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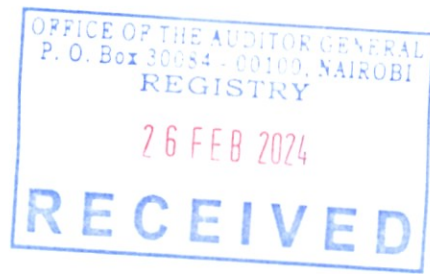
THE AUDITOR-GENERAL

ON

NATIONAL EMPLOYMENT AUTHORITY

**FOR THE YEAR ENDED
30 JUNE, 2023**





NATIONAL EMPLOYMENT AUTHORITY

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2023

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

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for the year ended June 30, 2023.

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1. Acronyms, Abbreviations and Glossary of Terms

A: Acronyms and Abbreviations

| | |
|-------|--|
| CEO | Chief Executive Officer |
| DG | Director General |
| CBK | Central Bank of Kenya |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards |
| MD | Managing Director |
| NT | National Treasury |
| OCOB | Office of the Controller of Budget |
| OAG | Office of the Auditor General |
| OSHA | Occupational Safety and Health Act of 2007 |
| PFM | Public Finance Management |
| PPE | Property Plant & Equipment |
| PSASB | Public Sector Accounting Standards Board |
| SAGAs | Semi-Autonomous Government Agencies |
| SC | State Corporations |
| WB | World Bank |
| VC | Vice Chancellor |
| NEA | National Employment Authority |

B: Glossary of Terms

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

Comparative Year- Means the prior period.

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2. Key Entity Information and Management

(a) Background information

The National Employment Authority (NEA) was established on 7th April, 2016 by an Act of Parliament (the National Employment Authority Act 2016) which effectively provided the legal framework and mandates for its operations. The Authority was created out of the then National Employment Bureau (NEB) which was one of the Departments in the Ministry of Labour and Social Protection. The National Employment Authority is domiciled in Kenya and has branches in various counties.

(b) Principal Activities

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

(c) Key Management

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

| No. | Designation | Name |
|-----|--------------------|---|
| 1. | Board of Directors | Vincent Kigen Nafula Wafula Maren Omondi Amb. Michael Oyugi Joyce Mwale Ainea Martin Omuse Prof Jackson K. Too Joan Machayo Jacquiline Mugo |
| 2. | Director General | Edith Okoki (Mrs.) |
| 3. | Manager 1 | Festus Mutuse |
| 4. | Manager 2 | Winfred Mwende |

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2023 and who had direct fiduciary responsibility were:

| Designation | Name |
|------------------------------------|-----------------|
| 1. The Ag. Director General | Ms. Edith Okoki |
| 2. Ag. Director Corporate Services | Mr. Caleb Okelo |

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| 3. Ag. Director Strategy and Quality Management | Mr. Festus Mutuse |
| 4. Ag Director Labour Migration | Mr. Joseph Njue |
| 5. Ag. Head of Finance | Ms. Winfred Mwendu |
| 6. Ag. Head of Procurement | Mr. James Mwangi |

(e) Fiduciary Oversight Arrangements

The Authority has three committees in line with The Code of Governance for State Corporations (Mwongozo) guidelines namely;

- i. Finance, Human Resource and Governance
- ii. Employment, Promotion Services and Strategy
- iii. Audit Risk and Compliance

The Board committees consider management reports ahead of the Full Board meeting. This allows for in-depth consideration of issues to enable decision-making. After scrutiny, the specific committee presents its report and recommendations to the Full Board for consideration

(f) Entity Headquarters

P.O. Box 25780-00100
National employment Authority Building,
Seasons, Kasarani
Nairobi, KENYA

(g) Entity Contacts

Telephone: +254(020) 7855746 /7
E-mail: info@nea.go.ke
Website: www.nea.go.ke
Twitter: [@nea_Kenya](https://twitter.com/nea_Kenya)

(h) Entity Bankers

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

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Key Entity Information and Management (continued)

(i) Independent Auditor



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

(j) Principal Legal Adviser



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

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3. The Board of Directors/Council

| Ref | Directors | Details |
|-----|---|--|
| 1. | <p>Vincent C. Kigen (Mr)</p>  <p>Bachelor of Arts Public Administration, Political Science & Sociology, 2012.</p> | <p>He holds a Advanced Diploma in Business Management, 2008, and a Diploma in Business Management, 2007. He is currently pursuing a Bachelor of Arts in Leadership and Management.</p> |
| 2 | <p>Nafula Wafula (Ms.) – National Youth Council</p>  <p>Bachelor of Laws (LLB, Hons), from Jomo Kenyatta University of Agriculture and Technology</p> | <p>Ms. Nafula is an advocate for gender equality and human rights and is passionate about Pan-Africanism, youth empowerment and social justice. She is currently the Vice Chairperson for Policy and Advocacy at the Commonwealth Youth Council. She is also the Programs Director at Brydges Centre, an organization that provides child rescue and protection services, education and economic empowerment to at-risk youth and out-of-school girls.</p> |


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| <p>3</p> | <p>Maren Omondi (Mrs.) – Kenya Association of Technical Training Institution</p>  <p>Master of Education - Guidance and Counselling (Egerton University), 2006 Bachelor of Education (University of Eastern Africa – Baraton), 1987. Diploma in Business Management (Kenya Institute of Management), 2013 PhD in Educational Psychology – ongoing (Jaramogi Oginga Odinga University of Science and</p> | <p>Maren Omondi has a wide experience in financial and human resource management having been a Principal of TVET institutions from 2009 to date:</p> |
| <p>4</p> | <p>Amb. Michael Oyugi – Ministry of Foreign Affairs</p>  <p>Post-Graduate Diploma in International relations and in Multilateral diplomacy from the Geneva Institute of Graduate Studies, BA. degree in International Relations and French language from the University of Nairobi</p> | <p>Amb. Oyugi is a career diplomat of longstanding in the Ministry of Foreign Affairs of Kenya specializing in multilateral diplomacy. He has been on posting in Kenyan Embassies/Missions in France, Switzerland, Ethiopia, and Austria. He also studied diplomacy and international relations at the Rio Branco Institute in Brasilia, Brazil.</p> |



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| <p>5</p> | <p>Mrs. Joyce Mwale –Ministry of Labour and Social Protection</p>  <p>Executive Master of Administration from the Eastern and Southern Africa Management Institute (ESAMI) Bachelor of Arts degree from Kenyatta university.</p> | <p>She joined the National Employment Authority as a Board Director in October 2020 as a representative of the Principal Secretary, State Department for Labour. She is currently the Director of Administration in the State Department. Prior to the appointment, Ms. Mwale served in the National Industrial Training Authority’s Board.</p> <p>Joyce has 24 years of working experience in Government in the field of Administration and leadership where she has risen through the ranks from a District Officer to the current position of Director of Administration. She has vast training in management, leadership, and human resource fields. She is a member of the African Association of Public Administration (AAPAM).</p> <p>She has also worked in the Office of the president, Ministry of education and the Ministry of Defence.</p> |
| <p>6</p> | <p>Ainea Martin Omuse – The National Treasury</p>  <p>Master’s degree in Business Administration (MBA) Bachelor’s degree in Business Management (BBM) from Masinde Muliro University. Certified Public Accountant (CPAK)</p> | <p>Omuse joined the National Employment Authority Board of Directors in July 2020 as a representative of the Principal Secretary - National Treasury.</p> <p>Mr. Omuse, is a Certified Public Accountant (CPAK). Other courses attended include Senior Management course -KSG Mombasa, Strategic Leadership Development Programme - KSG Baringo, and Certified Fraud Examiner Course. He is a member of professional bodies including Institute of Certified Public Accountant Kenya (ICPAK), Institute of Internal Auditors (IIA) and Kenya Institute of Management (KIM).</p> <p>Currently he is a Deputy Accountant General - National Treasury Nairobi.</p> |
| | | |

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| <p>7</p> | <p>Prof. Jackson K. Too – Commission for University Education</p>  <p>B.Ed., M.Phil., Ph.D. from Moi University</p> | <p>He is an Associate Professor of Educational Communicational and Technology, specializing in instructional media, pedagogy and technology with a track record of teaching, research and administration. His research interest is in mediated learning. He is a member of the Commonwealth Association of Educational Administration and Management (CAEAM). Member of East and Southern African-German Centre of Excellence for Educational Research Methodologies and management (CERM-ESA). He is also a Project Leader for Partnership for Enhanced Blended Learning (PEBL) whose objective is to develop modules for online learning.</p> |
| <p>8</p> | <p>Mrs. Joan Adisi Machayo– Public Service Commission</p>  <p>MBA, Human Resource Management (2006) Bachelor of Arts degree from the University of Nairobi</p> | <p>Mrs. Machayo is the Alternate Director, representing the Secretary/Chief Executive Officer, Public Service Commission. She has Over 25 years' experience in the public service in Human Resource Management and Administration.</p> <p>At the PSC, she specializes in Overall Human Resource Management and development function, including the human resource strategy for the public service, Policy formulation, review, monitoring and evaluation.</p> <p>She is currently pursuing a PhD in Business Administration (Strategic Management). She is a full member of the Institute of Human Resource Management, Institute of Certified Public Secretaries of Kenya (ICPSK) and a member of African Association of Public Administration.</p> |

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| <p>9</p> | <p>Mrs. Jacqueline Mugo – Executive Director, Federation of Kenya Employers</p>  <p>Bachelor of Laws (LLB, Hons), University of Nairobi, and a Higher Diploma in Human Resource Management from the Institute of Personnel Management.</p> | <p>She is a lawyer by profession and has wide experience in Legal practice, human resource management and leadership. She, Advocate of the High Court of Kenya.</p> <p>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).</p> |
| <p>10</p> | <p>Mrs. Edith Okoki, Ag. Director General</p>  <p>Master's Business Administration, Bachelor of Law degree and a Bachelor of Arts degree in Public Administration. C/DG</p> | <p>Mrs.Okoki is the Ag. Director General, National Employment Authority.</p> <p>She has vast experience in Employment promotion and strategies, Research and data Management, Labour Migration Management and Human Resource Management.</p> |

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4. Key Management Team

| | Management | Details |
|----|--|---|
| 1. | <p>Mrs. Edith Okoki, Ag. Director General</p>  <p>Master's degree in Business Administration, Bachelor of Law degree and a Bachelor of Arts degree in Public Administration. C/DG</p> | <p>Mrs.Okoki is the Ag. Director General, National Employment Authority.</p> <p>She has vast experience in Employment promotion and strategies, Research and data Management, Labour Migration Management and Human Resource Management</p> |
| 2. | <p>Festus Mutuse Ag. Strategy and Quality Assurance</p>  <p>Master of Business Administration, BA in Business and Economics insert each key manager's passport-size photo and name, and key profession/academic qualifications</p> | <p>Mr.Mutuse joined the National Employment Authority in April 2018. He is the Acting Director Strataegy and Quality Assurance. He has vast experience in planning, employment promotion and strategies, Research and data Management, Labour Migration Management and Human Resource Management. He is a full member of the Institute of Human Resource Management</p> |

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| 3. |  CPA, Winfred Mwende- Ag. Head of Finance | She is a member of the Institute for Certified Public Accountants of Kenya (ICPAK) Other courses attended include Public Finance Management and Public Sector Productivity both at the Kenya School of Government (KSG). |
|----|---|---|

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5. Chairman's Statement

The Board, through its three Board Committees, continued to exercise its oversight role and providing strategic direction to the Authority in line with the NEA Act 2016, State Corporations Act, and Mwongozo guidelines. During the financial year 2022/2023, the Authority accomplished various milestones using the financial resources that were availed. During the period, a National Labour Migration Policy was developed to provide a framework for promotion of inclusive and sustainable development of the country through safe, orderly and productive labour migration. The Policy was forwarded to Cabinet for approval. A draft Labour Migration Management Bill, 2022 was developed, validated and forwarded to Office of Attorney General for Legal drafting.

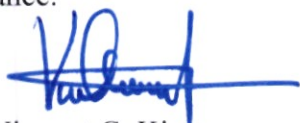
In ensuring development and implementation of mechanisms for internship placement in the Country, the National Internship Policy and Guidelines were finalized and are awaiting Cabinet approval to pave way for the rolling out of the National Internship Programme; and the Internship guidelines were finalized and discussed with stakeholders. Implementation of the Programme will help to enhance employability of the young graduates leaving universities and tertiary institutions thus assisting to reduce unemployment among young Kenyan graduates.

Towards streamlining the operations of the Private Employment Agencies (PEAs), an Inter-Ministerial Vetting Committee with representation from key government agencies was in place to vet all the Private Employment Agencies in the country.

The Board remains focused on its mandate regarding addressing the country's employment challenge. To this end implementation of the National Employment Policy and Strategy for Kenya are on course for purposes of exploring job opportunities for Kenyans, particularly the youth, minorities and marginalized. During the period under review, equipping of two Job Centres was completed in Embakasi and Kasarani and jobseekers can now access information on-line from the centres. The overall goal is to promote full employment and access to employment opportunities for all. The Authority continues to seek partnership and collaboration with stakeholders for purposes of tackling unemployment in the country. In this regard, the Authority liaises closely with the mother Ministry and other organizations/institutions at local and international levels for the realization of this noble cause.

The greatest challenge the Authority faces in executing its mandate is lack of adequate staff, with all staff being seconded from the Ministry and a majority nearing retirement age. This has continued to hamper effective service delivery and fulfilment of the Authority's mandate. Our success as an Authority is pegged on how we resolve these challenges in the next few years to come.

I take this opportunity to acknowledge the commitment and contribution of my fellow Board members during the year under review and thank our Ag. Director General Mrs. Edith Okoki and her team for their continued excellent work. I also extend my appreciation to the Cabinet Secretary for the Ministry of Labour and Social Protection, Hon. Florence Bore and the Principal Secretary, State Department for Labour and Skills Development, Mr. Geoffrey E. Kaituko, for their continued leadership and guidance.



Mr. Vincent C. Kigen

CHAIRMAN, NEA BOARD

6. Report of the Chief Executive Officer

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

Achievements

Under the able strategic leadership and guidance of our Board, the management and staff of the Authority managed to accomplish various targets that were set in the financial year 2022/2023.

The Authority facilitated the placement of a total of 123,114 job seekers in employment locally and abroad (17,318 locally and 105,796 abroad), in both non-skilled or semi-skilled (domestic workers, cleaners, security & protective and in construction industry), and skilled/professional cadre (Hospitality, Aviation, Engineering and Technicians, Sales and marketing, High level, and middle management)

During the period also, in collaboration with the International Organization for Migration (IOM), an Oversight Mechanism and a Community Feedback Mechanism to facilitate continuous monitoring of Private Employment Agencies was established, and a distress reporting mechanism established through a Web Portal under NEAIMS and a Toll-Free Line 0800222223 to report Migrant workers distress cases.

The Authority vetted and registered 789 Private Recruitment Agencies involved in registration and placement of job seekers locally and abroad through the Inter-ministerial vetting committee, and registered 680 of them who qualified. Most of the registered recruitment agencies were those exporting labour to foreign countries majority being in the GCC. The Regulations for Private Employment Agencies were also reviewed and submitted to AGs office. Towards Capacity Building of PEAs, a total of 321 PEAs were trained on introductory International Recruitment Integrity, 23 PEAs enrolled in the International Recruitment Integrity System (IRIS) capacity building programme and 2 PEAs audited for compliance with international standards.

The Authority prepared Draft Bilateral Labour Agreements (BLAs) with nine key labour destination countries, which have been cleared by Office of the Attorney General and the National Treasury and submitted to host countries for negotiations. These include: United Kingdom (For all other category of workers), Poland, Oman, Kuwait, Jordan, Bahrain, Australia and; State of Qatar and Kingdom of Saudi Arabia (for recruitment and employment of other categories of workers) and reviewed the Bilateral Labour Agreement with Kingdom of Saudi Arabia on recruitment of Domestic Workers. In addition, the Authority has also prepared draft BLAs with Canada and Germany. The draft agreements have been forwarded to the National Treasury and the Office of the Attorney General for concurrence.

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The Authority undertook two (2) monitoring and evaluation exercise on implementation of Pre-Departure Training Programme (August 2022 and June 2023) and prepared reports.

The Authority established a Return and Re-Integration Programme that will enable migrant workers participate in national development while abroad and upon their return. To enhance the institutional framework for reintegration of Kenyan migrant workers, a Migrant Resource Centre has been established at NEA offices in Kasarani and operationalized. In addition, 2 additional Migrant Resource Centres were established in Eldoret and Mombasa in June, 2023. In total 1,189 complaints were received from Migrant Workers by end of June, 2023 from the three Centres where 713 complaints were resolved.

The NEA website and NEAIMS were been upgraded to have labour information and Kenyan Migrant Workers Website (www.kmw.nea.go.ke) upgraded to include information on destination countries for Kenyan migrant workers. The added countries include Bahrain, Canada, Jordan, Kuwait and Poland.

The Authority developed and published five (5) information handbooks for the United Kingdom (Nurses), State of Kuwait, Sultanate of Oman, Kingdom of Jordan and Kingdom of Bahrain. In addition, four (4) Handbooks for Canada, Australia, Poland and United Kingdom (for General Workers) were developed awaiting publishing. The handbooks are meant to empower Kenyan migrant workers by providing information on the country of destination, and assist them in setting realistic goals and developing the key skills and attitudes needed to succeed in their new work environment. The additional 4 handbooks have been shared with International Organization on Labour Migration (IOM) for support towards publishing.

In Partnership with the Nation media group and Huawei Kenya, the Authority conducted One job fair at Kenyatta International Convention Centre (KICC) from 15th -17th December,2022 and participated in the following other job fairs organized by different stakeholders:

- Employment and skills for development in Africa (e4d) job fair in Thika
- Nairobi International Trade Fair
- Mombasa International Show

Challenges

Staff shortage remained acute, in some instances, several county employment offices are being manned by one Officer. At the same time, several staff are due to retire or are retiring in the next one year. The Board is closely pursuing the issue of recruitment with the relevant authorities.

Collaborations

The Authority continues to collaborate with the mother Ministry, National Industrial Training Authority, the PSC, the Youth Fund, and other Government agencies to streamline employment, internship and labour migration management in the Country. Internationally and regionally, the Authority collaborates with ILO, IOM, WAPES, AAPES, EAC Secretariat, and Northern Corridor Integration Projects in the development, implementation and monitoring of conventions, Laws and Policies related to employment issues. The Authority intends to reach out to other institutions and

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stakeholders in its quest for continuous development and modernization of the labour market information.

Appreciation

I am grateful to the leadership of the Ministry of Labour and Social Protection and all stakeholders for the support given to the Authority in the financial year 2022/2023. My profound thanks also go to the Chair of the Board and Board Members for the support and guidance provided during the year; and to the staff at the Authority for their collective effort made in ensuring that the Authority fulfilled its mandate. This report is a testimony to the great work put in to ensure compliance with the law and value for money to the citizens of our great country.



Mrs. Edith Okoki

Ag. DIRECTOR GENERAL

NATIONAL EMPLOYMENT AUTHORITY.

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7. Statement of Performance against Predetermined Objectives for FY 2022/2023

The National Employment Authority is mandated to formulate employment policies and strategies. This is consistent with the conviction that promotion of adequate, productive and sustainable employment opportunities can best be achieved on the basis of an integrated policy agenda that brings together the goals of rights at work, employment, social protection and social dialogue in a coherent, development-oriented and gender-equitable manner.

The National Employment Authority will operationalize the National Employment Policy and Strategy for Kenya which was approved by Parliament in August 2015. The Policy is anchored on the understanding that Kenya has to achieve her national goals and international commitments to realize meaningful progress in socio-economic development. This largely depends on the extent to which the country is able to create and nurture a competitive and adaptive human resource base to meet the requirements of a rapidly industrializing and globalizing economy. In this respect, this policy seeks to promote: productivity, national competitiveness and economic growth; creation of decent employment opportunities; creation of green jobs; building of a pool of skilled, adaptive, self-reliant and enterprising labour force; and pursuit of short, medium and long-term employment creation and poverty reduction strategies. It also aims at improving labour market efficiency, strengthening the labour administration system and social dialogue, and promoting public-private partnership in employment creation.

Provision of Public Employment Services

An effective employment service is important in facilitating job search, job matching and reducing unemployment spells. In Kenya, public employment services are offered by this Authority and accredited private employment agencies. The private employment agencies are mostly concentrated in the main urban centres leaving many parts of the country without such services. This limits the effectiveness of their complementary services in providing labour market information and facilitating matching of job seekers with employers.

The ILO Convention No. 88 on Employment Services requires each Member State to maintain and ensure a free Public Employment Service. The Convention also requires that a Public Employment Service consists of a national system of employment offices under the direction of a national authority and a network of local and, where appropriate, regional offices, sufficient in number to serve each geographical area of the country and conveniently located for employers and workers. The National Employment Authority (NEA) is mandated to undertake public employment services in Kenya. It has a network of 30 Employment Officers in 27 counties across the country.

The functions of the Employment Offices include: promotion and monitoring employment creation programmes in the regions; collection and provision of Labour Market Information; registration and placement of job seekers; provision of vocational information, guidance and employment counselling; and registration of private employment agencies. In order to enhance public employment services, the Authority intends to re-engineer and transform the existing Employment Offices into Employment Centres. During the period under review, two Job Centres were completed in Embakasi and Kasarani and jobseekers can now access information from the centres on-line.

The Authority intends to continue establishing new Job Centres, with the goal of having one in every county. The Centres will be one-stop shops for employment services which will be expanded to cover pre-departure training for migrant Kenyan workers, empowerment of jobseekers especially the youth, and development and implementation of special employment programmes for vulnerable groups.

Administration of Foreign Employment

More Kenyans continue to seek for employment opportunities abroad due to high levels of unemployment in the country hence the need to regulate foreign employment. However, a number of Kenyan migrant workers face numerous challenges in their countries of destination. This creates the need for proper administration of foreign employment mainly to promote employment of Kenyans abroad and ensure fair terms and conditions of employment for them. The role of the Authority in foreign employment administration involves: licensing and accreditation of private employment agencies; regulation of the activities of private employment agencies; collection, analysis and dissemination of labour market information; and building the capacities of private employment agencies

The government intends to harmonize and place all the foreign employment functions and activities under the National Employment Authority in order to streamline foreign employment administration. In addition, the Government intends to post employment attachés to strategic missions abroad in countries which are popular with migrant Kenyan workers. The attachés will be expected to play an active role in sourcing for jobs outside the country, facilitating linkages between Kenya and the destination countries in the management of labour migration and resolving disputes that may arise in the course of employment.

The National Employment Authority, in collaboration with the National Industrial Training Authority (NITA), International Organization for Migration (IOM), International Labour Organization (ILO) and the Youth Enterprise Development Fund (YEDF), will design foreign employment orientation and re-entry programmes to prepare and sensitize Kenyans on the nature of jobs abroad, their terms and conditions, the rights, obligations and remedies of the workers in case of violations, and pre-departure preparations for the job seekers.

The Authority will also administer regulations on accreditation of private employment agencies in order to ensure orderly migration of Kenyan labour and protect our citizens from exploitation. The Authority will further pursue the strategies in the Diaspora Policy in order to mainstream Kenyan Diaspora in the country's development agenda.

8. 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, one (1) represent the private sector institutions and eight (8) members represents the public sector. Each member is eligible to serve for a maximum of two terms of three (3) years each. The Chairperson of the Board is appointed by the Cabinet Secretary responsible for labour.

Board Roles and Responsibilities

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

The roles and responsibilities of the Chairperson of the Board, the board members and Director General remain distinct and separate which ensures a balance of power of authority and provides for checks and balances such that no one individual has unfettered powers of decision making. Their roles have been documented and are expected to be independent and free from conflict upon appointment. The Chairperson provides overall leadership to the Board without limiting the principles of collective responsibility for Board's decisions. The Chairperson builds an effective board and sets the board agenda in consultation with the Secretary/Director General and ensures effective communication to stakeholders.

The Director General is responsible to the Board and takes the overall responsibility for the management of the National Employment Authority for effective and efficient day-to-day running of its affairs. The Director General recommends the strategy to the Board, 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

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

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

Board Membership and Attendance of Meetings.

| Board Member | Classification | Sector | Organization | Attendance |
|----------------------|-----------------------|---------------|---|-------------------|
| Mrs. Joyce Mwale | Member | Public | Ministry of, Labour and Social Protection, State Department for Labour. | 5/5 |
| Marren Omondi | Member | Public | Kenya Association of Technical Training Institutions | 5/5 |
| Mr. Vincent C. Kigen | Member | Private | National Youth Council | 5/5 |
| Amb Michael Oyugi | Member | Public | Ministry of Foreign affairs | 3/5 |
| Ms Nafula Wafula | Member | Private | National Youth Council | 5/5/ |
| Mrs. Jacqueline Mugo | Member | Private | Federation of Kenya Employers | 5/5 |
| Mrs. Joan Machayo | Member | Public | Public Service Commission | 5/5 |
| Mr. Martin Omuse | Member | Public | National Treasury | 5/5 |
| Mrs. Edith Okoki | 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. Terms of Reference guide each Committee, 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

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Committees are presented to the board by the respective chairperson during the next board meeting. The Board Committees and their Tor's are as below:

1. Finance, Human Resource and Governance committee

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

The responsibilities of the committee are as follows: -

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

Committee Membership

| Name | |
|-----------------------------|----------------------|
| Mr. Vincent Cheruiyot Kigen | Chairman |
| Mrs. Joan Machayo | Member |
| Mrs. Marren Omondi | Member |
| Mr. Ainea Omuse | Member |
| Mrs. Joyce Mwale | Member |
| Mrs. Jacqueline Mugo | Member |
| Mrs. Edith Okoki | Ag. Director General |

Board Members Induction and Training

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

2. Employment Promotion Services and Strategy committee

The responsibilities of the committee are as follows: -

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

Committee Membership

| Name | Position |
|----------------------|----------------------|
| Mrs. Jacqueline Mugo | Chairman |
| Mr. Michael Oyugi | Member |
| Mrs Joan Machayo | Member |
| Ms Nafula Wafula | Member |
| Mrs. Marren Omondi | Member |
| Mr. Vincent C. Kigen | Member |
| Mrs. Joyce Mwale | Member |
| Mrs. Edith Okoki | Ag. Director General |

3. Audit & Risk Management committee

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

The responsibilities of the committee are as follows: -

1. Discuss and review the management letter and any other communications between the external auditor(s) and management.
2. Consider the major findings of internal investigations and management's response.
3. To approve and monitor compliance with significant policies and procedures which have a material impact on the operations of the Authority. 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.
4. Review the compliance and effectiveness of the Authority's accounting and internal control systems.
5. Review and make recommendations on management programs established to monitor compliance issues.
6. Ensure the careful and responsible management of resources entrusted upon the Authority.

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7. Promote and enhance corporate accountability- ensuring effectiveness, efficiency, accountability, transparency and integrity of people, structures and processes among others.
8. Establish a NEA risk management policy.
9. To understand and monitor the principal risks of the environment under which the Authority operates and to oversee appropriate risk management.
10. Review guidelines, policies from Management with respect to risk assessment, risk management and major financial risk exposures.
11. Review the implementation of the Risk management framework on a quarterly basis.
12. Appoint and evaluate a committee responsible for risk management in the Authority

Committee Membership

| Name | Position |
|---------------------------|-----------------|
| 1. Maren Omondi | Chairman |
| 2. Ms Nafula Wafula | Member |
| 3. Mr. Michael Oyugi | Member |
| 4. Mr. Ainea Martin Omuse | 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 a term of three (3) years and are eligible for re-appointment for one further and final term of three years.

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9. Management Discussion and Analysis

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

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

The Authority had an allocation of KShs. 345,000,000 Million in 2022/2023 and a carry forward of Kshs.284,784,057 from 2021/22 FY thus the total budget was KShs 629,784,057. By the end of the 2022/2023 the Authority spent KShs. 538,064,481.77 representing an absorption rate of $(538,064,481.77 / 629,784,057 * 100) = 85.4\%$

On the other hand, in terms of revenue generated through fees charged for registration, the target set, of Kenya shillings, 50 million in AIA was exceeded. The Authority collected a total of KShs.180,500,000.00.

Other key achievements during the FY 2022/2023 include the following: facilitated the placement of a total of 123,114 job seekers in employment locally and abroad (17,318 locally and 105,796 abroad), in both non-skilled or semi-skilled (domestic workers, cleaners, security & protective and in construction industry), and skilled/professional cadre (Hospitality, Aviation, Engineering and Technicians, Sales and marketing, High level, and middle management), vetted and registered 789 Private Recruitment Agencies involved in registration and placement of job seekers locally and abroad through the Inter-ministerial vetting committee, and registered 680 of them who qualified, a total of 321 PEAs were trained on introductory International Recruitment Integrity, 23 PEAs enrolled in the International Recruitment Integrity System (IRIS) capacity building programme and 2 PEAs audited for compliance with international standards, prepared Draft Bilateral Labour Agreements (BLAs) with nine key labour destination countries, which have been cleared by Office of the Attorney General and the National Treasury and submitted to host countries for negotiations. These include: United Kingdom (For all other category of workers), Poland, Oman, Kuwait, Jordan, Bahrain, Australia and; State of Qatar and Kingdom of Saudi Arabia (for recruitment and employment of other categories of workers) and reviewed the Bilateral Labour Agreement with Kingdom of Saudi Arabia on recruitment of Domestic Workers. In addition, the Authority has also prepared draft BLAs with Canada and Germany. The draft agreements have been forwarded to the National Treasury and the Office of the Attorney General for concurrence, established a Return and Re-Integration Programme that will enable migrant workers participate in national development while abroad and upon their return. To enhance the institutional framework for reintegration of Kenyan migrant workers, a Migrant Resource Centre has been established at NEA offices in Kasarani and operationalized. In addition, 2 additional Migrant Resource Centres were established in Eldoret and Mombasa in June, 2023, developed and published five (5) information handbooks for the United Kingdom (Nurses), State of Kuwait,

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Sultanate of Oman, Kingdom of Jordan and Kingdom of Bahrain. In addition, four (4) Handbooks for Canada, Australia, Poland and United Kingdom (for General Workers) were developed awaiting publishing, a distress reporting mechanism was established through a Web Portal under NEAIMS and a Toll-Free Line 0800222223 to report Migrant workers distress cases.

10. Environmental and Sustainability Reporting

I. Sustainability Strategy and Profile

The National Employment Authority (NEA) is dedicated to promoting sustainable practices in its operations. Our sustainability strategy is rooted in our commitment to the well-being of our stakeholders and the environment. We recognize that sustainability is not only a moral imperative but also a strategic necessity. Our sustainability strategy revolves around several key pillars:

- **Sustainable Efforts:** NEA has consistently integrated sustainability into its core activities, guided by our commitment to promoting equitable employment opportunities for all. Our sustainability initiatives encompass policies and practices that foster economic growth, social inclusivity, and environmental stewardship.
- **Macroeconomic Trends:** We closely monitor political and macroeconomic trends to adapt our sustainability priorities. In the face of evolving economic challenges, NEA remains agile in responding to emerging issues that impact our ability to provide employment solutions.
- **Alignment with International Best Practices:** NEA has actively sought to align its practices with international best practices and standards in the field of employment, labour migration management, and labor market management. We continuously monitor and adapt to global trends to ensure our sustainability priorities are in sync with evolving global standards.
- **Social Responsibility:** NEA is committed to engaging with stakeholders, including the public, non-governmental and private sectors, to foster partnerships that promote sustainable employment opportunities. We actively engage in forums and initiatives that address employment-related challenges.
- **Environmental Impact:** While NEA's primary focus is on employment, we are also cognizant of our environmental impact. We aim to reduce our environmental footprint by adopting eco-friendly practices in our offices and operations.
- **Key Achievements and Failures:** NEA has achieved several milestones, including reducing paper consumption through digitization. All external services have been digitalized and we are in the process of digitalizing internal services through www.neaims.go.ke. NEA has successfully implemented various employment programs and initiatives that have positively impacted the lives of Kenyan citizens. However, we acknowledge that there have been some shortcomings in certain areas, which we are actively addressing.

II. Environmental Performance

- **Successes:** NEA has made significant strides in reducing its environmental impact by implementing energy-efficient measures, and reducing paper usage.

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- **Shortcomings:** NEA acknowledges the need for further improvement in waste minimization. We are actively exploring options to enhance our environmental sustainability
- **Biodiversity Management:** We collaborate with the various county governments to manage biodiversity within our premises.

III. Employee Welfare

NEA is dedicated to ensuring the welfare and development of its employees, promoting a diverse workforce, and adhering to labor laws and standards.

- **Policies Guiding Hiring:** Our hiring policies are designed to ensure fairness and inclusivity, considering gender ratios and regional balance.
- **Skill Enhancement and Career Management:** NEA invests in continuous skill development for our employees, offering regular training and development programs. We provide clear career paths and opportunities for advancement
- **Appraisal and Reward Systems:** We have a performance appraisal system in place that objectively evaluates employee contributions.
- **Safety and OSHA Compliance:** We maintain strict safety policies in line with the Occupational Safety and Health Act of 2007 (OSHA). Compliance with safety regulations is a top priority, and we have made significant efforts to ensure a safe working environment.

IV. Market Place Practices

- **Responsible Competition Practices:** NEA maintains responsible competition practices by adhering to ethical standards, refraining from corrupt practices, avoiding unfair competition, and respecting competitors' rights.
- **Responsible Supply Chain and Supplier Relations:** We maintain ethical business practices with our suppliers. NEA honors contracts and respects payment practices, ensuring timely and fair compensation for services rendered. We engage in open communication with suppliers to address concerns, build sustainable partnerships and maintain transparency in our dealings.
- **Responsible Marketing and Advertisement:** We are committed to ethical marketing practices and adhere to industry standards for advertising. Our marketing efforts prioritize transparency and accuracy of information
- **Product Stewardship:** Safeguarding consumer rights and interests is a top priority. NEA is committed to providing high-quality services that align with our mission to promote employment opportunities. Our products and services are designed to meet the needs of job seekers and employers while maintaining the highest ethical standards. We actively seek feedback from our stakeholders to continually improve our services.

Corporate Social Responsibility / Community Engagements

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

NEA seeks to work with various communities across Kenya to improve access to training opportunities for the youth, minority and marginalized. This is because a well-grounded skills development is a strong foundation that 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.

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11. Report of the Directors

The Directors submitted their report together with the audited financial statements for the year ending June 30, 2023, 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.

Towards this, the Authority developed an Integrated Information Management System (<http://neaims.go.ke>) to facilitate provision of employment services, collection, storage and retrieval of labour market data. The system can support registration of job seekers, matching and placement; registration of employers and submission of returns; registration of recruitment agencies and internship). Thus, all the National Employment Processes have been automated

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

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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 even though internship offers benefits to both the employers and the interns.

To address this challenge, the Authority finalized the Draft National Internship Policy and forwarded to the National Treasury where comments were received and incorporated to the Draft Policy, which is awaiting discussions in Cabinet. Internship guidelines were finalized and discussed with stakeholders. On-line portal to enable registration and placement of graduates in internship programme was developed

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 enhance protection of Kenyan Migrant Workers in countries of destination, the Authority undertook the following measures: Kenya concluded a Bilateral Labour Agreement (BLA) with the United Kingdom of Great Britain and Northern Ireland on recruitment of Health Care Worker. In addition, guidelines to operationalize the BLA and a web portal for recruitment of health care professional was established at NEAIMS. By June 2023 a total of 2,295 nurses had expressed interest for employment in the UK; The BLAs with the Government of Kingdom of Saudi Arabia and Government of State of Kuwait on Recruitment and Employment of Kenyan Workers were finalized and approved by National Assembly and Office of Attorney General and forwarded to Host Countries for concurrence. Other draft BLAs awaiting negotiations include: UK, Oman, Jordan, Australia, Poland and Bahrain

4. Re-engineering Public Employment Services

The National Employment Authority's outreach of public employment services in the country is currently restricted to 27 counties due to, mainly, lack of human resource. There is need to cover the rest of the 19 counties in the country. Towards this end, the Authority undertook a re-engineering of public employment Services countrywide which will include the following activities: establishment of 19 more county employment offices; purchase of equipment for all county employment offices; and recruitment of staff. Enhancing and Modernization of Public Employment Services. The existing public employment offices will be modernized mainly through expansion, adoption of Information and Communications Technology (ICT), establishment of Resource Centres and capacity building for officers. The Authority targets to establish new Public Employment Offices, staffed with qualified officers and equipped to handle activities of a modern employment office. The employment offices will primarily serve the functions of placement of registered jobseekers in employment and collection of Labour Market Information. Special programmes for supporting new graduates to find employment will be developed alongside guidance and counselling services to enable jobseekers develop their

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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.

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, 2023, in accordance to section 23 of the Public Audit Act, 2015 which empowers the Auditor General to appoint an auditor to audit on his/her behalf.

By Order of the Board.

Directors

The members of the Board of Directors who served during the year are shown on page vii, viii, ix, x and xi During the year 2022/23

By Order of the Board



.....
Name

EDITH OKOKI

Corporation Secretary/Secretary to the Board

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12. Statement of Directors Responsibilities

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

The Directors are responsible for the preparation and presentation of the NEA's financial statements, which give a true and fair view of the state of affairs of the NEA for and as at the end of the financial year (period) ended on June 30, 2023. 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 NEA; (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 NEA; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the NEA'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 the Authority's financial statements give a true and fair view of the state of NEA's transactions during the financial year, and of the Authority's financial position as at that date. The Directors further confirms the completeness of the accounting records maintained for the NEA which have been relied upon in the preparation of the NEA'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 *Entity* will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The NEA's financial statements were approved by the Board on 22/2/2024 2023 and signed on its behalf by:

.....


Name

Chairperson of the Board/Council

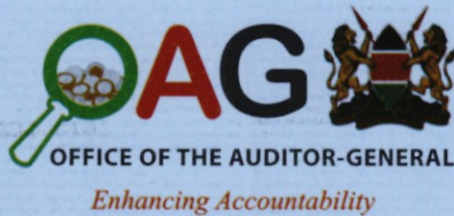
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Name

Accounting Officer

REPUBLIC OF KENYA

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HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL EMPLOYMENT AUTHORITY FOR THE YEAR ENDED 30 JUNE, 2023

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Employment Authority set out on pages 1 to 27, which comprise of the statement of financial position as at

30 June, 2023, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, 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 National Employment Authority as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Long Outstanding Receivables

The statement of financial position reflects receivables from exchange transactions balance of Kshs.1,400,000 as disclosed in Note 15(a) to the financial statements. The balance relates to sale of goods and services which have been outstanding for over three (3) years. However, Management did not provide reasons for the failure to recover the long outstanding receivables. Further, no provision for doubtful debt has been made in the financial statements.

In the circumstances, the accuracy, presentation and recoverability of the receivables from exchange transactions balance of Kshs.1,400,000 could not be confirmed.

2.0 Failure to Revalue Fully Depreciated Assets

The statement of financial position reflects property, plant and equipment balance of Kshs.65,291,867 as disclosed in Note 16 to the financial statements. However, the schedule of the assets provided included motor vehicles which have been fully depreciated and reflect a nil book value. The motor vehicles ought to have been revalued as they still have an economic value to the Authority. No explanation was given for failure to revalue the motor vehicles.

In the circumstances, the accuracy, fair valuation and completeness of the property, plant and equipment balance of Kshs.65,291,867 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.629,784,057 and Kshs.675,185,675 respectively, resulting to overfunding of Kshs.45,401,618. Similarly, the Authority spent Kshs.550,118,714 against an approved budget of Kshs.629,784,057 resulting to an underperformance of Kshs.79,665,343 or 13% of the budget.

The underperformance affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Lack of Substantive Director General

The position of the Chief Executive Officer has been held in acting position from the year 2016 to date. Failure to fill the position is against The National Treasury Circular number OP/CAB. 9/1A on Management of State Corporations, which sets the limit of acting Chief Executive Officer to a maximum of six (6) months. No satisfactory explanation has been given on failure to fill the position substantively.

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 comply, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE 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 matter 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

ICT Internal Control Weaknesses

Review of the Authority's internal controls, risk management and Information Technology controls revealed the following weaknesses:

- i. There are no approved processes to manage upgrades made to the information system;
- ii. There is lack of emergency procedures in case of disasters; and
- iii. It was noted that Programmers have access to the test and live environment of the Management Information System. This is an indication of lack of data integrity and therefore security of information may be interfered with.

In the circumstances, the effectiveness of the Authority's ICT internal controls and risk management on could not be confirmed.

The audit was conducted in accordance with ISSAIs 2315 and 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Authority's ability to continue to sustain its services, disclosing, as applicable, matters

related to sustainability of service and using the going concern basis of accounting unless Management is aware of the intention to terminate the Authority or to cease operations.

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

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

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

Auditor-General's Responsibilities for the Audit

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 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 overall 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 controls 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 controls 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 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 controls.
- 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 applicable basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Authority to cease to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Authority to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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 Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


21 March, 2024

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14. Statement of Financial Performance for the year ended 30 June 2023

| | Notes | FY 2022-2023 | FY 2021-2022 |
|---|-------|--------------------|--------------------|
| | | Kshs | Kshs |
| Revenue from non-exchange transactions | | | |
| Transfers from other governments entities | 6 a | 265,000,000 | 265,000,000 |
| Licenses and permits | 7 | 191,651,618 | 221,975,650 |
| | | | |
| Total revenue | | 456,651,618 | 486,975,650 |
| Expenses | | | |
| Use of goods and services | 8 | 460,015,243 | 7,639,893 |
| Employee costs | 9 | 13,581,013 | 2,903,250 |
| Board Expenses | 10 | 25,275,254 | 28,186,726 |
| Depreciation and amortization expense | 11 | 21,332,048 | 19,221,786 |
| Repairs and maintenance | 12 | 18,117,691 | 5,276,169 |
| General expenses | | - | 324,608,152 |
| Finance costs | 13 | 16,200 | 35,200 |
| | | | - |
| Total expenses | | 538,337,449 | 387,871,175 |
| | | | |
| Surplus/ (deficit) before tax | | -81,685,831 | 99,104,475 |
| Taxation | | | - |
| Surplus/(deficit) for the period/year | | -81,685,831 | 99,104,475 |
| Remission to National Treasury | | 0 | - |
| Net (Deficit)/Surplus for the year | | -81,685,831 | 99,104,475 |


The notes set out on pages 6 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 were signed on behalf of the Board of Directors by:



Edith Okoki (Mrs.)
Accounting Officer



Milly Eve Akoth
Head of Account Unit



Vincent Cheruiyot Kigen
Chairman of the Board

Date 22/2/2024

Date 22/2/2024


Date 22/2/2024

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15. Statement of Financial Position as at 30 June 2023

| | Notes | FY 2022-2023 | FY 2021-2022 |
|--|-------|---------------------|--------------------|
| | | KShs | KShs |
| Assets | | | |
| Current Assets | | | |
| Cash and Cash equivalents | 14 | 124,408,359 | 284,784,057 |
| Receivables from Exchange Transactions | 15(a) | 1,400,000 | 2,235,872 |
| Receivables from Non-Exchange Transactions | 15(c) | 66,250,000 | |
| Total Current Assets | | 192,058,359 | 287,019,929 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | 16 | 65,291,867 | 52,016,128 |
| Total Non- Current Assets | | 65,291,867 | 52,106,128 |
| Total Assets | | 257, 350,226 | 339,036,057 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade and Other Payables | 17 | 300,000 | 300,000 |
| Total Liabilities | | 300,000 | 300,000 |
| Net Assets | | | |
| Financed By: | | | |
| Accumulated Surplus | | 257,050,226 | 338,736,057 |
| Total Net Assets and Liabilities | | 257,350,226 | 339,036,057 |


The financial statements set out on pages 2 were signed on behalf of the Board of Directors by:



Edith Okoki (Mrs.)
Accounting Officer



Milly Eve Akoth
Head of Accounting Unit



Vincent Cheruiyot Kigen
Chairman of the Board

Date 22/2/2024

ICPAK Member Number:
Date 22/2/2024

Date 22/2/2024

16. Statement of Changes in Net Assets for the year ended 30 June 2023

| Description | Surplus | Accumulated surplus |
|---------------------------------------|-------------|---------------------|
| | Kshs | Kshs |
| As at July 1, 2021 | | 239,631,582 |
| Surplus for the year | 99,104,475 | 99,104,475 |
| Transfers to/from accumulated surplus | - | |
| As at June 30, 2022 | | 338,736,057 |
| As at July 1, 2022 | | |
| Deficit for the year | -81,685,831 | -81,685,831 |
| Transfers to/from accumulated surplus | | |
| As at June 30, 2023 | | 257,050,226 |

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17. Statement of Cash Flows for the year ended 30 June 2023

| | Notes | FY 2022- 2023 | FY 2021- 2022 |
|--|---------|--------------------|--------------------|
| | | Kshs | Kshs |
| Cash flows from operating activities | | | |
| Receipts | | | |
| Transfers from other governments entities | 6 & 15c | 198,750,000 | 265,000,000 |
| Licenses and permits | 7 | 191,651,618 | 221,975,650 |
| Total receipts | | 390,401,618 | 486,975,650 |
| Payments | | | |
| Use of goods and services | 8 | 460,015,243 | 7,639,893 |
| Employee costs | 9 | 13,581,013 | 2,903,250 |
| Board Expenses | 10 | 25,275,254 | 28,186,726 |
| Repairs and maintenance | 12 | 18,117,691 | 5,276,169 |
| General expenses | | - | 324,308,152 |
| Finance cost | 13 | 16,200 | 35,200 |
| Total payments | | 517,005,401 | 368,349,389 |
| Net cash flows from operating activities before Working Capital Changes | | 126,603,783 | 118,626,262 |
| Increase/(Decrease) in Receivables from Exchange Transactions | | 835,872 | 20,000,000 |
| Adjustment to Correct Erroneous Recognition of Receivables in 2020/2021 | | -1,478,275 | |
| Net Cash flows from Operating Activities | 18 | 127,246,186 | |
| Cash flows from investing activities | | | |
| Purchase of PPE and Intangible assets | 16 | -33,129,512 | -25,093,337 |
| Net cash flows from/(used in) investing activities | | 160,375,698 | |
| Net increase/(decrease) in cash & Cash equivalents | | 160,375,698 | 113,532,925 |
| Cash and cash equivalents at 1 July 2022 | 14 | 284,784,057 | 171,251,132 |
| Cash and cash equivalents at 30 June 2023 | 14 | 124,408,359 | 284,784,057 |

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2023

| | Original budget | Adjustments | Final budget | Actual on comparable basis | Performance difference | % of utilization |
|--|--------------------|-------------|--------------------|----------------------------|------------------------|------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | |
| | a | b | C=(a+b) | d | e=(c-d) | f=d/c*100 |
| Revenue | | | | | | |
| Transfers from Other Governments entities | 265,000,000 | - | 265,000,000 | 198,750,000 | 66,250,000 | 75% |
| Licenses and permits | 80,000,000 | - | 80,000,000 | 191,651,618 | -111,651,618 | 240% |
| Other Income- previous year's balances b/f | 284,784,057 | - | 284,784,057 | 284,784,057 | 0 | 100% |
| Total Income | 629,784,057 | - | 629,784,057 | 675,185,675 | -45,401,618 | |
| Expenses | | | | | | |
| Use of Goods and Services | 490,709,357 | - | 490,709,357 | 460,015,243 | 30,694,114 | 94% |
| Employee costs | 13,600,000 | - | 13,600,000 | 13,581,013 | 18,987 | 100% |
| Remuneration of Directors | 29,374,700 | - | 29,374,700 | 25,275,254 | 4,099,446 | 86% |
| Repairs and Maintenance | 10,800,000 | - | 10,800,000 | 4,649,188 | 6,150,812 | 43% |
| Capital Items | 85,300,000 | - | 85,300,000 | 46,598,016 | 38,701,984 | 55% |
| Total Expenditure | 629,784,057 | - | 629,784,057 | 550,118,714 | 79,665,343 | |
| Surplus for the period | - | - | - | | | |
| Capital Expenditure | 85,300,000 | - | 85,300,000 | 45,943,776 | | |

Budget Notes:

1. *Transfer from other Governments entities – was attributed by underfunding from the Parent Ministry*
2. *Licenses and Permits – Employment agencies increased in capacity and those with debts cleared their balances*
3. *Remuneration of Directors – Board of Directors term had expired before the end of Financial Year*
4. *Repairs and Maintenance - the bill of quantifies for works were received towards the end of financial year.*
5. *Capital Items – it was attributed by late disbursement and underfunding from the Parent Ministry*

19. Notes to the Financial Statements

1. General Information

National Employment Authority is established by and derives its authority and accountability from the National Employment Authority Act 2016. The Entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The Entity's principal activity is to provide for a comprehensive institutional framework for employment management; enhancement of employment promotion interventions; and increasing access to employment by the youth, minorities and marginalised groups for connected purposes.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the NEA's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 5 of these financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the NEA. The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3 Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2023.

| Standard | Effective date and impact: |
|---|--|
| <p>IPSAS 41: Financial Instruments</p> | <p>Applicable: 1st January 2023: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an Entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; |

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| Standard | Effective date and impact: |
|---|--|
| | <ul style="list-style-type: none"> • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an Entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. |
| <p>IPSAS 42: Social Benefits</p> | <p>Applicable: 1st January 2023</p> <p>The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting Entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general-purpose financial reports assess:</p> <ul style="list-style-type: none"> (a) The nature of such social benefits provided by the Entity. (b) The key features of the operation of those social benefit schemes; and (c) The impact of such social benefits provided on the Entity's financial performance, financial position and cash flows. |
| <p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p> | <p>Applicable: 1st January 2023:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guaranteed contracts which were inadvertently omitted when IPSAS 41 was issued. d) Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued. |
| <p>Other improvements to IPSAS</p> | <p>Applicable 1st January 2023</p> <ul style="list-style-type: none"> • <i>IPSAS 22 Disclosure of Financial Information about the General Government Sector.</i> Amendments to refer to the latest System of National Accounts (SNA 2008). • <i>IPSAS 39: Employee Benefits.</i> Now deletes the term composite social security benefits as it is no longer defined in IPSAS. |

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| Standard | Effective date and impact: |
|----------|---|
| | <ul style="list-style-type: none"> • IPSAS 29: Financial instruments: Recognition and Measurement. Standard no longer included in the 2023 IPSAS handbook as it is now superseded by IPSAS 41 which is applicable from 1st January 2023. |

- ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

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

- iii. *Early adoption of standards*

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

4 Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The Authority 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 Authority and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

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.

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the NEA.

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.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

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

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The original budget for the Current FY was approved by the National Assembly on *June 2022*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Entity upon receiving the respective approvals in order to conclude the final budget. Accordingly, the Entity recorded additional appropriations of 0 on the 2023 budget following the governing body's approval.

The NEA's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Authority operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

d)Property, plant and equipment

Depreciation is calculated on a straight-line basis annually regardless of the date of purchase and carrying amount written-off. After the useful life of the assets.

The annual depreciation rates are as follows:-

| | |
|--------------------------------------|-------|
| Furniture, Fixtures and fittings | 12.5% |
| Plant and Equipment | 12.5% |
| Electronic Data processing equipment | 33.0% |
| Motor Vehicles | 25.0% |
| Software | 20.0% |

All property, plant and equipment are stated at NBV since they were acquired during the year under review and delivered in the same period. Hence, depreciation was provided for. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant

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parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

e) Intangible assets

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

f) financial assets

Classification of financial assets

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

Subsequent measurement

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

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through

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surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

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

Trade and other receivables

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

Fair value through surplus or deficit

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

e) Inventories

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

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

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

f) Provisions

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or

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service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Authority *expects* some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

g) Social Benefits

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

h) Contingent liabilities

The Entity 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.

i) Contingent assets

The Entity 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 Entity 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.

j) Changes in accounting policies and estimates

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

k) Employee benefits

Retirement benefit plans

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

l) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at

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the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

m) Borrowing costs

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

n) Related parties

The National Employment 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 directors, the CEO and senior managers.

o) 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. 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.

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2023.

5 Significant Judgments and Sources of Estimation Uncertainty

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

Estimates and assumptions.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts

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of assets and liabilities within the next financial year, are described below. The Entity 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 Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual value

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

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

6 Transfers from Other Government entities

| Description | FY 2022-2023 | FY 2021-2022 |
|--|--------------------|--------------------|
| | KShs | KShs |
| Unconditional Grants | | |
| Operational Grant | 265,000,000 | 265,000,000 |
| Total Unconditional Grants | 265,000,000 | 265,000,000 |
| Total Government Grants And Subsidies | 265,000,000 | 265,000,000 |

a) Transfers from Ministries, Departments and Agencies (MDAs)

| Name of The Entity Sending The Grant | Amount recognized to Statement of Financial performance. * | Amount deferred under deferred income. | Amount recognised in capital fund. | Total transfer FY 2022-2023) | FY 2021-2022 |
|---|--|--|------------------------------------|------------------------------|--------------------|
| | KShs | KShs | KShs | KShs | KShs |
| Ministry of Labour and Social Protection(Current Year) | 265,000,000 | - | - | 265,000,000 | 265,000,000 |
| Adjustment to correct erroneous recognition of receivable in the 2020/2021 FY | (20,000,000) | | | (20,000,000) | |
| Total | 245,000,000 | - | - | 245,000,000 | 265,000,000 |

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Licenses, Fees and Permits

| Description | FY 2022-2023 | FY 2021-2022 |
|--------------|--------------------|--------------------|
| | Kshs | Kshs |
| Licenses | 180,500,000 | 220,500,000 |
| ILO Funds | 11,151,618 | 1,475,650 |
| Total | 191,651,618 | 221,975,650 |

8 Use of Goods and Services

| Description | FY 2022-2023 | FY 2021-2022 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Electricity | 789,159 | 766,903 |
| Water | 526,426 | 37,056 |
| Security | 1,344,000 | 1,344,000 |
| Professional Services | 54,949,766 | 30,897,500 |
| Subscriptions | 132,638 | 127,360 |
| Advertising | 4,463,610 | 12,138,278 |
| Audit Fees | - | 300,000 |
| Conferences and Delegations | 29,383,350 | 35,822,937 |
| Research and M&E | 51,749,161 | 58,264,272 |
| Newspaper & periodicals | 584,201 | 400,000 |
| Fuel and Oil | 6,500,000 | 5,842,036 |
| Insurance | 2,628,157 | - |
| Cleaning services | 6,207,844 | 5,334,576 |
| Sanitary and cleaning services | 957,000 | - |
| Postage | 155,590 | 30,000 |
| Printing and Stationery | 11,411,000 | 11,930,910 |
| General supplies | 9,922,330 | 11,706,408 |
| Hospitality | 15,038,898 | - |
| Uniform | 4,950,320 | - |
| Telecommunication | 4,508,064 | 3,432,000 |
| Training | 24,897,345 | 5,268,379 |
| Travel, Subsistence & Other Allowances* | 154,011,328 | 144,790,642 |
| Shows Exhibitions | 63,753,438 | - |
| Other (sanitary & cleaning materials, supplies and services) | | 2,075,110.00 |
| Other General Expenses -ILO | 11,151,618 | 1,739,680 |
| TOTAL | 460,015,243 | 332,248,047 |

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9 Employee Costs

| Description | FY 2022-2023 | FY 2021-2022 |
|-----------------------|-------------------|------------------|
| | Kshs | Kshs |
| Salaries and wages | 9,981,073 | - |
| Internship stipends | 3,599,940 | 2,903,250 |
| Employee costs | 13,581,013 | 2,903,250 |

10 Board Expenses

| Description | FY 2022-2023 | FY 2021-2022 |
|-------------------------------|-------------------|-------------------|
| | Kshs | Kshs |
| Chairman/Directors' Honoraria | 667,487 | 800,000 |
| Sitting Allowances | 2,841,720 | 9,600,000 |
| Medical Insurance | 453,455 | 1,550,542 |
| Travel | 5,000,000 | 3,000,000 |
| Board mileage | 435,866 | 520,868 |
| Induction and Training | 4,832,554 | 4,371,315 |
| Accommodation | 11,040,172 | 8,240,000 |
| Lunch Allowance | | 80,000 |
| Telephone & Postage | 4,000 | 24,000 |
| Total | 25,275,254 | 28,186,725 |

11 Depreciation and Amortization Expense

| Description | FY 2022-2023 | FY 2021-2022 |
|--|-------------------|-------------------|
| | Kshs | Kshs |
| Property, plant and equipment | 18,869,002 | 19,221,786 |
| Prior Year Adjustment on Casting Error | 2,463,046 | |
| Total depreciation and amortization | 21,332,048 | 19,221,786 |

There was a casting error in the prior year accumulated depreciation figure.

12 Repairs and Maintenance

| Description | FY 2022-2023 | FY 2021-2022 |
|--------------------------------------|-------------------|------------------|
| | Kshs | Kshs |
| Property and equipment | 278,400 | 131,000 |
| Buildings | 724,680 | 2,527,900 |
| Vehicles | 3,616,107 | 2,604,769 |
| Computers and Accessories | 30,000 | 12,500 |
| Refurbishment of Buildings | 13,468,504 | |
| Total Repairs and Maintenance | 18,117,691 | 5,276,169 |

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13 Finance Costs

| Description | FY 2022-2023 | FY 2021-2022 |
|----------------------------|---------------|---------------|
| | Kshs | Kshs |
| Bank charges | 16,200 | 35,200 |
| Total finance costs | 16,200 | 35,200 |

14 Cash and Cash Equivalents

| Description | FY 2022-2023 | FY 2021-2022 |
|--|--------------------|--------------------|
| | Kshs | Kshs |
| Current Account | 124,408,359 | 284,784,057 |
| Total Cash And Cash Equivalents | 124,408,359 | 284,784,057 |

Detailed Analysis of the Cash and Cash Equivalents

| Financial Institution | Account number | FY 2022-2023 | FY 2021-2022 |
|---------------------------|----------------|--------------------|--------------------|
| | | Kshs | Kshs |
| a) Current Account | | | |
| Kenya Commercial Bank | 1205120793 | 124,408,359 | 284,784,057 |
| Sub- Total | | 124,408,359 | 284,784,057 |
| | | | |
| Grand Total | | 124,408,359 | 284,784,057 |

15 Receivables from Exchange Transactions

(a) Receivables from Exchange Transactions (Current)

| Description | FY 2022-2023 | FY 2021-2022 |
|----------------------------------|------------------|------------------|
| | Kshs | Kshs |
| Receivables | | |
| Sale of Goods and Services | 1,400,000 | 1,400,000 |
| Insurance Prepayments | | 835,872 |
| Total Current Receivables | 1,400,000 | 2,235,872 |

(b) Ageing analysis for Receivables from exchange transactions

| Description | FY 2022-2023 | | FY 2021-2022 | |
|--------------------|--------------|----------------|----------------|----------------|
| | Kshs | | Kshs | |
| | Current FY | % of the total | Comparative FY | % of the total |
| Over 3 years | | | 1,400,000 | 100 |
| Total (a+b) | | | 1,400,000 | 100 |

(c) Receivables from Non-Exchange Transactions

| Description | FY 2022-2023 | FY 2021-2023 |
|-------------|--------------|--------------|
|-------------|--------------|--------------|

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| | Kshs | | Kshs | |
|---|-------------------|-----------------------|------------------------|-----------------------|
| Grants from the Ministry | 66,250,000 | | - | |
| Total receivables from non- exchange transactions | 66,250,000 | | - | |
| | | | | |
| Ageing Analysis- Receivables from non- exchange transactions | Current FY | % of the total | Compara tive FY | % of the total |
| Less than 1 year | 66,250,000 | 100 | - | - |
| Total | 66,250,000 | 100 | - | - |

| Description | FY 2022-2023 | FY 2021-2022 |
|---------------------------------------|-------------------|--------------|
| | Kshs | Kshs |
| At the beginning of the year | - | - |
| Additional provisions during the year | 66,250,000 | - |
| At the end of the year | 66,250,000 | - |

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Notes to the Financial Statements (Continued)

16 Property, Plant and Equipment

| Cost | Motor vehicles | Furniture and fittings | Computers | Office Equipment | Software | Total |
|--|-------------------|------------------------|-------------------|-------------------|-------------------|--------------------|
| | Kshs | Kshs | Kshs | Kshs | Kshs | Kshs |
| As At 1 July, 2021 | 76,482,400 | 37,111,925 | 40,205,274 | 11,876,656 | 3,203,000 | 168,879,255 |
| Additions | | 8,856,200 | 5,445,450 | 4,601,300 | 6,190,387 | 25,093,337 |
| As at 30th June 2022 | 76,482,400 | 45,968,125 | 45,650,724 | 16,477,956 | 9,393,387 | 193,972,592 |
| Additions | - | 5,741,250 | 10,718,900 | 2,682,680 | 13,986,682.00 | 33,129,512 |
| As at 30th June 2023 | 76,482,400 | 51,709,375 | 56,369,624 | 19,160,636 | 23,380,069 | 227,102,104 |
| Depreciation And Impairment | | | | | | |
| At 1 July 2021 | 68,742,550 | 10,579,104 | 40,205,274 | 3,159,920 | 1,032,600 | 123,719,448 |
| Depreciation | 7,739,850 | 5,746,266 | 1,796,999 | 2,059,995 | 1,878,677 | 19,221,787 |
| As At 30th 2022 | 76,482,400 | 16,325,370 | 42,002,273 | 5,219,915 | 2,911,277 | 142,941,464 |
| Depreciation | - | 6,463,672 | 5,334,236 | 2,395,080 | 4,676,014 | 18,869,002 |
| As at 30th June 2023 | 76,482,400 | 22,789,042 | 47,336,509 | 7,614,995 | 7,587,291 | 161,810,237 |
| | | | | | | - |
| Net Book Values | | | | | | - |
| As at 30th June 2022 | - | 29,715,406 | 3,648,451 | 11,258,041 | 6,482,110 | 51,031,357 |
| As at 30th June 2023 | - | 28,920,333 | 9,033,115 | 11,545,641 | 15,792,778 | 65,291,867 |

NOTE-Adjustment was done for depreciation 2021/2022

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Notes to the Financial Statements (Continued)

Valuation

Land and buildings/ Equipment (be specific) were valued by professional valuers from the government in line with the National Assets and Liabilities Management Policy and Guidelines (issued 30th June 2020).

16 (a) Property, Plant and Equipment at Cost

If the freehold land, buildings and other assets were stated on the historical cost basis the amounts would be as follows:

| Description | Cost | Accumulated Depreciation | NBV |
|-------------------------|--------------------|--------------------------|-------------------|
| | Kshs | Kshs | Kshs |
| Motor Vehicles | 76,482,400 | 76,482,400 | - |
| Computers | 56,369,624 | 47,336,509 | 9,033,115 |
| Furniture, And Fittings | 51,709,375 | 22,789,042 | 28,920,333 |
| Office Equipment | 19,160,636 | 7,614,995 | 11,545,641 |
| Software | 23,380,069 | 7,587,291 | 15,792,778 |
| Total | 227,102,104 | 161,810,237 | 65,291,867 |

Property plant and Equipment includes the following assets that are fully depreciated:

| Description | Cost or valuation | Normal annual depreciation charge |
|----------------|--------------------|-----------------------------------|
| Motor Vehicles | 76,482,400 | 76,482,400 |
| Computers | 40,205,274 | 40,205,274 |
| Total | 116,687,674 | 116,687,674 |

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Notes to the Financial Statements (Continued)

17 Trade and Other Payables

| Description | FY 2022-2023 | | FY 2021-2022 | |
|--|---------------------|-----------------------|---------------------|-----------------------|
| | Kshs | | Kshs | |
| Provision of Audit fees | 300,000 | | 300,000 | |
| Total trade and other payables | 300,000 | | 300,000 | |
| | | | | |
| Ageing analysis: (Trade and other payables) | FY 2022-2023 | % of the Total | FY 2021-2022 | % of the Total |
| Under one year | 300,000 | % | - | % |
| 1-2 years | - | % | 300,000 | % |
| Total (tie to above total) | 300,000 | | 300,000 | |

18 Cash Generated from Operations

| Description | FY 2022-2023 | | FY 2021-2022 | |
|--|----------------------|--|-------------------|--|
| | Kshs | | Kshs | |
| (Deficit)/Surplus for the year before tax | (81,685,831) | | 99,104,475 | |
| Adjusted for: | | | | |
| Depreciation | 21,332,048 | | 19,221,787 | |
| Working capital adjustments | | | | |
| Decrease in Receivables | 835,872 | | | |
| Increase in receivables | (66,250,000) | | | |
| Net cash flow from operating activities | (127,246,186) | | | |

19 Financial Risk Management

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

i) Credit risk

The Entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the Entity's management based on prior experience and their assessment of the current economic environment.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Entity's directors, who have built an appropriate liquidity risk management framework for the management of the Entity's short, medium and long-term funding and liquidity management requirements. The Entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the Entity under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

ii) Market risk

The Authority has put in place an internal audit function to assist it in assessing the risk faced by the Entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the Entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The Entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the Entity's exposure to market risks or the way it manages and measures the risk.

a) Interest rate risk

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

Management of interest rate risk

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

20 Related Party Disclosures

Nature of related party relationships

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

Government of Kenya

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

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Other related parties include:

- i) Ministry of Labour and Social Protection
- ii) County Governments
- iii) Key management.
- iv) Board of directors.

| Description | FY 2022-2023 | FY 2022-2023 |
|---|--------------------|--------------------|
| | Kshs | Kshs |
| Transactions with related parties | | |
| a) Grants /transfers from the government | | |
| Grants from national govt | 265,000,000 | 265,000,000 |
| Total | 265,000,000 | 265,000,000 |
| b) Key management compensation | | |
| Directors' emoluments | 667,648 | 960,000 |
| Compensation to key management | | |
| Total | | |

21 Events after the Reporting Period

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

22 Ultimate And Holding Entity

The Entity is a State Corporation under the Ministry of Labour and Social Protection. Its ultimate parent is the Government of Kenya.

23 Currency

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

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20. Appendices

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

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

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|---|---|---|--|---|
| 1 | Failure to implement approved staff establishment | Delinking Process initiated | Not Resolved | Work in progress |
| 2 | Budget Control and Performance | The management acknowledges the budgeted over performance of Kshs. 171,975,650, which is mainly over collection of Appropriation in Aid (AIA) in form of License income. This was because of relaxation of the COVID 19 Pandemic restrictive measures thus most of the Recruitment Agencies were able to smoothly resume their normal operations. This led to increased number of new registrations as well as renewals thus increased revenue. This consequently resulted in overall budget under performance. | Resolved | 19 th May 2023 |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|--|--------------------------------------|---|
| | | <p>The under absorption in respect to compensation of employees was because of payment of Acting allowance to Officers which had been budgeted for but payment was delayed awaiting Board approval which was given after the closure of the Financial Year. The payment was therefore affected during the following Financial Year 2022/23 and will be reported accordingly.</p> | | |
| 3 | IT Internal Control Weakness | <p>The Authority has noted the content of the findings. The management is currently drafting an ICT Security Policy to be finalized and approved by NEA Board during the FY 2023/24. Plans to develop other ICT related policies are also in place and the management is closely following.</p> <p>In addition, the Authority has developed National Employment Authority Information Management</p> | Resolved | 19 th May 2023 |

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| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---|--------------------------------------|---|
| | | <p>System (NEAIMS), the Authority's Enterprise Resource Planning System. So far about 80% of external clients' modules have been completed and implemented while about 20% of Internal Clients Processes have been completed. The remaining modules are still being developed and implemented on a phased approach.</p> | | |


 Director General

Date:

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Appendix IV: Transfers from Other Government Entities

| Name of the MDA/Donor Transferring the funds | Date received as per bank statement | Nature: Recurrent/Development/Others | Total Amount - KES | Statement of Financial Performance | Where Recorded/recognized | | | | Total Transfers during the Year |
|--|-------------------------------------|--------------------------------------|--------------------|------------------------------------|---------------------------|-----------------|-------------|----------|---------------------------------|
| | | | | | Capital Fund | Deferred Income | Receivables | Others – | |
| Ministry of Labour and Social Protection | | Recurrent | 265,000,000 | 265,000,000 | - | - | - | - | 265,000,000 |
| Total | | | 265,000,000 | 265,000,000 | - | - | - | - | 265,000,000 |

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Appendix V- Inter-Entity Confirmation Letter