



Enhancing Accountability

DATE: 09 NOV 2022

Wednesday - Afternoon

REPORT

Hon. Kimani Ichungwa, MP
Leader of majority

Mairah Wanjiku

DATE: 10 NOV 2022

Thursday - Afternoon

OF

Hon. Kimani Ichungwa, MP
Leader of majority

Samuel Kalama

THE AUDITOR-GENERAL

ON

NATIONAL YOUTH SERVICE

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

National Youth Service. P. O Box 30397. 00100. NAIROBI
Email: Director.General@nys.go.ke



NATIONAL YOUTH SERVICE
ANNUAL REPORT AND FINANCIAL STATEMENTS FOR
THE FINANCIAL YEAR ENDING JUNE 30, 2020

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

TABLE OF CONTENTS

| | |
|--|-------|
| NATIONAL YOUTH SERVICE COUNCIL | iii |
| NATIONAL YOUTH SERVICE MANAGEMENT..... | vii |
| NATIONAL YOUTH SERVICE MANAGEMENT (Continued)..... | viii |
| | viii |
| THE CHAIRMAN'S STATEMENT..... | ix |
| REPORT OF THE CHIEF EXECUTIVE OFFICER..... | x |
| REVIEW OF FY 2019/2020 PERFORMANCE | xi |
| CORPORATE GOVERNANCE STATEMENT | xiii |
| Committees of the Council..... | xv |
| Audit and Risk Management Committee..... | xv |
| Finance and Enterprise Development Committee..... | xvi |
| Human Resource and Administration Committee..... | xvi |
| Operations, Training and Programmes Committee..... | xvii |
| STATEMENT OF DIRECTORS' RESPONSIBILITIES..... | xviii |
| 1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2020 | 1 |
| 2. STATEMENT OF FINANCIAL POSITION AS AT 30 TH JUNE 2020..... | 2 |
| 3. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020..... | 3 |
| 4. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020..... | 4 |
| NOTES TO THE FINANCIAL STATEMENTS | 5 |
| 1. GENERAL INFORMATION | 5 |
| 2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION..... | 5 |
| 3. ADOPTION OF NEW AND REVISED STANDARDS..... | 5 |
| 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES..... | 5 |
| 5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY..... | 7 |
| NOTES TO THE STATEMENTS..... | 9 |
| 1. TRANSFERS FROM OTHER GOVERNMENTS..... | 9 |
| 2. RENDERING OF SERVICES..... | 9 |
| 3. SALE OF GOODS | 10 |
| 4. USE OF GOODS AND SERVICES..... | 10 |
| 5. EMPLOYEE COSTS..... | 11 |

| | | |
|-----|--|----|
| 6. | REMUNERATION OF DIRECTORS..... | 11 |
| 7. | DEPRECIATION AND AMORTIZATION EXPENSE | 11 |
| 8. | REPAIR AND MAINTENANCE | 11 |
| 9. | GRANTS AND SUBSIDIES..... | 12 |
| 10. | CASH AND CASH EQUIVALENTS..... | 12 |
| 11. | RECEIVABLES FROM EXCHANGE TRANSACTIONS | 13 |
| 12. | INVENTORIES..... | 13 |
| 13. | PROPERTY, PLANT AND EQUIPMENT (MTB) | 14 |
| 14. | TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS..... | 15 |
| 15. | REFUNDABLE DEPOSITS FROM CUSTOMERS | 15 |
| 16. | CASH GENERATED FROM OPERATIONS..... | 15 |
| 17. | FINANCIAL RISK MANAGEMENT | 15 |
| 18. | RELATED PARTY BALANCES | 16 |
| 19. | SEGMENT INFORMATION | 17 |
| 20. | CAPITAL COMMITMENTS..... | 18 |
| 21. | ULTIMATE AND HOLDING ENTITY..... | 18 |
| 22. | CURRENCY..... | 18 |
| | APPENDICES | 19 |
| | APPENDIX I: INTER-ENTITY TRANSFERS..... | 19 |

NATIONAL YOUTH SERVICE COUNCIL



Lt Gen (Rtd) Njuki Mwaniki, MGH, CBS, OGW, ndc (K) – Chairman
(App. on 7th February, 2019)

An ardent infantry retired military Three-Star-General, Njuki Mwaniki holds a Masters of Arts in War in the Modern World from The King's College, London. He holds a Diploma in International Studies from the University of Nairobi, Diploma in Military strategy from the National defence University, Beijing and a Certificate in Scriptualizing from Harvard University School.

He brings on board a wealth of experience in Management and Leadership of disciplined services spanning over 40 years.



Matilda P. Sakwa (Ms.), EBS – Director General and Chief Executive Officer
(App. 1st June, 2019)

Ms. Sakwa holds a Masters in Development Studies from the International Institute of Social Studies at the Hague, The Netherlands and a Bachelor of Arts from the University of Nairobi.

She is an accomplished public servant with over thirty (30) years of diligent Service in the Public Service. She was a key player in setting up project delivery teams in a number of line ministries under the social pillar of the Vision 2030. She was a member of the inaugural team that conceptualized and established structures for the National Aids Control Council in Kenya and a member of the National Steering Committee that developed the National Action Plan on UNSCR 1325 on Women, Peace and Security.



Mr. Adhan Nuri Berhe – Independent Member (App. on 7th February, 2019)

Mr. Berhe holds a Master of Arts in Project Planning and Management from the University of Nairobi, and a BSc in Wildlife Management from Moi University. He has over 25 years of experience in Project Management, Governance and Leadership in both public and private sector. He was also the Chairman of the County Public Service Board, County Government of Tana River.



Mr. Elijah Kamotho Wachira – Independent Member (App. 13th January, 2020)

Mr. Wachira holds an MBA in Management Information Systems, a BSc in Meteorology both from the University of Nairobi and a Post-Graduate Diploma in Systems Analysis and Design from Edinburgh Napier University.

He is the Managing Consultant of Peakline Consultants Limited, Nairobi. He has a wide exposure and experience in Training and Capacity Building; Performance Management Systems; and Strategic

Management.

Mr. Wachira has hands-on experience in corporate governance of State-owned Enterprises (GOEs) through successful formulation and implementation of corporate policies, strategy and performance management systems at the Kenya School of Government.

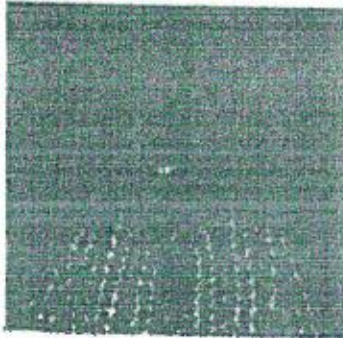


Mr. Ali Sahal Idris – Independent Member (App. on 7th February, 2019)

Mr. Idris holds a Master of Business Administration Degree from United States International University-Africa (USIU) and a Bachelor of Commerce in Finance from the University of Nairobi. He is also an alumnus of the Harvard University Kennedy School Executive Education Program and a Fellow of the Association of Chartered Certified Accountants in UK (FCCA).

He is a Finance and Management Consultant with over 15 years experience in finance and business management. He has worked with PricewaterhouseCoopers (PwC) in Kenya, Hass Petroleum Group, Dahabshil Bank (renamed East Africa Bank) and Dahabshil FZCO based in Dubai, UAE.

Mr. Idris is a finance and business management advisor to a number of companies and sits on the boards of various private companies.



Dr. Nkatha Linda Gichuyia – Independent Member (App. on 7th February, 2019)

Dr. Nkatha holds a PhD in Architecture and an MPhil in Environmental Design, both from the University of Cambridge in the UK.

She is currently a Lecturer at the Architecture and Building Science Department of the University of Nairobi. Recently, she got appointed as a visiting assistant professor to the University College Dublin's School of Architecture, Planning and Environmental policy for a period of 3 years beginning 1st September 2020.

Dr Nkatha is deeply involved as well in drawing both National Government and International Policy Frameworks, in her other various capacities as a knowledge broker, Gates Cambridge Scholar, practicing Architect, and as an independent researcher and urban development consultant.



Mr. Vincent Ombaka – Independent Member (App. on 7th February, 2019)

Mr. Ombaka holds a Master of Laws (LLM), a Post-Graduate Diploma and Certificate in Laws from the University of London; a Bachelor of Laws (LLB) from the University of Nairobi; a Diploma in Laws from the Kenya School of law and a Certificate in company secretarial practice.

He has a wealth of skills in policy development, research, legislative drafting and business development.



Maj Gen Fatuma Gaiti Ahmed, CBS, OGW – Alternate Member, Chief of the Kenya Defence Forces

An accomplished military officer, Maj Gen Ahmed holds a BA in Sustainable Human Development from Catholic University of Eastern Africa (CUEA) and a Diploma in Management from Strathmore University.



Mr. Arthur Chege Nduati – Alternate Member, PS, The National Treasury

Mr. Nduati holds an Executive MBA from Jomo Kenyatta University of Agriculture and Technology, BED (Arts) from Kenyatta University and is a Certified Public Accountant (CPA-K). He is a member of the Institute of Certified Public Accountants of Kenya (ICPAK) with over 16 years experience in public service.



Ms. Ruth Atieno Koga – Alternate member, PS, Public Service.

Ms. Koga holds an MBA in Strategic Management from Moi University and a BA from the University of Nairobi. She has over 28 years experience in Public Service and currently the Director, Performance Management and Monitoring in the Ministry of Public Service and Gender.

She is a member of the Ministerial Human Resource Management Advisory Committee (MHRMAC), Kenya Prison's Reform Committee and various Departmental Committees.



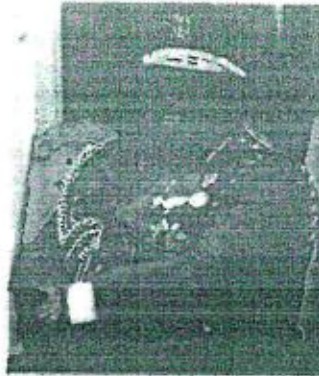
Ms. Anita Jeruto Chepseba – Alternate Member, the Attorney General

Ms. Chepseba has over 14 year experience in legal practice, including over 10 year in Public Service. She holds a Bachelor of Laws Degree (LLB) from Moi University and a Diploma in Law from Kenya School of Law.

NATIONAL YOUTH SERVICE MANAGEMENT



Mr. James K. Tembur
Deputy Director General
C/Services & Commercialization
MSC. Entrepreneurship



Matilda P. Sakwa (Ms.), EBS
Director General
MA. (Development Studies)



Mr. Enock L. Amudavi, MBS
Deputy Director General
P/Training & National Service
MBA (HRM), INRM



Mr. James Kalu
Head of Supply Chain Mngt
MBA (Strat. Mngt), KISM



CPA. Ollma John Ogango
Head of Finance
MBA (Finance) & NPP&M



CPA. Elias K. Macharia
Head of Accounts
MBA (Finance)



James Munda
Director, Operations
MA. (International Studies)



CPA. Shadrach W. Makenzie
Head of Internal Audit Dept
MBA (Finance), ICPAK



Peter Walek
Director, Technical Services
MSc. (Info. Systems)

NATIONAL YOUTH SERVICE MANAGEMENT (Continued)




THE CHAIRMAN'S STATEMENT

NYS Act, 2018 vide a Kenya Gazette Supplement No. 160 (Acts No. 17). Section 12(1)(a) mandates the Council to be responsible for the formulation of policy, control, oversight, and supervision of the service. The council has been functioning since February 2019. The Council and Management inaugurated its premier 5 Year Strategic Plan(SP) in June 2019 for 2019/2020-2023/2024. The SP is on the right trajectory though under slow go terrain due to funding challenges. However, under section 7(1) (f) the Council is tasked to initiate, organize, manage and generate funds through commercialization programmes. In this regard, the Service has restructured and created ways and means to mitigate on funding challenges.

"If we open a quarrel between the *past* and the *present* we shall find that we have lost the *future*". Sir, Winston Churchill was right, however I intend to just cast our lenses with a few paragraphs of the past year that ended 30th June, 2020 and on behalf of the Council members, I wish to report that the Service generated Ksh.907,867,621.00 in its commercial ventures. This is commendable given that the commercialization function is yet to be fully executed. I am also grateful to the Government for continued support to the Service. The Service received a sum of Ksh.17,725,466,300.00 towards its budget during the year under review.

I commend the Council members, Management and staff of the Service for their commitment for exemplary work. I am also grateful for the support of our partners and collaborators whose contribution were an important addition to the success of the Service. Going forward, therefore, I am confident that the Service has the potential to change past Service traditions in order to improve and discharge its mandate more effectively. In any case Sir, Winston also said that "to improve is to change; to be perfect is to change often".



LT GEN (Rtd) NJUKI MWANIKI
CHAIRMAN, NYS COUNCIL

REPORT OF THE CHIEF EXECUTIVE OFFICER

This is the first annual report and financial statement since the establishment of the National Youth Service (NYS) as a state corporation. During the year under review, the Service realized revenues amounting to Ksh.997,867,621.00 against a target of Ksh.1.26 billion and posted a surplus of Ksh.1,919,919,250.64 despite the interruptions of the Coronavirus pandemic in the second half of the financial year under review.

Management remains appreciative of the financial support received from Government including Ksh.1,094,972,889.30 in salary grant, Ksh. 10,270,659,791.95 in other recurrent grants, and Ksh.6,360,260,000.00 in development grant.

The positive financial performance of the Service is attributed to strict adherence to financial procedures, enhanced partnerships and the introduction of effective cost-reduction measures. On another positive note, the Service was able to clear a good chunk of pending bills resulting into a reduction from 60% in 2018/2019 to 3% of the budget in the financial year under review. Additionally, our absorption rate of funds improved by 6% from 90% in FY 2018/2019 to 96% in FY 2019/2020.

Lastly, the Service has invested heavily in building a strong culture of unity of purpose and commitment to the mission and ideals of the Service through development of a framework for management and leadership competencies and capacity building of its members. This has been critical, considering the waning popularity of the Service under the weight of a series of corruption allegations. I can comfortably report that with the guidance of the Council, Management has been able to steer the Service back on course and is determined to build on this momentum moving forward.



MATILDA P. SAKWA
CHIEF EXECUTIVE OFFICER

REVIEW OF FY 2019/2020 PERFORMANCE

The National Youth Service has five (5) strategic pillars and four strategic objectives within its Strategic Plan for FY 2019/20 -2023/24. The pillars are as follows:

1. Paramilitary Training & Service Regimentation
2. National Service & Youth Resocialization
3. Technical and Vocational Training
4. Enterprise Development
5. Strengthening Strategic Operations

The Service develops its Annual Work Plans (AWPs) based on the five pillars. Assessment of the Council's performance against its AWP is undertaken on both quarterly and annual bases. The Service achieved its set performance targets for FY 2019/20 period for all of its five strategic pillars as indicated in the table below;

| | | | | |
|---|--|--|---|--|
| Paramilitary Training & Service Regimentation | To discipline and impart specialized skills among youth through paramilitary training, national service and vocational training. | No. of strategies developed and formulated | Develop and formulate strategies | The Service formulated 8 strategies covering paramilitary training, national service and technical and vocational training The Service also developed the Paramilitary Training curriculum for both Servicemen and Women (SM/W) and staff. |
| National Service & Youth Resocialization | | No. of SM/W deployed to National Service | Deploy SM/W to national service programmes across the country | A total of 11,396 SM/W were deployed to national service programmes across the country as follows; <ul style="list-style-type: none"> o NYS Field Units where; <ul style="list-style-type: none"> ✓ They contributed to increased food and nutrition security by producing a total of 1,309.58 tons of food and, ✓ Contributed to the manufacturing sector by producing 16.42 tons of cotton. o Public duty activities through Presidential directives and, collaborations and partnerships; <ul style="list-style-type: none"> ✓ Rehabilitation of Nairobi-Nanyuki railway line; ✓ Provision of supervisory services for the National Hygiene (Kazi Mtani) Programme ✓ Desert Locust Control in selected Counties across Kenya ✓ Alteration and rehabilitation of the Presidential dais and other civil works at State House Mombasa and Mama Ngina Water front ✓ Rehabilitation of the railway |

| | | Key Performance Indicator | Activities | Achievements |
|------------------------------------|--|--|---|---|
| | | | | <p>line, renovation and painting of railway houses and facilities around Kisumu port</p> <ul style="list-style-type: none"> ✓ Rehabilitation of all other ports around Lake Victoria. ✓ Bush clearing and civil works at Shimoni port. ✓ Provision of screening and security control at COVID 19 centres ✓ Provision of security services to strategic installations. |
| Technical and Vocational Training | | No of SM/W enrolled | Enrol SM/W into various technical and vocational courses and undertake specialized skills training | Enrolled 13,605 SM/W to various technical and vocational courses in addition to the 25,919 SM/W continuing students both in NYS and Ministry of Education TVET institutions |
| Enterprise Development | To mobilize, allocate and utilize resources prudently for the sustainability of the Service. | No of enterprises established | Undertake enterprise and commercial activities | <p>The Service established 5 enterprise and commercial projects including;</p> <ul style="list-style-type: none"> • Certified potato seed production in Tumaini. • Mineral water bottling in Turbo • Garment stitching in TGTI • Roads, water dams and water pans construction/rehabilitation by MTB • Fodder production in Kirimun |
| Strengthening Strategic Operations | To re-organize and enhance institutional reforms and management systems in the Service | No of Strategic Plans and, policies and procedure manuals, strategies and plans formulated | Finalized the development and launched the NYS Strategic Plan 2019/20 - 2023/24 and formulated policies and procedure manuals, strategies and plans | One (1) Strategic Plan and eleven (11) policies and procedure manuals, strategies and plans were developed and formulated covering among others communication resource mobilization, research and development, human resource management, finance and procurement and audit and risk management. |
| | | No of compensation frameworks developed and approved | Develop staff compensation framework | <p>The Service developed a comprehensive compensation framework both for uniformed and non-uniformed staff. This included;</p> <ul style="list-style-type: none"> • Reviewed compensation framework aligned to the new mandate as espoused in the NYS Act 2018 • A grading and corresponding salary structure was developed and approved. |

| Strategic Pillar | Objective | Key Performance Indicators | Activities | Outcomes |
|------------------|-----------|------------------------------------|--|---|
| | | No. of capital projects undertaken | Undertake various capital projects to ease strain on infrastructure and facilities resulting from increased youth intake | <ul style="list-style-type: none"> • Categorization of NYS by SCAC and forwarded to SRC for advice and approval. The Service undertook among others, the following capital projects; <ul style="list-style-type: none"> • Construction of Storey Classrooms at IBS • Completion of construction of Double Span, Kitchen, Dining and Barracks and classrooms and workshops at NYSEI • Construction of category 'E' flats (12 occupants) at VTI • Upgrading of sewage system at NHU. • Construction of a new steel dais at NYS College Gilgil. • Fencing of the main camp and three (3) Sub Units of Tana Basin Road Project Field Unit. |

CORPORATE GOVERNANCE STATEMENT

The Council is responsible for policy formulation, strategic oversight and supervision of the Service and is accountable to stakeholders thus ensuring that NYS complies with the law and the highest standards of best practice on corporate governance and quality of service delivery.

The Council has delegated authority to the CEO to conduct the day-to-day business of the Service. The Council, nonetheless, retains the responsibility for establishing and ensuring overall policy direction, internal controls, operational and compliance issues, as well as implementing the strategies for the success of the Service.

Council Business

The NYS Council is made up of the 12 members.

During the period under review, the Council held seven (7) meetings which were attended as follows:

National Youth Service, P. O Box 30397, 00100, NAIROBI
Email: Director.General@nys.go.ke

| No. | Board member | Position | 2 nd August, 2019 | 14 th October, 2019 | 10 th December, 2019 | 14 th January, 2020 | 23 rd January, 2020 | 15 th April, 2020 | 9 th June, 2020 |
|-----|------------------------------|------------------|------------------------------|--------------------------------|---------------------------------|--------------------------------|--------------------------------|------------------------------|----------------------------|
| 1. | Lt Gen (Rtd) Njuki Mwaniki | Chairman | P | P | P | P | P | P | P |
| 2. | Ali Idris | Ind. Member | P | P | P | P | P | P | P |
| 3. | Dr. Nkatha Gichuyia | Ind. Member | P | P | P | P | P | P | P |
| 4. | Adhan Nuri Berhe | Ind. Member | P | P | P | P | P | P | P |
| 5. | Vincent Ombaka | Ind. Member | P | P | P | P | - | P | P |
| 6. | David Githendu ¹ | Ind. Member | - | - | - | N/A | N/A | N/A | N/A |
| 7. | Elijah Wachira | Ind. Member | N/A | N/A | N/A | N/A | N/A | P | P |
| 8. | Hamisi Williams ² | Alternate Member | P | N/A | N/A | N/A | N/A | N/A | N/A |
| 9. | Roy S. Telewa | Alternate Member | N/A | P | N/A | N/A | N/A | N/A | N/A |
| 10. | Mr. Julius K. Korir | Ind. Member | N/A | N/A | P | P | - | P | N/A |
| 11. | Ruth A. Koga | Alternate Member | N/A | N/A | N/A | N/A | N/A | P | P |
| 12. | Maj Gen Fatuma Ahmed | Alternate Member | P | - | P | P | - | P | - |
| 13. | Anita Chepseba | Alternate Member | P | P | P | - | P | P | P |
| 14. | Arthur C. Nduati | Alternate Member | - | P | - | - | P | P | P |
| 15. | William K. Thuku | Alternate Member | - | P | - | - | - | P | P |
| 16. | Matilda Sakwa | DG/CEO | P | P | P | P | P | P | P |

KEY

| | |
|-----|-------------------|
| P | Present |
| - | Absent |
| N/A | Not a member then |

¹ Mr. Githendu resigned on 15th December, 2019 and was replaced by Mr. Wachira On 13th January, 2020.

² Mr. Hamisi was replaced as alternate member for PS, Youth by Mr. Telewa on 3rd September, 2019. The PS, Youth (Mr. Korir) replaced his alternate (Mr. Telewa) in December, 2019.

Committees of the Council

The Council has four committees which meet regularly under the terms of reference set by the Council. They include:

- a. Audit and Risk Management Committee;
- b. Finance and Enterprise Development Committee;
- c. Human Resource and Administration Committee; and
- d. Operations, Training and Programmes Committee.

Audit and Risk Management Committee

The Audit and Risk Management Committee meets four times a year or as necessary. It is responsible for supporting the Council and the CEO in carrying out the oversight responsibility by reviewing risk, control, performance and governance processes in the Service.

The Head of NYS Internal Audit Unit is the secretary to the committee.

During the period under review, the Audit and Risk Management Committee held seven (7) meetings which were attended as follows:

| No. | Board member | Position | 30 th July, 2020 | 15 th August, 2019 | 13 th November, 2019 | 19 th November, 2019 | 12 th February, 2020 | 11 th March, 2020 | 30 th June, 2020 |
|-----|---------------------|------------------|-----------------------------------|-------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|------------------------------------|-----------------------------------|
| 1. | Ali Sahal Idris | Chairman | P | P | P | P | P | P | P |
| 2. | Dr. Nkatha Gichuyia | Ind. Member | P | P | P | P | P | P | P |
| 3. | Anita Chepsoba | Alternate Member | P | - | P | P | P | - | P |
| 4. | Arthur C. Nduati | Alternate Member | P | - | P | P | - | P | P |

KEY

| | |
|-----|-------------------|
| P | Present |
| - | Absent |
| N/A | Not a member then |

Finance and Enterprise Development Committee

The Finance and Enterprise Development Committee oversees, determines and advises on all matters relating to the finance, assets and the National Youth Service (NYS) Fund.

During the period under review, the Finance and Enterprise Development Committee held eight (8) meetings which were attended as follows:

| No. | Board member | Position | 9 th July, 2019 | 23 rd July, 2019 | 1 st August, 2019 | 19 th Sept, 2019 | 7 th Oct, 2019 | 14 th Nov, 2019 | 21 st Jan, 2020 | 4 th June, 2020 |
|-----|-------------------|------------------|----------------------------|-----------------------------|------------------------------|-----------------------------|---------------------------|----------------------------|----------------------------|----------------------------|
| 1. | Vincent Ombaka | Chairman | P | P | P | P | P | P | P | P |
| 2. | Adhan Nuri berhe | Ind. Member | P | P | P | P | P | P | P | P |
| 3. | William K. Thuku | Alternate Member | - | - | - | - | - | - | N/A | - |
| 4. | Hamisi Williams | Alternate Member | P | - | P | N/A | N/A | N/A | N/A | N/A |
| 5. | Roy S. Telewa | Alternate Member | N/A | N/A | N/A | - | P | - | N/A | N/A |
| 6. | Arthur C. Nduati | Alternate Member | P | P | - | P | P | P | P | P |
| 7. | David Githendu | Ind. Member | - | P | P | - | - | - | N/A | N/A |
| 8. | Elijah K. Wachira | Ind. Member | N/A | N/A | N/A | N/A | N/A | N/A | N/A | P |
| 9. | Matilda P. Sakwa | CEO | P | P | P | P | P | P | P | P |

KEY

| | |
|------------|-------------------|
| P | Present |
| - | Absent |
| N/A | Not a member then |

Human Resource and Administration Committee

The primary responsibility of the Human Resource and Administration Committee is to oversight, review and recommend appropriate and effective human resource policies, strategies and procedures in the Service.

During the period under review, the Human Resource and Administration Committee held six (6) meetings which were attended as follows:

National Youth Service. P. O Box 30397. 00100. NAIROBI
Email: Director.General@nys.go.ke

| No. | Board member | Position | 3 rd July, 2019 | 14 th Nov, 2019 | 9 th Dec, 2019 | 10 th Feb, 2020 | 6 th May, 2020 | 5 th June, 2020 |
|-----|----------------------|-------------------|----------------------------|----------------------------|---------------------------|----------------------------|---------------------------|----------------------------|
| 1. | Adhan Nuri Berhe | Chairman | P | P | P | P | P | P |
| 2. | Anita Chepseba | Alternate Member | - | P | P | P | P | P |
| 3. | Maj Gen Fatuma Ahmed | Alternate Members | P | P | P | - | P | - |
| 4. | Vincent Ombaka | Ind. Member | P | P | P | P | P | P |
| 5. | Hamisi Williams | Alternate Member | P | N/A | N/A | N/A | N/A | N/A |
| 6. | Julius K. Korir | Ind. Member | N/A | - | - | - | N/A | N/A |
| 7. | Ruth A. Koga | Alternate Member | N/A | N/A | N/A | N/A | P | P |
| 8. | Matilda Sakwa | CEO | P | P | P | P | P | P |

KEY

| | |
|-----|-------------------|
| P | Present |
| - | Absent |
| N/A | Not a member then |

Operations, Training and Programmes Committee

The Operations, Training and Programmes Committee is responsible for oversight on the core mandate of the National Youth Service (NYS), namely: youth empowerment. The committee, therefore, oversees all matters relating to paramilitary training and service regimentation, national service programmes and vocational training of the servicemen and women. The committee oversees formulation and implementation of policies and strategies on all technical programmes and projects in the Service.

During the period under review, the Operations, Training and Programmes Committee held three (3) meetings which were attended as follows:

| No. | Board member | Position | 20 th Aug, 2019 | 25 th Sept, 2019 | 15 th Jan, 2020 |
|-----|----------------------|-------------------|----------------------------|-----------------------------|----------------------------|
| | Dr. Nkatha Gichuyia | Chairman | P | P | P |
| | Maj Gen Fatuma Ahmed | Alternate Members | - | P | P |
| | William K. Thuku | Alternate Members | - | P | - |
| | Ali sahal Idris | Ind. Member | P | P | P |
| | David Githendu | Ind. Member | - | - | N/A |
| | Matilda Sakwa | CEO | P | P | P |

KEY

| | |
|-----|-------------------|
| P | Present |
| - | Absent |
| N/A | Not a member then |

STATEMENT OF DIRECTORS' RESPONSIBILITIES

These Financial Statements have been prepared in accordance to section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act. The Statements give a true and fair view of the state of affairs of the National Youth Service as at 30th June, 2020 as well as its operating results for the FY 2019/2020. The Council, throughout the period ensured that the Service kept proper accounting records which have disclosed with reasonable accuracy the financial position of the National Youth Service. The assets of the Service have been secured.

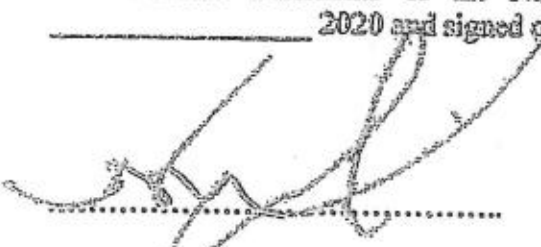
The Statements here prepared and presented by the Directors of the National youth service Council, give a true and fair view of the state of affairs of the Service for and as at the end of the financial year ended on June 30, 2020. In doing this, the Directors put in place adequate financial management arrangements and ensured that these continued to be effective throughout the reporting period; ensured proper accounting records are kept, which disclosed with reasonable accuracy at any time the financial position of the entity; designed, executed and maintained internal controls relevant to the preparation and fair presentation of the financial statements, and ensured that they are free from material misstatements, whether due to error or fraud; safeguarded the assets of the Service; applied appropriate accounting policies; and made accounting estimates that are reasonable in the circumstances.

The Directors therefore are fully responsible for these Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the Service's financial statements give a true and fair view of the state of the transactions of NYS during the financial year ended June 30, 2020, and of the financial position of NYS as at the stated date. The Directors further confirm the completeness of the accounting records maintained for the NYS which have been relied upon in the preparation of these financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The financial statements of the National Youth Service were approved by the Board on _____ 2020 and signed on its behalf by:


.....
Chairperson of the Council


.....
Accounting officer/CEO

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O. Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL YOUTH SERVICE FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Youth Service set out on pages 1 to 18, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Youth Service 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 (Accrual Basis) and comply with the National Youth Service Act, 2018 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies in Cash and Cash Equivalents

The statement of financial position and as disclosed in Note 10 to the financial statements reflects a balance of Kshs.3,425,066,950 in respect of cash and cash equivalents as at 30 June, 2020. Analysis revealed the following unsatisfactory matters;

1.1 Unconfirmed Reconciling Items in the Development Bank Account

Note 10 to the financial statements reflects a balance of Kshs.311,286,195 in the development account. However, examination of the respective bank reconciliation statements revealed receipts in cashbook not yet recorded in bank statement amount of Kshs.10,340,331 whose dates of clearance in bank could not be confirmed as the bank statements or bank reconciliation statements for the month of July, 2020 were not provided for audit.

1.2 Inaccuracies in the KCB National Youth Service Bank Account Balance

Note 10 to the financial statements reflects Nil balance relating to the KCB National Service account as at 30 June, 2020. However, examination of the bank reconciliation, the cash book and bank statements revealed stale cheques amounting to Kshs.30,971,159 issued between September and November, 2019.

Consequently, the accuracy of the bank reconciliations for the development account and the KCB National Service account could not be confirmed.

2.0 Unconfirmed Opening Balances

The National Youth Service was established as a state corporation through the National Youth Service Act, 2018. The service took over the assets and liabilities of the then department of National Youth Service under the State Department for Youth. Management did not provide handing over reports and other documents in support of the opening balances for the assets and liabilities.

Consequently, the accuracy and completeness of the reported opening balances for assets and liabilities in the statement of financial position could not be confirmed.

3.0 Unsupported Expenditure on Fuel, Oil and Lubricants

The statement of financial performance reflects an amount of Kshs.14,963,508,572 in relation to use of goods and services. Included in the amount is Kshs.379,715,177 incurred on fuel, oil and lubricants. However, examination of sampled payment vouchers on provision of fuel amounting to Kshs.49,128,545 revealed they were unsupported by way of signed contract agreement between the Service and the suppliers. This was contrary to the provisions of Section 104(1) of the Public Finance Management (National Government) Regulations, 2015.

In the circumstances, validity of the expenditure on fuel, oil and lubricants of Kshs.379,715,177 for the year ended 30 June, 2019 could not be confirmed.

4.0 Unsupported Expenditure on Grants and Subsidies

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects expenditure of Kshs.161,172,986 in respect of grants and subsidies. This balance is comprised of payments of Kshs.9,999,100, Kshs.6,501,593, Kshs.79,594,355 and Kshs.65,077,937 in respect of FAO (Desert Locust Control), MOH (Covid-19 Mitigation), KPA (Ports Rehabilitation) and KRC (Railway Rehabilitation) respectively. However, ledgers in support of the amounts were not provided for audit.

Consequently, the accuracy, completeness and validity of the expenditure of Kshs.161,172,986 on grants and subsidies for the year ended 30 June, 2020 could not be confirmed.

5.0 Misclassification of Revenue from Non-Exchange Transactions

The statement of financial performance reflects revenues from non-exchange transactions in form of transfers from Ministries, Departments and Agencies (MDA's) amounting to Kshs.162,888,086 that comprised of Kshs.60,028,248, Kshs.75,957,534, Kshs.10,000,000 and Kshs.16,902,303 received from Kenya Ports Authority, Kenya Railways, Ministry of Health, and Food and Agricultural Organization (FAO) respectively. However, Management did not provide for audit supporting documents indicating the nature of services provided to the institutions, applicable rates and duration of contracts.

In addition, revenue received from the Kenya Ports Authority and the Kenya Railways of Kshs.60,028,248 and Kshs.75,957,534 respectively were wrongly classified as revenue from non-exchange transactions instead of revenue from exchange transactions.

Consequently, the accuracy, completeness and fair statement of the revenue from non-exchange transactions of Kshs.162,888,086 could not be confirmed.

6.0 Irregular Payment of Gratuity to the Former Director General – National Youth Service

The statement of financial performance reflects an amount of Kshs.1,094,972,809 in respect of employees' costs. Included in the amount is Kshs.7,531,909 paid to the former Director General - National Youth Service in form of gratuity. The payment was made despite the existence of a court case against the former Director General.

Consequently, the validity of the expenditure of Kshs.7,531,909 paid to the former Director General - National Youth Service in form of gratuity could not be confirmed.

7.0 Payment of Taskforce Allowance

The statement of financial performance and as disclosed in Note 4 to the financial statements reflects a figure of Kshs.70,767,049 in respect of hospitality supplies and services. Included in this amount is Kshs.2,505,000 paid as taskforce allowances to eighteen (18) member National Youth Service Multi Agency Pending Bills Verification Committee constituted by the Cabinet Secretary and Kshs.2,516,000 paid in form of task force allowances to members of staff engaged in interviews. However, the payments were not subjected to Pay As You Earn (PAYE) as required under the provisions of the Income Tax Act and the Employers Guide to Pay as You Earn Part 1 resulting to an overpayment of Kshs.751,500 to the member National Youth Service Multi Agency Pending Bills Verification Committee and Kshs.754,800 to members of staff engaged in interviews.

Consequently, the accuracy and validity of the reported expenditure on hospitality supplies and services of Kshs.70,767,049 for the year ended 30 June, 2020 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Youth Service Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities

in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) on the Constitution, based on the audit 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 Construction of VIP Stand at National Youth Service Parade Grounds - Gilgil

The service entered into a contract for the construction of VIP Stand at Gilgil College at a contract cost of Kshs.14,661,292. The tender document stated that the contract period was fifty-two (52) weeks whereas the State Department of Public Works approved a contract period of twenty-five (25) days from 29 January, 2020 to 30 July, 2020. Physical verification conducted on 30 September, 2020 revealed that the contractor was not on site and the works were incomplete despite of the full contract price.

In addition, the Service made payment of Kshs.14,661,292 during the year for the contract. However, examination of Bills of Quantities revealed that the quantities in relation to structural Steel frame and roofing were scaled downwards to Kshs.3,286,550 from Kshs.3,324,350 and Kshs.1,641,400 from Kshs.3,276,600 respectively. This resulted in estimated costs of Kshs.12,720,612. The payment did not take into consideration the downwards variations.

Consequently, value for money has not been realised due to the delayed implementation of the project and failure to consider the downward variations in contract specifications.

2.0 Irregular Appointment of Procurement Specialist

The Service paid Kshs.6,775,680 to a procurement consultant hired on a two-year contract. The procurement specialist was appointed by the Public Service Commission as a supernumerary post of Advisor, Procurement/Supplies chain Management (Job

Group 'T') and made the appointment. However, the roles set out by the Cabinet Secretary are similar to those carried out by the Senior Deputy Director/Head Supply Chain Management at the Service. Further, review of the Integrated Payroll and Personnel Database (IPPD) Data capture Sheet revealed that the officer was earning a monthly basic salary Kshs.322,040 which was above the maximum threshold as recommended by the Public Service Commission of Kshs.315,700.

Consequently, the service did not obtain value for money on the recruitment due to the duplication of duties.

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

REPORT ON EFFECTIVENESS INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, 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 the Board of Directors

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in

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


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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

03 June, 2022


1. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE 30, 2020

| | | 2019-2020 | 2020-2021 |
|---|-------|--------------------------|-----------|
| Revenue from non-exchange transactions | | | |
| Transfers from other governments – gifts and services-in-kind | 1 (a) | 17,456,126,300.00 | |
| Transfers from Ministries, Departments and Agencies | 1 (b) | 162,338,086.00 | |
| | | 17,619,014,386.00 | |
| Revenue from exchange transactions | | | |
| Rendering of services | 2 | 89,735,999.00 | |
| Sale of goods | 3 | 655,243,536.00 | |
| | | 744,979,535.00 | |
| Total revenue | | 18,363,993,921.00 | |
| Expenses | | | |
| Use of goods and services | 4 | 14,963,503,572.26 | |
| Employee costs | 5 | 1,994,972,303.30 | |
| Remuneration of Directors | 6 | 5,511,585.00 | |
| Depreciation and amortization expense | 7 | 0.00 | |
| Repairs and maintenance | 8 | 218,908,717.80 | |
| Grants and subsidies | 9 | 161,172,986.00 | |
| Total expenses | | 16,444,074,670.36 | |
| Surplus before tax | | 1,919,919,250.64 | |
| Taxation | | 0.00 | |
| Surplus/(deficit) for the period/year | | 1,919,919,250.64 | |
| Net Surplus for the year | | 1,919,919,250.64 | |


2. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2020

| Assets | | | |
|---|----|-------------------------|------------|
| Current assets | | | |
| Cash and cash equivalents | 10 | 3,425,066,950.00 | XXX |
| Other Debtors & Pre-payments | | 16,535,310.05 | |
| Current portion of receivables from exchange transactions | 11 | 11,729,730.00 | XXX |
| Inventories | 12 | 787,647,949.60 | XXX |
| | | 4,240,979,939.65 | XXX |
| Non-current assets | | | |
| Property, plant and equipment | 13 | 247,553,447.65 | XXX |
| Total assets | | 4,488,533,387.30 | XXX |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 14 | 721,261,684.10 | XXX |
| Refundable deposits from customers | 15 | 1,577,962,452.56 | XXX |
| Total liabilities | | 2,299,224,136.66 | XXX |
| Net assets | | 2,189,309,250.64 | XXX |
| Reserves | | | |
| Accumulated surplus | | 1,919,919,250.64 | XXX |
| Capital Fund | | 269,390,000.00 | XXX |
| Total net assets and liabilities | | 2,189,309,250.64 | XXX |

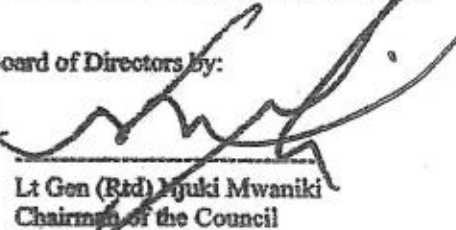
The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:


 Mailda P. Sakwa (Ms.), EBS
 Director General/C.E. O

Date: 30/9/2020


 CPA. Olima John Oganyo,
 Head of Finance
 ICPAK Member Number: 9098

Date: 30/9/2020


 Lt Gen (Rtd) Mjuki Mwaniki
 Chairman of the Council

Date:

3. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

| | 2020 | 2019 |
|--|-----------|--------------------------|
| Cash flows from operating activities | | |
| Receipts | | |
| Government grants and subsidies | | 17,456,126,300.00 |
| Transfers from other agencies | | 162,833,036.00 |
| Rendering of services | | 82,593,519.00 |
| Sale of goods | | 650,656,286.00 |
| Total Receipts | | 18,352,264,191.00 |
| Payments | | |
| Compensation of employees | | 1,094,972,309.30 |
| Goods and services | | 15,035,406,422.66 |
| Repair and maintenance | | 218,908,717.80 |
| Grants and subsidies paid | | 161,172,986.00 |
| Prepayments | | 16,535,310.05 |
| Total Payments | | 16,526,996,245.81 |
| Net cash flows from operating activities | 16 | 1,825,267,945.19 |
| Cash flows from investing activities | | |
| Purchase of property, plant, equipment and intangible assets | | (247,553,447.65) |
| Increase capital | | 269,390,000.00 |
| Net cash flows used in investing activities | | 21,836,552.35 |
| Cash flows from financing activities | | |
| Increase in deposits | | 1,577,962,452.56 |
| Net cash flows used in financing activities | | 1,577,962,452.56 |
| Net increase/(decrease) in cash and cash equivalents | | 3,425,066,950.10 |
| | | |
| Cash and cash equivalents at 1 JULY | 10 | |
| Cash and cash equivalents at 30 JUNE | 10 | 3,425,066,950.10 |

4. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2020

| | 2019-2020 | 2019-2020 | 2019-2020 | 2019-2020 | 2019-2020 |
|---------------------------------|-------------------|------------------|-------------------|-------------------|-------------------|
| | Ksh | Ksh | Ksh | Ksh | Ksh |
| Revenue | | | | | 0.00 |
| Government grants and subsidies | 11,559,716,300.00 | 6,165,800,000.00 | 17,725,516,300.00 | 17,725,516,300.00 | 33,364,401.00 |
| Rendering of services | 123,000,000.00 | - | 123,000,000.00 | 89,735,999.00 | 415,328,464.00 |
| Sale of goods | 1,100,572,000.00 | - | 1,100,572,000.00 | 655,243,535.00 | 478,592,465.00 |
| Total Revenue | 12,783,288,300.00 | 6,165,800,000.00 | 18,949,088,300.00 | 18,470,495,835.00 | 0.00 |
| Expenses | | | | | 104,023,491.95 |
| Compensation of employees | 1,163,570,000.00 | 35,000,000.00 | 1,198,570,000.00 | 1,094,546,508.05 | 2,035,253,546.70 |
| Goods and services | 11,238,341,184.00 | 6,011,039,436.00 | 17,249,380,620.00 | 15,214,127,073.3 | - |
| Finance cost | - | - | - | - | - |
| Rent paid | - | - | - | - | - |
| Taxation paid | - | - | - | - | 270,177,214.20 |
| Other payments | 381,377,116.00 | 119,760,564.00 | 508,137,680.00 | 230,960,465.50 | - |
| Grants and subsidies paid | - | - | - | 161,172,986.00 | 2,348,281,266.85 |
| Total expenditure | 12,783,288,300.00 | 6,165,800,000.00 | 18,949,088,300.00 | 16,709,997,033.15 | -1,769,690,391.85 |
| Surplus for the period | 0.00 | 0.00 | 0.00 | 1,760,688,801.85 | - |

Budget notes

1. The Service posted a balance equivalent to 11.9% under goods and services as a result of delayed submission of pending bills information from the Inter-Agency Committee reviewing the historical pending bills and some Field Units.
2. The changes between the original and the final budget were due to the additional funds provided in the supplementary estimates for the purpose of historical and current pending bills which was approved by the Cabinet.

**5. STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2020**

| | Ordinary share capital | Revaluation reserve | Fair value adjustment reserve | Retained earnings | Proposed dividends | Capital/Development Grants/Fund | Total |
|--|------------------------|---------------------|-------------------------------|-------------------------|--------------------|---------------------------------|-------------------------|
| At July 1, 2019 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Revaluation gain | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Transfer of excess depreciation on revaluation | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Deferred tax on excess depreciation | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Fair value adjustment on quoted investments | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Total comprehensive income – surplus retained | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Capital/Development grants received during the year | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 269,390,000.00 | 269,390,000.00 |
| Transfer of depreciation/amortisation from capital fund to retained earnings | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Dividends paid – 2019 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Interim dividends paid – 2019 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Proposed final dividends | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Surplus for the year/ Retained earnings. | 0.00 | 0.00 | 0.00 | 1,919,919,251.00 | 0.00 | 0.00 | 1,919,919,251.00 |
| At June 30, 2020 | 0.00 | 0.00 | 0.00 | 1,919,919,251.00 | 0.0 | 269,390,000.00 | 2,189,309,251.00 |

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The National Youth Service (NYS) was established as a state corporation following the enactment of the NYS Act, 2018 vide a Kenya Gazette Supplement No. 160 (Acts No. 17). The mandate of the Service include paramilitary training and service regimentation; national service and youth re-socialization; technical and vocational training; and commercialization and enterprise development.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. The Service took a higher degree of judgement on assumptions and estimates as disclosed in Note 3.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Service.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

Early adoption of standards

National Youth Service did not early – adopt any new or amended standards in year 2020.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

The National Youth Service received revenues from other Government Departments and Agencies to enable it carry out national services programmes related to the respective MDAs.

ii) Revenue from exchange transactions

Rendering of services

The Services recognizes revenue on rendering security, garment stitching, construction, hire of plant machines and equipment, transport and water drilling services.

Sale of goods

The Service recognizes revenue on sale of mineral water, uniforms and farm products.

b) Budget information

The original budget for FY 2019-2020 was approved by the National Assembly in June 2019. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Service upon receiving the respective approvals in order to conclude the final budget. Accordingly, the entity recorded additional appropriations of Ksh.6,165,800.00 in the 2019-2020 budget following the governing body's approval.

The budget for the Service is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

c) Property, plant and equipment

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

d) Research and development costs

The mandate of the Service has been expanded to include research and innovation. Going forward therefore it will be a major area of expenditure and will be capitalized. In this report the related expenditures have been expensed.

e) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

j) Changes in accounting policies and estimates

Being the first year of reporting, the Service has adapted the current IPSAS reporting standard.

k) Employee benefits

The Service is still under transition and it is the process of establishing the employee benefits schemes.

l) Related parties

The Service has 11 Council Members, the CEO and Senior Managers.

m) Cash and cash equivalents

The reported cash and cash equivalents by the Service comprise cash on hand and cash at bank and short-term deposits on call. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

n) Comparative figures

This being the first report as State Corporation, the Service has no comparative figures.

o) Subsequent events

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

5. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

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

The report has recognized and capitalized the acquisition of fixed assets worth Ksh.247,553,447.00 based on the chart of accounts in the IFMIS. A major part of the existing assets of the Service has been left out of this report because the ownership has not been officially transferred.

NOTES TO THE STATEMENTS

1. TRANSFERS FROM OTHER GOVERNMENTS

(a) TRANSFERS FROM THE NATIONAL TREASURY

| Description | 2019-2020 | 2018-2019 |
|--|--------------------------|------------|
| | KSh | KSh |
| Unconditional grants | | |
| Operational grant | 11,365,206,300.00 | XXX |
| Other grants | 6,090,920,000.00 | XXX |
| Total government grants and subsidies | 17,456,126,300.00 | XXX |

(b) TRANSFERS FROM MINISTRIES, DEPARTMENTS AND AGENCIES

| Name of the entity rendering the grant | Amount recognized in Statement of Comprehensive Income KSh | Amount accrued under deferred income KSh | Amount recognized in capital fund KSh | Total grant received KSh | 2018-2019 KSh |
|--|--|--|---------------------------------------|--------------------------|---------------|
| Kenya Ports Authority | 60,028,248.00 | - | - | 60,028,248.00 | - |
| Kenya Railways | 75,957,534.00 | - | - | 75,957,534.00 | - |
| Ministry Of Health | 10,000,000.00 | - | - | 10,000,000.00 | - |
| FAO | 16,902,304.00 | - | - | 16,902,304.00 | - |
| Total | 162,888,086.00 | - | - | 162,888,086.00 | - |

2. RENDERING OF SERVICES

| Description | 2019-2020 | 2018-2019 |
|---|----------------------|------------|
| | KSh | KSh |
| Security Services | 89,735,999.00 | XXX |
| Total revenue from the rendering of services | 89,735,999.00 | XXX |

This is generated through security services rendered to MDAs such as JKIA, KICC, Ministry of Lands etc. The amount is shared out as follows:

- 40% - Revenue to the Service
- 40% - Allowances to Servicemen/women
- 20% - To Servicemen/women welfare account

3. SALE OF GOODS

| | 2014-2015 | 2013-2014 |
|---|-----------------------|------------|
| Sale of goods | | |
| Sale of Uniform and Mask | 535,745,230.05 | Xxx |
| Sale of Agricultural Products | 119,498,305.95 | Xxx |
| Total revenue from the sale of goods | 655,243,536.00 | Xxx |

The revenue is received from stitching of uniformed officers' uniforms from MDAs, sale of agricultural products from Field Units' farming activities/projects and mineral water.

4. USE OF GOODS AND SERVICES

| | | |
|---|-------------------|-----|
| Electricity | 156,587,894.05 | 00 |
| Water | 77,145,686.50 | xxx |
| Gas | 31,547,610.25 | |
| Communication | 20,540,390.80 | |
| Traveling and Accommodations | 138,226,329.60 | |
| Printing, Advertising and Information Supplies and Services | 36,688,206.55 | |
| Rental of Produced Assets | 2,073,780.35 | |
| Training | 8,859,503,787.90 | |
| Hospitality Supplies and Services | 70,767,049.60 | |
| Veterinarian Supplies and Materials | 21,772,226.00 | |
| Fungicides, Insecticides and Sprays | 39,942,909.05 | |
| Chemicals and Industrial Gases | 748,540.00 | |
| Purchase of Workshop Tools, Spares and Small Equipment | 47,937,871.00 | |
| Agricultural Materials, Supplies and Small Equipment | 62,778,353.00 | |
| Education and Library Supplies | 28,141,641.00 | |
| Purchase/Production of Photographic and Audio-Visual Materials | 8,019,480.00 | |
| Purchase of Police, Prisons, and NYS Small Equipment and Supplies | 131,232,534.05 | |
| Foods and Rations | 3,208,892,654.00 | |
| Purchase of Uniforms and Clothing - Staff | 6,591,915.00 | |
| Purchase of Uniforms and Clothing - Trainees | 740,000,043.56 | |
| Purchase of Bedding and Linen | 264,453,818.00 | |
| Supplies for Production | 162,562,795.00 | |
| Supplies for Women Trainees | 25,529,413.00 | |
| Office and General Supplies and Services | 72,164,749.30 | |
| Fuel, Oil and Lubricants | 379,715,177.20 | |
| | 14,593,564,854.76 | |
| Other Operating Expenses | | |
| Bank Service Commission & Charges | 4,000,000.00 | |
| School Exam. & Invigilation Fees | 103,657,679.00 | |
| Medical Expenses | 111,548,709.80 | |
| Contracted guards and cleaning services | 7,028,409.00 | |
| Membership fees, dues and subscription to professional bodies | 1,043,654.00 | |
| Contracted professional services | 139,279,238.70 | |
| Contracted technical services | 3,135,215.00 | |
| Laundry expenses | 200,812.00 | |

| Description | 2018-2019 | 2017-2018 |
|--------------|--------------------------|-----------|
| | 369,943,717.5 | |
| Total | 14,963,508,572.26 | |

5. EMPLOYEE COSTS

| Description | 2018-2019 | 2017-2018 |
|--------------------------|-------------------------|------------|
| Salaries and wages | 1,091,122,944.20 | XXX |
| Gratuity - Civil Service | 3,849,865.10 | |
| Employee costs | 1,094,972,809.30 | XXX |

6. REMUNERATION OF DIRECTORS

| Description | 2018-2019 | 2017-2018 |
|----------------------------------|---------------------|------------|
| Chairman's Honoraria | 802,000.00 | XXX |
| Directors emoluments | 3,864,000.00 | XXX |
| Other allowances | 845,585.00 | XXX |
| Total director emoluments | 5,511,585.00 | XXX |

7. DEPRECIATION AND AMORTIZATION EXPENSE

| Description | 2018-2019 | 2017-2018 |
|--|------------|------------|
| Property, plant and equipment | XXX | XXX |
| Intangible assets | XXX | XXX |
| Investment property carried at cost | XXX | XXX |
| Total depreciation and amortization | XXX | XXX |

The former NYS assets are yet to be valued and formally transferred to the State Corporation.

8. REPAIR AND MAINTENANCE

| Description | 2018-2019 | 2017-2018 |
|--------------------------------------|-----------------------|------------|
| Property | | |
| Equipment and machinery | 22,941,197.00 | XXX |
| Vehicles | 4,678,746.00 | XXX |
| Furniture and fittings | 182,057,130.80 | XXX |
| Computers and accessories | 211,380.00 | XXX |
| Other | 9,020,264.00 | XXX |
| | 0.00 | XXX |
| Total repairs and maintenance | 213,908,717.80 | XXX |

- During the accounting period, the Service paid MTB Ksh.112,604,559 for repair and maintenance of vehicles.
- The Service also paid Ksh.12,463,734 to the Units for repair and maintenance of vehicles.
- Ksh.56,983,787 was used in defraying part of the pending bills.

9. GRANTS AND SUBSIDIES

| | | |
|-----------------------------------|-----------------------|-----|
| FAO (Desert Locust Control) | 9,999,100.00 | Xxx |
| MOH (Covid-19 Mitigation) | 6,501,593.00 | |
| KPA (Ports Rehab) | 79,594,355.28 | |
| KRC (Railway Rehab) | 65,077,937.72 | |
| Total grants and subsidies | 161,172,986.00 | |

10. CASH AND CASH EQUIVALENTS

| | | |
|--|-------------------------|------------|
| Current account | 2,260,198,474.28 | xxx |
| On - call deposits | 1,136,960,354.75 | xxx |
| Others (Imprests) | 27,908,121.00 | xxx |
| Total cash and cash equivalents | 3,425,066,950.03 | xxx |

A. DETAILED ANALYSIS OF THE CASH AND CASH EQUIVALENTS

| | | | |
|---------------------------------|----------------|-------------------------|------------|
| a) Current account | | | |
| Central Bank - Recurrent | 1000427914 | 1,449,498,718.68 | |
| Central Bank - Development | 1000427922 | 311,286,195.00 | |
| KCB – National Youth Service | 1262609798 | 0.00 | |
| KCB – Cohort Saving Account | 1178058158 | 152,846,403.00 | |
| KCB – Cohort Payments | 1178056929 | 371,985.65 | |
| NBK – Director General | 01001000909300 | 106,217,235.86 | |
| NBK – Huduma Cohort Account | 01020078734700 | 150,034,322.05 | |
| NBK – SM/W Welfare Account | 01071227287600 | 31,532,151.20 | |
| KCB – Garissa Mbalambala | 1265083452 | 64,561.00 | |
| KCB – Hindi Development Unit | 1265043647 | 0.00 | |
| KCB – Tana Basin Road Project | 1265030243 | 34,832,445.00 | |
| KCB – Tumaini Field Unit | 1264943083 | 4,250.00 | |
| KCB – NYSTTI – Naivasha | 1265041105 | 811,098.34 | xxx |
| KCB – NYS College - Gilgil | 1264982534 | 7,264,080.00 | |
| KCB – Athi River Field Unit | 1264972482 | 2,458,709.00 | |
| KCB – Mavoloni Field Unit | 1264949413 | 2,326,837.00 | |
| KCB – Yatta Field Unit | 1264952775 | 2,344,287.50 | |
| KCB – Witu Field Unit | 1265041091 | 0.00 | |
| KCB – Kerio Valley | 1265015481 | 79,355.00 | |
| KCB – Kiriimun Field Unit | 1265040257 | 13,042.00 | |
| KCB – Mwatate Field Unit | 1265326037 | 3,197.50 | |
| KCB – Kisumu Field Unit | 1264937482 | 0.00 | |
| KCB – Turbo | 1265032637 | 7,366,535.00 | |
| CO-OP – NYSTC – Mombasa | 1141628706800 | 843,065.50 | |
| CO-OP – Lambwe Development Unit | 1141332009500 | 0.00 | xxx |
| Sub- total | | 2,260,198,474.28 | xxx |
| b) On - call deposits | | | |
| Central Bank - Deposit | 1000427938 | 1,136,960,354.75 | xxx |
| Sub- total | | 1,136,960,354.75 | xxx |
| c) Others (Imprests) | | 27,908,121.00 | |
| Grand Total | | 3,425,066,950.03 | |

- As at 30th June, 2020 the outstanding Imprest was Ksh.27,908,121.00 as obtained from the IFMIS template which is treated as cash and cash equivalent. However, Ksh.25,856,915.00 has since been surrendered leaving a balance of Ksh.2,051,206.00. The surrender process is ongoing.

11. RECEIVABLES FROM EXCHANGE TRANSACTIONS

| | 2019-2020 | 2018-2019 |
|----------------------------------|----------------------|------------|
| | Ksh | Ksh |
| Current receivables | | |
| Service, Hire Services of SM/W | 7,142,480.00 | Xxx |
| Stitching of Uniform | 2,100,000.00 | |
| Other exchange debtors | 2,487,250.00 | Xxx |
| Total current receivables | 11,729,730.00 | Xxx |

12. INVENTORIES

| | 2019-2020 | 2018-2019 |
|--|-----------------------|------------|
| | Ksh | Ksh |
| Consumable stores | 785,371,699.60 | Xxx |
| Medical supplies | 1,456,950.00 | xxx |
| Spare parts and meters | 819,300.00 | xxx |
| Total inventories at the lower of cost and net realizable value | 787,647,949.60 | xxx |

13. PROPERTY, PLANT AND EQUIPMENT

| Cost | Land and Buildings | Motor vehicles | Furniture and fittings | Computers | Other Assets (specific) | Plant and equipment | Capital Work in progress | Total |
|-------------------------------|--------------------|----------------|------------------------|-----------|-------------------------|---------------------|--------------------------|----------------|
| | Rsh | Rsh | Rsh | Rsh | Rsh | Rsh | Rsh | Rsh |
| At July 2019 | - | - | - | - | - | - | - | - |
| Additions | 229,836,435.65 | - | 17,717,012.00 | - | - | - | - | 247,553,447.65 |
| Disposals | - | - | - | - | - | - | - | - |
| Transfers/adjustments | - | - | - | - | - | - | - | - |
| At 30 th June 2019 | - | - | - | - | - | - | - | - |
| Additions | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Transfer/adjustments | - | - | - | - | - | - | - | - |
| At 30 th June 2020 | 229,836,435.65 | - | 17,717,012.00 | - | - | - | - | 247,553,447.65 |
| Depreciation and impairment | - | - | - | - | - | - | - | - |
| At July 2018 | - | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - | - | - |
| At 30 June 2019 | - | - | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - |
| Impairment | - | - | - | - | - | - | - | - |
| Transfer/adjustment | - | - | - | - | - | - | - | - |
| At 30 th June 2020 | 229,836,435.65 | - | 17,717,012.00 | - | - | - | - | 247,553,447.65 |
| Net book values | - | - | - | - | - | - | - | - |
| At 30 th June 2020 | 229,836,435.65 | - | 17,717,012.00 | - | - | - | - | 247,553,447.65 |
| At 30 th June 2019 | - | - | - | - | - | - | - | - |

14. TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

| | 2015-2016 | 2014-2015 |
|--------------------------------|----------------|-----------|
| Trade payables | 717,102,129.00 | KKK |
| Payments received in advance | 3,041,031.30 | KKK |
| Third-party payments | 1,118,523.80 | KKK |
| Other payables | 0.00 | KKK |
| Total trade and other payables | 721,261,684.10 | KKK |

15. REFUNDABLE DEPOSITS FROM CUSTOMERS

| | 2015-2016 | 2014-2015 |
|-------------------|------------------|-----------|
| Consumer deposits | 1,136,960,354.80 | KKK |
| Other deposits | 441,002,097.76 | KKK |
| Total deposits | 1,577,962,452.56 | KKK |

16. CASH GENERATED FROM OPERATIONS

| | | |
|--|------------------|-------|
| Surplus for the year before tax | 1,919,919,250.64 | KKK |
| Adjusted for: | | |
| Depreciation | 0.00 | KKK |
| Working Capital adjustments | | |
| Increase in inventory | (787,647,949.60) | (KKK) |
| Increase in receivables | (28,263,040.05) | (KKK) |
| Increase in payables | 718,220,532.66 | KKK |
| Increase in payments received in advance | 3,041,031.44 | KKK |
| Net cash flow from operating activities | 1,325,267,945.09 | KKK |

17. FINANCIAL RISK MANAGEMENT

The NYS' overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The entity does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Service's financial risk management objectives and policies are detailed below:

(i) Credit risk

The National Youth Service has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the entity's management based on prior experience and their assessment of the current economic environment.

(ii) Liquidity risk management

The National Youth Service manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

(iii) Market risk

The Council has put in place an internal audit function and the Audit and Risk Management Committee to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls in mitigating market risk.

The NYS Finance Department is in the process of developing detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day to day implementation of those policies.

18. RELATED PARTY BALANCES

Government of Kenya

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

- i) The National Government;
- ii) The Parent Ministry;
- iii) Key management;
- iv) Board of directors;

| Transactions with related parties | |
|---|----------------|
| a) Sales to related parties | |
| Sales of goods to Clients | 655,243,536 |
| Sales of services Clients | 89,735,999 |
| Total | 744,979,535 |
| b) Grants from the Government | |
| Grants from National Govt | 17,725,516,300 |
| Grants from County Government | 0 |
| Donations in kind | 0 |
| Total | 17,725,516,300 |
| c) Expenses incurred on behalf of related party | |

| | | 2015-2016 |
|--|--|-------------------------|
| | | Ksh |
| Payments of salaries and wages for NYS employees | | 1,094,972,809.3 |
| Payments for goods and services for NYS | | 15,594,208,777.1 |
| Total | | 16,689,181,586.4 |
| d) Key management compensation | | |
| Directors' emoluments | | 5,511,585 |
| Total | | 5,511,585 |

19. SEGMENT INFORMATION

The National Youth Service has its headquarters in Ruaraka, Nairobi and 22 Field Units and 17 technical training schools spread across the Country. The mandate of the Service is youth empowerment through training and national service programmes. The current youth enrolment stands at 50,920 servicemen and women.

The Units undertake various programmes summarized in the table below.

| S/N | Unit Name | Location | Programmes |
|-----|---|---------------------------|--|
| 1. | Nairobi Holding Unit (NHU) | Nairobi | <ul style="list-style-type: none"> • Business School (IBS) • Craft Engineering School • Security Services |
| 2. | NYS Engineering Institute (NYSEI) | Nairobi | <ul style="list-style-type: none"> • Engineering School • Research & Innovation • Security Services |
| 3. | Vocational Training Institute (VTI) | Nairobi (Industrial Area) | <ul style="list-style-type: none"> • Technical & Vocational Training • Security Services |
| 4. | Textile and Garment Training Institute (TGTI) | Nairobi | <ul style="list-style-type: none"> • Garment Factory • Technical & Vocational Training • Security Services |
| 5. | Mechanical Transport Branch (MTB) | Nairobi | <ul style="list-style-type: none"> • Technical & Vocational Training • Fleet Management • Disaster Response Services • Commercial Services (Plant & Equipment Hire, Construction & Water Drilling) |
| 6. | Yatta | Machakos | <ul style="list-style-type: none"> • Farming (Crop & Livestock) • Technical & Vocational Training • National Duties/projects |
| 7. | Mavoloni | Machakos | <ul style="list-style-type: none"> • Farming (Horticulture) • National Duties/projects |
| 8. | Athi River | Machakos | <ul style="list-style-type: none"> • Farming (Horticulture) • National Duties/projects |
| 9. | Garissa Mbalambala | Garissa | <ul style="list-style-type: none"> • Farming (Rice) • National Duties/projects |
| 10. | Tana Basin | Tana River | <ul style="list-style-type: none"> • Farming • Technical & Vocational Training • National Duties/projects |
| 11. | Mwatate | Taita Taveta | <ul style="list-style-type: none"> • Farming (Horticulture) • National Duties/projects |
| 12. | Mombasa Technical College | Mombasa | <ul style="list-style-type: none"> • Technical & Vocational Training • National Duties/projects |
| 13. | Hindi | Lamu | <ul style="list-style-type: none"> • Farming • National Duties/projects |
| 14. | Witu | Lamu | <ul style="list-style-type: none"> • Farming • National Duties/projects |

| | | County | Activities |
|-----|--|-----------------|--|
| 15. | Technical Training Institute, Naivasha | Nakuru | <ul style="list-style-type: none"> • Technical & Vocational Training • Paramilitary Training • Garment Factory • Farming • National Duties/projects |
| 16. | NYS College, Gilgil | Nakuru | <ul style="list-style-type: none"> • Paramilitary Training • Staff Training • Enforcement Officers' Training • Technical & Vocational Training • Bakery • National Duties/projects |
| 17. | Tumaini | Nyandarua | <ul style="list-style-type: none"> • Farming (Horticulture) • Potato Seed Production Project • National Duties/projects |
| 18. | Kirimun | Laikipia | <ul style="list-style-type: none"> • Farming (Livestock) • Hay Production • National Duties/projects |
| 19. | Kerio Valley | Elgeyo Marakwet | <ul style="list-style-type: none"> • Technical & Vocational Training • National Duties/projects |
| 20. | Turbo | Kakamega | <ul style="list-style-type: none"> • Farming • Technical & Vocational Training • Mineral Water Production & Bottling • National Duties/projects |
| 21. | Kisumu | Kisumu | <ul style="list-style-type: none"> • Farming • Technical & Vocational Training • National Duties/projects |
| 22. | Lambwe | Homa Bay | <ul style="list-style-type: none"> • Farming • National Duties/projects |

20. CAPITAL COMMITMENTS

| | | |
|-------------------------------|----------------------|------------|
| Authorised for | 957,820,000 | Xxx |
| Authorised and contracted for | 269,000,000 | Xxx |
| Total | 1,226,820,000 | Xxx |

21. ULTIMATE AND HOLDING ENTITY

The entity is a State Corporation/ or a Semi- Autonomous Government Agency under the Ministry of Public Service and Gender. Its ultimate parent is the Government of Kenya.

22. CURRENCY

The financial statements are presented in Kenya Shillings (Ksh).

APPENDICES

APPENDIX I: INTER-ENTITY TRANSFERS

| ENTITY NAME: | | NATIONAL YOUTH SERVICE | | |
|---|---------------------------|------------------------|-----------------------|--------------|
| Break down of Transfers from the State Department for Youth | | | | |
| a. | Recurrent Grants | | | |
| | | Bank Statement Date | Amount (Ksh) | FY 2019/2020 |
| | | 26/08/2019 | 2,121,314,075 | |
| | | 14/11/2019 | 2,121,314,075 | |
| | | 09/01/2020 | 2,121,314,075 | |
| | | 21/05/2020 | 2,121,314,075 | |
| | | 04/06/2020 | 2,880,000,000 | |
| | | Total | 11,365,256,300 | |
| b. | Development Grants | | | |
| | | Bank Statement Date | Amount (Ksh) | FY 2019/2020 |
| | | 05/11/2019 | 134,695,000 | |
| | | 05/11/2019 | 1,402,535,000 | |
| | | 20/03/2020 | 134,695,000 | |
| | | 20/03/2020 | 1,402,535,000 | |
| | | 04/06/2020 | 3,285,800,000 | |
| | | Total | 6,360,260,000 | |

The above amounts have been communicated to and reconciled with the parent Ministry

Signature
 Chief Finance Officer
 National Youth Service

.....
 Head of Accounting Unit
 State Department for Youth