

REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

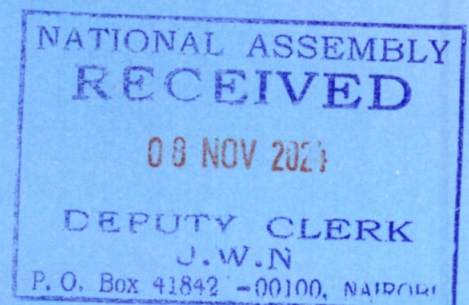
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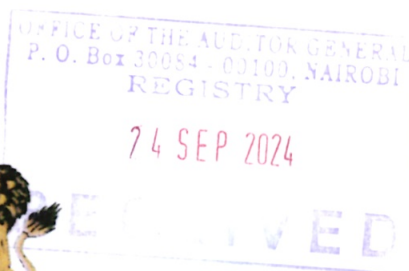
THE NATIONAL ASSEMBLY	
PAPERS LAID	
DATE: 04 DEC 2024	DAY: WEDNESDAY
TABLED BY: Hon. OWEN BANYA	
FILED BY: DAVID	

**SUPPORT TO TECHNICAL AND VOCATIONAL
EDUCATION TRAINING AND
ENTREPRENEURSHIP (TVETE PROJECT
PHASE III) (LOAN NO. 2100150042254)**

**FOR THE YEAR ENDED
30 JUNE, 2024**

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





**PROJECT NAME: TECHNICAL AND VOCATIONAL EDUCATION TRAINING AND
ENTREPRENEURSHIP (TVETE PHASE III) PROJECT**

**IMPLEMENTING ENTITY: MINISTRY OF EDUCATION
(STATE DEPARTMENT FOR TECHNICAL, VOCATIONAL EDUCATION AND
TRAINING)**

**PROJECT GRANT/CREDIT NUMBER: ADF LOAN No: 2100150042254
PROJECT ID. NO. P-KE-IAE-003**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Table Contents

Page

1. Acronyms and Definition of Terms	ii
2. Project Information and Overall Performance	iv
3. Statement of Performance against Project's Predetermined Objectives	xiv
4. Environmental and Sustainability Reporting	xvi
5. Statement of Project Management Responsibilities	xxi
6. Report of the Independent Auditor on Financial Statements for project Kenya-Technical and Vocational Education Training and Entrepreneurship Project (TVETE- Phase III).....	xxiii
7. Statement of Receipts and Payments for the Year Ended 30th June 2024.	1
8. Statement of Financial Assets and Liabilities as at 30 th June 2024.....	3
9. Statement of Cash flows for the year ended 30 th June 2024	4
10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 th June 2024	5
11. Significant Accounting Policies	6
12. Notes to the Financial Statements	13
13. Annexes.....	22

1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
CT	County Treasury
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.
AfDB	African Development Bank
GoK	Government of Kenya
SDTVET	State Department for Technical, Vocational Education and Training
TVETE	Technical Vocational Education Training and Youth Entrepreneurship
CDACC	Curriculum Development, Assessment and Certification Council
TVETA	Technical and Vocational Education and Training Authority
TUM	Technical University of Mombasa
TVET – MIS	Technical Vocational Education and Training – Management Information System
TTI	Technical Training Institute
WMI	Wangare Maathai institute
MSMEs	Micro Small and Medium Enterprises
STEM	Science Technology Engineering and Mathematics

OSHA	Occupational Safety and Health Act
WIBA	Workplace Injury and Benefits Act
ESS	Environmental Social Safeguards
EMCA	Environmental Management and Co-ordination Act
ESMP	Environmental and Social Management Plan
PFM	Public Finance Management
KNQA	Kenya National Qualification Authority
MDAs	Ministries, Departments and Agencies
PIU	Project Implementation Unit
UA	Unit of Accounts
PAD	Project Appraisal Document
DeKUT	Dedan Kimathi University of Technology
TU-K	Technical University of Kenya
TOR	Terms of Reference
EHS	Environmental, Health and Safety
NCA	National Construction Authority
PLWD	People Living with Disabilities.
ESHS	Environmental, Social, Health and Safety
HQ	Headquarters
EACC	Ethics and Anti-Corruption Commission
CIAC	Corruption and Integrity Assurance Committees
KSHS	Kenya Shillings
IFMIS	Integrated Financial Management Information System
SMART	Specific, Measurable, Achievable, Realistic, and Time-Bound
PAC	Parliamentary Accounts Committee
NEMA	National Environmental Management Authority

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is 'Technical and Vocational Education Training and Entrepreneurship (TVETE PHASE III) Project.'

Objective

The key objective of the project is to increase youth employment by improving the employability and competitiveness of Kenyan youth through improved access to quality and relevant Technical Education Training and Entrepreneurship (TVETE).

Address

The project headquarters offices are in Nairobi (city), Nairobi County, Kenya. The address of its registered office is:

Ministry of Education,

State Department for Technical, Vocational Education and Training

Jogoo House B 8th Floor

P.O. Box 9583-00200

NAIROBI, KENYA.

Contacts: The following are the project contacts

P.O. Box: 9583-00200

Telephone: (254) 722492972

E-mail: pstvet@education.go.ke

Website: www.education.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	11.01.2021
Project End Date:	30.06.2025
Project Coordinator:	Mr. John K. Tuwei
Project Sponsor:	The project sponsor is Government of Kenya and African Development Bank Group

2.3 Project Overview

Line Ministry and State/ County Department	The project is under the supervision of the Ministry of Education, State Department for Technical, Vocational Education and Training (SDTVET)
Project number	2100150042254 P-KE-IAE-003
Strategic goals of the project	The strategic goals of the project are as follows: To improve employability and competitiveness of Kenyan youth through quality and relevant Technical Education and Entrepreneurship Training.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Expansion of infrastructure and training equipment, including to trainees with special needs (ii) Develop and implement demand driven CBET curriculum, capacity building of TVET actors, partnership with industry and entrepreneurship (iii) Facilitate evidence-based decision making in TVET through research.
Other important background information of the project	The project covers 22 TVET institutions spread across the entire Country

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Increase transition of youth from basic education into TVET and reduce unemployment (ii) Improve the quality and relevance of TVET for industry
Project duration	5 Years, the project started on 11 th January 2021 and is expected to run until 30 June 2025.

2.4 Bankers

The project doesn't have separate bank accounts for its operations. It shares the Development Bank account for the State Department for Technical, Vocational Education and Training at the Central Bank of Kenya.

2.5 Independent Auditor

The project is audited by The Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
NAIROBI, KENYA.

2.6 Roles and Responsibilities

No	Names	Title designation	Key qualification	Responsibilities
1	John K. Tuwei	Deputy Director Technical Education	Masters in Chemistry Graduate Certificate in TVET	Project Coordinator
2	Joseph N. Njau	Deputy Director Technical Education	Masters in Project Management	Deputy Project coordinator
3	Joseph Kanyi	Deputy Director Technical Education	Masters in entrepreneurship development	Project Officer
4	Beth W. Muriuki	Deputy Director Technical Education	Masters in Project Planning & Management	Project Officer
5	Carolyn Nyambok	Assistant Accountant General	Masters in Business Administration	Project Accountant
6	David Tande	Finance Officer	Bachelor of commerce Finance	Project Finance Officer
7	Zennah Awiti	Supply Chain Management Officer	Diploma in Supply Chain Management	Project Procurement Officer
8	Perpetuah Njeru	Assistant Director VTE	Bachelor of Education Arts	Project Environmental and Gender Officer
9	Sharon Otieno	Economist	Bachelors in	Project

			Economics	Monitoring & Evaluation Officer
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2.7 Funding summary

The Project is for duration of 5 years from 2021 to 2025 with an approved budget of UA 31,080,000 (Euros 38,404,002) equivalent to Kshs. 4,336,374,840 as highlighted in the table below:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 th June 2024)		Undrawn balance to date	
	Donor currency Euros	Kshs	Donor currency Euros	Kshs	Donor currency Euros	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Loan						
AfDB Loan	33,238,985	3,753,168,700	6,578,485	974,974,162	26,660,500	2,778,194,538
(ii) Counterpart funds						
Government of Kenya	5,165,017	583,206,140	1,405,715	156,835,880	3,759,302	426,370,260
Total	38,404,002	4,336,374,840	7,984,200	1,131,810,042	30,419,802	3,204,564,798

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2024)		Cumulative amount paid to date – (30 th June 2024)		Unutilised balance to date (30 th June 2024)	
	Donor currency	Kshs	Donor currency	Kshs	Donor currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
AfDB	6,578,485	974,974,162	6,578,485	974,974,162	26,660,500	2,778,194,538
(ii) Counterpart funds						
Government of Kenya	1,405,715	156,835,880	1,405,715	156,835,880	3,759,302	426,370,260
Total	7,984,200	1,131,810,042	7,984,200	1,131,810,042	30,419,802	3,204,564,798

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

i) Budget performance against actual amounts for current year and for cumulative to-date,

The project disbursed funds amounting to Kshs. 958,638,946 against an approved budget of Kshs 780,000,000 during the year under review translating to 123% due to budgetary cuts during the last supplementary after the expenditures had been captured.

In the financial year 2022/2023, the project disbursed funds amounting to Kshs.

120,421,564 against an approved budget of Kshs 848,000,000 translating to 14%. During the financial year 2021/2022 the absorption rate was 12% with an approved budget of Kshs.445,000,000 against an actual expenditure of Kshs. 52,665,532.

ii) The physical progress based on outputs, outcomes, and impacts since project commencement,

Improvement of infrastructure for quality training and assessment has progressed as follows:

The 11 TTIs expanded are at various levels of completion averagely at 45% completion status with the site at Nyeri NP completed and handed over to the user.

The project has already made equipment deliveries at Chepalungu TVC and Kakrao TVC. Nine contracts have been signed and deliveries for the equipment are yet to be done. In addition, construction of the eight hostels averagely is at 50% as most of the contractors are at the roofing stage except the site at Wumingu which is way behind schedule due to heavy rains.

Capacity of TVET quality control and quality assurance managers and agencies have been strengthened as indicated:

A total of 97 trainers are undertaking their degree at three universities: TUM, TU-K and DeKUT-The trainees are in their 2nd and 3rd years of study.2000 trainers were trained on the short courses. Construction of Operational publishing, printing and centres is in progress with a completion status of 50%. The project has so far provided Training and support for Entrepreneurship and youth employment

Project information and overall performance (continued)

Policy on Recognition of Prior Learning was completed and adopted; Draft TOR to procure a consultant to develop guidelines for establishing incubation centres is in place.

Additionally, Access to TVET Programs has improved as follows: Enrolment increased from 359,852:(Male:202,479; Female:157,373) in 2018 to the Current TVET enrolment of 562,499: (Male:302,810: Female:259,689) with 80% trainees enrolled in STEM courses. Gender Parity Index for enrolment in Public TVET Institutions is at 0.8 indicating a positive trend towards attainment of a target of 0.9 by the end of the project.

Quality and Relevance of TVET programs has improved as indicated:

A total of 53 out of 76 targeted TTIs are implementing demand driven curriculum; 20% of graduates from TVET institutions were gainfully employed either formally or in self-employment and; Tracer studies to establish the employment status of the remaining graduates is ongoing in TVET institutions.

Indicate the absorption rate for each year since the commencement of the project.

iii) List the implementation challenges and recommend the next steps

Slow progress of works in Wumingu TVC and Bumbe TTI.

Way forward – close supervision and fast-tracking of payments for invoices

Procurement and installation of equipment in TVET institutions – This activity is dependent on completion of works contracts

Way forward: – Fast tracking the completion of the works to at least 80% completion to pave way for procurement and installation of equipment.

Close supervision of the 10 running contracts to ensure equipment are delivered as per the contract terms

Project information and overall performance (continued)

2.9 Summary of Project Compliance:

- i) The project has not violated any agreements and covenants with the African Development Bank and has so far complied with applicable laws and regulations such as the National Treasury circulars on project investment management, PFM Act 2012 and Kenya vision 2030 flagship projects, and essential external financing agreements/covenants.
- ii) There were no consequences suffered on account of non-compliance since there was none.
- iii) Since the inception of the project there has been no mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance since there was none.

3. Statement of Performance against Project's Predetermined Objectives

The overall objective of the Support to Technical and Vocational Education Training and Youth Entrepreneurship project (TVETE Phase III) is to improve employability and competitiveness of Kenyan youth through quality and relevant Technical Education and Entrepreneurship Training.

The project targets trainees and trainers in Technical Training Institutes (TTIs), trainees living with disability, semi-skilled youth in Micro Small and Medium Enterprises (MSMEs), TVET quality assurance agencies and industry. The project will directly benefit 156,000 trainees (50% female), 2000 youth in MSMEs, 1000 TVET trainers and indirectly 6.9 million youth aged 15 – 25 years who qualify for tertiary education across the 47 counties in Kenya. The project will: (i) increase enrolment to TVET and expand inclusive access through expansion of workshops and classrooms in 11 TTIs, including 4 special needs TTIs, provision of 16 hostels (60% female); training equipment to 26 TTIs in Science Technology Engineering and Mathematics (STEM); (ii) improve the quality and relevance of TVET training through TVET institutional development and trainers' capacity building, promote demand-driven training in collaboration with industry, establishment of a Curriculum Development, Assessment and Certification Council (CDACC) publishing, printing and assessment centre (iii) promote entrepreneurship development through training trainers and youth on entrepreneurship, reskilling youth in the MSME sector through recognition of prior learning, creating incubation centres in TTIs and providing start-up kits to young entrepreneurs.

The contracts for works in 22 sites are ongoing and are at various completion status; Upskilling of 97 TVET Trainers at Degree is in progress currently in three Universities. Equipping the 26 targeted workshops is ongoing to be completed once construction in the 22 sites is completed.

Introduction

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

The key development objectives of the project's agreement/ plan are to:

- a. To increase inclusive access to technical education and training through expansion of infrastructure and training equipment, including to trainees with special needs.
- b. To improve the quality and relevance of technical education and training through a demand-driven CBET curriculum, capacity building of TVET actors, partnership with industry and entrepreneurship.
- c. To facilitate evidence-based decision making in TVET through research.

Progress on the attainment of strategic development objectives

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

Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator
Technical and Vocational Education Training and Entrepreneurship Project (TVETE) Project (GoK/AfDB TVETE-Phase III)	To improve access, quality and relevance of technical education and entrepreneurship training for youth employment.	Outcome 1: Access to TVET programs improved	% increase in TVET enrolment (50% women) % of TVET trainees enrolled in engineering and applied science (50% women) Gender Parity Index for enrolment in Public TVET Institutions
		Quality and relevance of TVET Improved	% of TVET graduates employed % of Bank supported TTIs implementing demand-driven curriculum in line with the new CBET

4. Environmental and Sustainability Reporting

African Development Bank (AfDB) 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.

i. Sustainability strategy and profile

a. Elevation of 13 Technical Training Institutes to National Polytechnics.

By upgrading these institutions, the government seeks to provide higher-level training that meets international standards, thereby enhancing the employability of graduates and ensuring a steady supply of skilled labour for industries.

This ensures sustainability by ensuring that polytechnic education is accessible across different parts of the country, reducing inequalities and fostering inclusive growth. It further strengthens regional economic development through skilled labour and national competitiveness.

b. National Roll-out of Competency-Based Education and Training (CBET)

The adoption of CBET is a transformative approach which is central to the governments sustainability strategy as it ensures that the education system produces graduates who are not only knowledgeable but also capable of performing in real-world environments.

CBET supports the long-term sustainability of the nation's human capital, ensuring that it remains relevant and competitive in a globalized economy.

c. Digitization of TVET

The digitization of TVET is a component of the government's strategy to modernize education and make it more accessible. By integrating digital tools and platforms into the curriculum, the government aims to enhance the delivery of education and training, making it more flexible and responsive to the needs of both learners and industry.

d. Participation of TVET institutions in the Regional, National and Global Skills competitions.

National TVET Skills initiatives, including TVET fairs and participation in World Skills Competitions, play a vital role in promoting excellence and innovation within the TVET sector.

These events provide platforms for students and institutions to showcase their skills, exchange knowledge, and benchmark against international standards.

This is a sustainable initiative that helps in raising awareness about the importance of vocational training in national development, thereby attracting more students to the sector and ensuring a steady pipeline of skilled professionals.

Participation in global competitions like World Skills further enhances the reputation of the country's TVET system, attracting international partnerships and investment, which are crucial for the long-term sustainability of the sector.

It supports sustainability by enabling more efficient use of resources, such as reducing the need for physical materials and allowing for remote learning, which can reach students in underserved areas.

ii. Environmental performance

The AfDB phase III Environmental and Social Management Plan (ESMP) for the project is being implemented in all the twenty-two (22) sites under construction. The consultant and contractor are adhering to E&S conditions in the ESMP. The PIU, TVET through the hired consultants have adequate technical E&S capacity to monitor implementation of the ESMPs.

Both the Contractors and Sub-contractors have employed Environmental, Health and Safety (EHS) Experts on permanent basis to oversee the implementation of the C-ESMP as required in the E&S clause of the financing agreements

The contractor has acquired the necessary statutory documents like National Environmental Management Authority licence (NEMA), National Construction Authority (NCA) Workers Insurance Benefit Authority (WIBA) among others in all the twenty-two (22) sites

iii. Employee welfare

- AfDB projects hire employees who are professional qualified. The hired consultant hires the contractors.
- The Workers are recruited from the community. The hired consultant and contractors are compliant on PPE's, Signages, toolbox talk, fire drills, labour management, gender and Persons Living with Disability (PLWD) consideration in employment among others.
- The hired workers are paid the wages according to the guidelines set under ministry of labour in Kenya.
- Grievance and Redress mechanisms issues that arises are settled through the ESHS person from the consultant and the contractor.
- No major accidents which have been recorded in any of the construction sites. However, minor incidents that occur are recorded in the accidents log.

- The contractors will be expected to comply with provisions of Workplace Injuries and Benefits Act (WIBA), 2007 for all the workers who will be engaged.
- Effective contractual obligations for the contractors are complied with by ensuring workers adhere to the mitigation of risks against labour influx, including sexual exploitation and abuse.
- The contractors keep proper and updated records of the labourers on site and avoid child and forced labour.
- The contractors shall ensure fair treatment, non-discrimination and equal opportunity of all workers on sites.
- The Contractors engaged in all the sites ensure the labourers, sub-contractors, sub-consultants, and any personnel therefore engaged in construction works individually sign and comply with a Code of Conduct with specific provisions on protection from sexual exploitation and gender-based violence.
- The Ministry is fully implementing the safety and compliance with Occupational Safety and Health Act of 2007, (OSHA) whereby the contractors will be directed to provide sanitation facilities as outlined in the Public Health Act and OSHA, 2007.

iv. Marketplace practices-

The AfDB TVETE phase III project has outlined its efforts to:

a) Responsible Supply chain and supplier relations-

The implementing entity of AfDB Project follows Government Procurement Regulations and the Public Procurement and Asset Disposal Act, 2015 in all the project procurement activities.

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 the Principal Secretary to carry out evaluation. The lowest bidding firm is awarded after a NO Objection from the Bank. After NO Objection, the winning firm is awarded the contract. Contracts are implemented within the timelines.

b) Responsible ethical practices

The project has supported development of policies and guidelines for Corruption Prevention. All the key the project implementers have Corruption and Integrity Assurance Committees (CIAC).

All the key project implementers 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 implementers have strategically placed corruption boxes, dedicated emails and telephone numbers for reporting corruption cases

All key project implementers have posters and signage to indicate corruption free zones

Sensitization of staff, trainees and other stakeholders during forums such as staff meetings, trainee's orientation meetings.

c) Regulatory impact assessment

- Safeguard citizen and stakeholder's rights.
- The key project implementers have complied with regulations concerning access to communities to resources such as water ways, community paths and roads, grazing land, forest resources.

v. Community Engagements

- The project implementers engage the community in tree planting day which is gazetted as a holiday.
- AfDB project offers job opportunities to the community in all the construction sites.
- The community is also engaged during cerebrations e.g. graduations among others

5. Statement of Project Management Responsibilities

The Principal Secretary for the State Department for Technical, Vocational Education and Training and the Project Coordinator are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for the financial year ended on June 30, 2024.

This responsibility includes (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the 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 (v) Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the State Department for Technical, Vocational Education and Training and the Project Coordinator 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 State Department for Technical, Vocational Education and Training and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2024, 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 Project Coordinator 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 and the adequacy of the systems of internal financial control.

The Principal Secretary for the State Department for Technical, Vocational Education and Training and the Project Coordinator 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 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 State Department for Technical, Vocational Education and Training and the Project Manager for “Technical and Vocational Education Training and Entrepreneurship Project (TVETE- Phase III) and signed by them on 23 September, 2024.



Dr. Esther Muoria, PhD

Principal Secretary



John Tuwei

Project Coordinator



Carolyn Nyambok

Project Accountant

ICPAK Member No:5875

REPUBLIC OF KENYA

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Enhancing Accountability

HEADQUARTERS
Anniversary Towers
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON SUPPORT TO TECHNICAL AND VOCATIONAL EDUCATION TRAINING AND ENTREPRENEURSHIP (TVETE PROJECT PHASE III) (LOAN NO. 2100150042254) FOR THE YEAR ENDED 30 JUNE, 2024 - 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 intended purpose; and,
- 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, is effective in the use of resources, or that its internal control, risk management and governance systems are properly designed and were working effectively in the financial year under review.

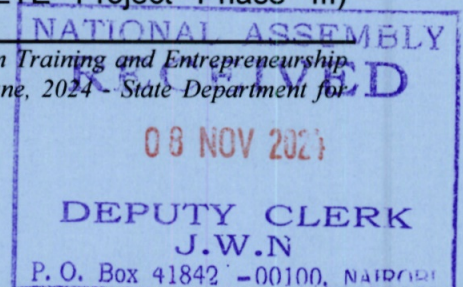
The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report when read together constitute the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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Support to Technical and Vocational Education Training and Entrepreneurship (TVETE Project Phase III)

Report of the Auditor-General on Support to Technical and Vocational Education Training and Entrepreneurship (TVETE Project Phase III) (Loan No. 2100150042254) for the year ended 30 June, 2024 - State Department for Technical, Vocational Education and Training



(Loan No. 2100150042254) set out on pages 1 to 24, which comprise of the statement of financial assets as at 30 June, 2024, 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 the Support to Technical and Vocational Education Training and Entrepreneurship (TVETE Project Phase III) as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Public Finance Management Act, 2012 and the Loan Financing Agreement No.2100150042254 between the African Development Fund and the Government of Kenya dated 11 January, 2021.

Basis for Opinion

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Support to Technical and Vocational Education Training and Entrepreneurship (TVETE Project Phase III) Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Low Absorption of Project Funds

Paragraph 2.2 of the Project Information indicates that the Project was to be implemented within three and a half years from 11 January, 2021 to 30 June, 2025. Further, Paragraph 2.7 of the funding summary indicates that the donor made commitment of Euro 38,404,002 equivalent to Kshs.4,336,374,840. However, actual drawdown as at 30 June, 2024 amounted to Euro 7,984,200 equivalent to Kshs.1,131,810,042 or 26% of the commitment resulting to Kshs.3,204,564,798 or 74% of undrawn funding. Due to the low absorption of funds, the Project's objectives may not be achieved as the implementation window is scheduled to end in one (1) year. In addition, Management did not provide explanations for the delay in draw down of the funds.

In the circumstances, the low absorption of funds affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management had not resolved the issues or given any explanation for failure to implement the recommendations.

Other Information

Conclusion

The Management is responsible for the other information set out on pages iv to xxii which comprise of the Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting, and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

Basis for Conclusion

In connection with my audit on the Project's, financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, except for the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the 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. Failure to Open Project Bank Account

During the financial year under review, Management did not open a Project bank account for the GoK counterpart funds. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at Central Bank of Kenya unless it is exempted by the Cabinet Secretary, in writing, into which all funds shall be kept and such an account shall be known by the name of the project for which it is opened and each project shall maintain only one bank account.

In the circumstances, Management was in breach of the law.

2. Unauthorized Over Expenditure

The statement of comparison of budget and actual amounts reflects receipts budget and actual comparable basis of Kshs.780,000,000 and Kshs.958,638,946 respectively, resulting to overfunding by Kshs.178,638,946. Similarly, the Project spent Kshs.956,638,946 against budgeted expenditure of Kshs.780,000,000, resulting to an over-expenditure of Kshs.178,638,946 or 23% of the budget. This was contrary to Regulation 31(2)(d) of the Public Finance Management (National Government) Regulations, 2015 which stipulates that the Accounting Officer is responsible, in ensuring that the requisite authority has been obtained, where necessary, before provision is made in the estimates. Although the Management explained that the expenditure was because of budget cuts which was adjusted by an amount of Kshs.200,000,000, no justifiable reason was provided for the budget cuts which led to an unexplained over-funding and over-expenditure.

In the circumstances, Management was in breach of the law.

3. Underfunding of the Government of Kenya Component

The statement of receipts and payments reflects an amount of Kshs.68,333,433 in respect of receipts and payments controlled by the entity as disclosed in Note 1 to the financial statements. However, the approved estimates reflect an amount of Kshs.80,000,000, resulting to an undisbursed amount of Kshs.11,666,567 or 15% of the GoK counterpart funds. No explanation was provided for failure to disburse the approved allocation. This was contrary to Section 4.04 (Other Conditions) of the Loan Agreement between the Republic of Kenya (the "Borrower") and the African Development Fund (the "Fund") which stipulates that the Borrower shall make appropriations in its annual budgets for its counterpart contribution, with the first appropriation being made no later than fiscal year 2020/2021.

In the circumstances, the objectives of the Programme may not be realized within the planned timeframe.

The audit was conducted in accordance with ISSAIs 3000 and 4000. The Standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015 and based on the audit procedures performed except for the matter described in the Basis for Conclusion on the Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

Failure to Issue Notifications For Exchequer Issues

The statement of receipts and payments reflects transfers from Government entities amount of Kshs.68,333,433 as disclosed in Note 1 to the financial statements. However, no notification from The National Treasury indicating the amount disbursed for the Project or itemized Exchequer issuance notification of the specific monies for the Project was provided for audit. It was observed that all monies were channeled through development bank account of the State Department for Technical, Vocational Education and Training without details. Further, the Project Management did not raise receipt vouchers to confirm actual receipts of funds.

In the circumstances, the effectiveness of internal controls on Exchequer issuances could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by African Development Fund, I report based on my audit that 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:

- i. Information given in the Management report on pages iv to xxii is consistent with the financial statements;
- ii. Adequate accounting records have been kept by the Project, 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.

Basis for Conclusion

The African Development Fund requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and those Charged with Governance

The 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 controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management is aware of the intention to cease operations.

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

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

Report of the Auditor-General on Support to Technical and Vocational Education Training and Entrepreneurship (TVETE Project Phase III) (Loan No. 2100150042254) for the year ended 30 June, 2024 - State Department for Technical, Vocational Education and Training

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

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I also I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 October, 2024

7. Statement of Receipts and Payments for the Year Ended 30th June 2024.

	Not e	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlle d by the entity	Payment s made by third parties	Total	Cumulative to-date (From inception)
		2023-2024			2022-2023			
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Receipts								
Transfer from Government entities	1	68,333,433	-	68,333,433	48,830,710	-	48,830,710	156,835,880
Loan from -AfDB Bank	2	-	890,305,513	890,305,513	-	71,590,854	71,590,854	974,974,162
Total receipts		68,333,433	890,305,513	958,638,946	48,830,710	71,590,854	120,421,564	1,131,810,042
Payments								
Purchase of goods and services	3	68,333,433	-	68,333,433	48,830,710	71,590,854	120,421,564	236,605,229
Acquisition of non-financial assets-Motor Vehicle	4	-	-	-	-	-	-	4,899,300
Other grants and transfers /payments	5	-	890,305,513	890,305,513	-	-	-	890,305,513
Total payments		68,333,433	890,305,513	958,638,946	48,830,710	71,590,854	120,421,564	1,131,810,042
Surplus/ (deficit)		-	-	-	-	-	-	-

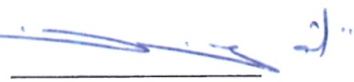
Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

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

A blue ink signature of Dr. Esther Muoria, consisting of a stylized 'E' followed by a long horizontal stroke and a small flourish.

Dr. Esther Muoria, PhD

Principal Secretary

A blue ink signature of John Tuwei, featuring a stylized 'J' and 'T' with a long horizontal stroke.

John Tuwei

Project Coordinator

A blue ink signature of Carolyn Nyambok, with a stylized 'C' and 'N' and a long horizontal stroke.

Carolyn Nyambok

Project Accountant

ICPAK Member No:5875

8. Statement of Financial Assets and Liabilities as at 30th June 2024

Description	Note	2023-2024	2022-2023
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents		-	-
Imprests and Advances		-	-
Total Financial Assets (A)		-	-
Financial Liabilities			
Third party Deposits and Retention		-	-
Total Financial Liabilities (B)			
Net Financial Assets (A-B)		-	-
Represented By			
Fund Balance B/fwd.		-	-
Prior Year adjustments		-	-
Surplus/(Deficit) for the Year		-	-
Net Financial Assets		-	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 23 September, 2024 and signed by:



Dr. Esther Muoria, PhD

Principal Secretary



John K. Tuwei

Project Coordinator



Carolyn Nyambok

Project Accountant

ICPAK Member No:5875

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

9. Statement of Cash flows for the year ended 30th June 2024

Description	Note	2023-2024	2022-2023
Cashflow from operating activities		Kshs	Kshs
Receipts			
Transfer from government entities	1	68,333,433	48,830,710
Total receipts		68,333,433	48,830,710
Payments			
Purchase of goods and services	3	(68,333,433)	(120,421,564)
Other Capital Grants – Direct payments	5	(890,305,513)	-
Total Payments		(958,638,946)	(120,421,564)
Net receipts/(payments)		-	-
Adjustments during the year		-	-
Prior year adjustments		-	-
Decrease/(increase) in accounts receivable		-	-
Increase/(decrease) in accounts payable:		-	-
Net cash flow from operating activities		(890,305,513)	(71,590,854)
Cashflow from investing activities			
Acquisition of non-financial assets		-	-
Net cash flows from investing activities		-	-
Cash flow from financing activities			
Proceeds from foreign borrowings	2	890,305,513	71,590,854
Net cash flow from financing activities		-	-
Net increase in cash and cash equivalents		-	-
Cash & cash equivalent at beginning of the year		-	-
Cash and cash equivalent at end of the year		-	-

10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2024

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Transfer from Government entities	80,000,000	-	80,000,000	68,333,433	11,666,567	85.41%
Proceeds from borrowings	900,000,000	(200,000,000)	700,000,000	890,305,513	(190,305,513)	127.18%
Miscellaneous receipts						
Total Receipts	980,000,000	(200,000,000)	780,000,000	958,638,946	(178,638,946)	122.90%
Payments						
Purchase of goods and services	75,000,000	-	75,000,000	68,333,433	6,666,567	91.11%
Acquisition of non-financial assets	5,000,000	-	5,000,000	-	5,000,000	0%
Transfers to other government entities	-	-				
Other grants and transfers	900,000,000	(200,000,000)	700,000,000	890,305,513	(190,305,513)	127.18%
Total Payments	980,000,000	(200,000,000)	780,000,000	958,638,946	(178,638,946)	122.90%
Surplus or Deficit	-	-	-	-	-	-

Note:

The column b of adjustments/reductions of the original budget under column a is with regard to the budget cuts by the National Treasury effected to all Ministries, Departments and Agencies during the year under review through supplementary budgets approved by The National Assembly. This reduced the original budgets to arrive at the final budgets under column c=a+b

The contracts for works in 22 sites were signed with handing over of sites in October 2023. The absorption rate for the proceeds from foreign borrowing improved substantially from the previous year 2022-2023 to over absorption of 127.18% after the contractors commenced work in the 22 sites. The overabsorption under other grants and transfers was due to budget cuts during the final supplementary budget process after the payments had been processed in IFMIS.

11. Significant Accounting Policies

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

a) 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.

b) Reporting entity

The financial statements are for the Technical and Vocational Education Training and Entrepreneurship project (TVETE - Phase III) under Ministry of Education, State Department for Technical Vocational and Education Training. The financial statements encompass the reporting project as specified in the relevant legislation Public Finance Management Act 2012.

c) Reporting currency

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

d) Recognition of receipts

Technical and Vocational Education Training and Entrepreneurship Project (TVETE- phase III) by The African Development Bank 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 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 project.

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing.

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

vi) Undrawn external assistance

These are loans and grants at the reporting date 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. The funding summary analyzes the Project's undrawn external assistance.

Significant Accounting Policies (continued)

e) Recognition of payments

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

i) Compensation to employees

Salaries, wages, Allowances, and Statutory Contributions for employees are recognized when the compensation is paid.

ii) Use of goods and services

Goods and services are recognized as payments when the goods/services are consumed and paid for. If not paid for when 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 incur and paid for.

iv) Repayment of borrowing (principal amount)

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

Significant Accounting Policies (continued)

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

f) In-kind donations

In-kind contributions are donations 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 authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

Significant Accounting Policies (Continued)

h) 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.

i) Imprests and Advances

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year 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.

j) 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,

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.

Significant Accounting Policies (Continued)

k) 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 Kenya – Technical and Vocational education training and Entrepreneurship Project 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.

l) 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 are recorded as 'memorandum' or 'off-balance.' 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.

m) 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 recognised 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.

Significant Accounting Policies (Continued)

n) 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 parties' column in the statement of receipts and payments.

During the year Kshs. 890,305,513 being loan disbursements were received in form of direct payments from third parties (African Development Bank).

o) 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 (Euros) during the year/period are converted into the functional currency using the exchange rates as fixed in the Project funding agreement.

p) 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.

q) 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 June 30, 2024.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). Explanations and details of these prior period adjustments are presented in note xx of these financial statements.

12. Notes to the Financial Statements

1. Transfers from Government entities

These represent counterpart funding and other receipts from the government as follows:

Description	2023-2024	2022-2023	Cumulative to-date (from inception)
	Kshs	Kshs	Kshs
Counterpart funding through The National Treasury			
Counterpart funds Quarter 1	6,982,217	12,207,677	29,107,828
Counterpart funds Quarter 2	7,212,792	12,207,678	29,338,404
Counterpart funds Quarter 3	12,093,199	12,207,677	34,218,811
Counterpart funds Quarter 4	42,045,225	12,207,678	64,170,837
Total	68,333,433	48,830,710	156,835,880

The counterpart funding is the government's share of contribution towards the implementation of the project as mandated by the Project Agreement.

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)

Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (Continued)

2. Loan from External Development Partners

During the financial period to 30 June 2024, we received funding from development partners in the form of loans negotiated by the National Treasury, as detailed in the table below:

Description		2023-2024				2022-2023	Cumulative to date
Name of Donor	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs	Total amount in Kshs	
		Euros	Kshs	Kshs	Kshs	Kshs	
AfDB	2023-2024	6,007,200		890,305,513	890,305,513	71,590,854	974,974,162
Total		6,007,200	-	890,305,513	890,305,513	71,590,854	974,974,162

N/B:

The contracts for works in 22 sites were signed with handing over of sites in October 2023.

Exchange rate as per the Financing Agreement memorandum dated 17 Dec 2019 and the project currency is in Euros while the reporting currency is in Kenya Shillings. The average exchange rate for the reporting period to 30th June 2024 is 1 euro = Kshs 148.2064

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)

Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (Continued)

3. Purchase of Goods and Services

Description	2023-2024			2022-2023	Cumulative date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Domestic travel and subsistence	17,542,200	-	17,542,200	20,847,600	58,359,5
Foreign travel and subsistence	-	-	-	-	
Printing, advertising, and information supplies	-	-	-	-	
Consultancy payments (Contracted Professional Services)	20,000,000	-	20,000,000	64,121,438	97,199,5
Training Payments (Renumeration of contract-based training services)	9,989,942	-	9,989,942	-	9,989,9
Hospitality supplies and services (Boards, Committees, Conferences and seminars)	2,712,500	-	2,712,500	-	2,712,5
Specialized materials and services	-	-	-	-	
Other operating payments- Refined Fuel & Lubricants for transport)	9,999,916	-	9,999,916	4,999,910	24,994,5
Routine maintenance- other assets	-	-	-	-	
Purchase of office general supplies and office furniture and general equipment	8,088,875	-	8,088,875	4,983,200	17,880,5
Purchase of workshop tools spares and small equipment	-	-	-	25,469,416	25,469,5
Exchange rate losses/gains (net)	-	-	-	-	
Total	<u>68,333,433</u>	<u>=</u>	<u>68,333,433</u>	<u>120,421,564</u>	<u>236,605,5</u>

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Notes to the Financial Statements (Continued)

4. Acquisition of Non-Financial Assets

	2023-2024			2022-2023	Cumulative to-date
Description	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Purchase of vehicles & other transport equipment	-	-	-	-	4,899,300
Total	-	-	-	-	<u>4,899,300</u>

Note: Purchase of vehicle relates to acquisition of an isuzu double cab pick-up GKB 579Z in the financial year ended 30 June 2022

5. Other Grants, Transfers, and Payments

	2023-2024			2022-2023	Cumulative to-date
Description	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Other Capital Grants – Direct payments	-	890,305,513	890,305,513	71,590,854	974,974,16
Total	-	890,305,513	890,305,513	71,590,854	974,974,16

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)

Annual Report and Financial Statements for the financial year ended June 30, 2024

The payments made by third parties is for funds directly paid to the contractors by the AfDB bank for building the structures in the TVET institutions also payments made to suppliers of equipment to the AfDB III structures in the TVET institutions.

Other Important Disclosures

6. Pending Accounts Payable (See Annex 3)

	Balance b/f from FY 2022-2023	Additions for the year	Paid during the year	Balance c/f FY 2023-2024
Description	Kshs	Kshs	Kshs	Kshs
Construction of buildings	-	-	(-)	-
Construction of civil works	-	-	(-)	-
Supply of goods	-	-	(-)	-
Supply of services DAMA services Consultancy	-	52,000,000	(-)	52,000,000
Total	-	52,000,000	(-)	52,000,000

N/B: DAMA services was not paid the entire 40% consultancy due to lack of adequate budget so instead of payment of invoiced amount of Kshs. 72,000,000, the State Department was only able to pay Kshs. 20,000,000 leaving a balance of Kshs. 52,000,000.

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)

Annual Report and Financial Statements for the financial year ended June 30, 2024

Other Important Disclosures (Continued)

7. External Assistance

	2023-2024	2022-2023
Description	Kshs	Kshs
External assistance received as loans AfDB Bank	890,305,513	71,590,854
Total	890,305,513	71,590,854

a). External assistance relating to loans and grants

	2023-2024	2022-2023
Description	Kshs	Kshs
External assistance received as loans	890,305,513	71,590,854
Total	890,305,513	71,590,854

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)

Annual Report and Financial Statements for the financial year ended June 30, 2024

Other Important Disclosures (Continued)

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	2023-2024	2022-2023
Description		Kshs	Kshs
Undrawn external assistance - loans	To increase youth employment by improving the employability and competitiveness of Kenyan youth through improved access to quality and relevant Technical Education and Entrepreneurship Training (TVETE)	2,778,194,538	3,668,500,051
Total		2,778,194,538	3,668,500,051

(This is a disclosure of the assistance not yet received as per donor agreements)

c) Classes of providers of external assistance

	2023-2024	2022-2023
Description	Kshs	Kshs
Multilateral donors – AfDB Bank	890,305,513	71,590,854
Total	890,305,513	71,590,854

The project funds Economic development through infrastructure development in Technical Training Institutes, Training and development and upskilling of TVET Trainers to degree level. The project also aims to equip the institutions with relevant equipment for training of the TVET Trainees.

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)

Annual Report and Financial Statements for the financial year ended June 30, 2024

Other Important Disclosures (Continued)

e) Purpose and use of external assistance

Payments made by third parties	2023-2024	2022-2023
Description	Kshs	Kshs
Use of goods and services	-	71,590,854
Transfers to other Government entities	-	-
Other grants and transfers	890,305,513	-
Total	890,305,513	71,590,854

(N/B The above sub-classification should be adopted based on the purpose of the external assistance and how it was used).

f). External Assistance paid by third parties on behalf of (Kenya-Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III) by Source

	2023-2024	2022-2023
Description	Kshs	Kshs
Multilateral donors – AfDB Bank	890,305,513	71,590,854
Total	890,305,513	71,590,854

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Other Important Disclosures (Continued)

8. Payments By Third Party on Behalf of The Project

This relates to payments done directly to suppliers on behalf of the project, such as; national government may fund the operation of a health or education program; a donor may pay directly for the construction of a given activity

22.1 Classification by Source

	2023-2024	2022-2023
Description	Kshs	Kshs
Multilateral donors – AfDB Bank	890,305,513	71,590,854
Total	890,305,513	71,590,854

22.2 Classification of payments made by Third Parties by Nature of expenses

Payments made by third parties	2023-2024	2022-2023
Description	Kshs	Kshs
Use of goods and services	-	71,590,854
Other grants and transfers (Direct payments for construction and equipment)	890,305,513	-
Acquisition of assets	-	-
Total	890,305,513	71,590,854

*Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024*

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
354. Unconfirmed Receipts and Failure to Raise Receipt Vouchers	The statement of receipts and payments reflects transfers from Government entities amounting to Kshs.48,830,710. However, it was not possible to confirm these receipts for notification from The National Treasury indicating the amount disbursed for the project and itemized Exchequer issuance notification indicating the specific monies for the project was not provided for audit review. The records indicated that the funds were channelled through development bank account of the State Department without details. Further, the project management did not raise receipt vouchers to confirm the actual receipts of funds. In the circumstances, the accuracy and completeness of transfer from Government entities amount of Kshs.48,830,710 could not be confirmed.	The Management wish to state that the receipts vouchers (F.O 17) confirming the receipt of the funds for the development exchequers from the National Treasury were being raised as and when the exchequer notifications were received at the cash office. The project shares development cash book and bank account with the State Department for Technical, Vocational Education and Training. The exchequers come in bulk and are captured in the IFMIS Accounts Receivables Module and subsequently recorded in the development cashbook and the same cannot be distinctly separated or itemized The project funds come in form of Appropriation in Aid from foreign grants, or borrowings from AfDB bank and are disbursed directly to the consultants,	Not Resolved	Before PAC 2024-2025

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		suppliers and contractors form the loan account at the AFDB bank without passing through the Consolidated Account at the Central Bank of Kenya. Only the GoK counterpart funding which comes to the State Departments bank account at the Central Bank of Kenya that are spent on financing administrative work of the project.		
355. Budgetary Control and Performance	The statement of comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.848,000,000 and Kshs.120,421,564 respectively, resulting in an underfunding of Kshs.727,578,436 or 86% of the budget. Similarly, the Project spent Kshs.120,421,564 against an approved budget of Kshs.848,000,000, resulting in an under expenditure of Kshs.727,578,436 or 86% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the	The underutilization/ underfunding of the budget of Kshs 727,578,436 out of a total budget of Kshs. 848,000,000 was as a result of the project being in the initial phase and procurement of construction works were ongoing. The bulk of the budget for the year under review for the loan direct payments was for purchase of equipment which could not be absorbed since the constructions had not started so as to install the equipment. The contracts for the 22 sites were awarded in August 2023 and handing over of sites is ongoing and some of the contractors are on site. The hard components of the project are now on course and the absorption will go	F/Y2023-2024 Absorption rate at over 100%	Before PAC 2024-2025

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	public. My opinion is not modified in respect of this matter.	up in the subsequent financial year.		
356. Unsupported Consultancy Services	The State Department for Technical, Vocational Education and Training invited request for proposals for tender NCB/MOE-VTT/TVET Phase III/2/2021 for consultancy services for the development of designs, master plans and tender documents. The consultancy also included supervision of construction works of additional department blocks in eleven (11) technical vocational colleges and a publishing and printing complex for curriculum and training materials. Review of the tendering process revealed that the performance bond lapsed on 09 August, 2023 but there was no evidence of its renewal. In addition, the contract was signed on 17 August, 2022 which was nine (9) days after notifications were sent to the bidders on 08 August, 2022 and before lapse of fourteen (14) days. This is contrary to Section 68(2) of the Public Procurement and Asset Disposal Act, 2015. This section provides that 'the written	The management has since provided a valid performance bond for the consultancy for audit varication. The notifications to the bidders were signed by the Head of Supply Chain Management instead of the Accounting Officer. However, the Head of procurement was granted authority by the Accounting Officer to sign the notification letters on her behalf as per Section 69(4) of the Public Procurement and Asset Disposal Act, 2015. The contract for consultancy services (Dama Services Limited) was signed on 17 August, 2022 which was nine (9) days after notifications were sent to the bidders on 8 August, 2022 before the lapse of the 14 days. This was caused by the Public Procurement Review Board judgement and high court decision was to	Not Resolved	Before PAC 2024-2025

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	contract shall be entered into within the period specified in the notification but not before fourteen (14) days have elapsed following the giving of that notification provided that a contract shall be signed within the tender validity period’. In the circumstances, Management was in breach of the law.	conclude the process within 14 days and not after the lapse of 14 days.		



Dr. Esther Muoria, PhD

Principal Secretary

Date: 23/09/2024



John Tuwei

Project Coordinator

Date: 23/09/2024

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Annex 2: Variance explanations - Comparative Budget and Actual Amounts for Current Financial Year 2023-2024

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities	80,000,000	67,722,004	12,277,996	84.65%	The underutilization of the budget of 84% was as a result of the TVETE III project GoK counterpart funds for purchase of project motor vehicle that was not purchased due to lack of exchequer funding.
Proceeds from borrowings	700,000,000	890,305,513	(190,305,513)	127.17%	The contracts for works in 22 sites were signed with handing over of sites in October 2023. The absorption rate for the proceeds from foreign borrowing improved substantially from the previous year 2022-2023 to over absorption of 127.18% after the contractors commenced work in the 22 sites. The overabsorption under other grants and transfers was due to budget cuts during the final supplementary budget process after the payments had been made.
Total Receipts	780,000,000	958,027,517	(178,027,517)	122.82%	The overall overabsorption by 22.82% was due to budget cuts during the supplementary II budget process after the payments had been made.
Payments					
Purchase of goods and services	75,000,000	67,722,004	7,277,996	90.29%	
Acquisition of non-financial assets	5,000,000	-	5,000,000	0%	The underutilization of the budget of 100% was as a result of the non-utilization of funds for purchase of project motor vehicle that was not purchased due to lack of exchequer funding.

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
Transfers to other government entities	-	-	-	-	
Other grants and transfers	700,000,000	890,305,513	(190,305,513)	127.17%	The overabsorption by 27.17% under other grants and transfers was due to budget cuts during the supplementary II budget process after the payments had been made.
Total payments	780,000,000	958,027,517	(178,027,517)	122.82%	The overall overabsorption by 22.82% was due to budget cuts during the supplementary II budget process after the payments had been made.

Technical and Vocational Education Training and Entrepreneurship Project (TVETE Phase III)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Annex 3: Analysis of Pending Bills

Name	Brief Transaction Description	Date Payable Contracted	Original Amount	Amount Paid To-Date 30 th June 2024	Outstanding Balance 2023-2024	Outstanding Balance 2022-2023	Comments
Amounts due to Third Parties							
DAMA Services	Consultancy for works supervision in 22 TVET Institutions	30 th June 2024	72,000,000	20,000,000	52,000,000	-	Insufficient budget
Total			72,000,000	20,000,000	52,000,000	-	

Annex 4: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/23	Donations in form of assets (KShs) 2023/24	*Purchases/ Additions in the Year (KShs) 2023/24	**Disposals in the Year (KShs) 2023/24	Transfers in/(out) Kshs 2023/24	Closing Cost (KShs) 2024
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)-(d)+(-)d
Transport equipment- Motor Vehicle (Isuzu Double cab P/Up) TFS86 SerialNo.ACVDSCJR3K4089144 Chassis No. FJK1WW8308 Engine No. FJK1-TC GKB 579Z	4,899,300	-	-	-	-	4,899,300
Office equipment, furniture and fittings	-	-		-	-	
ICT Equipment,	-	-		-	-	
Other Machinery and Equipment	-	-		-	-	
Total c	4,899,300					4,899,300

Annex 5: Other Documents

- i. Trial Balance
- ii. Direct Payments Schedule

		Trial Balnce for GoK-AfDB Technical, Vocational Education Training & Entrepreneurship Project (TVETE PHASE III) as at 30th June 2024	Debit(Kshs)	Credit(Kshs)
		Exchequer receipts quarter 1		6,982,217
		Exchequer receipts quarter 2		7,212,792
		Exchequer receipts quarter 3		12,093,199
		Exchequer receipts quarter 4		42,045,225
5120202-22510090-0505049999-00000001		Borrowing from International Organizations	0	890,305,513
2210302-00001001-0505049999-00000001		Accommodation - Domestic Travel	17,542,200	
2210504-00001001-0505049999-00000001		Advertising, Awareness and Publicity Campaigns	0	
2210702-00001001-0505049999-00000001		Remuneration of Instructors and Contract Based Training Services	9,989,942	
2210802-00001001-0505049999-00000001		Boards, Committees, Conferences and Seminars	2,712,500	
2211101-00001001-0505049999-00000001		General Office Supplies (papers, pencils, forms, small office	8,088,875	
2211201-00001001-0505049999-00000001		Refined Fuels and Lubricants for Transport	9,999,916	
2211310-00001001-0505049999-00000001		Contracted Professional Services	20,000,000	
3110701-00001001-0505049999-00000001		Purchase of Motor Vehicles	0	
2640503-22510090-0505049999-00000001		Other Capital Grants and Trans	890,305,513	
		Period Total	958,638,946	958,638,946