145,000,000 | 145,269,138 | 269,138 | 0 |
| Total | 355,000,000 | 378,519,138 | 23,519,138 | 7 |

The over collection of Kshs.23,250,000 or 233% of the budgeted revenue under licenses and permits was attributed to increase in the number of private recruitment agencies registered during the year. The Authority need to make more realistic budgets.

2. Expenditure

The Authority had budgeted to spend Kshs.355,000,000 but actual expenditure totaled Kshs.235,860,089 resulting to an under expenditure of Kshs.119,139,911 or 34% as follows:

| Payments | Budget Kshs. | Actual Kshs. | Over/(Under) Kshs. | Variance % |
|---------------------------|--------------------|--------------------|--------------------|------------|
| Compensation of employees | 3,500,000 | 1,483,940 | (2,016,060) | 57 |
| Goods and services | 351,500,000 | 234,230,583 | (117,811,122) | 33 |
| Finance costs | 0 | 145,566 | 145,566 | 100 |
| Total | 355,000,000 | 235,860,089 | 119,139,911 | 34 |

The overall under expenditure of Kshs.119,139,911 or 34% was largely attributed to low staffing level due to non-categorization of the Authority by Salaries and Remuneration Commission (SRC) which was done after the close of the year hence minimal expenditure under compensation of employees and also under goods and services.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

REPORT ON INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

1. Lack of Substantive Director General

As previously reported, the Authority did not have a substantive Director-General as required under Section 17 of the National Employment Act of April 2016. The position has been occupied by officers in an acting capacity. No reason has been given for the failure to fill the position of the Director General since inauguration of the Authority.

2. Weak Internal Controls

A review of internal controls disclosed that the Authority did not have in place an accounting software and adequate staff which are necessary for smooth operations and segregation of duties to guarantee checks and balances in transactions cycle. In the circumstances, the integrity of financial data could not be assured by management.

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

Responsibilities of Management and Those Charged with Governance

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the National Government either intends to liquidate the Authority or to cease operations, or have no realistic alternative but to do so. Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

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

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

Auditor-General's Responsibilities for the Audit

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

or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

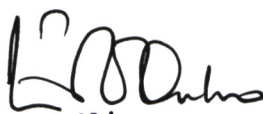
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on

the Authority's ability to continue as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to continue as a going concern or to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

16 May 2019

NATIONAL EMPLOYMENT AUTHORITY
 Reports and Financial Statements
 For the year ended June 30, 2018

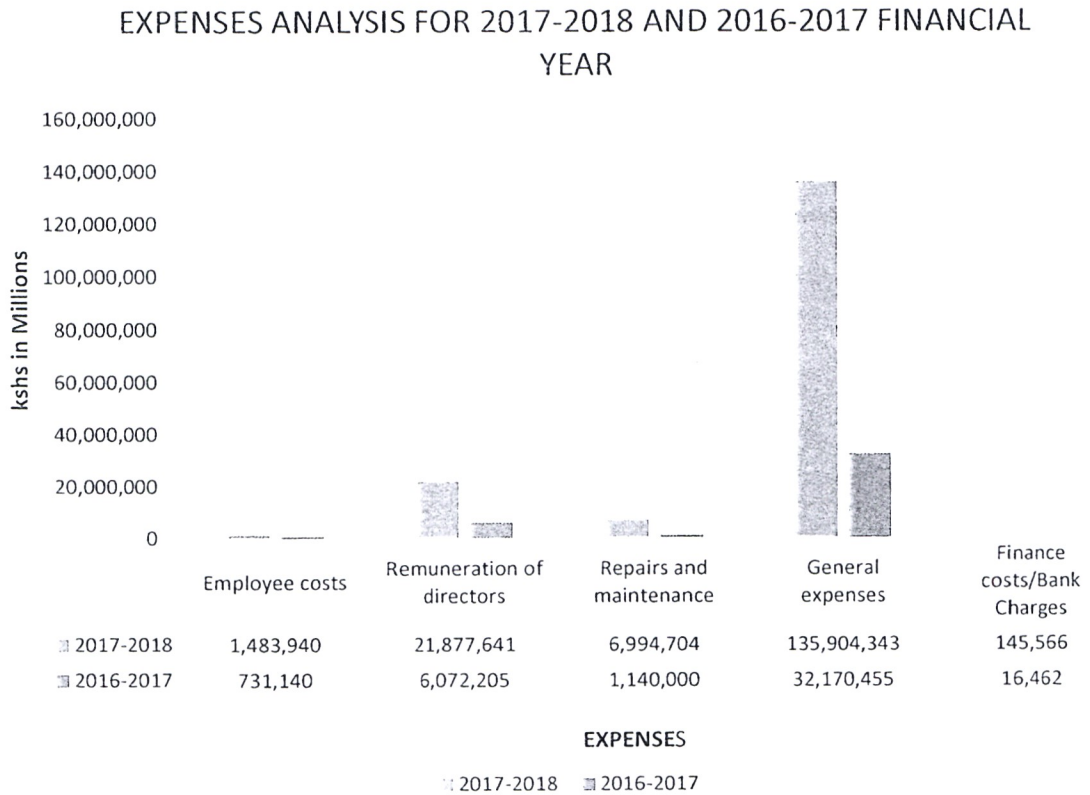
**XII. STATEMENT OF FINANCIAL PERFORMANCE
 FOR THE YEAR ENDED 30 JUNE 2018**

| Description | Note | 2017-2018 | 2016-2017 |
|---------------------------------------|------|--------------------|--------------------|
| | | Kshs | Kshs |
| Revenue | | | |
| Licenses and permits | 4 | 33,250,000 | - |
| Grants Transfers from Ministry | 5 | 200,000,000 | 195,000,000 |
| | | | |
| Total | | 233,250,000 | 195,000,000 |
| Expenses | | | |
| Use of goods and services | 6 | 3,836,885 | - |
| Employee costs | 7 | 1,483,940 | 731,140 |
| Remuneration of directors | 8 | 21,877,641 | 6,072,205 |
| Depreciation and amortization expense | 9 | 18,610,270 | - |
| Repairs and maintenance | 10 | 6,994,704 | 1,140,000 |
| General expenses | 11 | 135,904,343 | 32,169,854 |
| Finance costs/Bank Charges | 12 | 145,566 | 16,462 |
| | | | |
| Total | | 188,853,349 | 40,129,661 |
| Other gains/(losses) | | | |
| | | | |
| Surplus before tax | | 44,396,651 | 154,870,339 |
| Taxation | | - | - |
| | | | |
| Surplus/(deficit)for the period | | 44,396,651 | 154,870,339 |
| | | | |
| Surplus Carried Forward | | 44,396,651 | 154,870,339 |
| | | | |

The notes set out on pages 9 to 22 form an integral part of these Financial Statements

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

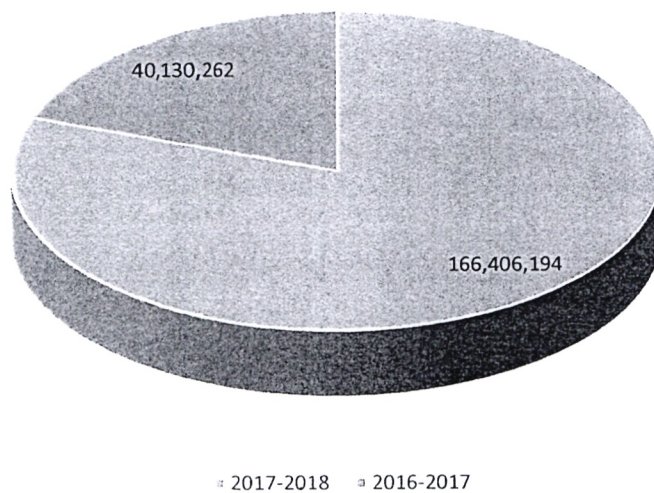
Figure 1: Trend of Expenditures Analysis in, Ksh. Millions



N/B: Depreciation, use of goods and services for the period were not captured since they had no comparison period figures for 2016-2017 financial year.

Figure 2: Trend of Total Expenditures Analysis in, Ksh. Millions

TOTAL EXPENSES ANALYSIS TREND FOR 2017-2018 AND 2016-2017 FY



NATIONAL EMPLOYMENT AUTHORITY
 Reports and Financial Statements
 For the year ended June 30, 2018

XIII. STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2018

| Description | Note | 2017-2018 | 2016-2017 |
|--------------------------------|----------|--------------------|--------------------|
| | | Kshs | Kshs |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | 13a | 138,509,049 | 145,269,138 |
| Accounts receivables | 15 | 4,250,000 | |
| Sub- Totals: | | 142,759,049 | 145,269,138 |
| Non-current assets | | | |
| Property, Plant & Equipment | 9 | 56,607,340 | 9,600,600 |
| Sub-Totals: | 9 | 56,607,340 | 9,600,600 |
| Total | | 199,366,389 | 154,869,738 |
| Liabilities | | | |
| Current liabilities | | | |
| Provision for audit fee | 16 | 100,000 | |
| Sub- Totals: | | 100,000 | - |
| Non-current liabilities | | | |
| Net assets | | 199,266,389 | 154,869,738 |
| Financed By; | | | |
| Surplus for the year | | 44,396,651 | 154,869,738 |
| Surplus Brought Forward | | 154,869,738 | - |
| Total | | 199,266,389 | 154,869,738 |

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

Ag. Director General

Name: EDITH OKON

Date: 10/14/19

Head of Finance

CPA CALIB NGAIDA

Name: [Signature]

Date: 10/10/2019

Chairperson of the Board

Winnie Perrett

Name: [Signature]

Date: 09/04/2019

NATIONAL EMPLOYMENT AUTHORITY
 Reports and Financial Statements
 For the year ended June 30, 2018

XIV. STATEMENT OF CHANGES IN NET ASSETS
 For the year ended 30 June 2018

| | Accumulated surplus | Total |
|---------------------------------------|---------------------|--------------------|
| Balance as at 30 JUNE 2016 | 0 | 0 |
| Surplus/(deficit) for the period | 154,869,738 | 154,869,738 |
| Transfers to/from accumulated surplus | - | - |
| Balance as at 30 JUNE 2017 | 154,869,738 | 154,869,738 |
| Surplus/(deficit) for the period | 44,396,651 | 44,396,651 |
| Transfers to/from accumulated surplus | 154,869,738 | 154,869,738 |
| Balance as at 30 JUNE 2018 | 199,266,389 | 199,266,389 |

NATIONAL EMPLOYMENT AUTHORITY
 Reports and Financial Statements
 For the year ended June 30, 2018

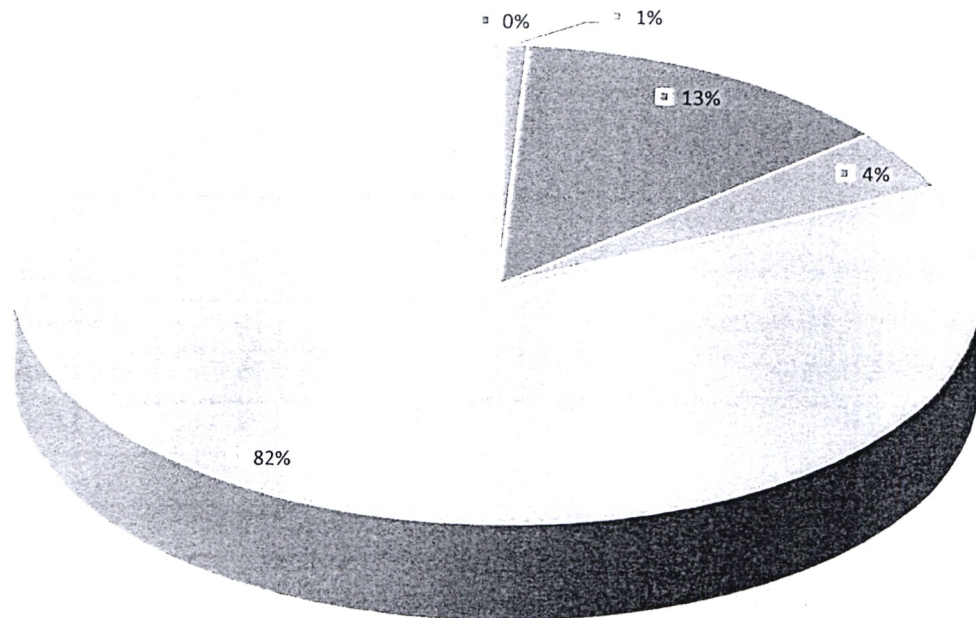
XV. STATEMENT OF CASH FLOWS
 AS AT 30 JUNE 2018

| Description | Note | 2017-2018 | 2016-2017 |
|--|-----------|--------------------|--------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Licenses and permits | 4 | 33,250,000 | - |
| Government grants and subsidies | 5 | 200,000,000 | 195,000,000 |
| | | | |
| Total | | 233,250,000 | 195,000,000 |
| Payments | | | |
| Compensation of employees | 7 | 1,483,940 | 731,140 |
| Remuneration of Directors | 8 | 21,877,641 | 6,072,205 |
| Repairs and Maintenance | 10 | 6,994,704 | 1,140,000 |
| Goods and services | 14 a) | 139,641,228 | 32,170,455 |
| Finance cost | 12 | 145,566 | 16,462 |
| Taxation paid | | - | |
| Increase or (Decrease) in receivables | | 4,250,000 | |
| Total | | 174,393,079 | 40,130,262 |
| Net cash flows from operating activities | | 58,856,921 | 154,869,738 |
| Cash flows from investing activities | | | |
| Purchase of property, plant, equipment and intangible assets | 9 | -65,617,010 | -9,600,600 |
| Proceeds from sale of property, plant and Equipment | | | |
| Net cash flows used in investing activities | | -65,617,010 | -9,600,600 |
| Cash flows from financing activities | | | |
| Net cash flows used in financing activities | | - | - |
| Net increase/(decrease) in cash and cash equivalents | | -6,760,089 | 145,269,138 |
| Cash and cash equivalents at 1 JULY 2017 | | 145,269,138 | - |
| Cash and cash equivalents at 30 JUNE 2018 | 13 | 138,509,049 | 145,269,138 |

Although the cash flow statement which we have prepared shows a positive net cash inflow from operating activities of kshs. 58,856,921, the net cash outflow due to investing activities amounting to kshs. 65,617,010 exceed the cash inflow by Kshs. 6,760,089.

Figure 3: EXPENSES

EXPENSES FOR 2017-2018 FINANCIAL YEAR



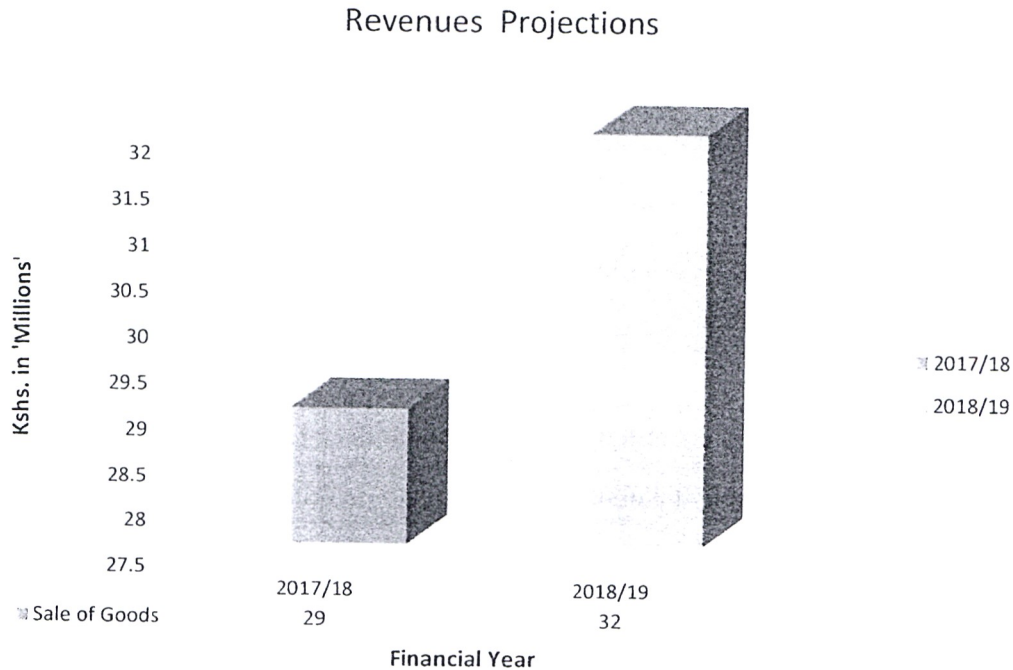
- ▣ Compensation of employees
- ▣ Remuneration of Directors
- ▣ Repairs and Maintenance
- ▣ Goods and services
- ▣ Finance cost

NATIONAL EMPLOYMENT AUTHORITY
 Reports and Financial Statements
 For the year ended June 30, 2018

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

| Description | Original | Adjustments | Final budget | Actual on comparable basis | Performance difference |
|--|--------------------|---------------------|--------------------|----------------------------|------------------------|
| | 2017-2018 | 2017-2018 | 2017-2018 | 2017-2018 | 2017-2018 |
| Revenue | Kshs | Kshs | Kshs | Kshs | Kshs |
| Property taxes | - | - | - | - | - |
| Public contributions and donations | - | - | - | - | - |
| Fines ,penalties and levies | - | - | - | - | - |
| Licenses and permits | 5,000,000 | 5,000,000 | 10,000,000 | 33,250,000 | -23,250,000 |
| Government grants and subsidies | 200,000,000 | | 200,000,000 | 200,000,000 | 0 |
| Unutilized cash balances brought forward | 145,000,000 | | 145,000,000 | 145,269,138 | -269,138 |
| Rendering of services | - | - | | - | |
| Finance Income | - | - | | - | |
| Gains on disposal, rental income and agency fees | - | - | - | - | |
| Total | 350,000,000 | 5,000,000 | 355,000,000 | 378,519,138 | -23,519,138 |
| Expenses | | | | | - |
| Compensation of employees | 1,500,000 | 2,000,000 | 3,500,000 | 1,483,940 | 2,016,060 |
| Goods and services | 203,500,000 | 148,000,000 | 351,500,000 | 234,230,583 | 117,269,417 |
| Finance cost | - | - | 0 | 145,566 | -145,566 |
| Rent paid | - | - | - | - | |
| Taxation paid | - | - | - | - | - |
| Other payments | - | - | - | - | |
| Grants and subsidies paid | - | - | - | - | |
| Total | 205,000,000 | 150,000,000 | 355,000,000 | 235,860,089 | 119,139,911 |
| Surplus carried down | 145,000,000 | -145,000,000 | 0 | 142,659,049 | -142,659,049 |

Figure 4: Revenue Projections



Budget notes

The over collection of Kenya shillings 23,250,000 and under expenditure of Kenya shillings 119,139,911 was due to:-

- An amount of **Kenya shillings 29,000,000** was a collection of licences and permits from registration of private recruitment agencies and an increase of account receivable of kshs. **4,250,000** totalling to **kshs. 33,250,000**. Hence, this amount will be accounted for by the Authority.
- The under expenditure of **Kenya shillings 2,016,060** in respect of staff salary top-up was due to lack of categorisation of the Authority by the end year. Hence no salary top-up was paid.
- The under expenditure of **Kenya shillings 119,139,911** was due to non-categorization, hence the Authority's staffing level is minimal.

XVII. NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

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

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

Transfers from other government entities

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

ii). Revenue from exchange transactions- Rendering of services

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

Interest income

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

b) Budget information

The original budget for FY 2017-2018 was approved by the National Assembly on June 14, 2017. The budget was revised on 21st February 2018 and additional appropriation made to the approved budget. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

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

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

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (continued)

c) Taxes

Current income tax

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

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

d) Property, plant and equipment

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

The annual depreciation rates are as follows:-

| | |
|--------------------------------------|-------|
| Furniture, Fixtures and fittings | 12.5% |
| Plant and Equipment | 12.5% |
| Electronic Data processing equipment | 30.0% |
| Motor Vehicles | 25.0% |

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

e) Cash and Cash Equivalent

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

f) Related Parties

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa.

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

The following transactions were carried out with related parties;

| Description | 2017/2018 | 2016/2017 |
|--|--------------------|--------------------|
| | Shs 000 | Shs 000 |
| (i) Key management compensation | | |
| (ii) Board remuneration | | |
| Allowances paid to board members | 21,877,641 | 6,072,205 |
| (iii) Grants from related parties | | |
| Grant from GOK | 200,000,000 | 195,000,000 |

g) Contingent Liabilities

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

Contingent Assets

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

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

h) Significant Judgments and Sources of Estimation Uncertainty

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

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

Estimates and assumptions

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

Useful lives and residual values

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

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

iii). Financial Risk Management Objectives and Policies

An entity's activity exposes it to a variety of financial risks, including credit risk, liquidity risk and interest rates. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

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

i) Credit Risk Management

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

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

4. Licences & Permits

| Description | NOTE 4 | 2017-2018 Kshs. | 2016-2017 Kshs. |
|--------------------------------|---------------|----------------------------|----------------------------|
| Sale of Goods and Services-AIA | | 33,250,000 | - |
| Total | | 33,250,000 | - |

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. Grants Transfers from Ministry

| Name of the Entity sending the grant | Amount recognized to Statement of Comprehensive Income KShs. | Amount deferred under deferred income KShs. | Amount recognised in capital fund. KShs. | Total grant income during the year 2017-2018 KShs. | 2016-2017 KShs. |
|---|---|--|---|---|----------------------------|
| Ministry of Labour & Social Protection | 50,000,000 | - | - | 50,000,000 | 45,000,000 |
| Ministry of Labour & Social Protection | 50,000,000 | - | - | 50,000,000 | 50,000,000 |
| Ministry of Labour & Social Protection | 50,000,000 | - | - | 50,000,000 | 50,000,000 |
| Ministry of Labour & Social Protection | 50,000,000 | - | - | 50,000,000 | 50,000,000 |
| Total | 200,000,000 | - | - | 200,000,000 | 195,000,000 |

6. Use of Goods and Services

| Description | 2017-2018 | 2016-2017 |
|------------------------------------|------------------|------------------|
| | KShs | KShs |
| Electricity | 115,000 | - |
| Water | - | - |
| Security | 117,163 | - |
| Professional services | - | - |
| Subscriptions to membership bodies | 3,604,722 | - |
| Total | 3,836,885 | - |

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Employee Costs

| Description | 2017-2018 | 2016-2017 |
|---|------------------|------------------|
| | KShs | KShs |
| Salaries and wages | - | - |
| Housing benefits and allowances | - | - |
| Commuted Leave | 1,483,940 | 731,140 |
| Expenditure charged to Capital projects | - | - |
| Total | 1,483,940 | 731,140 |

8. Remuneration of Directors

| Description | 2017-2018 | 2016-2017 |
|-----------------------------|-------------------|------------------|
| | KShs | KShs |
| Chairman's Honoraria | 960,000 | 640,000 |
| Directors Sitting Allowance | 7,784,000 | 2,877,000 |
| Other allowances | 13,133,641 | 2,555,205 |
| Total | 21,877,641 | 6,072,205 |

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Property, Plant and Equipment

| Description | Land and Buildings | Motor vehicles | Furniture and fittings | Computers | Office Equipment's | Capital Work in progress | Total |
|--|-----------------------|-------------------|------------------------------|------------|-----------------------|--------------------------------|------------|
| Cost | Shs | Shs | Shs | Shs | Shs | Shs | Shs |
| As At 1 July 2017 | - | - | - | 6,430,100 | 3,170,500 | | 9,600,600 |
| Additions | - | 45,523,000 | 5,993,000 | 13,671,010 | 430,000 | | 65,617,010 |
| Disposals | - | - | - | - | - | - | - |
| Transfers/adjustments | - | - | - | - | - | - | - |
| As At 30 th June 2018 | - | 45,523,000 | 5,993,000 | 20,101,110 | 3,600,500 | - | 75,217,610 |
| Depreciation and impairment | | | | | | | - |
| As At 1 July 2017 | - | - | - | - | - | - | - |
| Depreciation | | 11,380,750 | 749,125 | 6,030,333 | 450,063 | | 18,610,271 |
| As At 30 June 2018 | - | 11,380,750 | 749,125 | 6,030,333 | 450,063 | - | 18,610,271 |
| Net book values | | | | | | | - |
| As At 30 th June 2018 | - | 34,142,250 | 5,243,875 | 14,070,777 | 3,150,438 | - | 56,607,340 |
| As At 30 th June 2017 | - | - | - | 6,430,100 | 3,170,500 | - | 9,600,600 |
| | | | | | | | |

NATIONAL EMPLOYMENT AUTHORITY
 Reports and Financial Statements
 For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Repairs and maintenance

| Description | 2017-2018 | 2016-2017 |
|---|------------------|------------------|
| | KShs | KShs |
| Property | 4,278,259 | 650,000 |
| Equipment and machinery | | - |
| Vehicles | 771,332 | - |
| Furniture and fittings | - | - |
| Computers and accessories | - | 490,000 |
| Others- Sign post | 29,800 | |
| -Reinforcement of office doors -NEA HQT | 299,770 | - |
| -Renovation of Siaya County Office | 1,615,543 | |
| Total | 6,994,704 | 1,140,000 |

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. General Expenses

| Description | 2017-2018 | 2016-2017 |
|--|--------------------|-------------------|
| | KShs | KShs |
| Advertising | 90,000 | 11,250 |
| Admin fees | 3,398,026 | |
| Audit fees | 200,000 | - |
| Catering services, Conferences & delegations | 47,017,872 | - |
| Consulting fees | | - |
| Consumables | 4,652,180 | - |
| Subscriptions to Newspapers | 422,310 | 33,120 |
| Fuel and oil | 3,851,440 | 239,110 |
| Insurance | 1,635,172 | - |
| Legal expenses | - | - |
| Travel & Subsistence Costs | 51,477,993 | 22,437,934 |
| Office & general Supplies | 7,763,483 | 6,676,540 |
| Printing and stationery | 4,708,400 | 1,027,500 |
| Security costs | - | - |
| Skills development levies | - | - |
| Inventory scrapping | - | - |
| Telecommunication | 2,402,600 | 74,000 |
| Training | 7,741,189 | 1,670,400 |
| Other (Sanitary & cleaning materials, Supplies & services) | 543,678 | - |
| Total | 135,904,343 | 32,169,854 |

NATIONAL EMPLOYMENT AUTHORITY
 Reports and Financial Statements
 For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. Finance Costs

| Description | 2017-2018 | 2016-2017 |
|--------------|----------------|---------------|
| | KShs | KShs |
| Bank Charges | 145,566 | 16,462 |
| Total | 145,566 | 16,462 |

13. (a) Cash and Cash Equivalents

| Description | 2017-2018 | 2016-2017 |
|--------------------------|--------------------|--------------------|
| | KShs | KShs |
| Current account | 139,021,360 | 145,136,788 |
| Cash book posting | (553,047) | |
| On - call deposits | - | - |
| Fixed deposits account | - | - |
| Staff car loan/ mortgage | - | - |
| Others(Cash in Hand) | 40,7360 | 132,350 |
| Total | 138,509,049 | 145,269,138 |

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

| Description | | 2017-2018 | 2016-2017 |
|----------------------------------|----------------|--------------------|--------------------|
| Financial institution | Account number | KShs | KShs |
| a) Current account | | | |
| Kenya Commercial bank | 120512093 | 139,021,360 | 145,136,788 |
| Sub- total | | 139,021,360 | 145,136,788 |
| b) On - call deposits | | | |
| Kenya Commercial bank | | - | - |
| Equity Bank -etc. | | - | - |
| Sub- total | | - | - |
| c) Fixed deposits account | | | |
| Kenya Commercial bank | | - | - |
| Bank B | | - | - |
| Sub- total | | - | - |
| d) Others(specify) | | | |
| Cash in transit | | - | - |
| cash in hand | | 40,736 | 132,350 |
| Cash book posting | | (553,047) | - |
| Sub- total | | (512,311) | 132,350 |
| Grand total | | 138,509,049 | 145,269,138 |

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 c) Cash Generated From Operations

| Description | 2017-2018 | 2016-2017 |
|--|-------------------|--------------------|
| | KShs | KShs |
| Surplus for the year before tax | 44,396,651 | 154,869,738 |
| Adjusted for: | | |
| Depreciation | 18,610,270 | |
| Non-cash grants received | | |
| Contributed assets | | |
| Impairment | | |
| Gains and losses on disposal of assets | | |
| Provisions of Audit fees | 100,000 | |
| Contribution to impairment allowance | | |
| Finance income | | |
| Finance cost | | |
| Working Capital adjustments | | |
| Increase in inventory | | |
| Increase in receivables | - 4,250,000 | |
| Increase in deferred income | | |
| Increase In payables | | |
| Increase in payments received in advance | | |
| Net cash flow from operating activities | 58,856,921 | 154,869,738 |

14. a) Goods and Services

| Description | 2017-2018 | 2016-2017 |
|---------------------------|--------------------|-------------------|
| | KShs | KShs |
| Use of goods and services | 3,836,885 | - |
| General expenses | 135,904,343 | 32,186,317 |
| Total | 139,741,228 | 32,186,317 |

NATIONAL EMPLOYMENT AUTHORITY
 Reports and Financial Statements
 For the year ended June 30, 2018

NOTES TO THE FINANCIAL STATEMENTS (Continued)

14 .b) Goods and Services

| Description | 2017/2018 | 2016/2017 |
|-------------------------------|--------------------|-------------------|
| | KShs | KShs |
| General expenses | 135,904,343 | 32,169,854 |
| Use of goods and services | 3,836,885 | - |
| Plant, property and equipment | 65,617,010 | 9,600,600 |
| Remuneration of Directors | 21,877,641 | 6,072,205 |
| Repairs and Maintenance | 6,994,704 | 1,140,000 |
| | | |
| Total | 234,230,583 | 48,982,659 |

15. Accounts Receivables

| Description | 2017/2018 | 2016/2017 |
|----------------------------|------------------|-----------|
| | KShs | KShs |
| Sale of Goods and services | 4,250,000 | . |
| Total | 4,250,000 | . |

16. Provisions for audit fees

| Description | 2017/2018 | 2016/2017 |
|--------------------------|----------------|-----------|
| | KShs | KShs |
| Provision for audit fees | 100,000 | . |
| Total | 100,000 | . |

NATIONAL EMPLOYMENT AUTHORITY
Reports and Financial Statements
For the year ended June 30, 2018

XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

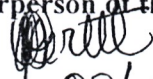
The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|--|--|--|-----------------------------------|--|
| 1.1 | Receipts | | | | |
| | Variance of Kshs 5 million under government grants & subsidies | Spent by the parent Ministry during the operationalisation | Board | Resolved | Resolved |
| | Variances of Kshs 5. Million under sale of goods | Fees collected by the Ministry for services rendered before the Authority started operations | Management | Resolved | Resolved |
| 1.2 | Expenditure | | | | |
| | Under expenditure of Ksh 155,269,138 or 76% | Late commencement of operations hence key decisions & activities could not be implemented | Board and Management | Resolved | The board has approved the work plan and procurement plan. The funds will be utilized in 2018/19 FY |
| 2.0 | Lack of Substantive Director General | Lack of categorization | Board | Not Resolved | All the process required for categorization have been finalised. The Authority is waiting for the approval letter from the office of the President |
| 3.0 | Weak internal controls | Lack of internal control systems occasioned by lack of key staff to develop and manage the systems | Board & Management | Not Resolved | Staff will be recruited once the Authority has been categorized |

Ag Director General/ (National Employment Authority)

Date...  10/4/19

Chairperson of the Board

Date...  09/04/2019

