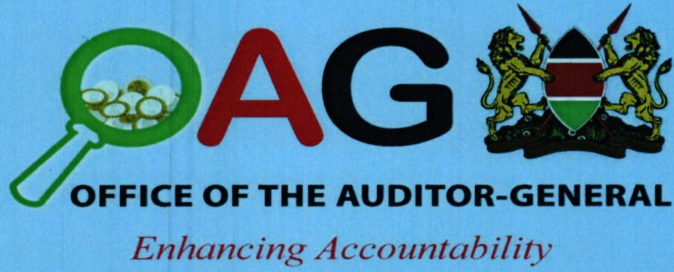


REPUBLIC OF KENYA



**REPORT**

**OF**


**THE AUDITOR-GENERAL**

**ON**

**STATE DEPARTMENT FOR LABOUR**

**FOR THE YEAR ENDED**

**30 JUNE, 2020**

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	DAY: THURSDAY
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Revised Template 30<sup>th</sup> June 2020



**MINISTRY OF LABOUR AND SOCIAL PROTECTION  
STATE DEPARTMENT FOR LABOUR**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
JUNE 30, 2020**

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

**MINISTRY OF LABOUR AND SOCIAL PROTECTION**  
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**I. KEY ENTITY INFORMATION AND MANAGEMENT**

**Background information**

The entity was formed on May, 2016 following the reorganization of Government. It was under the then Ministry of East African Community, Labour and Social Services prior to the reorganization of Government in 2016. The State Department is one of the two State Departments under the Ministry of Labour and Social Protection. At cabinet level, the entity is represented by the Cabinet Secretary for Ministry of Labour and Social Protection, who is responsible for the general policy and strategic direction of the entity. The Ministry consists of three two State Departments each administered by a Principal Secretary. The State Departments are: -

1. State Department for Labour
2. State Department for Social Protection

The accompanying financial Statements constitute the financial statement for the State Department for Labour.

The vision, mission and core function of the State Department for Labour under the Ministry of Labour and Social Protection

**Vision**

“A globally competitive workforce “

**Mission**

“To promote decent work, skills development and sustainable job creation”

**Mandates**

Executive Order No. 1 of 2018 (Revised) on Organization of the Government of the Republic of Kenya gives the mandates of the State Department for Labour as follows:

- National Labour and Employment Policy Management;
- Industrial Training;
- National Labour Productivity and Competitiveness;
- National Human Resource Planning and Development;
- Child Labour Policy and Regulations Management;
- Develop and Maintain a Database on Employment Creation;
- Migratory Labour and International Jobs policy;
- Management of vocational, apprenticeship and industrial training
- Workplace Inspection;
- Workman’s Compensation Policy;
- Labour and social security policy and programme implementation

# MINISTRY OF LABOUR AND SOCIAL PROTECTION

## STATE DEPARTMENT FOR LABOUR

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- Promotion of Occupational Health and Safety at Work; and
- Industrial Relations Management.

#### Core Values

- Productive Labour
- Highest occupational safety and health standards
- Inclusivity / inclusiveness

#### Key Management

- Office of Principal Secretary
- Administration
- Labour Department
- National Human Resource Planning and Development
- Registrar of Trade Unions
- Directorate of Occupational Safety & Health Services (DOSHS)
- National Employment Authority
- National Productivity and Competitiveness Centre

#### (a) Fiduciary Management

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2020 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Cabinet Secretary	Mr. Simon Chelugui, EGH
2.	Chief Administrative Secretary	Hon Patrick K. Ole Ntutu
3.	Accounting Officer	Eng. Peter K. Tum OGW
4.	Secretary Administration	William K. Kiprono EBS
5.	Ag Labour Commissioner	Elizabeth Onuko
6.	Director HRM&D	Margaret Muia
7.	Ag. Director NHRPD	Francis Mitiambo
8.	Registrar of Trade Unions	Elizabeth Gicheha
9.	Director, NPCC	John K. Munguti
10.	Director, DOSH	Musa Nyandusi
11.	Director of Planning	Winnie N. Karingithi, OGW

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No.	Designation	Name
12.	Head Accounting Unit	CPA Ernest A. Lukayu
13.	Principal Internal Auditor	John Kariuki
14.	Ag. Director General National Employment Authority	Edith Okoki (Mrs)
15.	Deputy Chief State Counsel	John Gichuru
16.	Supply Chain Management	John Maina
17.	Chief Finance Officer	Ambrose Ogango
18.	Ag. Director General	Stephen Ogenga

**(b) Fiduciary Oversight Arrangements**

- Audit and finance committee activities- in the process
- Parliamentary committee activities- on an adhoc basis as and when there is an issues to be addressed
- Development partner oversight activities. Only one Development Partner is in place.

**(c) Entity Headquarters**

P.O. Box 40326-00100  
 Social Security House  
 Bishops Road, Milimani  
 Nairobi, Kenya  
**Entity Contacts**  
 Telephone: (254) 2729800  
 E-mail: [cs@labour.go.ke](mailto:cs@labour.go.ke) and [ps@labour.go.ke](mailto:ps@labour.go.ke)  
 Website: [www.go.ke](http://www.go.ke)

**(d) Entity Bankers**

Central Bank of Kenya  
 Haile Selassie Avenue  
 P.O. Box 60000  
 City Square 00200  
 Nairobi, Kenya

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**(e) Independent Auditors**

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

**(f) Principal Legal Adviser**

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

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**II. FORWARD BY THE CABINET SECRETARY**

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**1. SUMMARY OF THE BUDGET PERFORMANCE AGAINST ACTUAL  
AMOUNTS FOR 2019/2020 FY BASED ON ECONOMIC CLASSIFICATION  
AND PROGRAMMES**

**Programme Expenditure Analysis by Economic Classification (Amount in KShs.)**

<b>ANALYSIS OF PROGRAMME EXPENDITURE BY ECONOMIC CLASSIFICATION</b>		
<b>ECONOMIC CLASSIFICATION</b>	<b>Approved Budget 2019/2020</b>	<b>Actual Expenditure 2019/2020</b>
<b>LABOUR</b>		
<b>Programme 1: Promotion of Best labour Practices</b>		
<b>Current Expenditure</b>	<b>546,222,476</b>	<b>526,596,686</b>
Compensation of Employees	366,333,160	356,953,460
Use of Goods and Services	162,836,235	155,955,290
Grants and other Transfers	7,080,000	5,080,000
Social Benefits	4,602,180	4,602,180
Other Recurrent	5,370,901	4,005,756
<b>Capital Expenditure</b>	<b>67,542,036</b>	<b>63,494,004</b>
Acquisition of Non-Financial Assets	61,542,036	57,494,004
Capital Grants and Transfers to other levels of Govt.	6,000,000	6,000,000
Other Development		0
<b>Total for Programme 1</b>	<b>613,764,512</b>	<b>590,090,690</b>
<b>Programme 2: Manpower Development, Employment and Productivity Management</b>		
<b>Current Expenditure</b>	<b>1,403,516,538</b>	<b>1,231,611,997</b>
Compensation of Employees	171,146,955	174,074,221
Use of Goods and Services	1,224,063,687	1,052,874,908
Grants and other Transfers		0
Social Benefits		0

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Other Recurrent	8,305,896	4,707,969
<b>Capital Expenditure</b>	<b>1,505,976,132</b>	<b>661,528,737</b>
Acquisition of Non-Financial Assets	162,246,132	68,608,737
Capital Grants and Transfers to other levels of Govt.	1,343,730,000	592,920,000
Other Development		0
<b>Total for Programme 2</b>	<b>2,909,492,670</b>	<b>1,893,140,734</b>
<b>PROGRAMME 3:</b> <b>General Administration, Planning and Support Services</b>		
<b>Current Expenditure</b>	<b>564,225,989</b>	<b>539,212,982</b>
Compensation of Employees	163,164,371	151,993,762
Use of Goods and Services	389,948,585	379,817,112
Grants and other Transfers		0
Social Benefits	3,260,000	1,019,805
Other Recurrent	7,853,033	6,382,306
<b>Capital Expenditure</b>	<b>182,801</b>	<b>182,801</b>
Acquisition of Non-Financial Assets	182,801	182,801
Capital Grants and Transfers to other levels of Govt.		0
Other Development		0
<b>Total Programme 3</b>	<b>564,408,790</b>	<b>539,395,786</b>
<b>Total for Labour Sub-sector</b>	<b>4,087,665,972</b>	<b>3,022,627,611</b>

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**DETAILED KEY ACHIEVEMENTS FOR THE STATE DEPARTMENT**

<b>THEMATIC AREA</b>	<b>KEY ACHIEVEMENTS FOR 2019/2020 FY</b>
<p>Promotion of Harmonious labour relations</p>	<ul style="list-style-type: none"> <li>• Established the Alternative Disputes Resolution (ADR) Mechanism for labour and employment disputes. The ADR is provided for under Article 159 (2)(c) of the Constitution and Labour Relations Act of 2007 for expeditious conclusion of industrial and employment disputes outside the existing arbitration through the Employment and Labour Relations Courts;</li> <li>• Gazetted list of 13 Conciliators comprising of eminent labour practitioners in accordance with Section 66 of the Labour Relations Act, 2007 to fast-track resolution of labour disputes;</li> <li>• Three major disputes in the Public sector have been successfully been resolved through the ADR mechanism and reports forwarded to the Cabinet and the Labour Relations Court (KNUT and TSC, COG and Ministry of Health (MOH) on one side and Kenya National Union of Nurses (KNUN) on the other and Kenya Aviation Workers Union verses Kenya Airport Authority/Kenya Airways/Trade Winds/Kenya Civil Aviation Authority);</li> <li>• The partitioning of 10 ADR session rooms was completed and part of the furniture procured;</li> <li>• Secretariat for ADR appointed;</li> <li>• 2,358 Labour disputes resolved against the received 2,760 complaints (85.4%);</li> <li>• A total of 4,236 Labour Inspections have been carried out on wages, terms and conditions of employment;</li> <li>• Draft Policy developed and discussed with stakeholders including the social partners. The Draft is awaiting wider Stakeholders' validation to enable its finalization. This has been hampered by the pandemic.</li> </ul> <ul style="list-style-type: none"> <li>• Construction of Meru Labour Office which was to continue within the year was put on hold as funds were withdrawn during Supplementary Budget - The Project is at 70% complete. Ground floor is completed to occupation status. The pillars have been constructed and roofing is on- going</li> </ul>
<p>Promotion of Occupational Safety and Health (OSH)</p>	<ul style="list-style-type: none"> <li>• Mainstream Basic Occupational Health Services (BOHS) into Primary Health Care - Towards mainstreaming Basic Occupational Health Services (BOHS) in the Universal Health Care 40 medical staff were sensitized in Kajiado and at the Ministry HQ</li> </ul>

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THEMATIC AREA	KEY ACHIEVEMENTS FOR 2019/2020 FY
	<ul style="list-style-type: none"> <li>• 171 Jua kali association entrepreneurs (MSEs) trained in Occupational Safety and Health standards</li> <li>• On improvement of occupational safety and health standards in Micro and Small Enterprises (MSEs) in Manufacturing, Agriculture and Construction sectors - Carried out a total of 4,499 Health and safety inspections of which <b>805</b> workplaces are in the 'big 4' sectors for early and effective mitigation of hazardous conditions and reduction of accidents and cases of ill health</li> <li>• Towards finalization of OSH Bill and Work Injury Compensation Bill a follow ups with the National Treasury and AG office made. The comments received were incorporated into OSH Bill and Work Injury Compensation Bill and documents forwarded back to the National Treasury</li> <li>• Regulations on oil and gas have been prepared with support from World Bank - Kenya Petroleum Technical Assistance Programme (KEPTAP).</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Carried out 17,636 examinations of hazardous industrial plant and equipment;</li> <li>• Carried out <b>75,776</b> medical examinations of workers in hazardous occupations in various workplaces to safeguard their health Medically examined <b>72,252</b> workers in hazardous occupations in various work places were examined to safeguard their health</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• Construction of National Occupational Safety and Health Institute (Phase 1) continued in 2019/20 FY to clear the pending work but the budget cut affected the completion of works awarded to 4 contractors - The Project was only allocated Kshs.51 Million which was used to clear pending bills incurred in 2019/2020 FY although works were fully procured. There is considerable progress in terms of works however as some of material are sourced from abroad and the effects of Covid-19 have affected the international trade significantly. Inconsistent budgetary allocation for the project have affected payments to a point that contractor usually feels as if their payments are not forthcoming hence the work progress is usually affected</li> </ul>
National Human Resource Planning and Development	<ul style="list-style-type: none"> <li>• Informal Sector Skills and Occupations Survey finalized and report launched to obtain data on profile of skills and occupations prevalent in the Informal sector;</li> <li>• Finalized the report on the Training Needs Assessment (TNA) in the Energy Sector to establish the relevant training programmes and interventions to meet the emerging skills demand. The Report was published awaiting to be launched.</li> <li>• Prepared four (4) quarterly reports of Job Opportunities Analysis (JOA ) in the Labour Market to provide information on the skills and occupations in high demand and</li> </ul>

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THEMATIC AREA	KEY ACHIEVEMENTS FOR 2019/2020 FY
	growing economic sectors
Productivity management	<ul style="list-style-type: none"> <li>• Carried out diagnostic studies in three (3) textile firms (Ashton apparel EPZ, Soko EPZ in Mombasa county and Rivatex in Uasin-Gishu county), two (2) tea factories (Kapchebet Tea Factory in Kericho County and Koisagat tea factory in Nandi County);</li> <li>• Productivity improvement activities were undertaken at Shona EPZ textile firm in Athi-River and at Rivatex in Eldoret.</li> <li>• The activity was to address high defects rate in the processing department which was identified as the major challenge</li> <li>• Productivity improvement undertaken at Litein and Kanyanyaine Tea factories in Kericho and Muranga counties respectively</li> <li>• Productivity improvement programmes was carried out in 19 SMEs involved in Milk, Sweet potato, oil nuts processing juice processing, baking, textile and metal fabrication (covering Kilifi and Kwale in Coast and Kisumu, Siaya, Busia, Kakamega and Bungoma in the West part of the country</li> </ul> <ul style="list-style-type: none"> <li>• Trained 161 SME owners and managers (36 in Nyeri, 36 in Naivasha covering Nyandarua and Laikipia Counties, 48 in Mombasa and 41 in Kakamega)</li> <li>• Members were drawn from Dairy, potato processing, metal fabrication, chemicals, textile, nut processing and carpentry sub-sectors</li> <li>• Training on productivity improvement carried out covering 32 SME owners and managers at Kariakor leather cluster in Nairobi.</li> </ul>
Industrial skills development	<p>Towards enhancing skills to actualize the ‘Big Four’ Initiative the following has been undertaken:</p> <ul style="list-style-type: none"> <li>• Trained and assessed <b>11,611</b> youth and women in textiles and apparels within the EPZ;</li> <li>• Trained <b>2,754</b> persons in various trades under housing and construction</li> <li>• Assessed and certified competencies of <b>13,413</b> persons in masonry, carpentry and plumbing under the construction trades to ensure compliance with the National Construction Authority requirement for skilled workers in the building trades.</li> </ul> <ul style="list-style-type: none"> <li>• Trained <b>36,931</b> persons in industrial skills in collaboration with accredited training providers</li> </ul>

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THEMATIC AREA	KEY ACHIEVEMENTS FOR 2019/2020 FY
	<ul style="list-style-type: none"> <li>• Facilitated training of <b>27,141</b> youth under KYEOP on Job Specific Skills Training (JSST), these are the youth who transited from Ministry of Public Service, Youth and Gender Affairs after completion of Life Skills Training (LST) and Core Business Skills Training (CBST)</li> <li>• <b>71 Persons</b> were engaged for training through Apprenticeship scheme; and</li> <li>• A total of <b>61,220</b> candidates were assessed and certified through the government trade test</li> <li>• Placed <b>17,345</b> students and 5 lecturers on industrial attachment</li> <li>• Registered <b>999</b> Levy paying Employers for purpose of training</li> </ul>
Employment promotion	<ul style="list-style-type: none"> <li>• The Draft Policy was finalized and forwarded to the National Treasury where comments were received and incorporated to the Draft Policy. Internship guidelines finalized and discussed with stakeholders. On-line portal to enable registration and placement of graduates in internship programme has been developed;</li> <li>• Placed a total of <b>57,559</b> job seekers in employment locally and abroad. Out of these <b>10,413</b> were placed locally through the public employment services while <b>47,146</b> were placed broad mostly in Saudi Arabia);</li> <li>• Vetted and licensed <b>302</b> Private Recruitment Agencies involved in registration and placement of job seekers locally and abroad;</li> <li>• Four (4) draft Bilateral Labour Agreements between Kenya and the State of Jordan, Oman, Bahrain, Lebanon, and Kuwait has been developed and an additional Draft MOU with the Kingdom of Saudi Arabia on recruitment of skilled Labour;</li> <li>• Draft Labour Migration Policy and Labour Migration Management Bill finalized awaiting stakeholder validation;</li> <li>• Twenty one (21) training Institutions have been accredited to undertake training on the curriculum on Home Care Management course which includes a module on pre-departure training.</li> <li>• A Kenya Labour Migration Website has been developed and launched <a href="http://www.kenyamigrantworker.org">www.kenyamigrantworker.org</a> it provides relevant information on pre-departure</li> <li>• Three handbooks for pre-departure training has been developed to provide prospective migrants with information about Qatar, United Arab Emirates and Saudi Arabia. The</li> </ul>

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<b>THEMATIC AREA</b>	<b>KEY ACHIEVEMENTS FOR 2019/2020 FY</b>
	<p>hand book was launched during the launch of NEA.</p> <ul style="list-style-type: none"> <li>• Construction of the National Employment Promotion Centre (Kabete - As of 30th June, 2020 the Project was at 58% complete. The Project was initially allocated KShs. 123.68 Million which was revised downward during Supplementary Budget to KShs. 34.98. Million which was used to pay pending bills incurred in 2019/20 FY:- works undertaken include: Water tank slabs, ring beams, and concrete gutters; completed the gate house to enable completion of the electric fence to improve security on the project; roofing of the structure; plastering, painting, fixing of doors and window and landscaping.</li> <li>• Construction of Modern Employment Office in Eldoret – The Project is at 99% complete. The works undertaken in 2019/2020 FY include: Internal works for First Floor (fittings, electrical works, tiling, cabling, guard rails, plumbing, painting) and External works (civil works, cabro, parking, perimeter wall and landscaping). Pending work is installing of laser wire to enhance security of the building and second coat painting of the external works.</li> <li>• The Ministry Strategic Plan and that of State Department for Labour were finalized, published and disseminated</li> <li>• Implementation of the Ministry Performance Contract was monitored and reports produced.</li> </ul>

## **2. LIST OF EMERGING ISSUES RELATED TO THE STATE DEPARTMENT**

### **Overlapping Mandates**

The labour and employment sector continues to witness creation of Departments and Agencies whose mandates duplicate each other. The challenge posed by this situation is that of duplication of efforts, thin spreading of resources and sub-optimal exploitation of synergies.

### **High unemployment rates**

The rate of unemployment in the country within January and March, 2020 was recorded at 4.9%. However, using the relaxed definition of unemployment where potential labour force is included in the computation, the unemployment rate was 13.7%. This signals underutilization of the labour supply and inability of the economy to generate employment for those persons who want to work but are not doing so, even though they are available for employment and actively seeking work. The rise in levels of unemployment in the country was attributed to loss of jobs and livelihoods due to the effects of COVID-19 pandemic. Kenya's labour force is projected to increase to 31.6 million by 2022 and 39.2 million by 2030 with the proportion of the working age population projected to be 62 per cent by 2050. This implies that Kenya must design and implement programmes that promote establishment and development of sustainable enterprises, and support creation of full and productive employment and decent work for the growing labour force.

### **Oil, Gas and Minerals**

The emerging oil, gas and mining industry is expected to provide increased employment opportunities to young graduates, especially those from TVET institutions. However, companies particularly in the downstream oil, gas and mining industry require potential candidates to be certified by recognized industry associations. The industry, for example, requires certification from industry associations such as the International Association of Drilling Contractors (IADC), British Standards, Occupational Safety and Health (OSH) Standards and American Society of Mechanical Engineers (ASME). The type of certification varies with position. Rig crews, for example, need to be trained in IADC standards, welders require ASME, and crane and forklift operators need to meet British Standards or OSH certificates. Such certifications are not offered by the TVET institutions in Kenya, posing further employment challenges to the graduates. Further, exploration and exploitation of these resources may lead to occupational hazards if not checked.

### **Green Jobs**

Green jobs help to reduce negative environmental impact. They also lead to environmentally, economically and socially sustainable enterprises and economies. Designing and implementing green economy policies stimulates economic growth, reduces environmental risks, creates new jobs and improves human wellbeing. Kenya lacks an integrated framework to guide the creation of green jobs. While many industries such as those in the energy and manufacturing sectors, have adopted green technologies and, in the process, created job opportunities, there are no mechanisms for monitoring this and exploring additional opportunities for job growth.

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**The Changing Nature of the World of Work**

The world of work is fast changing and the jobs we have today might not be there tomorrow. The drivers of change of World of Work include: digitalization and automation; globalization; demographic shifts and impact of social media, companies shifting production to where labour is relatively cheap. An important factor in the future of work particularly in Kenya is that the traditional fulltime employment is quickly diminishing and new forms of work emerging. This trend is observed in both public and private sectors of the country's economy, and is also being emulated by the international organizations. The emerging forms of work are outsourcing, contract employment, part-time work, freelancing, commission-based jobs, and virtual work. Workers also hold multiple jobs, embrace job sharing and flexi work arrangement. There is therefore need to determine the changing nature of jobs and how to make the future to work for the country.

**3. LIST THE IMPLEMENTATION CHALLENGES AND RECOMMENDED WAY FORWARD**

Despite the critical role played by the State Department for Labour in national development, it continues to face various challenges. Amongst the most critical of the challenges are; high unemployment, inadequate and outdate labour market information, and inadequate infrastructure and obsolete technology in institutions, including the Industrial Training Centres, inadequate funding.

**4.1 Low Human Resource Capacity**

The State Department for Labour is one of the enablers for Kenya's economic growth and development, and a foundation for national transformation. However, the Department has suffered perennial challenges in its human and financial resource capacity. In 2019/2020 Financial year, it operated with a staff capacity of 34% of the staff establishment, which is less than the optimal level of 55%.

*Way forward:* The State Department sought authority from the Public Service Commission to recruit 417 Officers in 2019/2020 Financial year which was granted funds during the year and subsequently reduced in supplementary II.

**4.2 Succession Management**

The State Department for Labour has continued to face challenges in replacing officers who exit the service due to various reasons viz. natural attrition (death, retirement, and resignation), dismissal and abolition of office. Some of these challenges include delay by Public Service Commission to advertise and fill vacancies declared by the State Department, Failure to get approval from PSC to fill vacancies that fall under delegated authority as well as Inadequate funds allocated by the National Treasury to Personal Emoluments Vote-Head to enable the State Department to fill the vacancies. In the next three years, One Hundred and Eleven (111) Officers at the State Department are due to exit the service upon attainment of the mandatory retirement age-sixty (60) years for normal persons and sixty five (65) years for Persons Living with Disabilities (PWDs). To mitigate against the exits and ensure smooth succession management, The National Treasury needs to allocate sufficient funds to fill the vacated positions. Public Service Commission should also expedite the process of filling the positions through recruitment and granting the necessary approvals on delegated authority.

#### 4.2 Low Financial Resource Capacity

This is in addition to inadequate funding to the sub-sector in spite of its wide mandate and emerging issues. The sub-sector has therefore not been able to address these challenges which are compounded by inadequate budgetary provisions for recruitment of staff, purchase of vehicles, and working tools and equipment.

*Way Forward:* The introduction of budgetary allocation and sharing of budgetary resources through Sector Working Groups has enabled the sub-sector to receive positive consideration over the years. The sub-sector has further received technical and financial support from development partners for enhancing timely provision of labour market information and upgrading of some of the industrial training institutions.

#### 4.3 Lack of Employable Skills

This is one of the major factors that contribute to unemployment in Kenya, especially among the youth. This is attributed to inflexible education and training curricula, which do not integrate provision of soft skills. It is reported that graduates from various training institutions often have inadequate capacity to perform their duties at the place of work. They lack motivation, positive attitude towards work, patience and applied knowledge, requiring employers to invest significant resources in employee training.

*Way Forward:* The State Department for Labour through the National Employment Authority (NEA) has developed a National Internship Policy to guide implementation of an Internship Programme in the country. The programme will be rolled out in the 2020/2021 Financial Year if approved by Cabinet and it envisages provision of internship opportunities to all college and university graduates.

**4.4 Skills Mismatch:** Weak linkages between industry and training and research institutions in Kenya has led to: skills mismatch between what is taught in training institutions and skills required by the industry; imbalance in the managerial-technical-support staff mix; weakened skills upgrading nexus between secondary, tertiary institutions, universities and the industry; development of curricula that is not in synch with labour market requirement; challenges in practical application of the skills acquired by graduates at the workplace; and weak institutional frameworks for addressing skills mismatch. Skills mismatch also leads to low productivity and employment.

**4.5 Lack of up-to-date Labour Market Information:** Kenya has developed a Labour Market Information System mainly to address the long standing challenge of inadequate information that can inform policy decision making. However, the system faces the risk of being redundant due to lack of a framework and weak collaboration between institutions in sharing of the requisite information.

*Way Forward:* Addressing this challenge will require the participation of all stakeholders in the collection, analysis, presentation and dissemination of timely and adequate labour market information.

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**4.6 National Skills Development Policy:** Skills development is vital process of ensuring workers have the right skills and their experiential learning certified in order to be in tandem with the changing technology and customer needs. Development of skills in Kenya is not properly regulated as various organizations have different frameworks for skills development, leading to confusion. Lack of a harmonized skills development framework poses challenges to employers in identifying and engaging workers with the relevant skills. This disparity in skills development leads to low productivity, high cost of retraining, and situations whereby different workers acquire different skills for similar jobs.

**4.7 Outdated Training Standards:** Training standards, programmes and curricula are the tools used to impart skills to workers for effective and efficient service delivery for improved productivity. Frequent changes in technology lead to respective changes in industry needs. A continuous process of reviewing or developing new training standards, programmes and curricula ensures that skills development initiatives are in tandem with the changes in technology and customer needs. The process calls for engagement of experts and practitioners from respective trades in industry who in most cases are few or not locally available, rendering the exercise quite long and expensive. Very little work has been done in the country on development of new training standards, programmes and curricula and review of the existing ones.

*Way Forward:* The National Industrial training Authority is currently reviewing the training standards where 17 Competence Assessment Guidelines for Trade Testing have been reviewed.

**4.8 Skills Certification**

Skills certification is crucial for workers as it provides opportunities for upward mobility, acceptance by employers of acquired and certified competencies a worker possesses; recognition of competencies nationally for horizontal mobility in the qualification framework; and global competitiveness. In Kenya skills certification is done at three levels: government grade test III, II and I, where grade I is the highest level of skills competence certification. Most of the skills competency certified graduates stagnate at grade I due to lack of clear vertical mobility or recognition for horizontal mobility. In addition, most practitioners in the MSME sector have a challenge in progressing in their trade due to lack of a formalized qualification framework since the practitioners have no proof that they possess skills that they have learnt on-the-job. Furthermore, such documentation is required for job and service tender applications. The practitioners also do not have access to lifelong learning, are unable to improve product and service quality by ensuring uniform standards in their trades.

**4.9 Un-updated Kenya National Occupational Classification Standards**

One of the key requirements for addressing the issue of mismatch of skills to the demands of the labour market is the standardization of occupations and their skill requirements to guide skills development. Kenya developed a National Occupational Classification System, which came into operation in 2000. The Kenya National Occupational Classification Standard (KNOCS-2000) was based on the International Standard Classification of Occupations (ISCO-1988). Due to the dynamics in the labour market and the technological changes, some of the occupations contained in the KNOCS 2000 have become either obsolete or redundant while new occupations have not been classified. This, makes it difficult to orient training curricula to labour market needs, increases costs of recruitment and training, lengthens period

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of job search, makes it difficult to assign the right value to jobs and poses challenges in ensuring comparability of occupations with those of other countries.

*Way Forward:* The State Department has embarked on the updating of the KNOCS. The exercise entails carrying out occupational surveys in sectors of the economy to establish the current occupations. The information is used to update the Standards which are key in determining the kind of skills required in each sector. This exercise is envisaged to be completed in the 2020/21 Financial Year.

#### **4.10 Upgrading and Expansion of Industrial Training Centres**

The five Industrial Training Centres (ITCs) managed by NITA were designed and established in the late 1970s and early 80s. With the exception of the NITA Athi River centre, the other four have outdated training equipment, which are not attractive to employers and employees due to evolution of technology over the years. Some of the machines are not functional and production of their spare parts has been overtaken by time. The training facilities are in a dilapidated state which calls for upgrading and revamping the centres with modern training equipment for them to remain relevant to the changing demands of the industry.

*Way Forward:* Upgrading of the ITCs require approximately KShs. 2,215 Billion. The Centres have been receiving piecemeal allocations over the years (Totalling to KShs. 771.7 Million), which have not brought significant change in the institutions. In 2018/19 Financial Year, the Centres received KShs. 69 Million, which was shared among three of the Centres, allocation for 2019/20 was removed under Supplementary budget while in 2020/21 FY the projects were only allocated KShs. 15 Million. There is need for enhanced funding for the institutions to enable them meet the training needs of the industry. The State Department is engaging development partner for possibility of funding these centres.

#### **4.11 Unregulated Labour Migration**

High levels of unemployment in the country have forced many Kenyans to seek employment opportunities abroad with the hope of improving their livelihoods. However, labour migration from Kenya is largely unregulated and involves numerous public sector agencies. This results in duplications and weakening of efforts to coordinate the migration. The country also lacks appropriate legislation on labour migration. Accurate statistics on the number of Kenyans working abroad are unavailable but it is estimated that about 200,000 work in the Middle East alone. Most of these workers are, however, engaged in low-skilled occupations. They also face numerous challenges, especially in respect to the terms and conditions of employment and protection of fundamental principles and rights at work. A lack of bilateral agreements with countries in the region means that there are no formal structures for addressing these challenges. The absence of a Distress Fund particularly in the Middle East and Offices of Labour Attachés in destination countries compounds this challenge further.

*Way Forward:* The State Department is developing a Labour Migration Policy that will provide a framework for labour migration in the country. Also, there is need for labour agreements with key labour migration countries to enhance the protection of the Kenyan Migrant Workers.

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**4.15 Occupational Safety and Health Information Management System**

The Department uses manual platforms for collection and analysis of data collected on occupational accidents, diseases, hazardous substances, safety audits, inspections and training activities. Entry and analysis of this data is usually not effective and the database system in use is rudimentary and presents challenges in disaggregation of data accordance with ILO standards.

*Way Forward:* The State Department is finalizing the establishment of the OSH Information Management System to facilitate data collection, analysis and generation of labour market statistics. The system will also be used in registration and certification of workplaces in compliance with OSH regulations.

**4.18 Lack of guidance in determination of wages at national level**

Kenya lacks a comprehensive wages and remuneration policy. The country has continued to rely on minimum wage setting, collective bargaining and administered wage setting as the approaches for determination of wages and benefits. These approaches have given a piecemeal account of wage determination, increased wage inequities and inhibited adequate improvement in the welfare of workers besides dampening organizational productivity and competitiveness. Though the Salaries and Remuneration Commission (SRC) developed a wage and benefits policy, it is only confined to public sector workers.

*Way Forward:* The State Department commenced the development of a National Wages and Remuneration Policy in the 2019/2020 Financial Year. The Policy aims at providing a framework for determination and review of wages in the country and will help address wage disparities across the sectors of the economy.

**4.19 Child Labour**

Child labour constitutes a key impediment to development of dynamic and competitive human resources. The challenges to effective reduction of child labour have been low levels of economic development, high incidences of poverty, unemployment, challenges in the education sector, and inconsistencies in laws and regulations. Others are rural-urban migration, socio-cultural practices, lack of up-to-date data on child labour, non-comprehensive social protection system, HIV and AIDS and trafficking in persons.

*Way Forward:* There is need for allocation of fund to enable the State Department carry out a Child Labour Survey to establish the number of children involved in child labour in the country. The survey will also inform the development of policy measures required in withdrawing the children from child labour.

Mr. Simon K. Chelugui  
**Cabinet Secretary**

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**III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES**

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

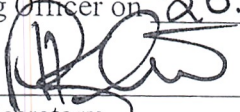
The Accounting Officer in charge of the State Department for Labour is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2020. 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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department for Labour accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2020, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department for Labour further confirms the completeness of the accounting records maintained for the department, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

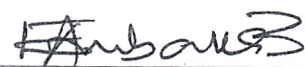
The Accounting Officer in charge of the State Department for Labour confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the department's funds received during the year under audit were used for the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

**Approval of the financial statements**

The State Department for Labour financial statements were approved and signed by the Accounting Officer on 20.04.2021.



Principal Secretary  
Name: PETER K. TUM, OGW



Assistant Accountant General  
Name: ERNEST A. LUKAYU  
ICPAK Member Number: 4150

# REPUBLIC OF KENYA

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*Enhancing Accountability*

## REPORT OF THE AUDITOR-GENERAL ON STATE DEPARTMENT FOR LABOUR FOR THE YEAR ENDED 30 JUNE, 2020

### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of State Department for Labour set out on pages 1 to 23, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, statement of cash flows, summary statement of appropriation- recurrent and development combined 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Department for Labour as at 30 June, 2020, and its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

#### Basis for Qualified Opinion

#### Variances Between the Financial Statements and the IFMIS Trial Balance

A comparison between the financial statements and the supporting IFMIS trial balance revealed variances as shown below:

Item	Trial Balance	Financial Statements	Variance
	Kshs.	Kshs.	Kshs.
Deposit A/c	43,920,831	43,780,813	140,018
Recurrent A/c	12,535,643	11,047,297	1,488,346
Development A/c	1,195,869	2,668,085	(1,472,216)
Government Imprest	10,005,963	10,257,963	(252,000)
District Suspense	15,051,817	20,119,817	(5,068,000)
Deposit	44,160,670	43,780,813	379,857

*Report of the Auditor-General on State Department for Labour for the year ended 30 June, 2020*

Item	Trial Balance	Financial Statements	Variance
	Kshs.	Kshs.	Kshs.
Other Liabilities	8,700,524	-	8,700,524
Withholding tax	892,625	-	892,625
Cash Clearing A/C	1,422,443,888	-	1,422,443,888
Provisions	83,186,014	-	83,186,014

In the circumstances, the accuracy and completeness of the State Department's financial statements could not be confirmed.

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

### Other Matter

#### 1. Pending Bills

Note 16.1 to the financial statements reflects pending bills amounting to Kshs.119,224,702 as at 30 June, 2020. A review of the position as at the time of audit in December, 2020 revealed that an amount of Kshs.57,396,858 had been paid leaving an outstanding balance of Kshs.61,827,845. Failure to settle bills during the year to which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

#### 2. Budget Control and Performance

The summary statement of appropriation- recurrent and development combined reflects final receipts budget and actual on comparable basis of Kshs.4,087,665,972 and Kshs.3,054,926,057 respectively resulting to an under-funding of Kshs.1,032,739,915 or 25% of the budget. Similarly, the statement reflects final expenditure budget and actual on comparable basis of Kshs.4,087,665,972 and Kshs.3,022,627,611 respectively resulting to an under-expenditure of Kshs.1,065,038,361 or 26% of the budget. The under-funding and the resultant under-expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

### **3. Unresolved Prior Year Matter**

#### **Construction of the National Employment Promotion Centre Kabete**

As was previously reported, the construction of the proposed National Employment Promotion Centre at Kabete was awarded to a local company on 15 May, 2015 for a contract period of seventy-eight (78) weeks at a contract sum of Kshs.442,723,947. However, the Project has only marginally progressed even after payment of Kshs.167,098,228 or 38% of contract sum. A physical inspection during the month of January, 2021 revealed that, although the contractor was on site, there was minimal activity going on and the structure depicted an abandoned site. The contract period of 78 weeks had long expired.

Consequently, it was not possible to determine when and if the project will be completed. Delayed completion continues to deny the public value for the money already paid.

#### **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**

###### **1. Lack of Comprehensive Fixed Assets Register**

As disclosed in Note 9 to the financial statements, the statement of receipts and payments reflects an expenditure amount of Kshs.126,285,543 in respect of acquisition of assets during the year under review. However, a summary of fixed assets register, showing the asset classes, historical cost, additions, disposals during the year, transfer in/out during the year and total historical cost as at 30 June, 2020 was not provided in an annex to the financial statements as required by the Public Sector Accounting Standards Board.

In the circumstances, it was not possible to confirm the valuation, location, ownership, existence and the security of all the assets held by the State Department.

###### **2. Management of Temporary Imprests**

The statement of assets and liabilities reflects accounts receivable - outstanding imprests of Kshs.35,569,567 which, as disclosed in Note 11 to the financial statements, includes Kshs.10,257,963 in respect of outstanding Government imprests which ought to have been surrendered by 30 June, 2020. Further, the State Department had issued multiple imprests amounting to Kshs.2,595,134 contrary to Regulation 93(4)(b) of the Public Finance Management (National Government) Regulations, (2015) which

requires an Accounting Officer to ensure that an imprest applicant has no other outstanding imprests.

In the circumstance, the State Department was in breach of law.

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

## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### Conclusion

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

### Basis for Conclusion

#### 1. Lack of IT Policy, Risk Management Policy and Data Recovery Strategy

A review of internal controls at the State Department revealed lack of a documented data recovery strategy, risk management policy and an information technology policy.

Consequently, the Department may be under threat of loss of strategic data and information regarding its operations arising from possible cyber-attacks, poor response to fire outbreaks and unsafe storage of information technology resources.

#### 2. Lack of Staff Succession Plan

A review of the staff establishment of the State Department revealed that the Department had an ageing staff population. Out of the total staffing of five hundred and eighty-six (586), three hundred and eighty-nine (389), representing 66% were 45 years and above. The State Department did not provide any succession policy guideline on how to replace the ageing staff.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 (Cash 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 State Department's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to dissolve the State Department or to cease operations.

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

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

Those charged with governance are responsible for overseeing the State Department'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 State Department'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 State Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence

obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to continue to sustain its services.

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

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

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



**Nancy Gathungu,  
AUDITOR-GENERAL**

**Nairobi**

**29 April, 2021**

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V. STATEMENT OF RECEIPTS AND PAYMENTS

	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>RECEIPTS</b>			
Exchequer releases	1	3,051,890,561	2,624,590,991
Proceeds from Sale of Assets	2	1,375,000	4,125,000
Other Receipts	3	1,660,496	1,349,030
<b>TOTAL RECEIPTS</b>		<b>3,054,926,057</b>	<b>2,630,065,021</b>
<b>PAYMENTS</b>			
Compensation of Employees	4	687,578,923	687,161,399
Use of goods and services	5	1,603,743,340	1,376,790,747
Transfers to Other Government Units	6	598,920,000	431,719,800
Other grants and transfers	7	5,080,000	375,200
Social Security Benefits	8	1,019,805	13,952
Acquisition of Assets	9	126,285,543	122,535,545
<b>TOTAL PAYMENTS</b>		<b>3,022,627,611</b>	<b>2,618,596,642</b>
<b>SURPLUS/DEFICIT</b>		<b>32,298,446</b>	<b>11,468,379</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20.04.2021 and signed by:



Principal Secretary  
 Name: PETER K. TUM, OGW



Assistant Accountant General  
 Name: ERNEST A. LUKAYU  
 ICPAK Member Number: 4150

**MINISTRY OF LABOUR AND SOCIAL PROTECTION**  
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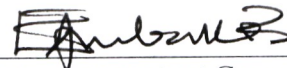
**VI. STATEMENT OF ASSETS AND LIABILITIES**

	Note	2019-2020	2018-2019
		Kshs	Kshs
<b>FINANCIAL ASSETS</b>			
<b>Cash and Cash Equivalents</b>			
Bank Balances	10A	61,930,358	73,044,493
Cash Balances	10B	1,488,346	49,691
<b>Total Cash and cash equivalent</b>		<b>63,418,704</b>	<b>73,094,184</b>
Accounts receivables – Outstanding Imprests	11	35,569,567	15,618,903
<b>TOTAL FINANCIAL ASSETS</b>		<b>98,988,271</b>	<b>88,713,087</b>
<b>FINANCIAL LIABILITIES</b>			
Accounts Payables – Deposits and retentions	12	43,780,813	48,966,759
<b>NET FINANCIAL ASSETS</b>		<b>55,207,458</b>	<b>39,746,328</b>
<b>REPRESENTED BY</b>			
Fund balance b/fwd	13	39,746,328	28,277,949
Prior year adjustment	14	(16,837,316)	
<b>Surplus/Deficit for the year</b>		<b>32,298,446</b>	<b>11,468,379</b>
<b>NET FINANCIAL POSITION</b>		<b>55,207,458</b>	<b>39,746,328</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20.04.2021 and signed by:



Principal Secretary  
Name: PETER K. TUM, OGW



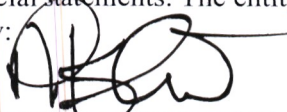
Assistant Accountant General  
Name: ERNEST A. LUKAYU  
ICPAK Member Number: 4150

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For the year ended June 30, 2020

VII. STATEMENT OF CASH FLOWS

		2019-2020	2018-2019
		Kshs	Kshs
<b>Receipts for operating income</b>			
Exchequer Releases	1	3,051,890,561	2,624,590,991
Other Revenues	3	1,660,496	1,349,030
<b>Sub-Total</b>		<b>3,053,551,057</b>	<b>2,625,940,021</b>
<b>Payments for operating expenses</b>			
Compensation of Employees	4	687,578,923	687,161,399
Use of goods and services	5	1,603,743,340	1,376,790,747
Transfers to Other Government Units	6	598,920,000	431,719,800
Other grants and transfers	7	5,080,000	375,200
Social Security Benefits	8	1,019,805	13,952
		<b>2,896,342,068</b>	<b>2,496,061,097</b>
<b>Adjusted for:</b>			
Changes in receivables		(19,950,664)	(14,482,973)
Changes in payables		(5,185,946)	(73,210,013)
Adjustments during the year		(16,837,316)	
<b>Net cash flow from operating activities</b>		<b>115,235,063</b>	<b>42,185,938</b>
<b>CASHFLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from Sale of Assets	2	1,375,000	4,125,000
Acquisition of Assets	9	(126,285,543)	(122,535,545)
<b>Net cash flows from Investing Activities</b>		<b>(124,910,543)</b>	<b>(118,410,545)</b>
<b>CASHFLOW FROM BORROWING ACTIVITIES</b>			
<b>Net cash flow from financing activities</b>			
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(9,675,480)</b>	<b>(76,224,607)</b>
Cash and cash equivalent at BEGINNING of the year	10 A & B	73,094,184	149,318,791
Cash and cash equivalent at END of the year		63,418,704	73,094,184

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 20.04.2021 and signed by:



Principal Secretary  
Name: PETER K. TUM, OGW



Assistant Accountant General  
Name: ERNEST A. LUKAYU  
ICPAK Member Number: 4150



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## VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Receipt/Expense Item	Original Budget a Kshs	Adjustments b Kshs	Final Budget c=a+b Kshs	Actual on Comparable Basis d Kshs	Budget Utilization Difference e=c-d Kshs	% of Utilization f=d/c %
<b>RECEIPTS</b>						
Exchequer releases	4,294,975,819	(958,719,847)	3,336,255,972	3,051,890,561	284,365,411	91%
Proceeds from Foreign Borrowings	200,000,000	(200,000,000)				0%
Proceeds from Sale of Assets	4,550,000	4,550,000	9,100,000	1,375,000	7,725,000	15%
Other Receipts	371,155,000	371,155,000	742,310,000	1,660,496	740,649,504	0%
<b>TOTAL RECEIPTS</b>	<b>4,870,680,819</b>	<b>(783,014,847)</b>	<b>4,087,665,972</b>	<b>3,054,926,057</b>	<b>1,032,739,915</b>	<b>75%</b>
<b>PAYMENTS</b>						
Compensation of Employees	473,789,000	231,457,666	705,246,666	687,578,923	17,667,743	98%
Use of goods and services	2,977,713,561	(1,179,335,224)	1,798,378,337	1,603,743,340	194,634,997	90%
Transfers to Other Government Units	713,865,000	635,865,000	1,349,730,000	598,920,000	750,810,000	44%
Other grants and transfers	3,540,000	3,540,000	7,080,000	5,080,000	2,000,000	72%
Social Security Benefits	1,630,000	1,630,000	3,260,000	1,019,805	2,240,195	32%
Acquisition of Assets	700,143,259	(476,172,290)	223,970,969	126,285,543	97,685,426	57%
<b>GRAND TOTAL</b>	<b>4,870,680,820</b>	<b>783,014,848</b>	<b>4,087,665,972</b>	<b>3,022,627,611</b>	<b>1,065,038,361</b>	<b>74.4%</b>
<b>Surplus/ Deficit</b>	<b>3,540,000</b>	<b>3,540,000</b>	<b>7,080,000</b>	<b>32,298,446</b>	<b>(32,298,446)</b>	

*Note: The under receipt and payment was due to lack of exchequer funding.*

The entity financial statements were approved on 20.04.2021 and signed by:



Principal Secretary

Name: PETER K. TUM, OGW



Assistant Accountant General


Name: ERNEST A. LUKAYU


ICPAK Member Number: 4150

IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT

Receipt/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
<b>RECEIPTS</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
Exchequer releases	1,204,875,819	689,720,153	1,894,595,972	1,889,686,919	4,909,053	100%
Proceeds from Sale of Assets	4,550,000	4,550,000	9,100,000	1,375,000	7,725,000	15%
Other Receipts	371,155,000	371,155,000	742,310,000	1,660,496	740,649,504	0%
<b>TOTAL RECEIPTS</b>	<b>1,580,580,819</b>	<b>1,065,425,153</b>	<b>2,646,005,972</b>	<b>1,892,722,415</b>	<b>753,722,415</b>	<b>72%</b>
<b>PAYMENTS</b>						
Compensation of Employees	379,415,000	286,902,296	666,317,296	640,391,923	25,925,373	96%
Use of goods and services	517,419,461	119,220,146	636,639,607	613,664,231	22,975,375	96%
Transfers to Other Government Units	663,865,000	660,865,000	1,324,730,000	573,920,000	750,810,000	43%
Other grants and transfers	3,540,000	3,540,000	7,080,000	5,080,000	2,000,000	72%
Social Security Benefits	1,630,000	1,630,000	3,260,000	1,019,805	2,240,195	31%
Acquisition of Assets	14,711,359	(6,732,290)	7,979,069	8,583,591	(604,522)	108%
<b>TOTAL PAYMENTS</b>	<b>1,580,580,819</b>	<b>1,065,425,153</b>	<b>2,646,005,972</b>	<b>1,842,659,551</b>	<b>803,963,621</b>	<b>70%</b>
<b>Surplus/Deficit</b>				<b>50,062,865</b>	<b>(50,241,206)</b>	

The entity financial statements were approved on 20.04 2021 and signed by:

  
 Principal Secretary  
 Name: PETER K. TUM, OGW

  
 Assistant Accountant General  
 Name: ERNEST A. LUKAYU  
 ICPAK Member Number: 4150

STATE DEPARTMENT FOR LABOUR

Reports and Financial Statements

For the year ended June 30, 2020

X. SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT

Receipt/Expense Item	Original Budget		Adjustments		Final Budget		Actual on Comparable Basis		Budget Utilization Difference		% of Utilization f=d/c %
	a	Kshs	b	Kshs	c=a+b	Kshs	d	Kshs	e=c-d	f=d/c %	
<b>RECEIPTS</b>											
Exchequer releases	3,090,100,000		1,648,440,000		1,441,660		1,162,203,641		279,456,359		81%
Proceeds from Foreign Borrowings	200,000,000		(200,000,000)		0		0		0		0%
<b>TOTAL RECEIPTS</b>	<b>3,290,100,000</b>		<b>1,848,440,000</b>		<b>1,441,660,000</b>		<b>1,162,203,641</b>		<b>279,456,359</b>		<b>81%</b>
<b>PAYMENTS</b>											
Compensation of Employees	94,374,000		(55,444,630)		38,929,370		47,187,000		(8,257,630)		121 %
Use of goods and services	2,460,294,100		(1,298,555,370)		1,161,738,730		990,079,109		171,659,621		86%
Transfers to Other Government Units	50,000,000		(25,000,000)		25,000,000		25,000,000				100%
Acquisition of Assets	685,431,900		469,440,000)		215,991,900		117,701,952		98,289,948		56%
<b>TOTAL PAYMENTS</b>	<b>3,290,100,000</b>		<b>(1,848,440,000)</b>		<b>1,441,660,000</b>		<b>1,179,968,061</b>		<b>261,691,939</b>		<b>82 %</b>
<b>Surplus/Deficit</b>							<b>(17,764,419)</b>		<b>17,764,419</b>		

The entity financial statements were approved on 20.04.2021 and signed by:

  
Principal Secretary

Name: PETER K. TUM, OGW



Assistant Accountant General  
Name: ERNEST A. LUKAYU  
ICPAK Member Number: 4150

**XI. BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES**

Programme/Sub-programme	Original Budget 2019/2020	Adjustments 2019/2020	Final Budget 2019/2020	Actual on comparable basis 2019/2020	Budget utilization difference
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>Programme 1</b>	<b>547,890,239</b>		<b>564,408,790</b>	<b>539,297,186.00</b>	<b>25,111,604</b>
General Administration, Planning and Support Services	547,890,239	16,518,551	564,408,790	539,297,186	25,111,604
<b>Programme 2- Promotion of the Best Labour Practice</b>	<b>617,576,786</b>	<b>3,812,274</b>	<b>613,764,512</b>	<b>590,090,691</b>	<b>23,673,822</b>
Sub-programme 1 -Promotion of harmonious industrial relations	324,127,629	19,837,980	304,289,649	306,006,319	(1,716,670)
Sub-programme 2	19,464,417	4,504,227	14,960,190	12,669,905	2,290,285
Regulation of Trade Unions					
Sub-Programme 3	273,984,740	20,529,933	294,514,673	271,414,466	23,100,207
Provision of Occupational Safety and Health					
<b>Program 3</b>	<b>4,152,435,367</b>	<b>1,242,942,697</b>	<b>5,395,378,064</b>	<b>1,893,185,835</b>	<b>3,502,192,229</b>
<b>Manpower Development, Employment and Productivity Management</b>					
Sub-programme 1	509,231,078	246,579,790	262,651,288	147,861,680	114,789,608
Human Resource Planning & Development					
Programme 2	3,488,730,000	1,295,000,000	2,193,730,000	1,327,665,834	866,064,166
Sub-programme 2 Provision of Industrial Skills					
Sub-programme 3	641,760,000	264,852,264	376,907,736	345,226,702	31,681,034
Employment Promotion					
Sub-Programme 4	154,474,289	78,270,643	76,203,646	72,386,520	3,817,127
Productivity Promotion, Measurement & improvement					
<b>GRAND TOTAL</b>	<b>5,317,902,392</b>	<b>1,230,236,420</b>	<b>4,087,665,972</b>	<b>3,022,672,311</b>	<b>1,064,993,661</b>

## XII. SIGNIFICANT ACCOUNTING POLICIES

The principle accounting policies adopted in the preparation of these financial statements are set out below:

### 1. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with Cash-basis International Public Sector Accounting Standards (IPSAS) as prescribed by the Public Sector Accounting Standards Board (PSASB) and set out in the accounting policy note below. This cash basis of accounting has been supplemented with accounting for; a) receivables that include imprests and salary advances and b) payables that include deposits and retentions.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB. The accounting policies adopted have been consistently applied to all the years presented.

### 2. Reporting Entity

The financial statements are for the State Department for Labour.. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

#### (i) Kenya Youth Employment and Opportunities Project (KYEOP)

### 3. Reporting Currency

The financial statements are presented in Kenya Shillings (KShs), which is the functional and reporting currency of the Government and all values are rounded to the nearest Kenya Shilling.

### 4. Significant Accounting Policies

The accounting policies set out in this section have been consistently applied by the Entity for all the years presented.

#### a) Recognition of Receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the Entity.

- **Tax Receipts**

Tax receipts are recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received. (Check if this policy is applicable to entity)

## **SIGNIFICANT ACCOUNTING POLICIES**

- **Transfers from the Exchequer**

Transfers from the exchequer are recognized in the books of accounts when cash is received. Cash is considered as received when payment instruction is issued to the bank and notified to the receiving entity.

- **External Assistance**

External assistance is received through grants and loans from multilateral and bilateral development partners.

Grants and loans shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary.

In case of grant/loan in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice. A similar recognition criteria is applied for loans received in the form of a direct payment.

During the year ended 30<sup>th</sup> June 2020, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

- **Other receipts**

These include Appropriation-in-Aid and relates to receipts such as proceeds from disposal of assets and sale of tender documents. These are recognized in the financial statements the time associated cash is received.

### **b) Recognition of payments**

The Entity recognises all payments when the event occurs and the related cash has actually been paid out by the Entity.

- **Compensation of Employees**

Salaries and wages, allowances, statutory contribution for employees are recognized in the period when the compensation is paid.

- **Use of Goods and Services**

Goods and services are recognized as payments in the period when the goods/services are paid for. Such expenses, if not paid during the period where goods/services are consumed, shall be disclosed as pending bills.

- **Interest on Borrowing**

Borrowing costs that include interest are recognized as payment in the period in which they are paid for.

## SIGNIFICANT ACCOUNTING POLICIES

- **Repayment of Borrowing (Principal Amount)**

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made.

- **Acquisition of Fixed Assets**

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment.

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the financial statements.

### 5. In-kind contributions

In-kind contributions are donations that are made to the Entity in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the Entity includes such value in the statement of receipts and payments both as receipts and as payments in equal and opposite amounts; otherwise, the contribution is not recorded.

### 6. Third Party Payments

Included in the receipts and payments, are payments made on its behalf to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third parties in the statement of receipts and payments as proceeds from foreign borrowings.

### 7. Cash and Cash Equivalents

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

#### Restriction on Cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation.

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2020, this amounted to Kshs 43,780,813.00 compared to Kshs 48,966,759.00 in prior period as indicated on note 12 .

There were no other restrictions on cash during the year.

**MINISTRY OF LABOUR AND SOCIAL PROTECTION**  
**STATE DEPARTMENT FOR LABOUR**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**SIGNIFICANT ACCOUNTING POLICIES**

**8. Accounts Receivable**

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year are treated as receivables. This is in recognition of the government practice where the imprest payments are recognized as payments when fully accounted for by the imprest or AIE holders. This is an enhancement to the cash accounting policy. Other accounts receivables are disclosed in the financial statements.

**9. Accounts Payable**

For the purposes of these financial statements, deposits and retentions held on behalf of third parties have been recognized on an accrual basis (as accounts payables). This is in recognition of the government practice of retaining a portion of contracted services and works pending fulfilment of obligations by the contractor and to hold deposits on behalf of third parties. This is an enhancement to the cash accounting policy adopted by National Government Ministries and Agencies. Other liabilities including pending bills are disclosed in the financial statements.

**10. Pending Bills**

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years. As pending bills do not involve the payment of cash in the reporting period, they recorded as 'memorandum' or 'off-balance' items to provide a sense of the overall net cash position of the Entity at the end of the year. When the pending bills are finally settled, such payments are included in the Statement of Receipts and Payments in the year in which the payments are made.

**11. Budget**

The budget is developed on a comparable accounting basis (cash basis except for imprest and deposits, which are accounted for on an accrual basis), the same accounts classification basis, and for the same period as the financial statements. The original budget was approved by Parliament on June 2019 for the period 1<sup>st</sup> July 2019 to 30<sup>th</sup> June 2020 as required by Law and there were two supplementary adjustments to the original budget during the year.

A comparison of the actual performance against the comparable budget for the financial year under review has been included in the financial statements.

Government Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers.

**12. Comparative Figures**

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

**SIGNIFICANT ACCOUNTING POLICIES**

**13. Subsequent Events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30<sup>th</sup> June 2020.

**14. Errors**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

During the year, errors that have been corrected are disclosed under note 26 explaining the nature and amounts.

**15. Related Party Transactions**

Related party relationships are a normal feature of commerce. Specific information with regards to related party transactions is included in the disclosure notes.

**MINISTRY OF LABOUR AND SOCIAL PROTECTION**  
**STATE DEPARTMENT FOR LABOUR**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

**NOTES TO THE FINANCIAL STATEMENTS**

**1. EXCHEQUER RELEASES**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Total Exchequer Releases for quarter 1	761,907,878	603,816,547
Total Exchequer Releases for quarter 2	1,099,035,467	617,038,569
Total Exchequer Releases for quarter 3	671,715,672	797,732,760
Total Exchequer Releases for quarter 4	519,231,544	606,003,115
<b>TOTAL</b>	<b>3,051,890,561</b>	<b>2,624,590,991</b>

**2. PROCEEDS FROM SALE OF ASSETS**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Receipts from the Sale of Inventories, Stocks and Commodities	1,375,000	4,125,000
<b>TOTAL</b>	<b>1,375,000</b>	<b>4,125,000</b>

**3. OTHER RECEIPTS**

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Receipts from Administrative Fees and Charges - Collected as AIA	1,060,496	929,030
Receipts from Sale of Incidental Goods	600,000	420,000
<b>TOTAL</b>	<b>1,660,496</b>	<b>1,349,030</b>

**4. COMPENSATION OF EMPLOYEES**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Basic salaries of permanent employees	381,877,028	322,224,175
Basic wages of temporary employees	61,388,254	103,525,237
Personal allowances paid as part of salary	231,263,155	252,324,040
Personal allowances paid as reimbursements	8,448,307	5,651,047
Personal allowances provided in kind	4,602,180	3,436,900
<b>TOTAL</b>	<b>687,578,923</b>	<b>687,161,399</b>

**MINISTRY OF LABOUR AND SOCIAL PROTECTION**  
**STATE DEPARTMENT FOR LABOUR**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. USE OF GOODS AND SERVICES**

	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Utilities, supplies and services	21,557,768	44,186,424
Communication, supplies and services	30,511,447	35,286,208
Domestic travel and subsistence	115,087,719	231,101,624
Foreign travel and subsistence	23,480,581	45,624,706
Printing, advertising and information supplies & services	15,459,930	15,030,179
Rentals of produced assets	340,195,835	153,575,825
Training expenses	902,810,506	621,327,029
Hospitality supplies and services	48,639,419	78,857,115
Insurance costs	855,000	412,500
Specialised materials and services	7,949,688	10,731,118
Office and general supplies and services	29,531,249	37,501,579
Other operating expenses	35,767,175	55,362,552
Routine maintenance – vehicles and other transport equipment	10,890,618	13,372,709
Routine maintenance – other assets	4,205,414	6,051,639
Fuel Oil and Lubricants	16,800,993	28,369,539
<b>TOTAL</b>	<b>1,603,493,340</b>	<b>1,376,790,747</b>

**6. TRANSFERS TO OTHER GOVERNMENT ENTITIES**

The transfers were made to the following self-reporting entities in the year:

<b>Description</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Transfers to Central government entities (SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300)		
NITA	370,320,000	246,838,500
NEA	222,500,000	180,000,000
DOSH	6,000,000	4,881,300
<b>TOTAL</b>	<b>593,920,000</b>	<b>431,719,800</b>

**MINISTRY OF LABOUR AND SOCIAL PROTECTION**  
**STATE DEPARTMENT FOR LABOUR**  
**Reports and Financial Statements**  
**For the year ended June 30, 2020**

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statements

**7. OTHER GRANTS AND TRANSFERS**

<b>Explanation</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Membership dues and subscriptions to international organizations		
Scholarships and other educational benefits	5,080,000	375,200
<b>TOTAL</b>	<b>5,080,000</b>	<b>375,200</b>

**8. SOCIAL SECURITY BENEFITS**

<b>Explanation</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Government pension and retirement benefits	1,019,805	13,952
<b>TOTAL</b>	<b>1,019,805</b>	<b>13,952</b>

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**9. ACQUISITION OF ASSETS**

<b>Non-Financial Assets</b>	<b>2019-2020</b>	<b>2018-2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Construction of Buildings	97,984,928	57,915,282
Refurbishment of Buildings	2,435,231	325,000
Purchase of Motor vehicles	5,310,000	0
Purchase of Office Furniture and General Equipment	9,418,418	5,932,540
Purchase of Specialised Plant Equipment and Machinery	2,682,505	5,324,300
Research Feasibility Studies and Project Preparation	8,454,461	53,038,423
<b>TOTAL</b>	<b>126,285,543</b>	<b>122,535,545</b>

**10. A: Bank Balances**

<b>Name of Bank, Account No. &amp; currency</b>	<b>Amount in bank account currency</b>	<b>Indicate whether recurrent, Development, deposit e.t.c</b>	<b>Exc rate (if in foreign currency)</b>	<b>2019-2020</b>	<b>2018 -2019</b>
				<b>Kshs</b>	<b>Kshs</b>
Central Bank of Kenya, 1000303166 , Recurrent Kshs- Labour		Recurrent	1	11,047,297	129,700
Central Bank of Kenya, 1000303174, Development Kshs – Labour		Development	1	2,668,085	1,750,993
Central Bank of Kenya, 1000303198, Deposits Kshs – Labour		Deposits	1	43,780,813	48,966,759
Central Bank of Kenya, 1000320467, KShs - KYEOP		KYEOP Development	1	4,434,163	22,197,041
<b>TOTAL</b>	-			<b>61,930,358</b>	<b>73,044,493</b>

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**10 B: CASH IN HAND**

	<b>2019-2020</b>	<b>2018 -2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Cash in Hand – Held in domestic currency	1,488,346	49,691.00
<b>TOTAL</b>	<b>1,488,346</b>	<b>49,691</b>

Cash in hand should also be analysed as follows:

	<b>2019 -2020</b>	<b>2018 -2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Headquarters Cash office	1,488,346	49,691
<b>TOTAL</b>	<b>1,488,346</b>	<b>49,691</b>

**11. ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS**

<i>Description</i>	<b>2019-2020</b>	<b>2018 -2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Government Imprests	10,257,963	15,618,903
District suspense	25,311,604	
<b>TOTAL</b>	<b>35,569,567</b>	<b>15,618,903</b>

**12. ACCOUNTS PAYABLE**

<b>Description</b>	<b>2019-2020</b>	<b>2018 -2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Deposits	43,780,813	48,966,759
Project Balance		
<b>TOTAL</b>	<b>43,780,813</b>	<b>48,966,759</b>

**13. FUND BALANCE BROUGHT FORWARD**

<b>Description</b>	<b>2019-2020</b>	<b>2018 -2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Bank accounts	71,293,500	147,624,939
Cash in hand	1,488,346	1,693,852
Accounts Receivables	16,837,312	1,135,930
Accounts Payables	(48,966,759)	(122,176,772)
<b>TOTAL</b>	<b>39,746,328</b>	<b>28,277,949</b>

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**14. PRIOR YEAR ADJUSTMENTS**

Description of the error	2019-2020	2018 -2019
	Kshs	Kshs
Adjustments on bank account balances	(15,618,903)	
Adjustments on cash in hand		

*Prior year adjustments as a result of 2018/19 recurrent and development funds swept back to the exchequer and further adjustments of the previous years imprests surrendered in the current year thus resulting in reduction of fund balance brought forward as supported by bank statement and imprest schedule.*

**15. RELATED PARTY DISCLOSURES**

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the STATE DEPARTMENT FOR LABOUR

- Key management personnel that include the Cabinet Secretaries and Accounting Officers
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

**16. OTHER IMPORTANT DISCLOSURES**

**16.1: PENDING ACCOUNTS PAYABLE (See Annex 1)**

Description	2019-2020	2018-2019
	Kshs	Kshs
Construction of buildings	78,964,753	37,501,163
Civil Works	20,575,841	59,710,319
Supply of goods	0	29,215,270
Supply of services	19,684,108	195,808,372
<b>TOTAL</b>	<b>119,224,702</b>	<b>322,235,123</b>

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**17. 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.

<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
1. Incomplete summary of asset register	Exclusion of list and value of fixed Assets	The list has not been finalized yet.	Head of supply Chain Management	Resolved	Resolved
2. Unvouchered expenditure	Tender documents not provided	Following the movement of all staff, it has been challenging to trace the required documents	Head of supply chain management	Resolved	Tender documents provided
3. Shoddy construction of DOSH – Research Institute	Poor planning, workmanship and implementation likely to escalate costs,	Project manager, Public Works has explained the issues and the same forwarded to Auditor General	Director, Dosh and Secretary, Administration	90% complete	Construction work has been confirmed both by parliamentary committee and public

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
					works and confirmed of sound status
4. Refurbishment of medical clinic at DOSH	Value for money spent on X-Ray Machine and Refurbishment of clinic uncertain	As explained by the directorate, Value for money was received throughout the years from 2007	Director Dosh & Human Resource Management	Resolved	X-Ray refurbished and in use
Unsupported Pending Bills	Supporting documents for audit not provided	The payment vouchers relating to the pending bills available for audit	Procurement and Accounts	Resolved	Pending bill fully supported
5. Unsupported Pending Bills	Unable to confirm the validate of the bills	All the recurrent bills have been settled while the Development is still outstanding Due to lack of Budgetary provisions.	Directorates, supply Chain, finance and Accounts	Resolved	Pending bill fully supported and partly paid
6. Unreconciled lease payments	Not possible to confirm the accuracy of the lease payments	The agreements were signed with correct amounts.	Administration	Resolved	Lease payments reconciled

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
7. Unsupported payments for Cleaning services	Missing Schedules showing period work was done	Schedules compiled and available for audit	Supply Chain Management	Resolved	Schedules fully supported
8. Irregular payment for Management consultancy services	Payment could not be confirmed as a proper charge to public Funds	Explanation made on the circumstances that led to the consultancy	Director NHRPD	Resolved	Matter resolved and confirmed by the office of the Auditor General
9. Unsupported Bursary Payments	Propriety of the expenditure could not be confirmed	Receipts from the Schools where the amount was disbursed were awaited awaiting Auditors confirmation	Director Children Department. State Department for Social Protection	Resolved	Bursary payment fully supported and matter resolved by PAC
10. General and District suspense	Completeness and Accuracy of	The suspense was occasioned by transfer of funds from the	Accounts section	In process- awaiting Audit	In process

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
	balances could not be confirmed	Ministry to Donor bank account using Suspense Item instead of Cash item.		Confirmation.	
11. Long Outstanding Imprest	Recoverability of the imprest is uncertain	We are still tracing the defaulters to enable recoverability	Human Resource Management Department	Not fully recovered	
12. Un-surrendered Bank Balances	Unspent balances of Kshs.5,684,232 received from Meru district had not been surrendered to Exchequer to-date	We have initiated the process of surrendering the money to the National Treasury Exchequer Department	Accounts Section	Funds transferred to Treasury	Resolved
13. Construction of the National Employment Promotion	The construction of the Centre awarded to M/S Inforserve Networks	The construction is ongoing	Director NEA	Still in process	In Process

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<b>Reference No. on the external audit Report</b>	<b>Issue / Observations from Auditor</b>	<b>Management comments</b>	<b>Focal Point person to resolve the issue (Name and designation)</b>	<b>Status: (Resolved / Not Resolved)</b>	<b>Timeframe: (Put a date when you expect the issue to be resolved)</b>
Centre Kabete	Limited had stalled				



Principal Secretary  
 Name: PETER K. TUM, OGW



Assistant Accountant General  
 Name: ERNEST A. LUKAYU  
 ICPAK Member Number: 4150

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**ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE**

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2019	Comments
	A	B	c	d=a-c		
<b>Construction of buildings</b>				<b>Kshs</b>		
1. TENCONS BUILDERS LTD				2,521,787		Insufficient budget
2. M/S INFORSERVE NETWORKS LTD				76,442,966		Insufficient budget
<b>SUB-TOTAL</b>				<b>78,964,753</b>		
<b>Construction of civil works</b>				<b>Kshs</b>		Insufficient budget
3. MILIKI DEVELOPMENT COMPANY LIMITED				10,289,891		Insufficient budget
4. ECO-PARTNRS LTD				1,830,575		Insufficient budget
5. ECO-PARTNERS LTD				650,029		Insufficient budget
6. TOP CHOICE SURVEILLANCE LTD				7,805,347		Insufficient budget
<b>SUB-TOTAL</b>				<b>20,575,841</b>		
<b>Supply of Services</b>						
7. ROYAL MEDIA SERVICES LTD				696,000		Insufficient budget
8. DEPARTMENT OF FILMS SERVICES				350,000		Insufficient budget
9. ADMIRAL SECURITY SERVICES				462,000		Insufficient budget
10. U & S CAPITAL LIMITED				6,368,864		Insufficient budget
11. U & S CAPITAL LIMITED				636,886		Insufficient budget
12. U & S CAPITAL LIMITED				661,200		Insufficient budget
13. ALIBABA TOURS & TRAVEL LTD				966,168		Insufficient budget
14. ZAKALE EXPEDITIONS LTD				28,000		Insufficient budget
15. ALIBABA TOURS & TRAVEL LTD				497,610		Insufficient budget
16. PAGO AIRWAYS TRAVEL SERVICES				1,339,835		Insufficient budget
17. QURESHY TRAVEL LTD				38,500		Insufficient budget
18. ALIBABA TOURS & TRAVEL LTD				202,690		Insufficient budget
19. THE ELITE TIMES VENTURES LTD				73,920		Insufficient budget
20. THE ELITE TIMES VENTURES LTD				41,980		Insufficient budget

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Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2019	Outstanding Balance 2019	Comments
21. THE ELITE TIMES VENTURES LTD				36,960		Insufficient budget
22. PAGO AIRWAYS TRAVEL SERVICES				75,100		Insufficient budget
23. THE ELITE TIMES VENTURES LTD				45,950		Insufficient budget
24. THE ELITE TIMES VENTURES LTD				41,980		Insufficient budget
25. ENTRADA TOURS AND TRAVEL LTD				142,000		Insufficient budget
26. TRAVIGENT AGENCIES				289,200		Insufficient budget
27. ASTORIAN GRAND HOTEL				797,200		Insufficient budget
28. TALENT OFFICE SUPPLIERS				321,500		Insufficient budget
29. TOYOTA KENYA LIMITED				14,800		Insufficient budget
30. DT DOBIE LTD				240,045		Insufficient budget
31. TOYOTA KENYA LIMITED				32,508		Insufficient budget
32. NITA-MOMBASA				70,000		Insufficient budget
33. NSSF				1,696,500		Insufficient budget
34. NSSF-MOMBASA				2,189,992		Insufficient budget
35. PAGO AIRWAYS TRAVEL SERVICES				33,970		Insufficient budget
36. TELECOMMUNICATION TODAY LTD				715,400		Insufficient budget
37. ALIBABA TOURS & TRAVEL LTD				560,400		Insufficient budget
38. PAGO AIRWAYS TRAVEL SERVICES				16,950		Insufficient budget
<b>Supply of Goods</b>				-		
<b>SUB-TOTAL</b>				<b>19,684,108</b>		
<b>GRAND TOTALS</b>				<b>119,224,702</b>		

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**ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Historical Cost b/f (Kshs) 2018/2019	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) 2019/2020
Land					
Buildings and structures					
Transport equipment					
Office equipment, furniture and fittings					
ICT Equipment					
Machinery and Equipment					
Biological assets					
Infrastructure Assets- Roads, Rails					
Heritage and cultural assets					
Intangible assets					
Work in Progress					
<b>TOTAL</b>					

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**ANNEX 3 – LIST OF PROJECTS IMPLEMENTED BY THE STATE DEPARTMENT FOR LABOUR**

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements (yes/no)
1	Kenya Youth Employment and Opportunities Project (KYEOP)	Youth Empowerment	Principal Secretary :- Labour	YES
2				
3				
4				

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**ANNEX 4 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE STATE DEPARTMENT FOR LABOUR**

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter- entity reconciliations done?(yes/no)
1	NITA	Training of youth for employment	Principal Secretary - Labour	370,420,000	YES
2	NEA	Regulation of employment bureaus	CEO	222,500,000	YES
3	DOSH	Safety at work place	CEO	6,000,000	YES

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**ANNEX 7- REPORTS GENERATED FROM IFMIS**

The following financial Reports Generated from IFMIS should be generated and attached as appendices to these financial statements.

- i. GOK
- ii. IFMIS Comparison Trial Balance
- iii. FO30 (Bank reconciliations) for all bank accounts
- iv. GOK IFMIS Receipts and Payments Statement
- v. GOK IFMIS Statement of Financial Position
- vi. GOK IFMIS Statement of Cash Flows
- vii. GOK IFMIS Notes to the Financial Statements
- viii. GOK IFMIS Statement of Budget Execution
- ix. GOK IFMIS Statement of Deposits
- x. GOK IFMIS Budget Execution by Programme and Economic Classification
- xi. GOK IFMIS Budget Execution by Heads and Programmes
- xii. GOK IFMIS Budget Execution by Programmes and Sub-programmes

**OTHER ANNEXTURES**

- i. Confirmation of transfers to SAGAS
- ii. Analysis of imprests
- iii. Bank certificates and bank reconciliations