

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

OF

THE NATIONAL ASSEMBLY

THE AUDITOR-GENERAL

ON

**EAST AFRICA SKILLS FOR
TRANSFORMATION AND REGIONAL
INTEGRATION PROJECT (EASTRIP)
IDA LOAN CREDIT NO.6334-KE**

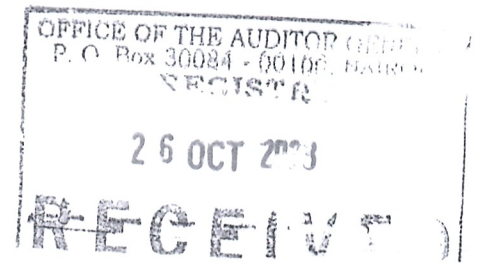
**FOR THE YEAR ENDED
30 JUNE, 2023**

MINISTRY OF EDUCATION

**STATE DEPARTMENT FOR
TECHNICAL, VOCATIONAL
EDUCATION AND TRAINING**

PARLIAMENT
OF KENYA
LIBRARY

DATE: 07 DEC 2023
TABLED BY: Hon Owen Bayo CBS MP
Deputy majority leader
Miriam



Project Name: East Africa Skills for Transformation and Regional Integration Project (EASTRIP)

Implementing Entity: Ministry of Education
(State Department for Technical, Vocational Education and Training)

PROJECT GRANT/CREDIT NUMBER: 6334-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

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

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

East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
Annual Reports and Financial Statements for the year ended 30 June, 2023

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1. ACRONYMS AND GLOSSARY OF TERMS

TVET - Technical, Vocational Education and Training

ICT- Information Communication Technology

IDA - International Development Association

FY - Financial year

RFTIs - Regional Flagship Training Institutions

M&E - Monitoring and Evaluation

BQs - Bill of Quantity

IQA - Internal Quality Assurance

PFM Act, 2012 - Public Financial Management Act, 2012

PSASB - Public Sector Accounting Standards Board

MDAs - Ministries, Department, Agencies

AIE - Authority to Incur Expenditure

NESSP - National Education Sector Strategic Plan

2. PROJECT INFORMATION AND OVERALL PERFORMANCE

2.1 Name and Registered Office

Name:

The project's official name is **East Africa Skills for Transformation and Regional Integration Project (EASTRIP)**

Objective:

The key objective of the project is **to develop specific Regional Skill Centres of Excellence based in Kenya and the region to train high-end skilled human resource to support the Northern Corridor Integrated projects initiative.**

Address:

The Project Headquarters offices are

Ministry of Education

State Department for Technical, Vocational Education and Training

The Address of its Registered Office is:

P.O. Box 9583 00200

Nairobi, Kenya

The Project also has offices/branches as follows:

- Kisumu National Polytechnic
- Kenya Coast National Polytechnic
- Meru National Polytechnic
- KenGen Geothermal Training Centre (GTC)
- Kenya Institute of Highways and Building Technology (KIHBT)

Contacts: The following are the Project contacts

Head Office

Telephone: (254) 0203318581

E-mail: psvtt2018@gmail.com

Website: www.education.go.ke

Kisumu National Polytechnic

Telephone: (254) 723446773

E-mail: info@kisumupoly.ac.ke

Website: www.kisumupoly.ac.ke

Meru National Polytechnic

Telephone: (254) 793937581

E-mail: info@merunationalpoytechnic.ac.ke

Website: www.merunationalpoytechnic.ac.ke

Kenya Coast National Polytechnic

Telephone: (254) 712725554

E-mail: info@kenyacoastpoly.ac.ke

Website: www.kenyacoastpoly.ac.ke

**Kenya Institute of Highways
and Building Technology**

Telephone: (254) 020650291

E-mail: principal@kihbt.ac.ke

Website: www.kihbt.ac.ke

**KenGen Geothermal Training
Institute**

Telephone: (254) 712725554

E-mail: info@kenyacoastpoly.ac.ke

Website: www.kenyacoastpoly.ac.ke

2.2 Project Information

***East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
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Project Start Date:	The Project start date is 16/09/2019
Project End Date:	The Project end date is 31/12/2024
Project Manager:	The Project Manager is Mr. Nelson Gitau
Project Sponsor:	The Project Sponsor is World Bank (IDA)

2.3 Project Overview

Line Ministry/State Department of the project	The Project is under the supervision of the Ministry of Education State Department for Technical, Vocational Education and Training
Project number	P163399
Strategic goals of the Project	<p>The strategic goals of the project is to improve TVET programmes in the following skill areas and improve TVET policy environment for Regional Integration:</p> <ul style="list-style-type: none"> (i) Textile & Garment Making (ii) Marine Transport and Port Logistics (iii) Building Technology (iv) Geothermal/Oil/Gas (v) Highways Technology
Achievement of strategic goals	<p>The Project management aims to achieve the goals through the following means (components):</p> <ul style="list-style-type: none"> (i) Strengthen Selected Regional Flagship TVET Institutes (ii) Creating National TVET Policy Environment (iii) Enhancing Regional Collaboration in TVET and Project Coordination
Other important background information of the project	<p>On October, 2 2017 the World Back acknowledged Kenya Government’s request of IDA funding of US\$60 million in support of a proposed “Skills Project”.</p> <p>World Bank management cleared the proposed project concept note on September 22, 2017.</p> <p>The World Bank approved the Project on 30th October 2018.</p> <p>The financing agreement was signed on 18th December 2018.</p> <p>Funds were disbursed to the Central Bank on 31st January 2020.</p> <p>Project’s name was agreed upon as the “East Africa Skills for Transformation and Regional Integration Project (EASTRIP)</p>

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<p>Current situation that the project was formed to intervene</p>	<p>The Project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> - Creation of Regional Centres of skill development - Involvement of Industry and Private sector in training and skills development - Promote income generating activities - To address the lack of evidence to market analysis in TVET Policy - Provide a learning and knowledge sharing platform. - Address policy gaps - Increase access to TVET - To address the Regional Integration Agenda <p>The Project also supports the development of highly specialized TVET programs at Diploma and Degree Levels for training of Technicians and Technologists and also capacity building of TVET faculty, as well as developing industry recognized short-term training which main targets are the regional priority sectors in:</p> <ul style="list-style-type: none"> ➤ Infrastructure (Building and highways technology) ➤ Transport ➤ Energy ➤ Manufacturing (light manufacturing) ➤ ICT
<p>Project duration</p>	<p>The Project started on 16th September 2019 and is expected to run until 31st December, 2023. However, the project was granted one closure year up to 31st December, 2024</p>

2.4 Bankers

The following are the bankers for the current year:

- Kenya Commercial Bank, Kipande Branch

Kenyatta Avenue, Loita Street.

P.O Box 30012-00100

Nairobi.

A/c No: 1271486458

- Central Bank of Kenya

P.O. Box 60000-00200

Nairobi

A/c No. 1000429399

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2.5 Auditors

The Project is audited by:
Auditor-General
The Office of the Auditor General, Kenya
Anniversary Towers, University Way
P.O Box 30084-0100
NAIROBI

2.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the Project Manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Mr. Nelson Chege Gitau	National Coordinator	Masters	To co-ordinate the entire project Implementation in all RFTIs including line Ministries. Supervision of the Project Implementation. Giving periodic briefs as may be required by the World Bank and other stakeholders.
Mr. Archer Arina	Deputy National Coordinator/M & E	Master	Ensure that the project operates within the approved workplan, timelines and programmes.
Ms. Perpetuah Njeru	Gender and Social Safeguards	Degree	To ensure adherence to health, safety, gender balance and social safeguards
Ms. Diana Nekesa	Procurement Officer	Procurement	To procure goods and services as per WB rules and PPDA 2015
Mr. Philip Olulo	Project Accountant	CPA(K)	To carry out accounting services for the project To prepare financial reports
Mr. Benson Gicheru	Finance Officer	CPA(K)	To prepare budgets for the project and monitor financial implementation.
Ms. Lucy W. Gakuanyi	Office Administrator	Secretarial	<ul style="list-style-type: none"> • Being a point of contact for a range of staff and external stakeholders • Taking notes and minutes in meetings • Scheduling meetings and appointments

2.7 Funding summary

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The Project is for duration of 5 years from 2019 to 2023 with an approved budget of US\$ 60,000,000 (EUR 51.5 Million) equivalent to Kshs 6 Billion as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 th June, 2023)		Undrawn balance to date (30 th June, 2023)	
	Donor currency EUR	KShs	Donor currency (EUR)	KShs	Donor currency (EUR)	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
LOAN SUMMARY						
IDA Loan	51,500,000	6,000,000,000	14,193,383	1,721,059,080	37,306,617	4,278,940,920
Total Loans	51,500,000	6,000,000,000	14,193,383	1,721,059,080	37,306,617	4,278,940,920
Total Funding Summary	51,500,000	6,000,000,000	14,193,383	1,721,059,080	37,306,617	4,278,940,920

B. Application of funds

Application of funds	Amount received to date-(30th June 2023)		Cumulative amount paid to date-(30th June 2023)	Unutilised balance to date (30th June 2023)	
	Euros	kshs		Euros	Kshs
(i) Loan					
International Development Bank (IDA)	14,193,383	1,721,059,080	1,693,318,579	-	27,740,501
Total	14,193,383	1,721,059,080	1,693,318,579	-	27,740,501

2.8 Summary of Overall Project Performance:

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Budget Performance against actual amounts for current year and for cumulative to-date.

The World Bank disbursed Kshs 1,721,059,080 (Euros: 14,193,383) to the Designated Accounts at the Central Bank of Kenya.

The Ministry of Education disbursed Kshs. 451,861,461 Million to the National Polytechnics implementing the project namely Kisumu National Polytechnic, Meru National Polytechnic and Kenya Coast National Polytechnic giving a total disbursement of Kshs.1,396,861,461 Million.

Kshs 134,351,792 was allocated to cater for the activities of the National Component as provided for in the project guidelines.

Physical progress based on outputs, outcomes and impacts since project commencement.

Progress at the National Component

- Legal Opinion on the Project was issued by AG on 15-07-2019
- The Project was declared effective by the WB Board on 16/09/2019
- National Project Coordinating Unit (NPCU) at the Ministry established
- Opening Project designated accounts at the Central Bank of Kenya done
- Inclusion of the Project Budget in the National Budget of FY 2020/2021/2022 done
- Opening of Commercial Bank Account by RFTIs
- Formation and Inauguration of the Project National Steering Committee (NSC)
- Additional Disbursement of Kshs. 451,861,461 of the funds to the three RFTIs (Kisumu; Meru & Kenya Coast) done
- Developed TVET Financing Strategy
- Developed TVET Financing Policy
- Developed a Guideline for Students Mobility
- Regional Framework for Assessment and Certification of Occupational Standards and Curricula
- Generated Business Plans for RFTIs.
- Contracted Consultancy for Digital Marketing
- Contracted Consultancy for inter institutional framework
- Developed 1st Draft Regional Policy Framework for TVET Integration
- Developed 1st Draft of regional framework for Occupational Competency Assessment and Certification
- Development/ Review of six (6) Occupational Standards and Packaged Curricula done
- Conducted monitoring and support missions in all the five RFTIs

Progress at the Branches (Centers) Level

- An Environmental and Social Safeguards Focal Points established and RFTIs trained on Environmental & Social Safeguards, Grievance Redress Mechanisms and Gender Based Violence.
- Kenya Coast National Polytechnic is at 30% construction.
- Meru National Polytechnic construction is at 50% completion.
- Kisumu National Polytechnic construction progress is totally at 70%
- KenGen- GTC, construction progress is at the tests taking stage, mobilizing of resources and the institution has started on the excavation.

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- KIHBT were awaiting approval of BQs from World Bank and NEMA

Comment on value-for-money achievements

- As per the approved work plans and Strategic Investment Plans for RFTIs the progress of the project implementation was good.
- Effective project implementation will culminate into empowering trainees from the TVET Institutions with that will help in job creation, self-employment and at the same time produce competent graduates who are market ready upon graduation.
- These technical and entrepreneurial skills will facilitate achievement of regional development through close border skills transfer and achievement of the United Nations Sustainable Development Goals (SDGs), Kenya Vision 2030, Bottom Up Economic Transformative Agenda (BETA) and Africa's Agenda 2063 item 4.

Absorption Rate for each year since the Commencement of the Project.

The Project started in the Financial Year 2019/2020 and funds were received from the World Bank in January 2020.

The approved budget for the 2019/2020 financial year was Kshs. 691,000,000 with an expenditure of Kshs. 619,141,616 representing an absorption rate of 89.37%.

The approved budget for the 2020/2021 financial year was Kshs. 450,000,000 with an expenditure of Kshs. 417,133,783 representing an absorption rate of 92%.

The approved budget for the 2021/2022 financial year was Kshs. 700,000,000 with an expenditure of Kshs 87,107,119 representing an absorption rate of 58% of the MOE-NPCU budget of kshs. 150,000,000, but 12% of the entire budget due to non-transfer of funds to the RFTIs as a result of non-absorption of previous disbursement.

The approved budget for the 2022/2023 financial year was Kshs. 1,050M with an expenditure of Kshs.117,675,504 for NPCU and Kshs.451,861,461 disbursed to the RFTIs reflecting performance of 78%.

The implementation challenges and recommended way forward.

The challenges faced so far are:

- i. Coordination of the RFTIs which are domiciled in different Ministries
- ii. Escalation of prices of materials for construction
- iii. Loss of value of Kenya shilling.
- iv. Human resource capacity issues (regular transfers of PIU members)

The recommended way forward is:

- i. Setting a desk specifically to cater for EASTRIP matters in the other two implementing Ministries (Energy and Roads).

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- ii. National Treasury to set up a kitty to compensate on loss of value of Kenya shilling and escalation of prices of construction materials.
- iii. Fast tracking pending activities

1.1 Summary of Project Compliance:

The Project is in its final stage of Implementation and has so far not faced any non-compliance challenges. The Project has so far obtained no objections for its entire Eligible Expenditure Program (EEP). Every Centre has developed a risk mitigation framework to safeguard any risks.

3. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES

Introduction

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

The key development objectives of the project's 2022/2023 plan were to:

- a) Inclusion of the Project Budget in the National Budget of FY 2022/2023
- b) Disbursement of funds already received to the RFTIs.
- c) Development/ Review of six Occupational Standards (OS) and Package Corresponding Curricula
- d) Training of Project Teams and Key Staff of the State Department
- e) Development of Training Materials for Internal Quality Assurance Trainers
- f) Training of Internal Quality Assurance Trainers
- g) Generate Business Plans for RFTIs.
- h) Contract Consultancy for Digital Marketing
- i) Contract Consultancy for Inter Institutional framework
- j) Develop 1st draft Regional Policy framework for TVET integration
- k) Develop 1st draft of regional framework for occupational competency assessment and certification

Progress on Attainment of Strategic Development Objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes.

Attendant indicators were identified for reasons of tracking progress and performance measurement: the progress on attaining the stated objectives is stated in the table in the next page:

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Project	Objective	Outcome	Indicator	Performance
EASTRIP National Component	1. Inclusion of the Project Budget in the National Budget of FY 2022/2023	➤ EASTRIP budget in Ministry Vote	✓ EASTRIP Vote	100%
	2. Disbursement of funds already received from WB to the RFTIs	➤ Accessible funds for implementation	✓ Disbursement records	100%
	3. Development/ Review of six Occupational Standards (OS) and Package Corresponding Curricula	➤ Occupational Standards (OS) and Package Corresponding Curricula	✓ Six (6) OS & Curricula; ✓ Approval of the activities	100%
	4. Training of Project Teams and Key Staff of the State Department	➤ A pool of trained officers	✓ Approval of the training ✓ Minutes of the MHRAC ✓ Copies of Certificates of the trainees	100%
	5. Development of Training Materials for Internal Quality Assurance Trainers	➤ Training Materials for Internal Quality Assurance Officers	✓ Training Manuals ✓ IQA Assessment Tool	100%
	6. Training of Internal Quality Assurance Trainers	➤ A pool of trained IQA Officers	✓ Approval of the activity; Attendance lists; Invitation letters;	100%
	7. Generate Business Plans for RFTIs.	5 (five) business plans generated (each for a centre)	5 business Plans	100%
				100%

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	8. Contract Consultancy for Digital Marketing	Digital Marketing for EASTRIP and TVET	Digital Marketing contract. Inception Report social media advertising/ newspaper advertisement, bulleting's, URLs	25%
	9. Contract Consultancy for Inter Institutional framework	Collaborations of various players in TVET	Contract Award letter	50%
	10. Develop 1st draft Regional Policy Framework for TVET Integration	Regional Policy Framework for TVET integration.	1 st Draft framework	50%
	11. Develop 1st draft of regional framework for occupational competency assessment and certification	Regional framework for occupational competency assessment and certification	1 st Draft framework	50%

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4. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

EASTRIP exists to transform lives, this is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability:

a) Sustainability Strategy and Profile

The Government has provided support for the project as seen from the Legal Opinion committing resources to the project in terms of human capital and space.

In the project there is development of relevant frameworks, policies and guidelines that ensure sustainability of the project once the development partners exit. For instance, the project has supported development of policies and strategies such as TVET Financing Policy and Strategy, Inter-Institutional Collaboration Framework for TVET and Institutional Business Plans.

To ensure efficiency in project implementation all the relevant agencies and regulators in Education have been made part of the project implementation unit. These include KNQA, TVETA, TVET CDACC. At the National level, the National Steering Committee (NSC) coordinates and oversees the project implementation. NPCU and PIU for day to day implementation of the project at the Ministry and RFTIs respectively.

b) Environmental Performance

- **Teaching and Training Mandate:** RFTIs have developed programs for imparting knowledge to promote Environmental Management and Sustainability practices. This has helped to integrate Education for Sustainable Development (ESD) principles in the training programs.
- **Research and Innovation Mandate Objective:** In the Strategic and Investment Plan for the implementation of the project at the RFTIs there are activities geared to promote and encourage better research (basic and applied) methods, appropriate technologies, inventions and innovations for sustainable exploitation of environment
- **Community Outreach and Service Mandate Objective:** The project has activities geared to promoting public awareness and build understanding of the principles of environmental management and sustainability through partnerships with the community under '3 Cares' of local well-being; i.e., Care for self; Care for one another and Care for one's environment.

c) Employee Welfare

EASTRIP has supported development of policies geared towards employee's welfare in the implementing institutions. The policies are customized from the National Policy on employee's welfare and give guidance on hiring process, gender ratio, special groups, remunerations, promotions and retraining.

Hiring of workers in the RFTIs is based on the need which may arise from time to time, during the hiring process, advertisements are done through the public domains and everybody is given equal opportunity to apply, this includes people leaving with special ability, gender exclusivity and child labour are considered. This ensures all stakeholders are involved during this process to ensure fair chances for all to participate in the recruitment process. Employees are often rewarded as a

motivating factor and upgrading of skills done by conducting staff development programme as indicated in section four of this document. Staff promotion are periodically done based on merit and performance.

The RFTIs have Occupational Health and Safety Policy Guiding Health and safety of workers and a well-trained health and safety committees. The personnel are well trained and certified by Directorate of Occupational Health and Safety -Kenya according to OSHA act 2007.

5. Market place practices-

a) Responsible Supply chain and Supplier relations-

The Project follows World Bank Procurement Regulations for IPF Borrowers and the Public Procurement and Asset Disposal Act, 2015 in all the project procurement activities. For instance:

- At the HQs the officer in charge(Director) of Procurement advertises tender in the newspaper and at the Ministry of Education website after the Principal Secretary (PS) approval,
- A Committee is appointed by Procurement Officer through the PS to carry out evaluation.
- The lowest bidding firm is awarded after a NO Objection from World Bank
- After receiving NO Objection from World Bank the firm is awarded the contract
- All the key The RFTIs advertises its tenders on the daily newspaper and also on its own website. It prides itself in providing an equal opportunity to Kenyans to participate in the tendering processes.
- All the procurement process must follow the AGPO
- Contracts are honoured on time.

b) Responsible Ethical Practices

- The project has supported development of policies and guidelines for Corruption Prevention. All the key the project implementors have Corruption and Integrity Assurance Committees (CIAC)
- All the key project implementors have a Code of Conduct in their website for stakeholders' reference
- As per the Performance Contract, the committee prepares reports to the Ethics and Anti-Corruption Commission (EACC) on quarterly basis.
- All the key project implementors have strategically placed Corruption boxes, dedicated emails and telephone numbers for reporting corruption cases
- All key project implementors have posters and signage to indicate corruption free zones
- Sensitization is done to staff students and other stakeholders during forums such as staff meetings, students orientation meetings, etc

c) Regulatory Impact Assessment

The key project implementors have complied with regulations concerning access by communities to resources such as water ways, community paths and roads, grazing land, forest resources.

6. Community Engagements

The Project has been involved in several CSR activities including:

- Mentoring of other neighbouring TVET institutions,

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- Greening by planting trees and also offering seedlings to the surrounding community.
- Sensitizing business communities on environmental awareness
- Providing scholarship to trainees
- Staff trained on both sign language and public relations
- Council members trained on corporate governance for public sector board
- Sharing facilities with local industries
- Offering business opportunities to the local communities

5. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Principal Secretary* for the Ministry of Education State Department for Technical, Vocational Education and Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) are responsible for the preparation

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and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2023.

This responsibility includes:

- i) Maintaining adequate financial management arrangement 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 Project;
- iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud;
- iv) safeguarding the assets of the Project;
- v) selecting and applying appropriate accounting policies; and,
- vi) Making accounting estimates that are reasonable in the circumstances.

The *Principal Secretary* for the Ministry of Education State Department for Technical, Vocational Education and Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) accept responsibility for the Project'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.

The *Principal Secretary* for the Ministry of Education State Department for Technical, Vocational Education and Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended June 30, 2023, and of the Project's financial position as at that date.

The *Principal Secretary* for the Ministry of Education State Department for Technical, Vocational Education and Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

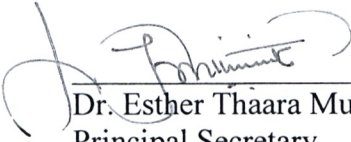
The *Principal Secretary* for the Ministry of Education State Department for Technical, Vocational Education and Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements


The Project financial statements were approved by the *Principal Secretary* for the Ministry of Education State Department for Technical, Vocational Education and Training and the *National*

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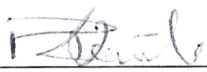
Project Coordinator for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) on 26th October, 2023 and signed by them.



Dr. Esther Thaara Muoria, PhD
Principal Secretary



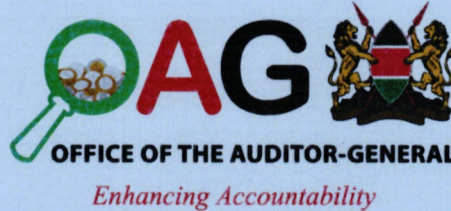
Nelson C. Gitau, DDTVET
Project Coordinator



Philip Olulo CPA(K) No: 4405
Project Accountant:

REPUBLIC OF KENYA

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REPORT OF THE AUDITOR-GENERAL ON EAST AFRICA SKILLS FOR TRANSFORMATION AND REGIONAL INTEGRATION PROJECT (EASTRIP) IDA LOAN CREDIT NO.6334-KE FOR THE YEAR ENDED 30 JUNE, 2023 - MINISTRY OF EDUCATION - STATE DEPARTMENT FOR TECHNICAL, VOCATIONAL EDUCATION AND TRAINING

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of East Africa Skills for Transformation and Regional Integration Project (EASTRIP) set out on pages 1 to 13,

Report of the Auditor-General on East Africa Skills for Transformation and Regional Integration Project (EASTRIP) IDA Loan Credit No.6334-KE for the year ended 30 June, 2023 - Ministry of Education - State Department for Technical, Vocational Education and Training

which comprise the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, 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, the financial statements present fairly, in all material respects, the financial position of East Africa Skills for Transformation and Regional Integration Project (EASTRIP) as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. 6334-KE between the International Development Association and the Republic of Kenya dated 18 December, 2018 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the East Africa Skills for Transformation and Regional Integration Project (EASTRIP) 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 opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final budget and actual receipts on comparable basis of Kshs.1,050,000,000 and Kshs.586,213,255 respectively, resulting to an underfunding of Kshs.463,786,745 or 44% of the budget. Similarly, the Project spent Kshs.569,536,966 against an approved budget of Kshs.1,050,000,000 resulting to an under-expenditure of Kshs.480,463,034 or 46% of the budget.

The underfunding and under-performance affected the planned activities and may have impacted negatively on service delivery to the public.

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. I have determined that there are no other key audit matters to communicate in my report.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required in Section 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing 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

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements, 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 THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required in 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 of 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by International Development Association, based on the audit procedures performed, I report based on my audit, that:

- i. 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;
- ii. In my opinion, adequate accounting records have been kept by the Project Management, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project 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 Project'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 controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project 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 Project 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 controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi


03 November, 2023

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7. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2023									
Note	Receipts and payments controlled by the entity		Receipts and payments by the entity		Payments made by third parties		Total	Cumulative to Date (From inception)	Kshs
	2022-2023	Kshs	Total	Kshs	2021-2022	Kshs			
RECEIPTS									
1	Loan from External Development Partners	134,351,794	134,351,794	586,213,255	345,000,000	345,000,000	345,000,000	1,721,059,080	
	TOTAL REVENUES	134,351,794	134,351,794	586,213,255	345,000,000	345,000,000	345,000,000	1,721,059,080	
PAYMENTS									
2	Purchase of Goods and Services	115,867,005	115,867,005	82,575,476	-	-	82,575,476	276,865,374	
3	Acquisition of Non-financial Assets	1,808,500	1,808,500	1,808,500	-	-	4,531,644	19,591,744	
4	Transfers to Other Government Entities	-	-	451,861,461	-	-	345,000,000	1,396,861,461	
	TOTAL PAYMENTS	117,675,505	117,675,505	569,536,966	87,107,120	345,000,000	432,107,120	1,693,318,579	
	SURPLUS/DEFICIT	16,676,289	16,676,289	-	-	-	87,107,120	27,740,501	

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.


Dr Esther Thaara Muoria, PhD
Principal Secretary


Nelson C. Gitau, DDTVET
Project Coordinator



Philip Olulo CPA(K) No: 4405
Project Accountant



**8. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2023
STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2023**

	Note	2022-2023 Kshs	2021-2022 Kshs
Bank Balances	5B	27,740,500	11,064,211
Total Cash and Cash equivalents		27,740,500	11,064,211
Outstanding Imprests & Advances		-	-
TOTAL FINANCIAL ASSETS		27,740,500	11,064,211
Represented By			
Fund balance b/fwd	5a	11,064,211	98,160,028
Prior Year adjustments		-	11,302
Surplus / (deficit) for the year		16,676,289	87,107,119
Payables		-	-
NET FINANCIAL POSITION		27,740,500	11,064,211

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 26th Oct. 2023 and signed by:


Dr. Esther Thaaara Muoria, PhD
Principal Secretary


Nelson C. Gitau, DDTVET
Project Coordinator

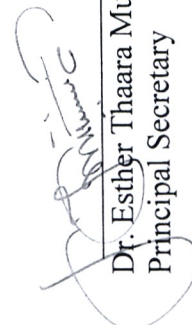

Philip Olulo CPA(K) No: 4405
Project Accountant


*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
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9. STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 30 JUNE 2023

STATEMENT OF CASH FLOW		2022/2023	2021/2022
	Note	Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Loan from External Development Partners	1	134,351,794	-
		134,351,794	-
Payments for operating expenses			
Use of goods and services	2	115,867,005	82,575,476
Acquisition of Non-financial Assets	3	1,808,500	4,531,643
		-	-
Total Payments		117,675,505	87,107,119
Adjustments during the year			
Prior year adjustments		-	11,302
Net cashflow from operating activities		16,676,289	87,095,817
CASHFLOW FROM FINANCING ACTIVITIES			
Borrowings		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		16,676,289	87,095,817
Cash and cash equivalent at BEGINNING of the year		11,064,211	98,160,028
Cash and cash equivalent at END of the year		27,740,500	11,064,211

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 26th Oct. 2023 and signed by:


Dr. Esther Thaaara Muoria, PhD
Principal Secretary

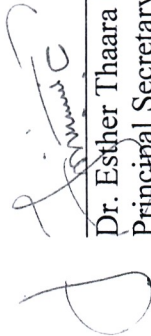

for
Nelson C. Gitau, DDTVET
Project Coordinator



Philip Olulo CPA(K) No: 4405
Project Accountant:


10. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023						
Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts						
Loan from External Development Partners	1,050,000,000	-	1,050,000,000	586,213,255	463,786,745	56%
Total Receipts	1,050,000,000	-	1,050,000,000	586,213,255	463,786,745	56%
Payments						
Purchase of goods and services	148,000,000		148,000,000	115,867,005	32,132,995	78%
Acquisition of Non-Financial Asset	2,000,000		2,000,000	1,808,500	191,500	90%
Transfers to Other Government Entities	900,000,000	-	900,000,000	451,861,461	448,138,539	50%
Total Payments	1,050,000,000	-	1,050,000,000	569,536,966	480,463,034	54%
Surplus or Deficit				16,676,289	- 16,676,289	

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.


Dr. Esther Thaara Muoria, PhD
Principal Secretary

 for
Nelson C. Gitau, DDTVET
Project Coordinator


Philip Olulo CPA(K) No:4405
Project Accountant

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
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11. SIGNIFICANT ACCOUNTING POLICIES

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

10.1 Basis of Preparation

10.2 Statement of compliance and basis of preparation

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

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

The accounting policies adopted have been consistently applied to all the years presented.

10.3 Reporting entity

The financial statements are for the East Africa Skills for Transformation and Regional Integration Project (EASTRIP) under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant Legislation PFM Act 2012 .

10.3.1 Reporting Currency

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

10.4 Significant Accounting Policies

a) Recognition of receipts

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

i. Transfers from the Exchequer

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

ii. External Assistance

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

iii. Other receipts

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

b) Donations and grants

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Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient entity or by the beneficiary. In case of grant/donation in kind, such grants are recorded upon receipt of the grant item and upon determination of the value. The date of the transaction is the value date indicated on the payment advice.

c) Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the Project or any other debt the Project may take on will be treated on cash basis and recognized as a receipt during the year they were received.

d) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

e) Recognition of payments

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

i) Compensation of employees

Salaries and Wages, Allowances, Statutory Contribution for employees are recognized in the period when the compensation is paid.

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

The repayment of principal amount of borrowing is recognized as payment in the period in which the repayment is made. The stock of debt is disclosed as an annexure to the consolidated financial statements.

v) Acquisition of fixed assets

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

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

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f) In-kind donations

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

g) Cash and cash equivalents

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

Restriction on cash

Restricted cash represents amounts that are limited/restricted from being used to settle a liability for at least twelve months after the reporting period. This cash is limited for direct use as required by stipulation. Amounts maintained in deposit bank accounts are restricted for use in refunding third part deposits

h) Imprests and Advances

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

i) Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) A present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships.

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

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

j) Contingent Assets

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

k) Pending bills

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

l) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognized as inter-entity transfers and are eliminated upon consolidation.

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

m) Third party payments

Included in the receipts and payments, are payments made on its behalf by to third parties in form of loans and grants. These payments do not constitute cash receipts and payments and are disclosed in the payment to third party's column in the statement of receipts and payments.

During the year there were no disbursements in form of direct payments from third parties.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
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n) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates, Kenya Shillings. Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statements of receipts and payments.

o) Comparative figures

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

p) Subsequent events

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

q) Prior Period adjustments

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

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12. NOTES TO THE FINANCIAL STATEMENTS

1 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
WORLD BANK					2022/2023	2021/2022
		EUR	KShs	KShs	KShs	KShs
Loans Received from Bilateral Donors (Foreign Governments)						
International Development Bank (IDA)		1,099,170	134,351,794	451,861,461	586,213,255	345,000,000
Total		1,099,170	134,351,794	451,861,461	586,213,255	345,000,000

2 PURCHASE OF GOODS AND SERVICES

	2022/2023			2021/2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total Payments	Total Payments	
	KShs	KShs	KShs	KShs	KShs
Telephone,telex and mobile phone services	1,995,000	-	1,995,000	1,000,000	3,452,000
Communication, supplies and services	2,974,200	-	2,974,200	4,000,430	8,893,190
Domestic travel and subsistence	40,862,976	-	40,862,976	20,575,759	68,745,135
Foreign travel and subsistence	14,240,667	-	14,240,667	5,843,872	21,830,145
Printing, advertisement and information supplies & services	519,538	-	519,538	-	2,693,924
Maintenance of Motor vehicle	793,776	-	793,776	1,162,691	2,082,464
Training expenses	7,560,094	-	7,560,094	11,246,984	37,459,671
Hire of Facilities and Equipment	-	-	-	3,153,100	3,153,100
Boards Committees, Conferences and Seminars	10,787,596	-	10,787,596	2,770,500	13,558,096
Bank Charges	194,925	-	194,925	179,445	513,396
Office and general supplies and services	-	-	-	2,644,907	16,097,767
Other operating expenses	-	-	-	-	-
Refined Fuels and Lubricants	2,999,995	-	2,999,995	3,000,000	10,502,563
Contracted professional services	32,938,238	-	32,938,238	26,997,788	87,484,829
Total	115,867,005	-	115,867,005	82,575,476	276,466,280

3 ACQUISITION OF NON-FINANCIAL ASSETS

	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Cumulative to-date
	2022-2023			2021-2022	
	KShs	KShs	KShs	KShs	KShs
Purchase of Motor Vehicles	-	-	-	-	13,251,600
Purchase of Computers, printers and other IT Equipment	1,808,500	-	1,808,500	4,531,644	6,340,144
Total	1,808,500	-	1,808,500	4,531,644	19,591,744

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4 TRANSFER TO OTHER GOVERNMENT ENTITIES

	Payments made in Cash	Payments made by third parties	Total Payments	Total Payment	Cumulative to-date
	2022-2023			2021-2022	
	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities					
Kisumu N.P.		192,754,172	192,754,172	115,000,000	507,754,172
Meru N. P.		139,444,632	139,444,632	115,000,000	454,444,632
Kenya Coast N.P.		119,662,657	119,662,657	115,000,000	434,662,657
		451,861,461	451,861,461	345,000,000	1,396,861,461
TOTAL		451,861,461	451,861,461	345,000,000	1,396,861,461

5a	CASH AND CASH EQUIVALENTS	2022/2023	FY 2021-2022
		KShs	KShs
	Bank accounts (Note 5B)	27,740,500	11,064,211
			-
	Total	27,740,500	11,064,211
5b	Local Currency Accounts Note 5B		
	Kenya Commercial Bank [A/c No: 1271486458]	27,740,500	11,064,211
	Total local currency balances	27,740,500	11,064,211
	Total bank account balances	27,740,500	11,064,211

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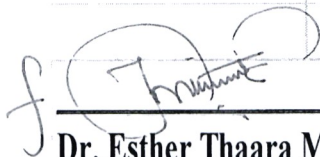
6 SPECIAL DEPOSIT ACCOUNT MOVEMENT		
	2022/2023	2021/2022
	KShs	KShs
(i) A/C DA EASTRIP (A/c No. 1000429399)		
Opening Balance	70,485,502	70,485,502
Total amount deposited in the account	549,023,218	-
Total amount Withdrawn	619,508,720	-
Closing Balance	0	70,485,502
(ii) A/c Name		
Opening Balance(as per the SDA reconciliation)	70,485,502	70,485,502
Total Amount deposited in the account	549,023,218	-
Total Amount withdrawn	619,508,720	-
Closing Balance	0	70,485,502

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13. ANNEXES

ANNEX 1: PRIOR YEAR AUDITOR GENERAL'S RECOMMENDATIONS.

Reference No. of the external audit Report	Issue /Observation from Auditor	Management Comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
289	Asset Not Tagged nor Serialised	Done	Resolved	Not Applicable



Dr. Esther Thaara Muoria, PhD
Principal Secretary



Nelson C Gitau,DDTVET
Project Coordinator

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ANNEX 2 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation	Comments on Variance
	$c=a+b$	d	$e=c-d$	$f=d/c\%$	
Receipts					
Loan from External Development Partners	1,050,000,000	586,213,255	463,786,745	56%	
Total Receipts	1,050,000,000	586,213,255	463,786,745		
Payments					
Purchase of goods and services	148,000,000	115,867,005	32,132,995	78%	
Acquisition of Non-Financial Asset	2,000,000	1,808,500	191,500	90%	
Transfers to Other Government Entities	900,000,000	451,861,461	448,138,539	50%	
Total Payments	1,050,000,000	569,536,966	480,463,034		

NOTE

Reason for variance include:

- (i) The under receipt was as a result of disbursement processes at the National Treasury to request funds from the World Bank.
- (ii) The low utilisation was caused by activities that were not done due to travel logistic issues that prevented the Ethiopia team reaching Kenya.
- (iii) Changes of key players after the election and the prevailing environment that limited undertaking of activities

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ANNEX 3 – SUMMARY OF FIXED ASSET REGISTER

Asset class	Opening Cost (KShs) 2022/23	*Purchases/Additions in the Year (KShs) 2022/23	**Disposals in the Year (KShs) 2022/23	Closing Cost (KShs) 2023
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Land				-
Buildings and structures				-
Transport equipment	13,251,600	-		13,251,600
Office equipment, furniture and fittings	6,315,200	-		6,315,200
ICT Equipment, Software and Other ICT Assets	11,065,423	1,808,500		12,873,923
Other Machinery and Equipment				-
Heritage and cultural assets				-
Intangible assets				-
Total	30,632,223	1,808,500	-	32,440,723

ICT Equipment

3 Desktop computers	748,500.00
4 Laptops	1,060,000.00
	1,808,500.00

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ANNEX 4			
TRIAL BALANCE AS AT 30TH JUNE 2023			
	ITEM	DEBIT	CREDIT
	Balance b/f		11,064,211.15
	Receipt		134,351,794.00
	Telephone, telex and mobile phone services	1,995,000.00	
	Communication, supplies and services	2,974,200.00	
	Advertisement	519,538.00	
	Domestic travel and subsistence	40,862,976.00	
	Foreign travel and subsistence	14,240,667.00	
	Maintenance of Motor vehicle	793,776.00	
	Hire of Facilities and Equipment	-	
	Training expenses	7,560,094.00	
	Bank Charges	194,925.00	
	Office and general supplies and services	-	
	Refined Fuels and Lubricants	2,999,995.00	
	Contracted professional services	32,938,238.00	
	Boards Committees, Conferences and Seminars	10,787,596.00	
	Purchase of Computers, printers and other IT Equipment	1,808,500.00	
	Balance c/d	27,740,500.15	
		145,416,005.15	145,416,005.15

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ANNEX 5: OTHER SUPPORT DOCUMENTS

- i. Bank Reconciliations Statement as at 30th June, 2023
- ii. Board of survey Report
- iii. Trial Balance
- iv. Special Deposit Account Reconciliation Statement (page 12)



Kipande House,
Loita street,
P.O. Box 30012- 00100,
Nairobi, Kenya.
Tel: +254 20 3270000,
2852000, 2851000
Mobile: +254 711012000/
734 108200

CERTIFICATE OF BALANCE
KCB Bank Limited
(Incorporated in Kenya)

Certificate Reference: CERT2325000086
Account Number : 1271486458
Account Name : THE EAST AFRICA SKILLS FOR TRANSFOR

Certified that the balance at close of Business of 30 JUN 2023 was CREDIT KES 27,740,500.15

Amount in words: CREDIT KES TWENTY SEVEN MILLION SEVEN HUNDRED AND FORTY THOUSAND FIVE HUNDRED= CENTS FIFTEEN ONLY

Examined By

For: KCB BANK KENYA LTD.


..... P. Manager
KIPANDE HOUSE, NAIROBI

Manager Service Quality & Compliance

For: KCB BANK KENYA LTD.


..... P. Manager
KIPANDE HOUSE, NAIROBI


Branch Manager



REPUBLIC OF KENYA
EASTRIP
BANK RECONCILIATION STATEMENT AS AT 30TH JUNE , 2023
STATE DEPARTMENT OF VOCATIONAL & TECHNICAL TRAINING

Balance as per bank Statement		27,740,500.15
Less:		
1. payments in cashbook not in the bank statement	-	
2. receipts in the bank statement not in the cashbook	-	-
Add:		
3. payments in the bank statement not in the cashbook	-	
4. receipts in the cashbook not in the bank statement	-	-
Balance as per cashbook		27,740,500.15

I CERTIFY THAT I HAVE VERIFIED THE CASHBOOK BALANCE WITH THE BANK STATEMENT BALANCE AND CONFIRMED THAT THEY ARE CORRECT.

Designation..... P.A. SIGNATURE..... 



REPUBLIC OF KENYA

KCB
A/C No.1271486458

Date. 01/07/2023

Report of the Board of Survey on the Cash and Bank Balances of STATE DEPARTMENT OF VOCATIONAL AND TECHNICAL TRAINING DEVELOPMENT Account as at the close of Business on 30th June, 2023.

The Board consisting of – (Names and official titles)

Mr. Elicanah Mosiori	CHAIRPERSON
Mr. Nelson Gitau	MEMBER
Ms. Carolyne Nyambok	MEMBER

assembled at the office of...EASTRIP At 11. 00...(time) on the 1ST JULY, 2023 and the following cash was produced: -

Notes	Shs. Nil
Silver	Shs. Nil
Cooper	Shs. Nil
Cheques (as per details on reverse)	Shs. <u>Nil</u>

It was observed that cheques amounting to Sh. Nil Cts. Nil had been on hand for more than 14 days prior to the date of the survey.

The cash consists of East African currency and does not contain any demonetized coin or notes.

The Cash Book reflected the following balances as at the close of business on the 30th June, 2023

Cash on Hand	Shs. NIL
Bank Balance	Shs. <u>27,740,500.00</u>

The Bank Certificate of Balance showed a sum of Shs. Twenty-seven Million, seven Hundred forty Thousand, Five Hundred and fifteen Cts. (Shs. 27,740, 500.cts. 15) Standing to the credit on the account on 30th June, 2023

The difference between this figure and the Bank Balance as shown by the Cash Book is accounted for in the Bank Reconciliation Statement (F.O. 30) attached.

Members of the Board.

Chairman	
Member	
Member	

Date...1/7/2023

GPK (L)

LIST OF CHEQUES INCLUDED AS PART OF CASH ON HAND

Cheques No.	Drawer	Date of Cheque	Date Received	Amount
				NIL