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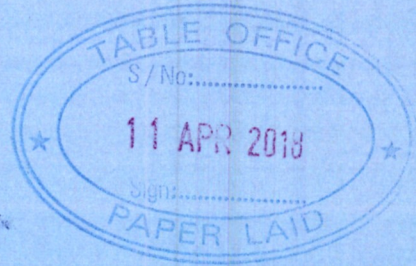
REPUBLIC OF KENYA



Paper laid
By LOMP Hon. Sull
on 11/4/2018

OFFICE OF THE AUDITOR-GENERAL

REPORT



OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
NATIONAL EMPLOYMENT AUTHORITY

FOR THE FIVE MONTHS
PERIOD ENDED
30 JUNE 2017



NATIONAL EMPLOYMENT AUTHORITY

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NAIROBI

NATIONAL EMPLOYMENT AUTHORITY
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE FIVE MONTH PERIOD ENDING 30TH JUNE 2017

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

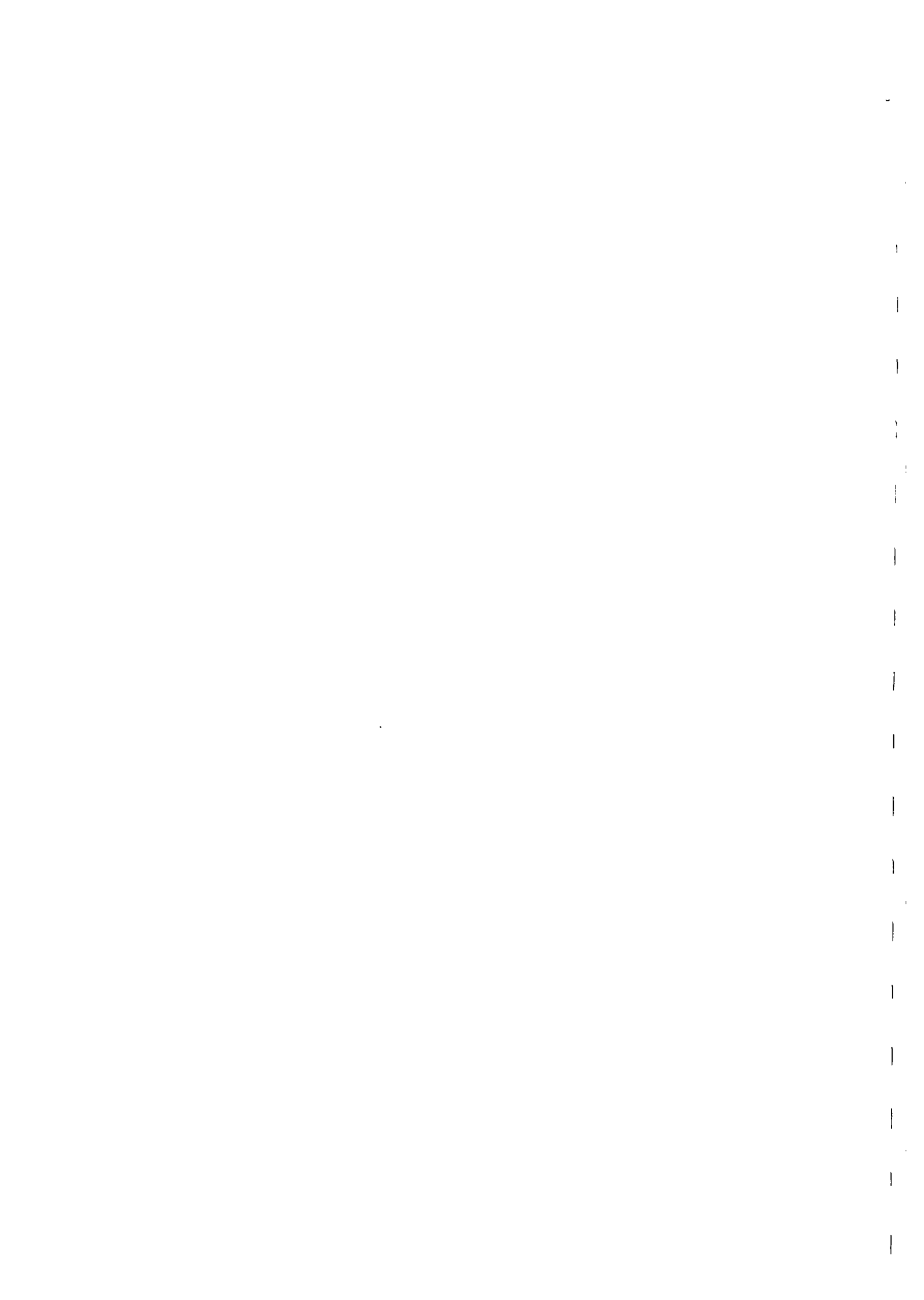


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**National Employment Authority
Reports and Financial Statements
For Five Month Period ended June 30, 2017**

I KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The **National Employment Authority** was established under the Act of Parliament on 21st April 2016. The **National Employment Authority** is domiciled in Kenya.

Principal Activities

The principal activity is to provide for a comprehensive institutional framework for employment management; to enhance employment promotion interventions; to enhance access to employment for youth, minorities and marginalized groups and for connected purposes

(b) Key Management

The National Employment Authority's day-to-day management is under the following key organs:

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

(c) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2017 and who had direct fiduciary responsibility were:

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

(d) Fiduciary Oversight Arrangements

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

The following Committee were in place:

(i) Finance, Human Resource & Governance

	Name	Position
1.	Jefferson N. Kariuki	Chair
2.	Mary Maungu	Member
3.	Jacqueline Mugo	Member
4.	Chege Mwangi	Member
5.	Rael Rotich	Ag. DG

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(ii) Employment, Promotion Services & Strategy

	Name	Position
1.	Jacqueline Mugo	Chair
2.	Washington Oloo	Member
3.	Fatuma Abubakar	Member
4.	Chege Mwangi	Member
5.	Jefferson N. Kariuki	Member
6..	Dishon Atemo	Member
7.	Mrs. Janet Mwalwa	member
8.	Rael Rotich	Ag. DG

(iii) Audit Risk and Compliance

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

- *Audit and finance committee activities*
- *Parliamentary committee activities*
- *Development partner oversight activities*
- *Other oversight activities*

(e) Registered Office and Principal Place of Business

NSSF Building, Block B
P.O. Box 40326 00100
15th Floor, Bishops Road
Nairobi, Kenya

(f) Contacts

Telephone: +254 (0) 279800
E-mail: principalsecretary@labour.go.ke or info@labour.go.ke
Website: www.labour.go.ke

(g) Bankers

Kenya Commercial Bank
Millimani branch
P.O BOX 69695 00400
Nairobi, Kenya

(h) Independent Auditors

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

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(i) Principal Legal Adviser

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

II THE BOARD OF DIRECTORS



1. Mrs. Winnie Pertet -Chairperson

Date of Birth: 2nd April, 1965

MBA Human Resource Management

B.Ed Degree

Higher Diploma in Human Resource Management

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

Winnie is currently in the employment of a leading Global African Financial Services company as the HR Director. She has 22 years of HR experience at various management and leadership levels in leading local and global multinational organizations. Her career includes over 10 years in the Banking Industry and a further 7 years in the manufacturing sector, (FMCG) at East African Breweries and Coca-Cola Sabco, (now Africa Beverages) as well as 3 years in Financial services that includes Insurance, Asset Management, Banking and Property.

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

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



2. Mrs. Jacqueline Mugo

Date of Birth: 20th November, 1957

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

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

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



3. Mr. Jefferson Kariuki

Date of Birth : 1st January, 1957

Masters of Business Administration Human Resource and Entrepreneurship
Senior Principal -Thika Technical Training Institute

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4.Eng. Dishon Atemo

Date of Birth: 26th June, 1984

BSc Mechanical Engineering – University of Nairobi

Chair National Youth Council



5.Prof. Walter Oyawa

Date of Birth: 23rd August, 1965

PhD Civil Engineering Structural Engineering

MSc and BSc in Civil Engineering

Executive Master of Business Administration (EMBA)

Certificate in Corporate Governance for Directors

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



6.Mrs. Janet Mwalw'a

Date of Birth: 4th August 1957

Master of Business Administration degree in General Management

Deputy Director, Human Resource

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7. Mr. Washington Oloo
Director, National Employment Authority

Mr. Oloo is also the Director for Diaspora and Consular Affairs, Ministry of Foreign Affairs. He is a seasoned public servant who has served in several Ministries and Departments including Ministry of Labour, Directorate of Personnel Management (DPM), Civil Service Reforms Secretariat (CSRS).

Mr. Oloo is a holder of Masters Degree in Development Economics and has attended several courses in management, public finance, planning and administration.



8. Ms. Fatuma Abubakar
Date of Birth: 1st January, 1985
Masters in Governance and Ethics,
Member of the Youth Council representing North Easter Region



9. Mr. Chege Mwangi
Date of Birth: 30th March 1962
B.A. (HON) Nairobi
M.A.(PPM) Nairobi
PGD Administration
Work experience 32 years in Public Administration
Alternate Director to Principal Secretary - Labour

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III MANAGEMENT TEAM



Rael Rotich
Ag. Director General
Date of Birth: 21st April 1965
Master of Business Administration
Post Graduate Diploma in Human Resource



Edith Okoki
Ag. Head Technical Unit
Date of Birth: 28th May 1965
Master of Business Administration
PGD Law, Kenya School of Law
LLB, Higher Diploma in Human Resource
BA in Public Administration



Michael Mutua
Ag. Head of Finance
Date of Birth:
Bachelor of Arts (Economic & Business Studies
MBA Finance (On-going at KU)



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

IV CHAIRPERSON'S STATEMENT

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

November 25th, 2016, marked the first day of the corporatization of our activities. The Authority and The Board Chair signed a performance contract with the Cabinet Secretary for the second half of the 2016/17 financial year.

Dominating our activities therefore were two broad activities; Induction of the Board to the Code of Governance for State Corporations and operationalization of the Authority. The Authority has prepared a draft Strategic Plan for 2017- 2021 that will provide the Authority with a blueprint on which to base its activities and measure the results of performance. The plan is aligned to the Kenyan Vision 2030, third Medium Term Plan and the NEA Act, 2016.

A broad action plan for the implementation of the policy has been developed. The Plan provides the framework which will guide the implementation of the National Employment Policy and Strategy for Kenya. The Plan covers the 2017-2030 periods. Human Resource Policy and Procedures Manuals, Staffing levels, staff establishment, Organization Structure and Career Progression Guidelines have been developed to support service delivery, commitments and obligations of the National Employment Authority.

During this period the National Employment Policy and Strategy for Kenya was developed on the backdrop of a strong need to address the country's unemployment challenge. Its overall goal is to promote full employment as a priority in national, economic and social policy.

The Authority has developed a Labour Migration Policy and Labour Migration Management Bill, 2017. The bill, once enacted into law will reinforce the existing legal framework in order to afford more protection to the Kenyan migrant workers.

A draft National Internship Policy and draft National internship guidelines have also been developed that will provide a framework for coordinated implementation of the national internship programme and cover all the aspects of internship

I am confident that once the Authority has been categorized and staff recruited the mandate of the Authority shall be realized. How we handle continuous change over the next few years will be critical to the Authority's continued successful operation, which will enable the growth of our country.

I acknowledge the commitment and diligence of my fellow Board members during the year under review and thank our Ag. CEO Rael Rotich and her team for their continued excellent work. I also recognize the Cabinet secretary of the Ministry of East Africa Community, Labour and Social Protection, Hon. Phyllis J. Kandie, E.G.H and recognize the Principal Secretary State Department of Labour Dr. Khadijah Kassachoon, CBS for their continued leadership and guidance.



**Mrs. Winnie Pertet
CHAIRPERSON**

V DIRECTOR GENERAL'S STATEMENT

I am pleased to present highlights of The National Employment Authority operations for the Year 2016/2017. I recognize the efforts of all the staff in achieving the objectives set for the year. I am also grateful to the NEA Board for its continued strategic guidance during the year.

Achievements

The Authority managed to place 23,928 jobseekers in local and foreign employment through field offices and private employment agencies. The Authority also vetted and registered 20 private Employment agencies through the Inter ministerial vetting committee.

The Authority advised the Ministry of East African Community, Labour and Social Protection, and came up with a draft policy on labour Migration and a draft bill on labour migration management. The draft labour migration policy and labour migration bill will be subjected to stakeholder's validation in 2017/2018 financial year.

During the financial period, the Authority developed a draft plan of action of the National Employment policy and Strategy for Kenya. The draft plan of action developed will be subjected to stakeholder validation and be disseminated in the financial year 2017/2018. The Authority also developed a framework and guidelines for monitoring employment creation. In an effort to operationalize the Authority, draft operational manuals were developed. The Authority developed draft Human Resource Manual, organization structure, staffing levels, staff establishment and career guidelines. The draft operational manuals are awaiting the categorization of the Authority before being validated by the board.

Challenges

Delays and lack of AIEs to the County Employment offices affected operations in the field. The delay in lifting of the ban on export of low skilled labour to the gulf region that impacted negatively on placement of foreign vacancies during the period and suspension of vetting private recruitment agencies. The Authority has faced challenges of staff shortage as its county employment offices are manned by one staff, most of whom are due to retire or are retiring in the next one year, thus effect on ageing staff. The Authority is still awaiting its categorization by SCAC. Lack of and/or obsolete working equipment e.g. computers, furniture, vehicles are a draw back to the fastness of service delivery.

Collaboration

The Authority continues to collaborate with the Ministry of East African, Labour and Social Protection, National Industrial Training Authority, The Youth Fund, (World Association of Public Employment Services (WAPES)) and other Government agencies to streamline the Employment and internships activities in the Country internationally and regionally, the Authority collaborates with ILO, IOM, WAPES, APES, EAC in development, implementation and monitoring of conventions Laws and Policies. The Authority intends to reach out to other institutions and stakeholders in continuous development and modernization of the labour market information. I am grateful to the Ministry of East African Community, Labour and Social Protection and all stakeholders for the support given to the Authority in financial year 2016 / 2017. My profound thanks also goes to the Chair of the Board and Board Members for the support and guidance provided; and to the team of staff at the Authority for the collective effort made in propelling the Authority towards meeting its mandate. This report is testimony to the great work put in to ensure compliance with the law and value for money to the citizens of our great country.



**Rael Rotich
Ag. DIRECTOR GENERAL**

VI CORPORATE GOVERNANCE STATEMENT

Introduction

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

Board Composition and Appointment

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

Board Roles and Responsibilities

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

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

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

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

Other roles include:

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

Board Meetings Attendance

The National Employment Authority Act provides that the Board shall meet at least four times in every financial year and not more than four months shall elapse between the date of one meeting and the date

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of the next meeting. The chairperson may, and upon requisition in writing by at least five members, convene a special meeting of the Board at any time for the transaction of the business of the Board. The table below details board membership and attendance at scheduled board meetings during the year:-

Board Membership and Attendance of Meetings.

Board Member	Classification	Sector	Organization	Attendance
Mrs Winnie Pertet	Chairperson	Private		5/5
Mr. Chege Mwangi	Member	Public	Ministry of East African Community, Labour and Social Protection, State Department for Labour.	3/5
Mr. Jeff Kariuki	Member	Public	Kenya Association of Technical Training Institutions	5/5
Eng. Dishon Atemo	Member	Private	National Youth Council	5/5
Mr. Washington Oloo	Member	Public	Ministry of Foreign affairs and International Trade	4/5
Ms Fatuma Abubakar	Member	Private	National Youth Council	5/5
Mrs. Jackline Mugo	Member	Private	Federation of Kenya Employers	2/5
Prof. Walter Oyawa	Member	Public	Commission on University Education;	3/5
Mrs. Janet Mwalw'a	Member	Public	Public Service Commission	4/5
Ms. Rael Rotich	Ag. Director General	Public	National Employment Authority	5/5

Board Committees and Responsibilities

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

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

1. Finance, Human Resource and Governance committee

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

The responsibilities of the committee are as follows:-

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

Committee Membership

Name	
Mr. Jeff Kariuki Chairman	Chairman
Mr. Chege Mwangi	Member
Mrs. Janet Mwalw'a	Member
Mrs. Jackline Mugo	Member
Ms. Rael Rotich	Ag. Director General

Board Members Induction and Training

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

2. Employment Promotion, Services and Strategy committee

The responsibilities of the committee are as follows:-

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

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Committee Membership

Name	Position
Mr. Washington Oloo	Chairman
Mrs. Janet Mwalw'a	Member
Eng. Dishon Atemo	Member
Ms Fatuma Abubakar	Member
Mr. Jeff Kariuki	Member
Mrs. Jackline Mugo	Member
Mr. Chege Mwangi	Member

3. Audit & Risk Management committee

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

The responsibilities of the committee are as follows:-

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

Committee Membership

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

Conflict of Interest, Code of Conduct and Ethics

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

Appointment and Removal of Directors

The NEA Act provides for the Cabinet Secretary responsible for Labour to appoint the Chairperson. The Board of Directors are nominated by the organizations of representation from both the public and private sector, appointed, and gazetted by the Cabinet Secretary.

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

VII MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

The approved budget for 2016/17 FY by The National Authority was Kshs. 205 million comprising of a government grant of Kshs. 200 million and Internally Generated Revenue (AIA) of Kshs. 5 Million. The Authority on the other hand received Kshs. 195 Million from the parent State Department for Labour and therefore the actual receipt is what the Authority could account for.

During the Financial Year, the Authority's operations were 100% funded by a grant of Kshs. 195 Million from the National Government (GOK). The absorption of the received funds was low due to delay in constituting, appointing and operationalization of the board for the new Authority. This affected the Authority work plan implementation negatively because the Authority's Board became operational in the last quarter of 2016/17 Financial Year and therefore some activities requiring lengthy procurement process like Purchase of motor vehicles among others were postponed to the following Financial Year of 2017/18. The actual expenditure for 2016/17 FY was Kshs. 40,130,261.90 representing absorption rate of 20.58 %.

VIII CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORT

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

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

IX REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the Five-month period ending June 30, 2017, which show the state of the Authority's affairs.

Principal activities

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

Results

Employment Promotion

1. Implementation of the National Employment Policy and Strategy

The National Employment Policy and Strategy for Kenya was passed by the National Assembly in July 2015. The overall objective of the policy is to promote full employment as a priority in national, economic and social policy and to enable the economically active population to attain and secure sustainable livelihood through productive and freely chosen employment. The policy proposes several strategies aimed at accelerating employment creation within the country and enhance its sustainability. The Authority developed a plan of action for the National Employment Policy and Strategy for Kenya and a framework that will monitor employment creation. The framework will enable the Authority to monitor the number and quality of jobs being created in all new and ongoing projects in Kenya.

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

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

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

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

3. Foreign Employment Administration and Labour Migration Management

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

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

4. Re-engineering Public Employment Services

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

Enhancing and Modernization of Public Employment Services

The existing public employment offices will be modernized mainly through expansion, adoption of Information and Communications Technology (ICT), establishment of Resource Centres and capacity building for officers. The Authority targets to establish one new Public Employment Offices, staffed

**National Employment Authority
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For Five Month Period ended June 30, 2017**

with qualified officers and equipped to handle activities of a modern employment office. The employment offices will primarily serve the functions of placement of registered jobseekers in employment and collection of Labour Market Information. Special programmes for supporting new graduates to find employment will be developed alongside guidance and counselling services to enable jobseekers develop their occupational awareness and make the right choice of their jobs. The employment offices will also be used in implementing internship programmes for introducing trainees to the world of work.

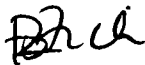
Directors

The members of the Board of Directors who served during the financial year are shown on page Four (4) to Six (6). They were appointed with effect from October 2016.

Auditors

The Auditor General is responsible for the statutory audit of the Authority in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act to carry out the audit of the Authority for the year/period ended June 30, 2017 in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his behalf.

By Order of the Board



Rael Rotich
Ag. DIRECTOR GENERAL

Date:
1st February 2018

X STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors are responsible for the preparation and presentation of the Authority's financial statements, which give a true and fair view of the state of affairs of the Authority for the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Authority, (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the Authority's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that Authority's financial statements give a true and fair view of the state of Authority's transactions during the financial year ended June 30, 2017, and of the Authority's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained by the Authority, which have been relied upon in the preparation of the Authority's financial statements, as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Authority's financial statements were approved by the Board on 19th January, 2018 and signed on its behalf by:

Signed: W. OLUO

Signed: J. N. KARIUKI

Signed: [Signature]

Name W. OLUO

Name: J. N. KARIUKI

Name : [Signature]

Director

Director

Director

**National Employment Authority
Reports and Financial Statements
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**XI STATEMENT OF FINANCIAL PERFORMANCE FOR THE FIVE MONTH PERIOD
ENDING 30TH JUNE 2017**

	Note	2016-2017	2015-2016
		Kshs	Kshs
Revenue from			
Government Grants	4	195,000,000	-
Licenses and permits		-	
Total revenue		195,000,000	-
Expenses			
Employee costs	5	731,140	-
Remuneration of directors	6	6,072,205	-
Depreciation and amortization expense		-	-
Repairs and maintenance	7	1,140,000	-
General expenses	8	32,186,317	-
Total expenses		40,130,262	-
			-
Surplus before tax		154,869,738	-
			-
Surplus/(deficit) for the period		154,869,738	-
			-
Surplus carried forward		154,869,738	-

The notes set out on pages 24 to 32 form an integral part of these Financial Statements

REPUBLIC OF KENYA

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P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON NATIONAL EMPLOYMENT AUTHORITY FOR THE FIVE MONTHS PERIOD ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of National Employment Authority set out on pages 21 to 32 which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of cash flows and statement of comparative budget and actual amounts for the period 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, Section 35 of the Public Audit Act, 2015 and The National Employment Act, No. 3 of 2016. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of The National Employment Authority as at 30 June 2017 and of its financial performance and its cash flows for the period then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the National Employment Act No. 3.

In addition, as required by Article 229(6) of the Constitution, except for the matters described in the Other Matter section of my report, based on the procedures performed, I confirm that nothing has come to my attention to cause me to believe that public money has not been applied lawfully and in an effective way.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the

Report of the Auditor-General on the Financial Statements of the National Employment Authority for the five months period ended 30 June 2017

Other Matter section of my report, I confirm that there were no Key Audit Matters to report in the year under review.

Other Matter

1.0 Budget and Budgetary Performance

1.1 Receipts

The statements of comparison of budget and actual amounts for the year revealed the following variances:

Receipts

Description	Final Budget	Actual	Excess (+)/ Shortfall (-)	% Variance
Receipts	Kshs.	Kshs.	Kshs.	
Government grants and subsidies	200,000,000	195,000,000	-5,000,000	-2.50
Sale of goods	5,000,000	0	-5,000,000	-100
Total	205,000,000	195,000,000	-10,000,000	4.9

The variance of Kshs.5 million under Government grants and subsidies was explained as having been spent by the parent Ministry during the operationalisation stage of the Authority while the variance of Kshs.5 million under sale of goods were fees collected by the Ministry for services rendered before the Authority started operations.

1.2 Expenditure

An analysis of the Authority actual expenditure against the budgeted amount revealed the following variances:

Description	Final Budget	Actual	Over(+)/Under(-)	% Variance
Payments	Kshs.	Kshs.	Kshs.	
Compensation of employees	4,000,000	731,140	-3,268,860	-82
Other payments	201,000,000	48,999,722	-152,000,278	-76
Total	205,000,000	49,730,862	-155,269,138	76

The under expenditure of Kshs.155,269,138 or 76% was mainly attributed to late commencement of operations in February 2017, hence key decisions and activities could not be implemented.

2. Lack of Substantive Director General

Section 17 of The National Employment Authority Act requires the Board of the Authority to fill competitively the position of Director General being the Chief Executive Officer of the Authority provided that the person appointed has the required academic qualifications and

experience. However, the position is still vacant after over one year since the Gazettement and inauguration of the board.

No reasons have been given for failure to fill the position of Director General.

3. Weak Internal Control System

A review of internal controls disclosed that the Authority did not have in place an accounting software and adequate staff, which are necessary for smooth operations. Financial data integrity and segregation of duties could not be assured by management.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Authority's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to liquidate the Authority's or to cease operations, or have no realistic alternative but to do so.

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

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

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 of Kenya. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances and for the purpose of giving an assurance on the effectiveness of the Authority's 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 accounting concept and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority's to cease to continue as a going concern.
- 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 of the Authority's activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

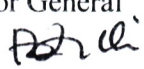
08 March 2018

National Employment Authority
 Reports and Financial Statements
 For Five Month Period ended June 30, 2017

XII. STATEMENT OF FINANCIAL POSITION FOR THE FIVE MONTH PERIOD ENDING 30TH JUNE 2017

		2016-2017	2015-2016
		Kshs	Kshs
Assets			
Current assets			
Cash and cash equivalents	9	145,269,138	-
		145,269,138	-
Non-current assets			
Office equipment	10	3,170,500	-
Computers	10	6,430,100	-
		9,600,600	-
Total assets		154,869,738	-
Liabilities			
Current liabilities		-	
Non-current liabilities		-	
Total liabilities			
Total Net assets		154,869,738	
Financed by;			
Surplus for the year	11	154,869,738	
Surplus b/f		-	
Total surplus		154,869,738	

The Financial Statements set out on pages 20 to 23 were signed on behalf of the Board of Directors by:


Ag. Director General


Name: **RAEL ROTICH**

st

Date: **1 February 2018**

Head of Finance



Name: **KIMANI KARANJA**
 ICPAK Member Number:

12705

Date: **01/02/2018**

Chairman of the Board



Name: **WINNIE PERRET**

Date: **06/02/2018**

**National Employment Authority
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**XIII STATEMENT OF CASH FLOWS FOR THE FIVE MONTH PERIOD ENDING 30TH
JUNE 2017**

	Note	2016-2017	2015-2016
		Kshs	Kshs
Cash flows from operating activities			
Receipts			-
Property taxes		-	-
Public contributions and donations		-	-
Fines, penalties and levies		-	-
Licenses and permits		-	-
Government grants and subsidies	4 *	195,000,000	-
Rendering of services		-	-
Other income, rentals and agency fees		-	-
Total Receipts		195,000,000	-
Payments			-
Compensation of employees	5	(731,140)	-
Remunerations of Directors	6	(6,072,205)	-
Repairs and maintenance	7	(1,140,000)	-
Goods and services	8	(32,186,317)	-
Rent paid		-	-
Taxation paid		-	-
Other payments		-	-
Grants and subsidies paid		-	-
Total Payments		(40,130,261)	-
Net cash flows from operating activities	11	154,869,738	-
Cash flows from investing activities			-
Purchase of property, plant, equipment and intangible assets	10	(9,600,600)	-
Proceeds from sale of property, plant and equipment			-
Decrease in non-current receivables		-	-
Increase in investments		-	-
Net cash flows used in investing activities		(9,600,600)	-
Cash flows from financing activities			-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Increase in deposits		-	-
Net cash flows used in financing activities		-	-
Net increase/(decrease) in cash and cash equivalents	9	145,269,138	-
Cash and cash equivalents at 1 JULY		-	-
Cash and cash equivalents at 30 JUNE		9 145,269,138	

**National Employment Authority
Reports and Financial Statements
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XIV STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE FIVE MONTH PERIOD ENDING 30TH JUNE

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference
	2016-2017	2016-2017	2016-2017	2016-2017	2016-2017
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs
Property taxes	-	-	-	-	-
Public contributions and donations	-	-	-	-	-
Fines, penalties and levies	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Government grants and subsidies	200,000,000	-	200,000,000	195,000,000	(5,000,000)
Rendering of services	-	-	-	-	-
Sale of goods	5,000,000	-	5,000,000	Nil	(5,000,000)
Finance Income	-	-	-	-	-
Gains on disposal, rental income and agency fees	-	-	-	-	-
Total income	205,000,000	-	205,000,000	195,000,000	(10,000,000)
Expenses					
Compensation of employees	4,000,000	-	4,000,000	731,140	3,268,860
Goods and services	201,000,000	-	201,000,000	48,999,722	152,000,278
Finance cost					
Rent paid					
Taxation paid	-	-	-	-	-
Other payments	-	-	-	-	-
Grants and subsidies paid	-	-	-	-	-
Total expenditure	200,000,000	-	200,000,000	49,730,862	155,269,138
Surplus for the period	-	-	-	145,269,138	145,269,138

Budget notes

The under collection of Kenya shillings 10,000,000.00 and under expenditure of Kenya shillings 155,269,138.10 was due to-

- An amount of Kenya shillings 5,000,000.00 was spent by the ministry during the operationalization stage of the Authority. Hence, this amount will be accounted for by the ministry.
- None collection of fees for services of Kenya shillings 5,000,000.00 was due to, the fact that before the Authority started its operations the Ministry was already collecting the said revenue and therefore it will therefore account for the same.
- The under expenditure of Kenya shillings 3,268,860.00 respect of staff salary top-up was due to lack categorisation of the Authority by the end the year, hence no salary top-up was paid. The staff deployed to the Authority were few
- The under expenditure of Kenya shillings 152,000,278.10 was due to, the fact that the Authority started its operations during the month of February and key decisions to allow adequate absorption could not be implemented within the short period the organisation had before the end of the financial year under review.

XV NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

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

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Interest income

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

b) Budget information

The original budget for FY 2016-2017 was approved by the National Assembly on 23rd June, 2016. There was no subsequent revisions or additional appropriations made to the approved budget.

c) Property, plant and equipment

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

The annual depreciation rates are as follows:-

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

All property, plant and equipment are stated at cost since they were acquired during the month of June 2017 and delivered in beginning of the year 2017/2018. Hence no depreciation was provided for. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value

d) Cash and cash equivalent

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

e) Related parties

The Authority regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Authority, or vice versa. Members of key management are regarded as related parties and comprise the Board of Directors, the chief executive officer and the senior managers.

The following transactions were carried out with related parties;

	2016/2017	2015/2016
	Kshs 000	Kshs 000
(i) Key management compensation		
(ii) Board remuneration		
Allowances paid to board members	6,072,205	0
(iii) Grants from related parties		
Grant from GOK	195,000,000	0

f) Contingent liabilities

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

g) Contingent assets

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

h) Significant judgments and sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Estimates and assumptions

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

Useful lives and residual values

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

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

i) Financial Risk Management Objectives and Policies

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

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

j) Credit risk management

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

**National Employment Authority
Reports and Financial Statements
For Five Month Period ended June 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4. Transfers from Ministries, Departments and Agencies

Name of the Entity sending the grant	Amount recognized to Statement of Comprehensive Income		Amount deferred under deferred income	Amount recognized in capital fund.	Total grant income during the year	2015-2016
	Kshs					
Ministry of East African Community, Labour & Social Protection	10-02-2017	45,000,000	-	-	45,000,000	-
	16-06-2017	100,000,000	-	-	100,000,000	-
	30-06-2017	50,000,000	-	-	50,000,000	-
Total		195,000,000	-	-	195,000,000	-

5. Employee costs

	2016-2017	2015-2016
	Kshs	Kshs
Salaries and wages	-	-
Housing benefits and allowances	-	-
Commuted leave	731,140	-
Expenditure recharged to capital projects	-	-
Employee costs	731,140	-

6. Remuneration of directors

Description	2016-2017	2015-2016
	Kshs	Kshs
Chairman's Honoraria	640,000	-
Sitting allowances	2,877,600	-
Other allowances	2,555,205	-
Total director emoluments	6,072,205	-

**National Employment Authority
Reports and Financial Statements
For Five Month Period ended June 30, 2017**

NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. Repairs and maintenance

Description	2016-2017	2015-2016
	KShs	KShs
Property	650,000	-
Equipment and machinery	-	-
Vehicles	-	-
Furniture and fittings	-	-
Computers and accessories	490,000	-
Total repairs and maintenance	1,140,000	-

8. General expenses

Description	2016-2017	2015-2016
	KShs	KShs
Advertising	11,250	-
Audit fees	-	-
Subscriptions to Newspapers	33,120	-
Electricity	-	-
Fuel and oil	239,110	-
Insurance	-	-
Legal expenses	-	-
Travel and subsistence costs	22,437,934	-
Office and general supplies	6,676,540	-
Printing and stationery	1,027,500	-
Security costs	-	-
Bank charges	16,462	-
Skills development levies	-	-
Inventory scrapping	-	-
Telecommunication	74,000	-
Training	1,670,400	-
Other	-	-
Total general expenses	32,186,317	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9. Cash and cash equivalents

Description	2016-2017	2015-2016
	KShs	KShs
Current account	145,136,788	-
On - call deposits	-	-
Fixed deposits account	-	-
Staff car loan/ mortgage	-	-
Others(cash in hand)	132,350	-
Total cash and cash equivalents	145,269,138	-

(A). Detailed analysis of the cash and cash equivalents

Financial institution	Account number	2016-2017	2015-2016
		KShs	KShs
a) Current account			
Kenya Commercial bank	120512093	145,136,788	-
Equity Bank, etc.		-	-
Sub- total		145,136,788	-
b) On - call deposits			
Kenya Commercial bank		-	-
Equity Bank - etc.		-	-
Sub- total		-	-
c) Fixed deposits account			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
d) Staff car loan/ mortgage			
Kenya Commercial bank		-	-
Bank B		-	-
Sub- total		-	-
e) Others(specify)			
Cash in transit		-	-
cash in hand		132,350	-
Mpesa		-	-
Sub- total		132,350	-
Grand total		145,269,138	-

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

10. Property, plant and equipment

	Land & Buildings	Motor Vehicles	Furniture & Fittings	Computers	Office Equipment	Capital Work in Progress	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
At 1 July 2015	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Transfers/adjustments	-	-	-	-	-	-	-
At 30th June 2016	-	-	-	-	-	-	-
Additions	-	-	-	6,430,100	3,170,500	-	9,600,600
Disposals	-	-	-	-	-	-	-
Transfer/adjustments	-	-	-	-	-	-	-
At 30th June 2017	-	-	-	6,430,100	3,170,500	-	9,600,600
Depreciation and impairment							
At 1 July 2015	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
At 30 June 2016							
Depreciation	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Transfer/adjustment	-	-	-	-	-	-	-
At 30th June 2017	-	-	-	-	-	-	-
Net book values							
At 30th June 2017	-	-	-	6,430,100	3,170,500	-	9,600,600
At 30th June 2016	-	-	-	-	-	-	-
	-	-	-			-	

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. Cash generated from operations

	2016-2017	2015-2016
	Kshs	Kshs
Surplus for the year before tax		
Adjusted for:	154,869,738	-
Depreciation	-	-
Non-cash grants received	-	-
Contributed assets	-	-
Impairment	-	-
Gains and losses on disposal of assets	-	-
Contribution to provisions	-	-
Contribution to impairment allowance	-	-
Finance income	-	-
Finance cost	-	-
Working Capital adjustments		-
Increase in inventory	-	-
Increase in receivables	-	-
Increase in deferred income	-	-
Increase in payables	-	-
Increase in payments received in advance	-	-
Net cash flow from operating activities	154,869,738	-