REPORT
OF
THE AUDITOR-GENERAL
ON
THE FINANCIAL STATEMENTS OF
THE STATE DEPARTMENT FOR PUBLIC
SERVICE AND YOUTH

FOR THE YEAR
ENDED 30 JUNE 2018
STATE DEPARTMENT OF PUBLIC SERVICE AND YOUTH

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2018

Prepared in accordance with the Cash Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)
STATE DEPARTMENT OF PUBLIC SERVICE AND YOUTH AFFAIRS

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

I. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Ministry of Public Service, Youth and Gender Affairs was formed through Presidential Executive Order No. 1 of May 2016.

The Ministry is headed by the Cabinet Secretary, Prof. Margaret Kobia, MGH, who is responsible for the general policy and strategic direction of public service, youth and gender affairs.

The Ministry further consists of two State Departments each administered by a Principal Secretary.

The State Departments under Ministry are outlined below:

i. The State Department for Public Service and Youth administered by Dr. F.O. Owino.
ii. The State Department for Gender Affairs administered by Hon. Safina Kwekwe.

The accompanying financial statements constitute the financial statements of the State Department for Public Service and Youth.

Vision
A Centre of excellence in public service transformation and youth empowerment for a high quality of life for all Kenyans.

Mission
To provide leadership, coordinate and create enabling environment for transforming public service delivery and youth empowerment.

Core Values
The Ministry shall uphold the following core values:

1. **Accountability and Transparency:** All business and service delivery shall be undertaken in a transparent and accountable manner.
2. **Equity and Equality:** The Ministry will promote fairness and equal distribution of resources and services in the national and county level.
3. **Professionalism and ethical practices:** the Ministry and its entire staff shall uphold highest moral standards and professional competence in their service delivery.
4. **Teamwork and Passion for Results:** The Ministry will relentlessly pursue timely attainment of targeted results through high level of coordination, networking, teamwork and collaboration.
5. **Honesty and Integrity:** The ministry shall promote openness, uprightness and reliability while executing its mandate.
KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

6. Innovativeness and Creativity: The ministry and the entire staff will be committed to innovativeness, inventiveness, resourcefulness and visionary planning in service delivery.

7. Efficiency and effectiveness: The ministry will always promote continuous improvement in productivity, competence and efficient and effective use of resources.

8. Patriotism: The ministry will promote nationalism and ownership of services by the public at all levels of government.

9. Customer Centred service: The ministry is committed to uphold customer driven and focused service delivery.

10. Mutual respect, Participatory Approach and Inclusiveness: The ministry is committed to consultations, collaboration and meaningful and effective partnership in all its affairs.

Strategic Objectives

The strategic objectives of the State Department are outlined below:

i. To transform the Public Service for a responsive, citizen centred and quality service delivery.

ii. To strengthen capacity of National and County Governments for efficient and effective delivery of mandate and functions.

iii. To promote performance management.

iv. To strengthen human resource management and development.

v. To facilitate career planning and succession management; and innovation in the Public Service.

vi. To align organizational structures with functions, staffing and operations in the Public Service organizations.

vii. To spearhead youth empowerment in all aspects of national development.

Mandate

The mandate of the State Department broadly covers issues of public service management and youth affairs. In addition, the State Department has interlinked functions with affiliated Institutions, Constitutional Commissions and Independent offices that include the Kenya School of Government; Huduma Kenya Secretariat; Youth Enterprise Development Fund; Kenya National Youth Council; Kenya Association of Youth Centres; National Youth Service and the Public Service Commission.
KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

Functions

The Functions of the State Department include:

i. Public Service Human Resource Management Policy and Standards;
ii. Public Service Training and Development and Policy Standards;
iii. Public Sector Reforms and Transformation including Operational Standards and Process Engineering;
iv. Government Human Resource Information Systems and Services;
v. Internship and Volunteer Policy for Public Service;
vi. Government Payroll Policy and Standards;
vii. Public Service Human Resource Development;
viii. Shared Services;
ix. Organizational Design and Development;
x. Coordination of the Huduma Kenya Programme;
xi. Research, Development and Service Delivery Innovations;

xii. Public Service Career Planning and Development;
xiii. Counselling Policy and Services;
xiv. Youth Policy and Empowerment; and
xv. Mainstreaming Youth in National Development.

(b) Key Management

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

- Directorate of Public Service Management
- Directorate of Youth Affairs
- National Youth Service
- Huduma Kenya Secretariat
- Kenya School of Government
- National Youth Council
- Youth Enterprise Development Fund
KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)

(c) Fiduciary Management

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

<table>
<thead>
<tr>
<th>Designation</th>
<th>Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cabinet Secretary</td>
<td>Prof. Margaret Kobia</td>
</tr>
<tr>
<td>2. Chief Administrative Secretary</td>
<td>Hon. Rachel W. Shebesh</td>
</tr>
<tr>
<td>3. Principal Secretary</td>
<td>Dr. F.O.Owino</td>
</tr>
<tr>
<td>4. Director General, NYS</td>
<td>Ms. Matilda Sakwa</td>
</tr>
<tr>
<td>5. Secretary, Huduma Kenya</td>
<td>Mr. Dennis Mutuku</td>
</tr>
<tr>
<td>6. Secretary, Management Consultancy Services</td>
<td>Ms. Wangare Ndia</td>
</tr>
<tr>
<td>7. Ag. Secretary, Human Resource Development</td>
<td>Mr. Simon Angote</td>
</tr>
<tr>
<td>8. Director, Human Resource Management Policy</td>
<td>Mr. Benrodgers Milaih</td>
</tr>
<tr>
<td>9. Ag. Director, Administration</td>
<td>Ms. Veronica Ochieng</td>
</tr>
<tr>
<td>10. Director, Directorate of Youth Affairs</td>
<td>Ms. Susan Njau</td>
</tr>
</tbody>
</table>

(d) Entity Headquarters

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

(e) Entity Contacts

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

(f) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P. O. Box 30084
GPO 00100
Nairobi, Kenya
(g) Principal Legal Adviser

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

(h) Bankers

Central Bank of Kenya
Haile Selassie Avenue
P.O. Box 60000
City Square 00200
Nairobi, Kenya
II. FORWARD BY THE CABINET SECRETARY

BUDGET ALLOCATION

In the financial year 2017/18 the State Department for Public Service and Youth had a gross budget of Kshs. 26,371,009,781 which was made up of Kshs. 14,516,917,402 and Kshs. 11,854,092,402 for recurrent and development vote respectively.

The State Department was to expend the gross budget of Kshs. 26,371,009,781 under the following three programmes:

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 17,596,380,294 representing 67% of the budget. A total of Kshs 13,108,572,439 was spent under the following sub programmes:

   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

II. Programme 2: Public Service Transformation

The objective of this programme is to transform quality and efficiency of Public Service Delivery. This programme was allocated Kshs. 3,199,043,714 representing 12% of the budget. A total of Kshs 2,426,324,047 was spent under the following sub programme:

   b. Sub-programme SP 2.2: Human Resource Development
   c. Sub-programme SP 2.3: Management Consultancy Services
   d. Sub-programme SP 2.4: Huduma Secretariat
   e. Sub-programme SP 2.5: Public Service Reforms
III. Programme 3: General Administration, Planning and Support Services

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 5,575,585,773 representing 21% of the budget. A total of Kshs 5,528,123,140 was spent under the following sub-programmes:

a. Sub-programme 3.1: Human Resource and Support Services
b. Sub-programme 3.2: Financial Management Services
c. Sub-programme 3.3: Information Communication Services

Budget Allocation by Programmes

- Youth Empowerment: 21%
- Public Service Transformation: 12%
- General Administration, Planning and Support Services: 67%
Key Performance Highlights

Below is an overview of the financial performance for the year ended 30th June 2018 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

<table>
<thead>
<tr>
<th>Financial Performance</th>
<th>Year to 30th June 2018</th>
<th>Year to 30th June 2017</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KShs</td>
<td>KShs</td>
<td>KShs</td>
</tr>
<tr>
<td>Total Receipts</td>
<td>21,020,670,673</td>
<td>22,233,582,298</td>
<td>(1,212,911,625)</td>
</tr>
<tr>
<td>Total Payments</td>
<td>21,062,919,625</td>
<td>22,135,705,397</td>
<td>(1,072,785,772)</td>
</tr>
<tr>
<td>Deficit for the Year</td>
<td>(42,248,951)</td>
<td>97,876,901</td>
<td>(140,125,852)</td>
</tr>
</tbody>
</table>

### Financial Performance Summary

### Actual Performance against Budget for Year to 30th June 2018

<table>
<thead>
<tr>
<th>Financial Performance</th>
<th>Printed Estimates</th>
<th>Actual</th>
<th>Variance</th>
<th>Utilisation Variance %</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KShs</td>
<td>KShs</td>
<td>KShs</td>
<td></td>
</tr>
<tr>
<td>Total Receipts</td>
<td>26,371,009,781</td>
<td>21,020,670,673</td>
<td>5,350,339,108</td>
<td>80%</td>
</tr>
<tr>
<td>Total Payments</td>
<td>26,371,009,781</td>
<td>21,062,919,625</td>
<td>5,308,090,156</td>
<td>80%</td>
</tr>
<tr>
<td>Surplus/Deficit for the Year</td>
<td>-</td>
<td>(42,248,952)</td>
<td>882,195,400</td>
<td></td>
</tr>
</tbody>
</table>

Actual receipts by the MDAs stood at 20% below budget while actual payments were 20% below budget. This is attributable to under issue of exchequer and underutilisation of budget allocation mostly in acquisition of assets use of goods and services and social security benefits.
Budget Utilisation (Payments)

The State Department spent Kshs. **21,062,919,625** against an approved budget of Kshs. **26,371,009,781** representing absorption of **80%**. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

<table>
<thead>
<tr>
<th>Economic Item</th>
<th>Approved Budget Allocation</th>
<th>Actual Payments</th>
<th>Variations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensation of Employees</td>
<td>11,723,035,819</td>
<td>11,619,666,296</td>
<td>103,369,523</td>
</tr>
<tr>
<td>Use of goods and services</td>
<td>8,348,096,719</td>
<td>5,849,909,548</td>
<td>2,498,187,161</td>
</tr>
<tr>
<td>Transfers to Other Government Units</td>
<td>732,334,000</td>
<td>650,655,395</td>
<td>81,678,605</td>
</tr>
<tr>
<td>Other grants and transfers</td>
<td>85,000,000</td>
<td>79,550,326</td>
<td>5,449,674</td>
</tr>
<tr>
<td>Social Security Benefits</td>
<td>23,212,500</td>
<td>16,031,335</td>
<td>7,181,165</td>
</tr>
<tr>
<td>Acquisition of Assets</td>
<td>5,459,330,743</td>
<td>2,847,106,725</td>
<td>2,612,224,018</td>
</tr>
<tr>
<td>Total Payments</td>
<td><strong>26,371,009,781</strong></td>
<td><strong>21,062,919,625</strong></td>
<td><strong>5,308,090,156</strong></td>
</tr>
</tbody>
</table>

**Budget Utilisation as Per Economic Items**

- Compensation of Employees: **55%**
- Use of goods and services: **28%**
- Transfers to Other Government Units: **3%**
- Social Security Benefits: **0%**
- Other grants and transfers: **0%**
- Acquisition of Assets: **14%**

It is noted that **55%** of the State Department's budget was utilized on compensation of employees while **28%** was utilized on goods and services. Acquisition of assets accounted for **14%** of the total budget whereas grants and transfers accounted for only **3%**.
Comments 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 2017/2018 stood at Kshs 21,020 Million, representing 80% against the budget of Kshs 26,371 Million.

Total Receipts Breakdown

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Approved Budget Allocation</th>
<th>Actual Payments</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Kshs</td>
<td>Kshs</td>
<td>Kshs</td>
</tr>
<tr>
<td>Proceeds from Domestic and Foreign Grants</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers from National Treasury</td>
<td>26,195,159,781</td>
<td>21,009,205,251</td>
<td>5,186,954,530</td>
</tr>
<tr>
<td>Proceeds from Sale of Assets</td>
<td>94,050,000</td>
<td>11,465,422</td>
<td>82,584,578</td>
</tr>
<tr>
<td>Other Receipts</td>
<td>81,800,000</td>
<td>-</td>
<td>81,800,000</td>
</tr>
<tr>
<td>Total Receipts</td>
<td>26,371,009,781</td>
<td>21,020,670,673</td>
<td>5,338,873,686</td>
</tr>
</tbody>
</table>
Achievements

The State Department achieved the following during the FY 2017/18:

1. Operationalization of 8 Huduma Centres in counties and sub-counties.
2. Huduma smart cards issued to 100,000 customers.
3. Access to 28 MDA services enhanced through the call centres.
4. Huduma call centre operational and 300,000 customers served.
5. Public Service Transformation Framework developed and launched.
6. National Capacity Building Framework (NCBF) implemented where 19,077 participants from National Government and 5,122 participants from County Government were trained and certified by Kenya School of Government.
7. Comprehensive Medical Insurance Scheme for Civil Servants was reviewed and Contract signed.
9. Engaged 86,071 community youth in Youth Empowerment Programme.
11. Enrolled 30,502 youth in vocational training.
12. Generated Kshs. 785,500,000 in savings through the Youth SACCOs.
14. Trained 39,745 and 112,600 youth on entrepreneurship skills by Youth Enterprise Development Fund and Directorate of Youth Affairs respectively.
15. Disbursed Kshs. 468,200,000 through Youth Enterprise Development Fund.
Achievements (Continued)

Huduma Centres Operationalised in Marsabit
Recruitment of youths into National Youth Service

Photos taken at a pass out parade for NYS recruits
STATE DEPARTMENT OF PUBLIC SERVICE AND YOUTH
Reports and Financial Statements
For the year ended June 30, 2018

Youth Empowerment Programme
COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Emerging Issues

There were increased number of public service employment related disputes being filed in court.

Implementation challenges

1. Human resource capacity constraint: Some divisions were grossly understaffed and hence affecting the delivery of services as per the agreed timelines.
2. Financial constraints: Inadequate funding and untimely disbursement of budgeted funds hampered successful implementation of the planned programmes and projects.
3. Inadequate office space: This led to unfavourable work environment for the officers and affected engagement of youth through internship/industrial attachment/apprenticeships in the Ministry’s programmes.

Recommendations and way forward.

1. Human resource capacity constraint: The State department has prepared a Human Resource Plan and will be fully implemented in the FY 2018/19.
2. Financial constraints: Prioritization of programmes/projects/ activities; proper budgeting and mobilization of resources from development partners.
3. Inadequate office space: Sharing offices among the staff as well as engaging few youth through internship/industrial attachment/apprenticeships in the Ministry’s programmes.

Sign

Cabinet Secretary
III. STATEMENT OF ENTITY MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 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 of Public Service And Youth 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, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the 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 of Public Service And Youth 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, 2017, and of the entity’s financial position as at that date. The Accounting Officer charge of the State Department of Public Service And Youth 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 of Public Service And Youth 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 1st July 2018.

Principal Secretary
Dr F.O Owino PhD

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