

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 10 JUN 2021

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L.M.P

NAINA W.

THE AUDITOR-GENERAL

ON

**STATE DEPARTMENT
FOR YOUTH AFFAIRS**

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



ANNEX I

Revised Template 30th June 2020



STATE DEPARTMENT FOR YOUTH AFFAIRS

REPORTS AND FINANCIAL STATEMENTS

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

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

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STATE DEPARTMENT FOR YOUTH AFFAIRS
Reports and Financial Statements
For the year ended June 30, 2020

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KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The State Department for Youth Affairs was one of the State Departments under the Ministry of Public Service, Youth and Gender Affairs formed through the Executive Order No. 1 of 2018, in the financial year under review (2019/20). The reorganization of the National Government through the Executive Order of 14th January 2020 revised in May 2020 places the State Department for Youth in the Ministry of ICT, Innovation and Youth Affairs. At cabinet level, the *State Department for Youth Affairs* is represented by the Cabinet Secretary for Ministry of ICT, Innovation and Youth Affairs, who is responsible for the general policy and strategic direction of the *State Department for Youth Affairs*.

Vision

Empowered youth for a high quality of life for all Kenyans.

Mission

To provide policy leadership for youth empowerment.

Core Values

The ministry will undertake the following core values:

- Honesty and Integrity
- Accountability and Transparency
- Professionalism and Ethical practices
- Teamwork and Passion for results
- Equity and Equality
- Innovativeness and Creativity
- Efficiency and Effectiveness
- Mutual Respect, participatory Approach and Inclusiveness
- Patriotism
- *Citizen-Centric*

Strategic objectives

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

- i. Promote skills development and job creation for the youth
- ii. Promote creativity and innovation for national development
- iii. Strengthen the role of youth in national peace building and conflict resolution
- iv. Build the capacity and resilience of youth against harmful practices and exploitation
- v. Promote access to information and youth friendly services
- vi. Promote health and wellbeing among the youth
- vii. Harmonize youth mainstreaming and enhance standards in youth practice

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Mandate

To provide overall policy and strategic leadership on youth affairs and coordinate the implementation of national programmes targeting the youth.

Functions

- Youth Empowerment
- Mainstreaming Youth in National Development
- Harnessing and Development Youth Talents for National development
- Managing and Promoting Engagement with Youth for National Development
- Collaborating and Overseeing stakeholders engaged in Youth Promoting Activities

(b) Key Management

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

- State Department for Youth Affairs
- National Youth Service
- National Youth Council
- Youth Enterprise Development Fund

(c) Fiduciary Management

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

Designation	Name
1. Cabinet Secretary	Mr. Joe Mucheru, EGH
2. Chief Administrative Secretary	Ms. Nadia Ahmed Abdalla
3. Principal Secretary	Mr. Julius Korir, CBS
4. Director General, NYS	Ms. Matilda Sakwa
5. Secretary Youth	Mr. Raymond Ochieng
6. Secretary, Administration	Mr. Ben Mugambi

(d) Fiduciary Oversight Arrangements

- *Parliamentary committee activities – The Ministry handled various issues at the National Assembly e.g. meetings with Labour Departmental Committees -Public Accounts Committee*

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(e) Entity Headquarters

P.O. Box 30050 - 00100
Harambee House
Nairobi, Kenya

Entity Contacts

Telephone: (254) 2227411
Telex: 23125
Website: www.psyq.go.ke

(f) Entity Bankers

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

(g) Independent Auditors

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

(h) Principal Legal Adviser

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

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FORWARD BY THE CABINET SECRETARY

1. STATEMENT OF PERFORMANCE AGAINST MDA'S PREDETERMINED OBJECTIVES

Budget Performance against Actual Amounts

Analysis of Programme Expenditure (Amount in Ksh Million)

Economic Classification	Approved Budget (Kshs. M)	Actual Expenditure (Kshs. M)
	2019/2020	2019/2020
Programme 1: Youth Empowerment	21,923.15	20,564.59
Sub-Programme 1. National Youth Service	18,949.09	17,725.52
Sub-Programme 2. Youth Development Services	2,015.47	1,910.95
Sub-Programme 3. Youth Employment Scheme	634.63	634.63
Sub-Programme 4. Youth Coordination and Representation	98.00	98.00
Sub-Programme 5. General Administration, Planning and Support Services	225.96	195.49
TOTAL VOTE-1214	21,923.15	20,564.59

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

Economic Classification	APPROVED BUDGET	ACTUAL EXPENDITURE
	2019/20	2019/20
Programme 1: Youth Empowerment	21,923.15	20,564.59
Current Expenditure	13,969.60	12,723.43
Compensation to Employees	579.23	579.23
Use of goods and Services	350.19	319.50
Current Transfers to Govt. Agencies	13,016.47	11,792.83
Other Recurrent	23.00	31.92
Capital Expenditure	7,953.55	7,841.16
Compensation to Employees		
Use of goods and Services		
Acquisition of Non-Financial Assets	283.72	242.35
Capital Transfers to Govt. Agencies	6,695.60	6,695.60
Other Development	974.23	903.21

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BUDGET ALLOCATION

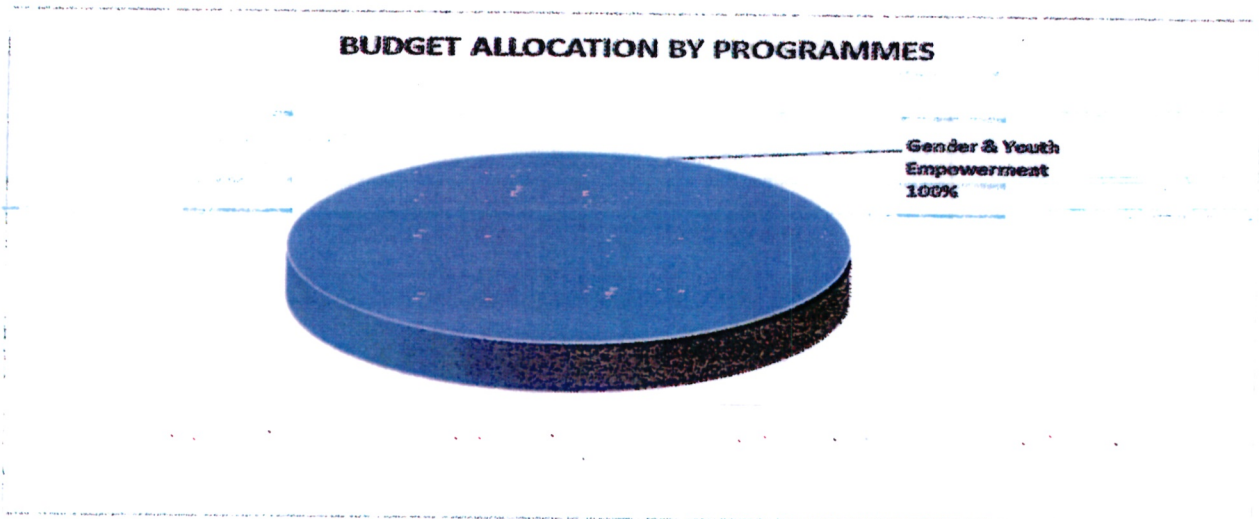
In the financial year 2019/20 the State Department for Public Service and Youth had a gross budget of **Kshs. 21,923,153,553** which was made up of **Kshs. 13,969,603,553** and **Kshs. 7,953,550,000** for recurrent and development vote respectively.

The State Department was to expend the gross budget of **Kshs. 21,923,153,553** under the following programme:

I. Programme 1: Youth Empowerment

The objective of this programme is to enhance empowerment and participation of youth and other vulnerable groups in all aspects of national development. This programme was allocated **Kshs 21,923,153,553** representing 100% of the budget. A total of **Kshs 20,564,592,048** was spent under the following sub programmes:

- a. Sub-programme SP 1.1: National Youth Services.
- b. Sub-programme SP 1.2: Youth Development Services
- c. Sub-programme SP 1.3: Youth Employment Scheme
- d. Sub-programme SP 1.4: Youth Coordination and Representation
- e. Sub-Programme SP 1.5: General Administration, Planning and Support Services



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COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Key Performance Highlights

Below is an overview of the financial performance for the year ended 30th June 2020 as reported in the detailed financial statements together with the commentary and comparative analysis against budget and prior year for the key items in the financial statements.

Current Year Performance against Prior Year

Financial Performance	Year to	Year to	Change
	30th June 2020	30th June 2019	
	KShs	KShs	KShs
Total Receipts	20,303,798,755	8,548,730,775	11,755,067,980
Total Payments	20,564,592,048	8,252,551,374	12,250,273,940
Surplus/(Deficit) for the Year	(260,793,292)	296,179,401	(495,205,960)

Financial Performance Summary

Actual Performance against Budget for Year to 30th June 2020

Financial Performance	Printed Estimates	Actual	Variance	%
	KShs	KShs	KShs	Utilisation Variance
Total Receipts	21,923,153,553	20,303,798,755	1,619,354,798	7.4%
Total Payments	21,923,153,553	20,564,592,048	1,358,561,505	6.5%
Surplus/Deficit for the Year	-	(260,793,292)	260,793,292	-

Actual receipts by the MDAs stood at 7.4% below budget while actual payments were 6.5% below budget. This is because the annual budget for NYS transferred in the year under review was less A.I.A amounting to Kshs.1,223,572,000 to be collected by the SAGA and underutilisation of budget allocation mostly in acquisition of assets, use of goods and services and social security benefits.

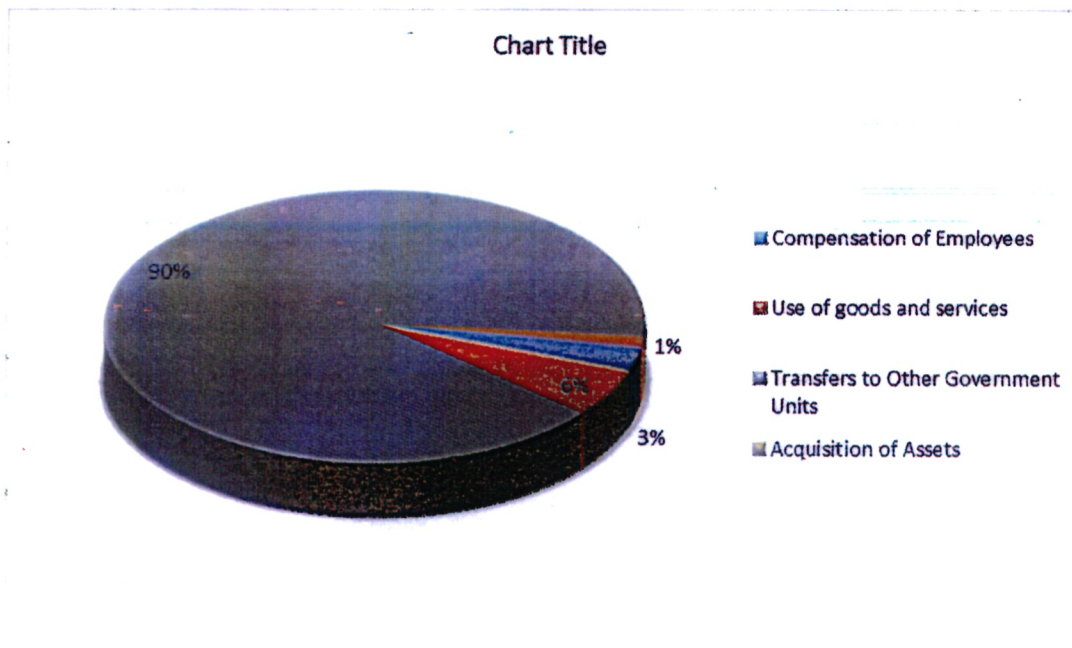
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COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Budget Utilisation (Payments)

The State Department spent **Kshs. 20,564,592,048** against an approved budget of **Kshs. 21,923,153,553** which includes AIA of **Kshs.1,223,572**, projected to be collected by NYS representing an absorption of 93.52%. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

	Approved Budget Allocation	Actual Payments	Variance
Compensation of Employees	579,228,637	579,228,634	3
Use of goods and services	1,324,456,648	1,222,674,348	163,549,034
Transfers to Other Government Units	19,712,072,000	18,488,426,551	1,223,645,448
Other grants and transfers	-	-	-
Social Security Benefits	672,568	-	672,568
Acquisition of Assets	306,723,700	274,262,515	32,461,184
Total Payments	21,923,153,553	20,564,592,048	1,358,561,505



It is noted that 3% of the State Department's budget was utilized on compensation of employees while 6% was utilized on goods and services. Acquisition of assets accounted for 1% of the total budget whereas grants and transfers accounted for the bulk at 90%.

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COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Key Performance Highlights (Continued)

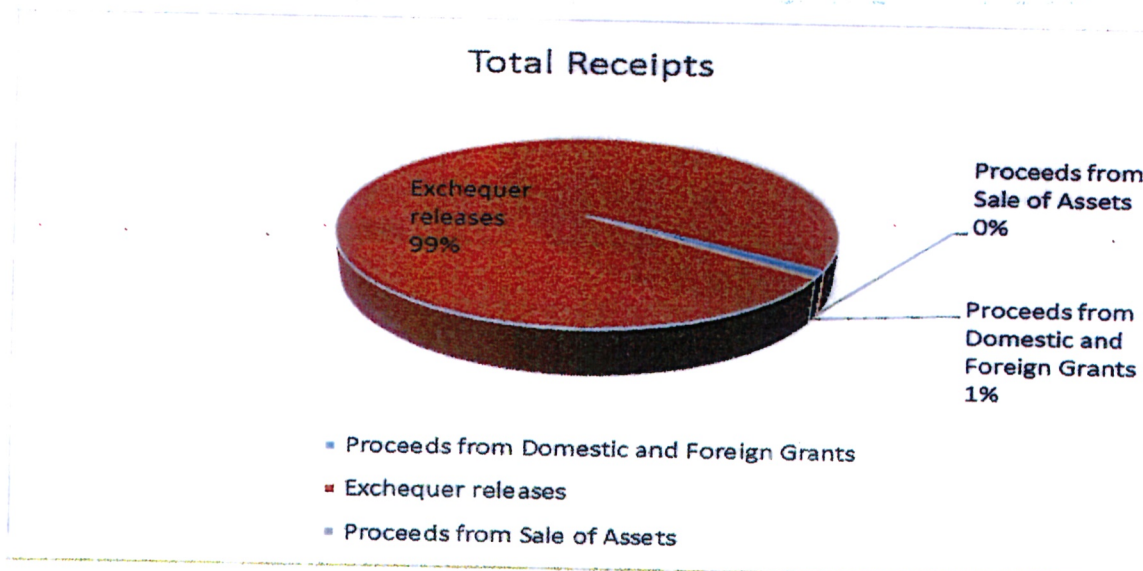
Receipts

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

The total receipts for FY 2019/2020 stood at Kshs 20,303 Million, representing a 92.6% against the budget of Kshs 21,923 Million.

Total Receipts Breakdown

Receipts	Approved Budget Allocation KShs	Actual Payments KShs	Variance KShs
Proceeds from Domestic and Foreign Grants	1,100,000,000	937,481,185	162,518,815
Transfers from National Treasury	19,599,581,553	19,565,338,129	34,243,424
Proceeds from Sale of Assets	-	-	-
Other Receipts	1,223,572,000-	6000	1,223,566,000
Total Receipts	21,923,153,553	20,564,592,048	1,358,561,505



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COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Achievements

The State Department achieved the following during the FY 2019/20:

1. 110,000 Youth trained and trade placement done
2. 4,000 Youth engaged in internship and Apprenticeship
3. 41 YECs upgraded to be centres of excellence
4. 49 YECs established and operationalized
5. 10,000 Youth upheld Leadership and National Values
6. 108,000 youth sensitized on access to AGPO
7. 50 Increased access to youth community SACCOs
8. National Youth Policy 2007 Reviewed (100%)
9. 17,452 Youth trained in Life Skills
10. 15,408 Youth trained in Core Business Skills
11. 76% Employment Tracking of KYEOP Beneficiaries (percentage of Youth employed after Training and Internship)
12. 50,000 Youth engaged in food and nutrition security
13. 50,000 Youth engaged in planting trees under planting our future
14. 8,000 Youth registered with NHIF.
15. 2,700 Youth accessing grants to start cottage industries
16. 15,000 Youth profiled and linked to housing construction sector
17. 5,000 Youth talents harnessed and developed
18. 50 Youth innovations exhibited

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COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Achievements (Continued)

Recruitment of youths into National Youth Service



Photo 1: Kikao in Westlands where Youth are sensitized on Leadership and National Values. Disability is not inability! Both Ladies, gentlemen and disabled are part of the meeting. In FY 2019/20 some 10,000 Youth were sensitized on Leadership and National Values.

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Photo 2: Youth being sensitized on access to AGPO. Some 108,000 Youth have been sensitized across the country.

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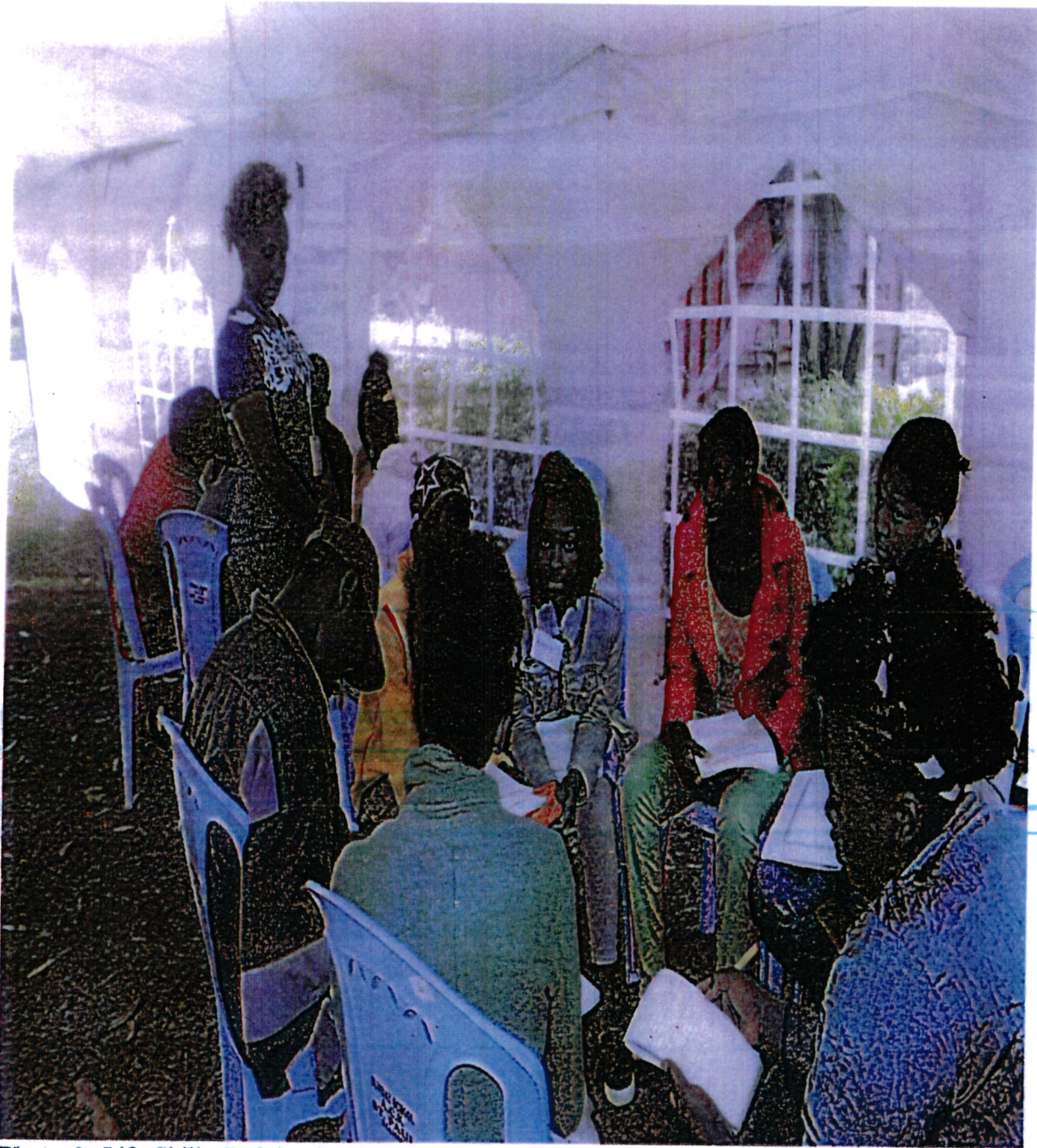


Photo 3: Life Skills Training by KYEOP. Some 17,452 Youth aged between 18-29 have been trained Life Skills in the FY 2019/20

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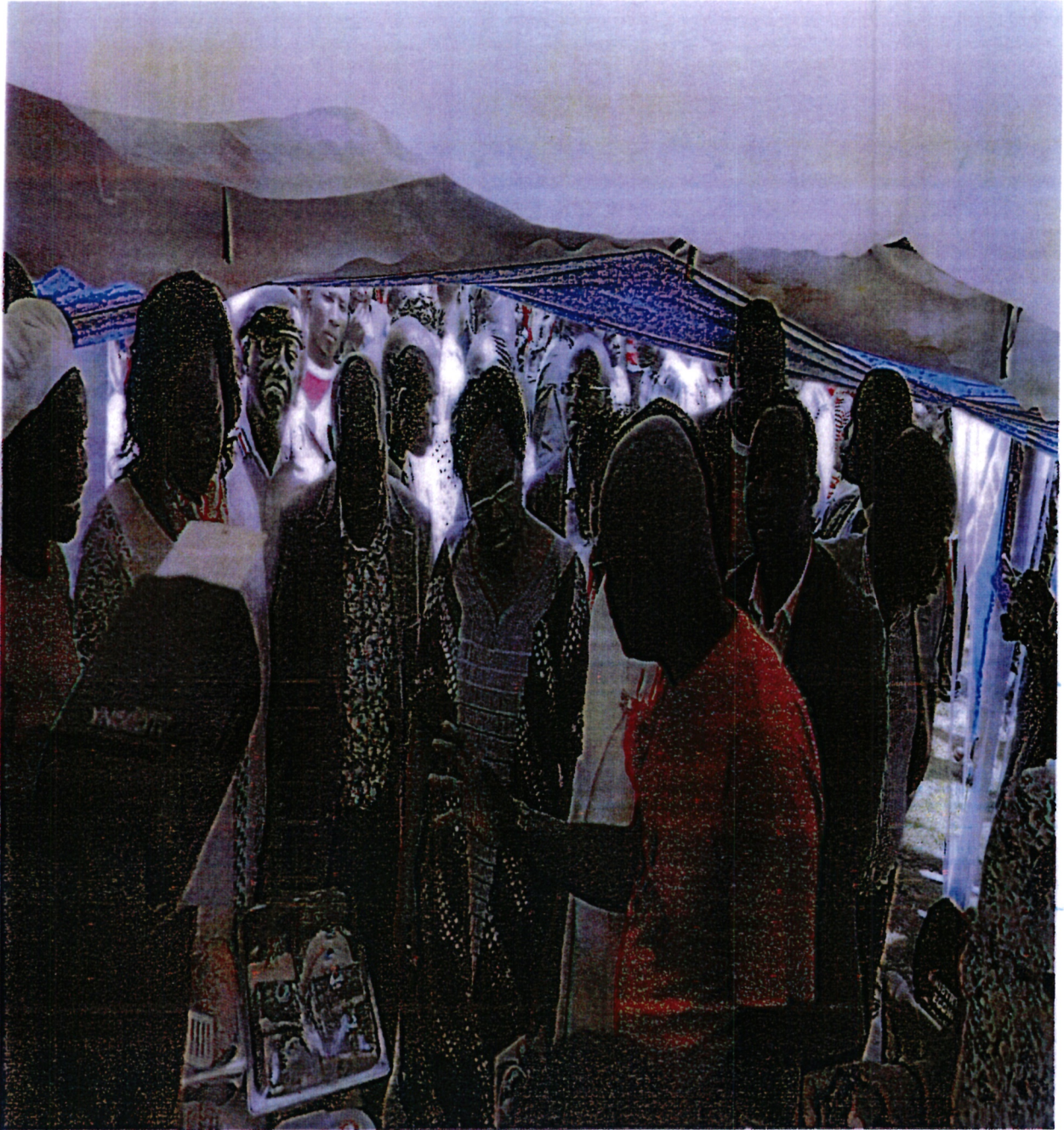


Photo 4: The CS Prof. Margaret Kobia, PS Dr. Francis Owino and Secretary, Youth watches as a youth explains his innovations during International Youth Day (TYD).

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Photo 5: Core Business Skills Training (CBST) at Kabete by KYEOP. Some 15,408 youth aged 18-29 were trained CBST after undertaking LST.

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Photo 6: CSs Raphael Tuju, Hon. Amina Mohammed and others led by CS for Public Service, Youth and Gender, Prof. Margaret Kobia lead Youth in planting trees under planting our future programme

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Photo 7: CS for Public Service, Youth and Gender and her counterpart for Education, Prof. Magoha listens keenly at the physically challenged youth explains his innovation as Secretary, Youth spectate during IYD Kwale. Some 50 youth innovations were exhibited.

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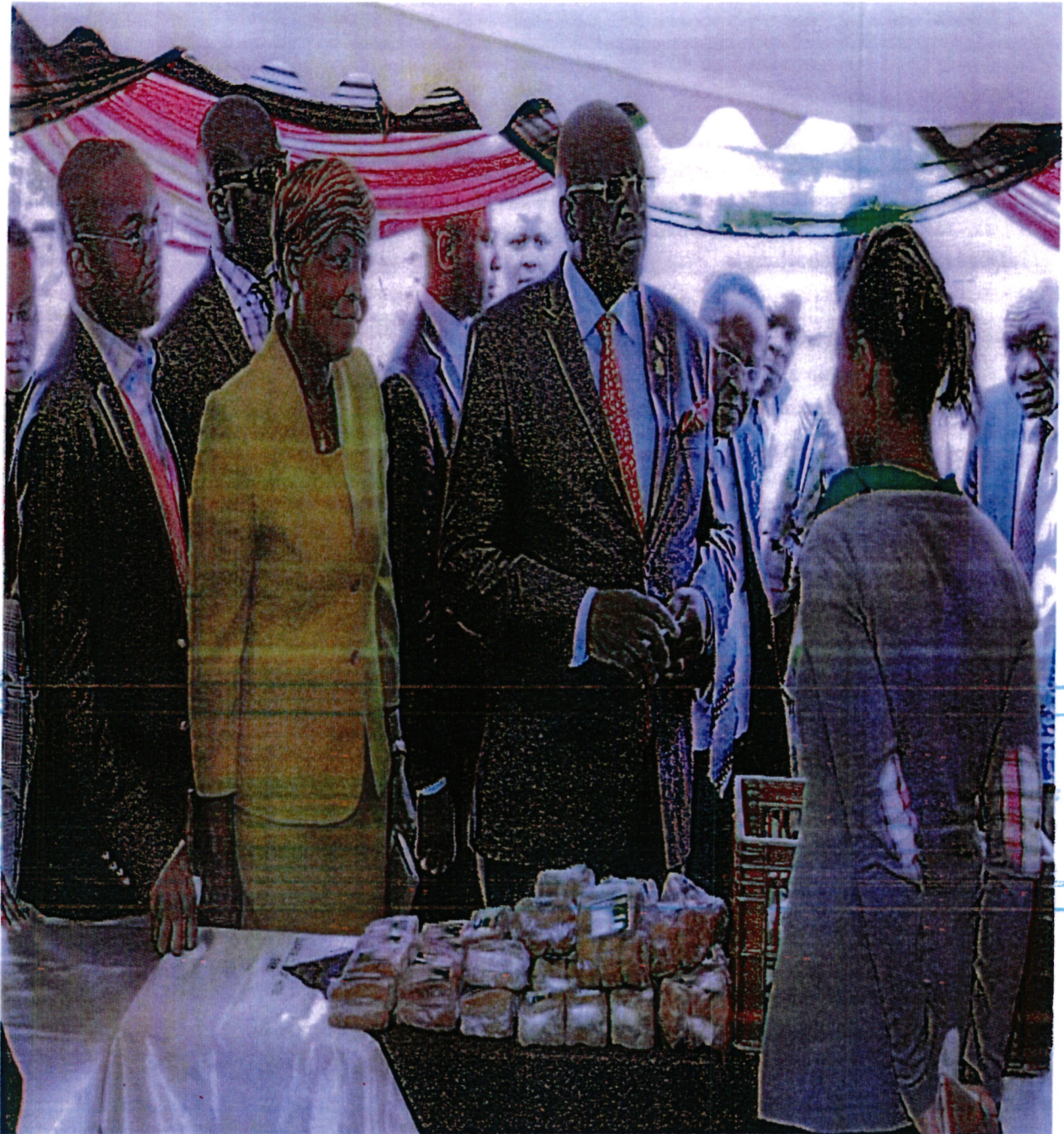


Photo 7: CS for Public Service, Youth and Gender and her counterpart for Education, Prof. Magoha listens keenly as a youth explains her innovation. PS, Youth Dr. Francis Owino listens keenly.

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COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Emerging Issues

- i. Youth radicalization, gambling, drug and substance abuse leading to increased prevalence of crime among the youth which hampers the youth from productive and development programmes across the country; and
- ii. Prevalence of Covid-19 pandemic leading to reallocation of resources meant for operations

Implementation challenges

- i) Inadequate number of Youth Development Officers to manage youth development services countrywide effectively.
- ii) Most of the field facilities are not adequately equipped
- iii) Inadequate budgetary allocation to support a robust delivery of youth development services countrywide
- iv) An exponential population of youth demanding for employment and youth development services
- v) Lack of harmonized youth development services delivery data management system
- vi) Infrastructure in rural areas, digital divide between the rural and urban areas; and inadequate
- vii) Lack of security at the youth empowerment centers
- viii) Inadequate transport facilitation due insufficient number government vehicles deployed to the youth development services countrywide.
- ix) Managing local community youth expectations on government investment in youth development services for enhanced youth empowerment and participation.
- x) Inadequate youth empowerment centers hamper meaningful youth participation in national development processes.
- xi) Limited awareness on Affirmative funds and other government opportunities for youth among the youth
- xii) Normal operations were disrupted in the second half of the financial year following the wake of Covid-19
- xiii) Youth dropping out of the project making KYEOP not to achieve the targeted of youth to be trained. This is being addressed by having constant communication with the youth for them to remain in the project
- xiv) The project is designed to offer training and internship and then offer employment placement. It has been a challenge to offer employment placement to all youth beneficiaries who have undergone training and internship. This is being addressed by having a private sector employment organization (KEPSA) on bond in the project to address employment placement
- xv) Delay release of exchequer thus affecting the operation in the project
- xvi) Budget cut during the FY 2019/2020 thus affecting the implementation of the project

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Recommendations and way forward.

- i) The National Treasury needs to increase allocations for the youth development services sub-program. Currently, the funds allocated are insufficient therefore hampering the delivery of services to the exponentially increasing population of youth.
- ii) There is a high demand for the youth empowerment centers, yet funding is inadequate.
- iii) Timely release of funds for efficient implementation of planned programs; It is important for the National Treasury to ensure that disbursement of the exchequer is in line with the approved cash flow plans to minimize disruptions and delays in implementation of projects and programs.
- iv) Inadequate office space: Sharing offices among the staff as well as engaging few youth through internship/industrial attachment/apprenticeships in the Ministry's programmes.

Joe Mucheru, EGH, MBS
CABINET SECRETARY

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2. STATEMENT OF PERFORMANCE AGAINST MDA'S PREDETRMINED OBJECTIVES

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the State Department plan are to:

- i. Promote skills development and job creation for the youth
- ii. Promote creativity and innovation for national development
- iii. Strengthen the role of youth in national peace building and conflict resolution
- iv. Build the capacity and resilience of youth against harmful practices and exploitation
- v. Promote access to information and youth friendly services
- vi. Promote health and wellbeing among the youth
- vii. Harmonize youth mainstreaming and enhance standards in youth practice

Progress on attainment of Strategic development objectives

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

MDA Program	Objective	Outcome	Indicator	Performance
Youth Development Services	To promote skills development and job creation for the youth.	12,500	Youth engaged in internship and Apprenticeship	14,500
		100,000	Youth trained and trade placement done	110,000
	To promote creativity and innovation for national development	3,900	Youth talents harnessed and developed	5,000
		47	Youth innovations exhibited	50
	To strengthen the role of youth in national peace building and conflict resolution	14,700	Number of youth engaged in international dialogue	3,500 Youths engaged in intergenerational dialogue 2,500 youth leaders engaged in

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				peace keeping convention 4,100 youth engaged in the review of NYC Act 2009 4,700 youth engaged in tree planting and community service (Fight against Covid-19) 50 youth appointed into boards and committees
To promote access to information and youth friendly services	10	YECs upgraded to be centres of excellence	21	
	47	YECs established and operationalized	49	
To promote health and wellbeing among the youth.	6,745	Youth registered with NHIF.	8,000	
To support and coordinate the implementation of the National Youth Policy	100%	National Youth Policy 2007 Reviewed (100%)	100%	
	2,500	Engagement of youth leaders nationally in the review of NYC Act 2009 and Kenya Youth Development Policy	2,500 Submission of election guidelines for public participation.	
To increase employment and earnings opportunities for targeted youth.	20,646	Youth trained in Life Skills	17,452	
	20,646	Youth trained in Core Business Skills	15,408	
	75%	Employment Tracking of KYEOP Beneficiaries (No. of Youth employed after Training and Internship)	76%	
To enhance focus on lending to youth enterprises	Ksh.846.1 M	Amount of funds (Kshs. 2.27 Billion) disbursed to youth enterprises for business startup or expansion	Ksh.473.3 M	
	169,257	Number of youth	94,680	

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			(454,100) beneficiaries from business loans	
	To diversify Business Development Services	93,700	Number of youth (342,500) Supported in Business Development Services.	86,570

MDA Program	Objective	Outcome	Indicator	Performance
Youth Empowerment	To enhance empowerment and participation of youth in all aspects of national development.	National Youth Service- Youth trained in paramilitary skills	No. of youth recruited into the Service	12,194
		Youth Development Services- Youth mentored	No. of youth mentored on leadership and National Values	9,100
		Youth Enterprise Development Fund- Financial support to youth in the Big 4 business sectors and number of youth entrepreneurs supported	Amount disbursed to youth in the Big 4 business sectors Kshs.(M)	846.1
		Youth Coordination and representation(National Youth Council)- Government empowerment initiatives(Funds, AGPO Big 4).promoted and popularised	No. of County forums held to sensitize youth on AGPO and government Empowerment initiatives	13

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STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

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

The Accounting Officer in charge of the State Department for Youth Affairs is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

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

Approval of the financial statements

The *entity's* financial statements were approved and signed by the Accounting Officer on
22/01/2021.


Principal Secretary

Name: Mr. Julius Korir, CBS


Assistant Accountant General

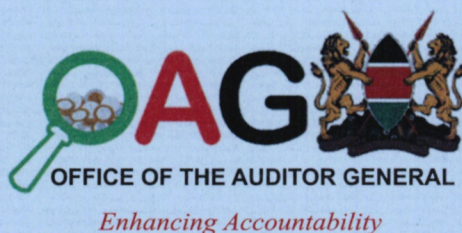
Name: CPA Florence W. Kirumba
ICPAK Member Number: 4726

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REPORT OF THE INDEPENDENT AUDITORS ON THE STATE DEPARTMENT FOR YOUTH AFFAIRS

REPUBLIC OF KENYA

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E-mail: info@oagkenya.go.ke
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P.O. Box 30084-00100
NAIROBI

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the State Department for Youth Affairs set out on pages 19 to 43, which comprise the statement of assets and liabilities as at 30 June, 2020, and the statement of receipts and payments, the statement of cash flows, and summary statement of appropriation – recurrent and development combined for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit

In my opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the State Department for Youth Affairs as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Transfers to Other Government Units

As disclosed in Note 5 to the financial statements, the statement of receipts and payments reflects an amount of Kshs.18,488,426,551 under transfers to other government units. Included in the amount are current grants of Kshs.11,792,826,551 of which Kshs.10,280,251 is reported as transferred to the International Conference for Great Lakes Regions (ICGLR). However, the entity has not been defined in the Executive Order No.1 of 2020 of 14 January, 2020 nor has the transfer been supported by payment vouchers.

Under the circumstances, the propriety and correct classification of transfers of Kshs.10,280,251 to International Conference for Great Lakes Regions (ICGLR) could not be confirmed.

2.0 Unauthorized and Unsupported Expenditure

The State Department paid Kshs.660,000 for cleaning services rendered on 12th floor Barclays Plaza. However, no evidence in form of a lease agreement or rental payments was provided to show that the State Department had leased the office space in the building. Further, the State Department made a payment of Kshs.564,250 on behalf of the National Youth Council for cleaning services provided in their premises despite the Council being an independent entity with its own budget. There was no evidence of requests for support from the National Youth Council and approval of reallocation to transfers to other government entities. No satisfactory explanation has been provided for the inconsistencies.

Under the circumstances, the validity and propriety of the expenditure totalling to Kshs.1,224,250 on cleaning services could not be confirmed.

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

Key Audit Matters

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

Other matter

1.0 Pending Bills

As disclosed under Note 16 to the financial statements, the State Department had pending bills totalling to Kshs.16,921,561 relating to construction of civil works and supply of services as at 30 June, 2020. Failure to settle bills during the year in which they relate to distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge.

2.0 Unresolved Prior Year Audit Matters

As disclosed under progress on follow up of prior years auditor's recommendation section, audit matters reported in the previous financial years remained unresolved as at 30 June, 2020.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters 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

1.0 Other Operating Expenses

As disclosed under Note 4 to the financial statements, the statement of receipts and payments reflects an expenditure of Kshs.1,222,674,348 under use of goods and services which includes an amount of Kshs.636,706,253 under other operating expenditure. The following matters were noted: -

1.1 Provision of Fumigation Services

Included under the other operating expenditure is an amount of Kshs.459,230 paid to a service provider for provision of fumigation services at 3rd Floor Kencom House and 5th Floor Harambee House. The quotation forms (S.10) and the approved professional opinion indicated that the services were procured through request for quotations method. However, the quotations were opened by a Tender Opening Committee comprising of two (2) members instead of the requisite three (3) members provided for under Section 78(1)(a) of the Public Procurement and Asset Disposal Act, 2015.

1.2 Cleaning Services

Included in the other operating expenditure are payments for provision of cleaning services totaling to Kshs.2,049,250 for which the following anomalies were noted:

1.2.1 Use of Expired Contract to Procure Cleaning Services for the State Department's Headquarters at Kencom House

The expenditure includes Kshs.905,550 paid to a service provider for provision of cleaning services at Kencom House for the months of September, October and November, 2019 at a monthly rate of Kshs.301,850 although the contract period had lapsed.

1.2.2 Non-Compliance with the Law on Contract Extension

The expenditure includes payments amounting to Kshs.894,250 relating to cleaning services rendered at Bruce House offices after extension of the contract period. However, no evidence was provided for audit verification to show that the contract extension was executed in accordance with the provisions of Section 135(1) of the Public Procurement and Asset Disposal Act, 2015 that requires such contract extensions be subjected to an Evaluation Committee whose recommendations are communicated to the Accounting Officer through a professional opinion for approval.

To this extent, the State department was in breach of the Law.

1.3 Event Management Expenditure

The other operating expenses expenditure included Kshs.6,619,772 paid for provision of tents, decoration, event management and accessories, However, the procedure for

identification of the service provider was not established as evidence for use of open tender procurement method in accordance with Section 91 of the Public Procurement and Asset Disposal Act, 2015 was not provided. Further, the contract for the provision of the services was not availed for audit review. Documentary evidence to confirm receipt of goods and services including the inspection and acceptance report in accordance with Section 48 of the Public Procurement and Assets Disposal Act, 2015 was also not provided.

Consequently, the validity and value for money for provision of tents, decoration, event management and accessories of Kshs.6,619,772 could not be confirmed.

2.0 Routine Maintenance - Other Assets

Note 4 to the financial statements discloses routine maintenance - other assets expenditure of Kshs.17,337,731 which includes an amount of Kshs.5,057,732 relating to renovation of the Principal Secretary's office. The renovation works were procured using restricted tendering method. However, Management did not provide evidence that conditions for use of the method as provided under Section 102 of the Public Procurement and Asset Disposal Act, 2015 had been met.

Consequently, the Department was in breach of law and value for money on the renovation expenditure of Kshs.5,057,732 could not be confirmed.

3.0 Procurement of Ground Preparation Services

The statement of receipts and payments reflects an amount of Kshs.274,262,515 under acquisition of assets. As disclosed under Note 7 to the financial statements, an amount of Kshs.26,982,277 was paid out in respect of purchase of office furniture and general equipment out of which an amount of Kshs.1,305,900 was paid to a contractor for preparation of the ground for Agricultural Society of Kenya- Mombasa International Trade Fair in 2019.

However, the following anomalies were noted in relation to the payment:

- i. The event took place from 4 September, 2019 to 8 September, 2019 indicating that the services of ground preparation were offered earlier than 4 September, 2019 a period which does not coincide with the date of certification on the Job card which shows that the job was done on 18 June, 2020 which was almost ten (10) months after the event took place. Further, even though the Job card was evidently raised on 18 June 2020, it was certified on 8 September, 2019.
- ii. Commitment letter Ref: MPYG/SCM/2/31 dated 27 August, 2019 to the service provider by the Departmental Director of Administration, indicated the quotation as having been favorably considered and undertook to pay an amount of Kshs.1,731,500 being the total costs for the ground preparation for the event. However, the professional opinion had an approval of Kshs.1,305,900 which was at variance with the commitment letter. No explanation has been provided for the discrepancies.

- iii. According to the professional opinion, the submitted quotations were closed and opened on 28 August, 2019 by a committee consisting of three (3) officers. However, no evidence was provided in support of the five (5) days extension after the lapse of the period indicated in the request for quotation.
- iv. The date and time of opening of all the four (4) quotations were manually altered with no explanations being rendered for the alterations.

Consequently, the accuracy and authenticity of the expenditure amount of Kshs.1,305,900 on purchase of office furniture and general equipment could not be confirmed.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and 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 Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Department's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the State Department or cease operations.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the State Department 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion with limited assurance as to 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 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 control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in

amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 State Department's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the State Department to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the State Department to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



Nancy Gathungu
AUDITOR-GENERAL

Nairobi


26 May, 2021


STATE DEPARTMENT FOR YOUTH AFFAIRS
Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF RECEIPTS AND PAYMENTS

	Not e	2019- 2020	2018-2019
		Kshs	Kshs
RECEIPTS			
Transfers from National Treasury	1	20,303,792,756	8,317,907,425
Other Revenues	2	6,000	230,823,350
TOTAL REVENUES		20,303,798,756	8,548,730,775
PAYMENTS			
Compensation of Employees	3	579,228,634	2,208,389,450
Use of goods and services	4	1,222,674,348	5,327,148,757
Transfers to Other Government Units	5	18,488,426,551	554,768,356
Social Security Benefits	6	-	1,623,459
Acquisition of Assets	7	274,262,515	153,347,796
TOTAL PAYMENTS		20,564,592,048	8,245,277,818
SURPLUS/DEFICIT		- 260,793,292	303,452,957

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 22/01 2021 and signed by:


26.1.2021
Principal Secretary
Name: Mr. Julius Korir, CBS



Assistant Accountant General
Name: CPA Florence W. Kirumba
ICPAK Member Number: 4726


STATE DEPARTMENT FOR YOUTH AFFAIRS
Reports and Financial Statements
For the year ended June 30, 2020

STATEMENT OF ASSETS AND LIABILITIES

	Note	2019- 2020	2018-2019
		Kshs	Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	8A	39,578,111	4,001,391,696
Cash Balances	8B	345,772	663,686
Total Cash And Cash Equivalents		39,923,883	4,002,055,382
Accounts Receivables - Outstanding Imprest and Clearance Accounts	9	3,242,370	22,744,284
TOTAL FINANCIAL ASSETS		43,166,253	4,024,799,666
LESS: FINANCIAL LIABILITIES			
Accounts Payables - Deposits	10	506,588	3,721,346,709
NET FINANCIAL ASSETS		42,659,665	303,452,957
REPRESENTED BY			
Fund balance b/fwd	11	303,452,957	-
Prior year adjustments	12	-	-
Surplus/Deficit for the year		-260,793,292	303,452,957
NET FINANCIAL POSSITION		42,659,665	303,452,957

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 22/01/2021 and signed by:


26.1.2021
Principal Secretary
Name: Mr. Julius Korir, CBS



Assistant Accountant General
Name: CPA Florence W. Kirumba
ICPAK Member Number: 4726


STATE DEPARTMENT FOR YOUTH AFFAIRS
 Reports and Financial Statements
 For the year ended June 30, 2020

STATEMENT OF CASH FLOWS

	Note	2019- 2020	2018-2019
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Transfers from National Treasury	1	20,303,792,756	8,317,907,425
Other Revenues	2	6,000	230,823,350
		20,303,798,756	8,548,730,775
Payments for operating expenses			
Compensation of Employees	3	579,228,634	2,208,389,450
Use of goods and services	4	1,222,674,348	5,327,148,757
Transfers to Other Government Units	5	18,488,426,551	554,768,356
Social Security Benefits	6	-	1,623,459
		20,290,329,553	8,091,930,022
Adjusted for:			
Decrease/(Increase) in Accounts receivable: (outstanding imprest)	14	19,501,914	- 22,744,284
Increase/(Decrease) in Accounts Payable: (deposits and retention)	13	- 3,720,840,121	3,721,346,709
Prior year Adjustment	12	-	-
		3,701,338,207	4,155,403,178
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Assets	7	(274,262,515)	(153,347,796)
Net cash flows from Investing Activities		(274,262,515)	(153,347,796)
CASHFLOW FROM BORROWING ACTIVITIES			
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		- 3,962,156,399	4,002,055,382
Cash and cash equivalent at BEGINNING of the year		4,002,055,382	-
Cash and cash equivalent at END of the year		39,923,883	4,002,055,382

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 22/01 2021 and signed by:


 Principal Secretary
 Name: Mr. Julius Korir, CBS


 Assistant Accountant General
 Name: CPA Florence W. Kirumba
 ICPAK Member Number: 4726

STATE DEPARTMENT FOR YOUTH AFFAIRS

Reports and Financial Statements

For the year ended June 30, 2020

SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED

Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	11,065,840,000	9,633,741,553	20,699,581,553	20,303,792,756	395,788,797	98%
Other Receipts	611,786,000	611,786,000	1,223,572,000	6,000	1,223,566,000	0%
Total Receipts	11,677,626,000	10,245,527,553	21,923,153,553	20,303,798,756	1,619,354,797	93%
Payments						
Compensation of Employees	245,570,000	333,658,637	579,228,637	579,228,634	3	100%
Use of goods and services	2,499,230,492	(1,174,773,844)	1,324,456,648	1,222,674,348	101,782,300	92%
Transfers to Other Government Units	8,478,036,000	11,234,036,000	19,712,072,000	18,488,426,551	1,223,645,449	94%
Social Security Benefits	0	672,568	672,568	0	672,568	0%
Acquisition of Assets	454,789,508	(148,065,808)	306,723,700	274,262,515	32,461,185	89%
Grand Total	11,677,626,000	10,245,527,553	21,923,153,553	20,564,592,048	1,358,561,505	94%
Surplus/Deficit	0	0	0	(260,793,292)	260,793,292	

i Other Receipts

The annual budget for NYS transferred in the year under review was less A.I.A amounting to Kshs.1,223,572,000 to be collected by the SAGA.


ii Social benefits


No expenditure was incurred as earlier anticipated during budgeting

iii Use of good and services

The expenditure is below 90% because of minimum activities in KYEOP project due to Covid-19.

The entity financial statements were approved on 22/01 2021 and signed by:


26.1.2021
 Principal Secretary
 Name: Julius Korir, CBS


 Assistant Accountant General
 Name: CPA Florence W. Kirumba
 ICPAK Member Number: 4726

STATE DEPARTMENT FOR YOUTH AFFAIRS
Reports and Financial Statements
For the year ended June 30, 2020


SUMMARY STATEMENT OF APPROPRIATION: RECURRENT


Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
	a	b	c=a+b	d	e=d-c	f=d/c %
RECEIPTS						
Exchequer releases	5,105,950,000	7,640,081,553	12,746,031,553	12,725,465,278	20,566,275	100%
Other Receipts	611,786,000	611,786,000	1,223,572,000	0	1,223,572,000	0%
Total Receipts	5,717,736,000	8,251,867,553	13,969,603,553	12,725,465,278	1,244,138,275	91%
PAYMENTS						
Compensation of Employees	245,570,000	333,658,637	579,228,637	579,228,634	3	100%
Use of goods and services	358,103,197	(7,876,944)	350,226,253	319,459,606	30,766,647	91%
Transfers to Other Government Units	5,068,236,000	7,948,236,000	13,016,472,000	11,792,826,551	1,223,645,449	91%
Social Security Benefits		672,568	672,568		672,568	0%
Acquisition of Assets	45,826,803	(22,822,708)	23,004,095	31,917,207	(8,913,112)	139%
Grand Total	5,717,736,000	8,251,867,553	13,969,603,553	12,723,431,998	1,246,171,555	91%
Surplus/Deficit	0	0	0	2,033,280	(2,033,280)	

Other Receipts

- i. The annual budget for NYS transferred in the year under review was less A.I.A amounting to Kshs.1,223,572,000 to be collected by the SAGA
- ii. Social benefit
No expenditure was incurred as earlier anticipated during budgeting
- iii. Acquisition of Assets
The over expenditure is as a result of budget cuts during the supplementary, despite the expenditure having been incurred.

The entity financial statements were approved on 22/01/2021 and signed by:


Principal Secretary
Name: Julius Korir, CBS


Assistant Accountant General
Name: CPA Florence W. Kirumba
ICPAK Member Number: 4726

STATE DEPARTMENT FOR YOUTH AFFAIRS

Reports and Financial Statements

For the year ended June 30, 2020

SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT


Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
RECEIPTS						
Exchequer releases	5,959,890,000	1,993,654,000	7,953,544,000	7,578,327,478	375,216,522	95 %
Other Receipts		6000	6,000	6,000	0	100%
Total Receipts	0	0	7,953,550,000	7,578,333,478	375,216,522	95%
Payments						
Use of goods and services	2,141,127,295	(1,166,896,900)	974,230,395	903,214,742	132,782,387	86%
Transfers to Other Government Units	3,409,800,000	3,285,800,000	6,695,600,000	6,695,600,000	0	100%
375,216 Acquisition of Assets	408,962,705	(125,243,100)	283,719,605	242,345,308	41,374,297	85%
Grand Total	5,959,890,000	1,993,660,000	7,953,550,000	7,841,160,050	174,156,684	98%
Surplus/Deficit	0	0	0	(262,826,573)	262,826,573	

Use of goods and services & Acquisition of Assets

i. The expenditure is below 90% because of minimum activities in KYEOP Project due to Covid-19.

The entity financial statements were approved on 22/01 2021 and signed by:


 26.1.2021
 Principal Secretary
 Name: Julius Korir, CBS


 Assistant Accountant General
 Name: CPA Florence W. Kirumba
 ICPAK Member Number: 4726

STATE DEPARTMENT FOR YOUTH AFFAIRS

Reports and Financial Statements

For the year ended June 30, 2020

BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2,020		2020	Date, 2020	
	Kshs	Kshs	Kshs	Kshs	Kshs
Gender & Youth Empowerment			21,923,153,553	20,502,825,314	1,420,328,239
Sub-programme 1:National Youth Service	12,583,288,300	6,365,800,000	18,949,088,300	17,725,516,300	1,223,572,000
Sub-programme 2:Youth Development Services	3,306,573,111	(1,291,100,194)	2,015,472,917	1,910,957,732	104,515,185
Sub-programme 3:Youth Employment Scheme	634,630,000	0	634,630,000	634,630,000	0
Sub-programme 4:Youth Coordination and Representation	98,000,000	0	98,000,000	98,000,000	0
Sub-programme 5:General Adm. Planning and Support Services	210,514,765	15,447,571	225,962,336	195,488,016	30,474,320
TOTAL	16,833,006,176	5,090,147,377	21,923,153,553	20,564,592,048	1,358,561,505

STATE DEPARTMENT FOR YOUTH AFFAIRS
Reports and Financial Statements
For the year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES

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

1. Statement of Compliance and Basis of Preparation

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

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

2. Reporting Entity

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

- i. Kenya Youth Employment and opportunities Project

3. Reporting Currency

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

4. Significant Accounting Policies

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

a) Recognition of Receipts

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

• Tax Receipts

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

STATE DEPARTMENT FOR YOUTH AFFAIRS
Reports and Financial Statements
For the year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES

• **Transfers from the Exchequer**

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

• **External Assistance**

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

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

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

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

• **Other receipts**

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

b) Recognition of payments

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

• **Compensation of Employees**

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

• **Use of Goods and Services**

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

• **Interest on Borrowing**

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

STATE DEPARTMENT FOR YOUTH AFFAIRS
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SIGNIFICANT ACCOUNTING POLICIES

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

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

- **Acquisition of Fixed Assets**

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

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

5. In-kind contributions

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

6. Third Party Payments

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

7. Cash and Cash Equivalents

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

Restriction on Cash

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

Amounts maintained in deposit bank accounts are restricted for use in refunding third party deposits. As at 30th June 2020, this amounted to Kshs.481,688 compared to Kshs.3,721,346,709 in prior period as indicated on note 10.

There were no other restrictions on cash during the year.

SIGNIFICANT ACCOUNTING POLICIES

8. Accounts Receivable

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

9. Accounts Payable

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

10. Pending Bills

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

11. Budget

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

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

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

12. Comparative Figures

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

STATE DEPARTMENT FOR YOUTH AFFAIRS
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For the year ended June 30, 2020

SIGNIFICANT ACCOUNTING POLICIES

13. Subsequent Events

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

14. Errors

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

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

15. Related Party Transactions

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

STATE DEPARTMENT FOR YOUTH AFFAIRS
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NOTES TO THE FINANCIAL STATEMENTS

1 EXCHEQUER RELEASE

Description	Referenc e of the transfer	Date of transfe r	2019- 2020	2018-2019
			Kshs	Kshs
Total Exchequer Releases for quarter 1			2,367,097,023	
Total Exchequer Releases for quarter 2			4,864,417,910	516,656,400
Total Exchequer Releases for quarter 3			4,161,570,692	2,118,807,000
Total Exchequer Releases for quarter 4			8,910,707,131	5,682,444,025
TOTAL			20,303,792,756	8,317,907,425

2 OTHER REVENUES

Receipts from Administrative Fees and Charges - Collected as AIA			6,000	
Other Receipts Not Classified Elsewhere				230,823,350
TOTAL			6,000	230,823,350

STATE DEPARTMENT FOR YOUTH AFFAIRS
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For the year ended June 30, 2020

NOTES TO THE FINANCIAL STATEMENTS (Continued)
3. COMPENSATION OF EMPLOYEES

			2019- 2020	2018-2019
			Kshs	Kshs
Basic salaries of permanent employees			397,438,258	872,249,693
Basic wages of temporary employees				1,012,068,527
Personal allowances paid as part of salary			181,790,376	324,071,230
TOTAL			579,228,634	2,208,389,450

NOTES TO THE FINANCIAL STATEMENTS (Continued)
4. USE OF GOODS AND SERVICES

			2019- 2020	2018-2019
			Kshs	Kshs
Utilities, supplies and services			10,255,069	125,868,133
Communication, supplies and services			38,708,958	12,914,592
Domestic travel and subsistence			100,980,527	95,392,916
Foreign travel and subsistence			10,946,797	16,064,799
Printing, advertising and information supplies & services			21,013,183	16,919,647
Rentals of produced assets			71,592,492	57,603,704
Training expenses			156,837,983	876,186,970
Hospitality supplies and services			42,634,505	35,453,302
Insurance costs			-	-
Specialised materials and services			5,074,869	3,241,731,531
Office and general supplies and services			39,880,321	62,340,801
Other operating expenses			636,706,253	488,002,777
Routine maintenance – vehicles and other transport equipment			15,555,307	172,256,919
Routine maintenance – other assets			17,337,731	89,018,930
Fuel Oil and Lubricants			32,406,069	37,393,736
Other payments			22,744,284	-
TOTAL			1,222,674,348	

STATE DEPARTMENT FOR YOUTH AFFAIRS
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5,327,148,757

NOTES TO THE FINANCIAL STATEMENTS (Continued)

5. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES

Description	2019- 2020		2018-2019	
		Kshs		Kshs
Transfers to National Government entities				
(SCOA Codes 2630100, 2630200, 2640400, 2640500, 2649900, 2820100, 2820200, 2820300) - Current Grants		11,792,826,551		270,763,356
Capital Grants		6,695,600,000		284,005,000
TOTAL		18,488,426,551		554,768,356

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

Description	2019- 2020	
	Recurrent Kshs	Development Kshs
Transfers to SAGAs and SCs		
National Youth Enterprise Development Fund	299,290,000	335,340,000
President Award Scheme	20,000,000	
National Youth Service	11,365,256,300	6,360,260,000
National Youth Council	98,000,000	-
Int.Conference for great lake Region	10,280,251	-
TOTAL	11,792,826,551	6,695,600,000

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix3 to this financial statements

STATE DEPARTMENT FOR YOUTH AFFAIRS
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

6. SOCIAL SECURITY BENEFITS

			2019- 2020	2018-2019
			Kshs	Kshs
Government pension and retirement benefits			-	1,623,459
Social security benefits in cash and in kind				
Employer Social Benefits in cash and in kind				
TOTAL			-	1,623,459

STATE DEPARTMENT FOR YOUTH AFFAIRS
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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7, ACQUISITION OF ASSETS

	2019- 2020	2018-2019
	Kshs	Kshs
Non-Financial Assets		
Construction of Buildings	67,492,324	70,750,507
Refurbishment of Buildings	51,542,985	-
Purchase of Vehicles and Other Transport Equipment	63,761,000	29,565,032
Purchase of Household Furniture and Institutional Equipment	-	250,456
Purchase of Office Furniture and General Equipment	26,982,277	12,149,500
Purchase of ICT Equipment, Software and Other ICT Assets		
Purchase of Specialised Plant, Equipment and Machinery	4,157,000	36,604,450
Rehabilitation and Renovation of Plant, Machinery and Equip.	-	2,302,251
Purchase of Certified Seeds, Breeding Stock and Live Animals	-	1,725,600
Research, Studies, Project Preparation, Design & Supervision	60,326,929	-
Sub Total	274,262,515	153,347,796
Financial Assets		
Sub Total	-	-
TOTAL	274,262,515	153,347,796

STATE DEPARTMENT FOR YOUTH AFFAIRS
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NOTES TO FINANCIAL STATEMENTS (Continued)

8A: Bank Accounts

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2019- 2020	2018-2019
				Kshs	Kshs
<i>Central Bank of Kenya, 1000395575,KShs</i>		Recurrent	1	1,021	27,284,002
<i>Central Bank of Kenya,1000395664,KShs</i>		Development	1	2,438,211	13,453,456
<i>Central Bank of Kenya,1000395729,KShs</i>		Deposit	1	481,688	408,559,135
<i>Central Bank of Kenya,1000397788,KShs</i>		Project- KEYOP	1	36,657,191	239,307,529
<i>National Bank of Kenya- 01020078734700-NYS</i>		NYS Huduma Cohorts	1	-	1,086,144,908
<i>National Bank of Kenya- 01001000909300-NYS</i>		Director General-NYS	1	-	1,705,379,522
<i>KCB-NYS Huduma- 1178056929</i>		NYS Huduma Cohorts	1	-	371,986
<i>KCB-NYS Huduma Cohorts(SACCO)- 1178058158</i>		NYS Huduma Cohorts	1	-	520,891,158
Total	-			39,578,111	4,001,391,696

8B: CASH IN HAND

	2019- 2020	2018-2019
	Kshs	Kshs
Cash in Hand – Held in domestic currency	345,772	663,686
TOTAL	345,772	663,686

Cash in hand should also be analysed as follows:

	2019- 2020	2018-2019
	Kshs	Kshs
Headquarters- Cash office	345,772	663,686
Location 1.-Kencom Hse		
TOTAL	345,772	663,686

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

9: ACCOUNTS RECEIVABLE - OUTSTANDING IMPRESTS

<i>Description</i>	2019- 2020		2018-2019	
		Kshs		Kshs
Government Imprests		16,900		19,245,012
District suspense/unspent A.I.Es		3,225,470		3,499,272
TOTAL		3,242,370		22,744,284

<i>Name of Officer or Institution</i>	<i>Date Imprest Taken</i>	<i>Amount Taken</i>	<i>Amount Surrendered</i>	<i>Balance</i>
		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
Geoffrey K.Tomui- Public Service Commission		16,900	-	16,900
Total		16,900	-	16,900

10. ACCOUNTS PAYABLE

		2019- 2020		2018-2019	
		Kshs		Kshs	
Deposits		506,588		408,559,135	
Deposits-NYS Huduma Cohorts		-		3,312,787,574	
TOTAL		506,588		3,721,346,709	

Deposit for the financial year 2018/2019 was held by NYS ,which has since been transferred to the institution as it has its own vote.

STATE DEPARTMENT FOR YOUTH AFFAIRS
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For the year ended June 30, 2020

11. FUND BALANCE BROUGHT FORWARD

			2019- 2020	2018-2019
			Kshs	Kshs
Bank accounts			4,001,391,696	
Cash in hand			663,686	
Receivables - Outstanding Imprests			22,744,284	
Payables - Deposits			(3,721,346,709)	
TOTAL			303,452,957	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)

12. PRIOR YEAR ADJUSTMENTS

	Balance c/f FY 2018/2019 as per Financial statements	Adjustments	Adjusted Balance c/f FY 2018/2019
Description of the error	Kshs	Kshs	Kshs

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13. CHANGES IN RECEIVABLE

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Outstanding Imprest /unspent A.I.Es as at 1 st July 2019 (A)	22,744,284.00	-
Imprest/A.I.E S issued during the year (B)	310,195,140.00	-
Imprest/A.I.Es surrendered during the Year (C)	329,697,054.00	-
Imprest/A.I.Es outstanding during the Year	3,242,370.00	-

14. CHANGES IN ACCOUNTS PAYABLE – DEPOSITS AND RETENTIONS

Description of the error	2019 - 2020	2018 - 2019
	KShs	KShs
Deposit and Retentions as at 1 st July 2019 (A)	3,721,346,522.00	-
Deposit and Retentions held during the year (B)	506,588.00	-
Deposit and Retentions paid during the Year (C)	(3,721,346,522.00)	-
Deposits and retentions as at 30 June 2020 D= A+B-C	506,588.00	-

STATE DEPARTMENT FOR YOUTH AFFAIRS
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15. RELATED PARTY DISCLOSURES

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

The following comprise of related parties to the State Department for Youth Affairs:-

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

Related party transactions:

			2019- 2020	2018-2019.
			Kshs	Kshs
Key Management compensation				
Transfers to the Other Ministries Departments and Agencies				
Transfers to other State Corporations and Semi-Autonomous Government Agencies			18,488,426,551	554,768,356

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16. PROGRESS ON FOLLOW UP OF PRIOR YEARS AUDITOR'S RECOMMENDATIONS

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
1.	Non-disclosure of Revenue	In progress		In progress	
2.	Unsupported Pending Bills Settlement	In progress		In progress	
3.	Compensation of employees				
3.1	Unsupported Basic Wages on Temporary Employees	In progress		In progress	
3.2	Disparity in Gratuity computation and salary payments	In progress		In progress	
4.	Accounts Receivables- Outstanding imprest and clearance accounts	In progress		In progress	
5.	Unsupported Routine Maintenance- Motor vehicles and other Transport Equipment				
5.1	Payments to Mechanical Transport Fund	In progress		In progress	
5.2	Motor Vehicle Running	In progress		In progress	


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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe : (Put a date when you expect the issue to be resolved)
	Expenses				
6	Non-Disclosure of Pending Bills	In progress		In progress	
1.	Regular Procurements				
1.1.	Supply of Woollen Blankets	In progress		In progress	
1.2	Supply of Digital Camouflage Material	In progress		In progress	
1.3	Supply of High Ankle Military Boots	In progress		In progress	
1.4	Supply of Canned Beef and Pineapples	In progress		In progress	
1.5	Unauthorized Supply and Delivery of uniform Materials	In progress		In progress	
1.6	Payment of Domestic Debts and Commercial Debts	In progress		In progress	
1.7.	Supply of Gumboots to National youth Service	In progress		In progress	
1.8	Supply and Delivery of Olive-Green Ribbed Jersey	In progress		In progress	
1.9	Procurement, Supply and Delivery of Textile Materials for Police Uniforms	In progress		In progress	

STATE DEPARTMENT FOR YOUTH AFFAIRS
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Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.


26.1.2021
Principal Secretary


Assistant Accountant General
Name: CPA Florence W. Kirumba

STATE DEPARTMENT FOR YOUTH AFFAIRS
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16. OTHER IMPORTANT DISCLOSURES

ANNEX 1 - ANALYSIS OF PENDING ACCOUNTS PAYABLE

Supplier of Goods or Services	Original Amount	Date Contracted	Amount Paid To-Date	Outstanding Balance 2020
	A	B	c	d=a-c
Construction of buildings				
1.				
Sub-Total				
Construction of civil works				
2.				
Sub-Total				
Supply of goods				
3. Ms.Sunbeam Company	1,182,000	2019/2020	-	1,182,000
4. Ms.Stanklean Commercial Ltd	390,000	2019/2020	-	390,000
5. BBM Media Ltd	226,000	2019/2020	-	226,000
6. Divergent Solutions Ltd	852,600	2019/2020	-	852,000
7. Bulsons Agencies Ltd	695,400	2019/2020	-	695,400
8. Stanklean Commercial Ltd	425,000	2019/2020	-	425,000
9. Earthline Ventures	1,360,800	2019/2020	-	1,360,800
10. Earthline Ventures	626,500	2019/2020	-	626,500
Sub-Total	5,758,300.00			5,758,300.00
Supply of services				
11. Avant Premier Group Ltd	1,996,357.68	2019/2020	-	1,996,357.68
12. Royal Medial Services	1,740,000	2019/2020	-	1,740,000
13. Elite Professional Cleaning Ltd	1,811,100	2019/2020	-	1,811,100
14. Silver Africa Tours & Safaris	2,854,375	2019/2020	-	2,854,375
15. Mavuno K. Automasers	1,226,120	2019/2020	-	1,226,100
16. Greomark Auto Services Ltd	248,008	2019/2020	-	248,008
17. Jasper Cleaning Services	1,287,300	2019/2020	-	1,287,300
Sub-Total	11,163,260.68			11,163,260.68
Grand Total	16,921,560.68			16,921,560.68

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ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Historical Cost b/f	Additions during the year	Disposals during the year	Historical Cost c/f
	(Kshs)	(Kshs)	(Kshs)	(Kshs)
Land			0	0
Buildings and structures	70,750,507	67,492,324		138,242,831
Refurbishment of Buildings		51,542,985		
Transport equipment	29,565,032	63,761,000		93,326,032
Office equipment, furniture and fittings	12,399,956	26,982,277		39,382,233
ICT Equipment, Software and Other ICT Assets	36,604,450	4,157,000		40,761,450
Other Machinery and Equipment	2,302,251			2,302,251
Heritage and cultural assets	1,725,600			1,725,600
Intangible assets		60,326,929		60,326,929
Total	153,347,796	274,262,515	0	427,610,311

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ANNEX 3 – LIST OF PROJECTS IMPLEMENTED BY THE ENTITY

Ref	Project Name	Principal activity of the project	Accounting Officer	Project consolidated in these financial statements(yes/no)
IDA Credit no.58120	Kenya Youth Employment and opportunities project	Improving Youth employability	Julius Korir,CBS	Yes

ANNEX 4 – LIST OF SCs, SAGAs AND PUBLIC FUNDS UNDER THE ENTITY

Ref	SC, SAGA or Public Fund's name	Principal activity of entity	Accounting Officer	Amount transferred during the year	Inter-entity reconciliations done?(yes /no)
1.	National Youth Service	Train the Youths for service in National development	Julius Korir,CBS	17,725,516,300.00	Yes
2.	Youth Enterprise Development Fund	Reduce unemployment among the Youths.	Julius Korir,CBS	634,630,000.00	Yes
3.	National Youth Council	Policy Research and Advocacy on Youth affairs.	Julius Korir,CBS	98,000,000.00	Yes
4.	Presidential Award Scheme	Nurture leadership skills among the youths	Julius Korir,CBS	20,000,000.00	Yes
5.	Int.Conference for great lake Regions	Nurture entrepreneurship	Julius Korir,CBS	10,280,251.00	Yes

STATE DEPARTMENT FOR YOUTH AFFAIRS
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ANNEX 8- REPORTS GENERATED FROM IFMIS

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

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

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