

REPUBLIC OF KENYA



Enhancing Accountability

THE NATIONAL ASSEMBLY
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DATE: 05 DEC 2024

DAY:
Thursday

REPORT

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BY:

Hon. Kimani Ichony'weh
(Leader of the Majority Party)

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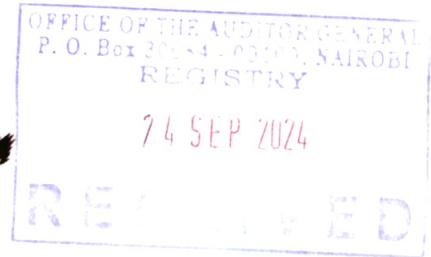
ON

**SUPPORT TO TECHNICAL VOCATIONAL
EDUCATION AND TRAINING FOR RELEVANT
SKILLS DEVELOPMENT PROJECT - TVET
PROJECT PHASE II (ADF LOAN
NO.2100150033295)**

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

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

NATIONAL ASSEMBLY
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**PROJECT NAME: SUPPORT TO TECHNICAL VOCATIONAL EDUCATION AND
TRAINING FOR RELEVANT SKILLS DEVELOPMENT -TVET PHASE II**

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

PROJECT GRANT/CREDIT NUMBER: ADF LOAN NO: 2100150033295

PROJECT ID NO. P-KE-IAE-002

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)**

***Support to Technical Vocational Education and Training for Relevant Skills
Development Project (GoK/AfDB -TVET Project Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2024***

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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
CDACC	Curriculum Development, Assessment and Certification Council
TVET	Technical Vocational Education and Training
TVETA	Technical and Vocational Education and Training Authority
TVET – MIS	Technical Vocational Education and Training Management Information System
TTI	Technical Training Institute
TTIBD	Technical Training Institute for Blind and Deaf
ICT	Information Communication Technology
SN TVET	Special Needs Technical Vocational Education and Training
CBET	Competency Based Education and Training
MSE	Medium and Small Enterprises
OSHA	Occupational Safety and Health Act
FY	Financial Year
ESS	Environmental Social Safeguards

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EMCA	Environmental Management and Co-ordination Act
PFM	Public Finance Management
KNQA	Kenya National Qualification Authority
USD	United States Dollars
MDAs	Ministries, Departments and Agencies
EUR	Euros
TVET	Technical Vocational Education and Training
VTE	Vocational and Technical Education
STEM	Science Technology Engineering and Mathematics
ESMP	Environmental and Social Management Plan
PDO	Project Development Objective
NEMA	National Environmental Management Authority
PAC	Parliamentary Accounts Committee
KSHS	Kenya Shillings
PS	Principal Secretary
EACC	Ethics and Anti-Corruption Commission
WIBA	Workplace Injuries and Benefits Act
NGOs	Non-Governmental Organizations
IFMIS	Integrated Financial Management Information System
SMART	Specific, Measurable, Achievable, Realistic, and Time-Bound

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is 'Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II)'.

Objective

The key objective of the project is to increase access and equity, improve quality and relevance of TVET Education and Training.

Address

The project headquarters offices are 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

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:	16.12.2015
Project End Date:	31.12. 2024
Project Coordinator:	Mr. John K. Tuwei
Project Sponsor:	The project sponsor is GoK 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 (SD-TVET)
Project number	PROJECT ID: P-KE-IAE-002 ADF LOAN NO. 2100150033295
Strategic goals of the project	The strategic goals of the project are as follows: (i) To increase access and equity, improve quality and relevance of TVET education and training. (ii) To equip youth, at least 50% of them women, with relevant TVET skills for the immediate and emerging labour market needs.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Provision of infrastructure to 12 TVET including hostels to 4 Special needs TVETs and equipping 35 workshops in 33 TVET institutions. (ii) ‘Upskilling’ of 414 Trainers at Diploma and Degree levels (iii) Capacity Building of TVET trainers and Technicians

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	<p>and training of disengaged youth</p> <p>(iv) Support of TVET Authority and CDACC to operationalize.</p> <p>(v) Support on cross cutting issues such as gender, tracer studies governance and development of TVET-MIS</p> <p>(vi) Development of the 5 Year TVET graduates tracer study</p> <p>(vii) Training of 2,000 TVET managers on PFM and Corporate Governance.</p>
Other important background information of the project	The project covers 33 TVET institutions spread across the entire Country
Areas that the project was formed to intervene	<p>The project was formed to intervene in the following problems/gaps:</p> <p>(i) Increase transition of youth from basic education into TVET and reduce unemployment</p> <p>(ii) Improve the quality and relevance of TVET for industry</p>
Project duration	5 Years - The project started on 16 December 2015 and was expected to run until 31.12.2020 but got no cost extension upto 31.12.2024.

Project Information and Overall Performance (Continued)

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.

Project Information and Overall Performance (Continued)

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	Project Officer
3	Dr. Joseph Kanyi	Deputy Director Technical Education	PhD 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	Zannah Awiti	Supply Chain Management Officer	Diploma in Supply Chain Management	Project Procurement Officer
8	Perpetuah Njeru	Assistant Director Vocational Technical Education	Bachelor of Education Arts	Project Environmental and Gender Officer
9	Sharon Otieno	Economist	Bachelors of Economics	Project Monitoring & Evaluation Officer

2.7 Funding summary

The Project is for a duration of 5 years from 2015 to 2020 with no cost extension upto 31 December 2024 with an approved budget of UA 48,600,000 (US\$ **74,591,766**) equivalent to Kshs **7,311,584,719** as highlighted in the table below:

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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 USD	Kshs	Donor currency USD	Kshs	Donor currency USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Loan						
AfDB Loan	62,927,210	6,168,224,940	57,821,242	5,731,678,815	5,105,968	436,546,124
(ii) Counterpart funds						
Government of Kenya	11,664,556	1,143,359,779	9,697,854	975,226,419	1,966,702	168,133,360
Total	74,591,766	7,311,584,719	67,519,096	6,706,905,234	7,072,670	604,679,484

The amounts received to date tie/agree to what is captured in the Statement of Receipts and Payments

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 USD	Kshs	Donor currency USD	Kshs	Donor currency USD	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
AfDB Loan	57,821,242	5,731,678,815	57,821,242	5,731,678,815	5,105,968	436,546,124
(ii) Counterpart funds						
Government of Kenya	9,697,854	975,226,419	9,697,854	975,226,419	1,966,702	168,133,360
Total	67,519,096	6,706,905,234	67,519,096	6,706,905,234	7,072,670	604,679,484

The amounts received to date should tie/agree to what is captured in the Statement of Receipts and Payments

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

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

a) Budget performance against actual amounts for the current year 2023-2024.

The project had an approved budget totalling of kshs. 867,000,000 with an expenditure totalling to kshs. 762,185,436 translating into an absorption rate of 88%

b) Budget performance against actual amounts for the for cumulative to date

Since the inception of the project a total of Kshs. 6,706,905,234 has been spent against a commitment of Kshs 7,311,584,719 translating into an absorption rate of 92%

ii) Physical progress based on outputs and outcomes since project commencement,

Number of targeted TTIs with complete required workshops in engineering and applied sciences is at 98% level of completion. The remaining additional construction works at Mukurwe-ini TTI and Nyang'oma TTIB are set to be completed by August 2024. Both institutions are also addressing the issue of boreholes and water access.

All the 35 TTIs contracts are 100% complete with the required set of equipment in engineering and applied sciences. The contracts of the four 'Special' TTIs on assistive learning devices and dormitories are 100% complete.

The project has so far benefited 3000 youths economically disengaged youth in various vocational areas including, plumbing, wiring, cake making, ICT, solar technology, garment making, tile making and so on by providing scholarship. A total of 1847 youths have already been trained in cohort 1 and a total of 1153 youths are ongoing with the training in cohort 2.

Project information and overall performance (continued)

In addition, 414 TVET trainers at diploma and degree levels have been upskilled with ICT being integrated in the engineering and applied science courses. The project also completed supply, delivery, installation, and commissioning of equipment in 33 TVET.

The other achievements include development of accreditation manuals for TVETA; development of 7 CBET curricula and development and launch of TVETA strategic plan. The other outputs include the development of the TVET-MIS and carrying out of the TVET graduate's tracer studies with a versatile interactive graduate database.

Access (enrolment) in engineering and applied sciences TVET Programs increased to 335,181(M:196,132; F:139,049). This increase was attributed to rebranding of TVETs and increased number of TVET institutions as more students continue to enrol in STEM courses.

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

On the average, the project has been absorbing resources at the rate of Kshs. 800 million per annum

iv) List the implementation challenges and recommend the next steps.

Some of the key implementation challenges included delays in processing of tax exemptions at National Treasury, the turnover of key staff including heads of procurement and accounts, frequent budget cuts during the supplementary budgets. The loss in time of implementation because of these challenges included 'no cost extensions' of time for contracts and extension of loan period by the National Treasury and the AfDB.

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 Predetermined Objective of the project is:

To increase access and equity, improve quality and relevance of TVET education and training.

The overall progress towards this objective is good with physical implementation of the project activities being at over 98% with a disbursement rate at 92%. Workshops in at least 10 institutions are already in use while hostels in 3 out of 4 SPN TVET being ready for occupation by trainees; Learning Assistive Devices in all 4 SN TVET institutions have been handed over and are in use to promote equity among the SNTVET trainees Equipment in all 33 institutions delivered; Development of 7 CBET curricula is complete and launched to improve relevance of TVET; Quality assurance tools including quality manuals, accreditation manuals were developed and are currently in use to quality assure TVET programmes; Up-skilling of 414 TVET trainers to degree level in the three technical universities is complete.

Introduction

Section 81(2)(f) /Section 164 (2)(f) of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national/county government entity's performance against predetermined objectives at the end of each financial year.

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

- a) The overall development objective is to increase access and equity, improve quality and relevance of TVET education and training.
- b) Specific objective is to equip youth, at least 50% of them women, with relevant TVET skills for the immediate and emerging labour market needs

Progress on the attainment of strategic development objectives

To implement and cascade 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 to track progress and performance measurement.

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

Project	Objective	Outcome	Indicator	Performance
GoK/AfDB support to Technical and Vocational and Education and Training (TVET) for relevant skills development project	To increase access and equity, improve quality and relevance of TVET education and training	Improved quality and relevance of TVET programs	Number of Tutors trained (at least 30% females)	A Total of 544 tutors have been trained with 117(21.5% females) being female tutors
		Increased access (enrolment)in engineering and applied sciences TVET Programs	Number of TTIs programs accredited by TVETA	Programs developed in the 10 fields10(fields) National Polytechnics mandates were enhanced hence the increase
			Percentage of overall Students enrolled in engineering and applied sciences TVET programs	Trainees enrolled in engineering and applied Sciences currently are at 335,181(M:196,132; F:139,049).
			Number of students completing TVET courses in engineering and applied Sciences	100% completion rate of trainees in the courses

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			disaggregated by gender Number of youths benefiting from TVET scholarships	3000 youths have benefited from scholarship with cohort 1 benefiting 1847 youths and cohort 2 benefiting 1153.
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4. Environmental and Sustainability Reporting

The AfDB Project Development Objective (PDO) is to increase the access and improve the quality of TVET programs exists TVET institutions. The project beneficiaries are:

- Trainees in the twelve (12) TVET Institutions under Phase II
- Trainers in twelve (12) TVET institutions.
- Disengaged Youth in selected TVET institutions.

Below is a brief of activities that drive towards sustainability.

i. Sustainability strategy and profile

Education and training are a key priority area for the social pillar of Kenya Vision 2030, which is geared towards promoting Globally Competitive Quality Education, Training and Research for Sustainable Development. This is in line with the United Nations, Sustainable Development Goals (SDGs, 2015-2030), and in particular, Sustainable Development Goal 4.

The manufacturing and service sector are fast adopting the new and emerging technologies in industry. These technologies need a higher knowledge-based system and would require enormous technical skills. This has a profound effect on the employment, education, and training of technical manpower. To this end, Kenya has initiated a number of interventions that include enhancing the investment budget, improving the governance structure by enacting the Technical Vocational Education Training Act 2013, extending the fibre optic cable to ensure reliable internet connectivity to 40 TVET institutions and ensuring installation of electricity to all institutions and rolling out the digital literacy skills in schools and colleges.

TVET programmes in Kenya target post primary and post-secondary learners. TVET institutions include Technical and Vocational Education and Training (TVET) institutions, Medium and Small Enterprise (MSE) training and demonstration centres, Vocational Training Centres (VTCs) and National Youth Service Skills Development Centres. The government considers investment in TVET a strategy to reduce unemployment and achieve sustainable development. However, the subsector faces major challenges which include: inadequate access, low quality of training, mismatch of skills attained in training with the requirements of industry, use of obsolete training

equipment, high cost of training and poor public perception. In addition, education for sustainable development is an essential component of every human being. This means that education should be available and accessible to all learners based on equal opportunity and equity. However, people with disabilities are often marginalized and consequently, they may not access technical training as they should. Thus, it is true that government agencies have focused more on providing equality to the learners in TVET institutions but overlooked the aspect of equity. Therefore, there is necessity for special commitment to enhance infrastructure, necessary technology, access to training and transition to work for learners with disabilities in the four technical institutions. This will in the long-term create a critical mass of technically and entrepreneurially qualified people, who are able to stimulate investment opportunities, create jobs and increase productivity.

ii. Environmental performance

- a) The Environmental and Social Management Plan (ESMP) for the project was developed by a consultant and approved by the National Environmental Management Authority (NEMA) at the start of the project.
- b) The ESMP included assessment and development of monitoring of social and environmental impact parameters in line with EMCA 2019 and ESS. The environmental and social impacts of the project was assessed low and involved minor excavations with minimum impact on the natural environment.
- c) Training of trainees in TVET institutions to acquire skills in areas like electrical, hospitality, mechanical among others.
- d) TVET institutions supported by AfDB developed programs through TVET CDACC and accredited by TVETA to impart on skills to promote environmental management and sustainability practices. The institutions integrate Education for Sustainable Development (ESD) principles in its curricula to deliver competency-based Education and Training (CBET) on the principles of environmental management and sustainability
- e) Community Outreach and Service: AfDB has promoted public awareness and build understanding of the principles of environment management and sustainability through partnerships with the community through taking care of environment especially in the construction sites by replacing of cut trees in the sites.
- f) In all the sites under construction the contractors have landscaped the site and planted flowers.

iii. Employee welfare

The 12 TVET institutions under GoK/AfDB TVET project phase II are completed and the handing over was done. During construction works the following was taken into consideration:

- a) The employees were hired from within the locality hence limited movement and creation of employment to the community.
- b) The consultant and the contractors hired skilled workers who resided in hotels in the closest proximity to the project area.
- c) The contractor ensured the hiring process was done with fairness and gender sensitivity.
- d) The contractor complied with provisions of Workplace Injuries and Benefits Act (WIBA), 2007 for all the workers in construction sites.
- e) Effective contractual obligations for the contractor were done with workers to adhere to the mitigation of risks against labour influx, including sexual exploitation and abuse.
- f) The contractor kept proper and updated records of the workers on site and avoided child and forced labour.
- g) Fair treatment, non-discrimination, and equal opportunity to all and considering the female workers who were also engaged.
- h) The Contractor ensured the sub-contractors, sub-consultants, and any personnel engaged in construction works individually signed and complied with a Code of Conduct with specific provisions on protection from sexual exploitation and gender-based violence.

The Ministry fully implements the safety and compliance with Occupational Safety and Health Act of 2007, (OSHA) whereby the contractors were directed to provide sanitation facilities as outlined in the Public Health Act and OSHA, 2007.

iv. Marketplace practices

a) Responsible Supply chain and supplier relations

- At the Ministry Headquarters the officer in charge(director) of procurement advertise tender in the newspaper and at the Ministry of Education website after the Principal Secretary approval.
- A committee is appointed by procurement officer through the Principal Secretary to carry out evaluation.
- Information of the lowest firm is loaded on the system for a NO Objection from Bank
- The advert of tenders is usually done on daily newspaper and also in ministry website. This gives an equal opportunity to Kenyans to participate in the tendering processes.
- The ministry maintains a register of suppliers categorized into general and other special groups like the women, PWD, youth etc.
- The awarded supplier is required to adhere to the timelines in the contract.
- The procurement of goods, works and services is in line with the Kenya procurement law and the donor procurement rules and procedures. The organization ensures proper contract management and ensures proper budgeting to ensure the contractors, suppliers and all service providers are paid as per signed contracts.

b) Responsible ethical practices

- i) There is a code of conduct which is also available on the website for reference by all stakeholders. This gives direction on the ethical conducts by the staff and trainees at the institutions.
- ii) As per the Performance Contract, the committee prepared reports to the Ethics and Anti-Corruption Commission (EACC) on quarterly basis. The reports are based on Bribery and Corruption Risks and Mitigation Plan that is developed every year.
- iii) Corruption prevention boxes are strategically placed to enable stakeholders to report corruption cases anonymously for action. Corruption cases can also be reported through the official email or telephone numbers of the institution.
- iv) There are posters and signage to show that corruption is not allowed at the institutions.

v) Sensitization is done to staff, trainees and other stakeholders was carried out at different forums.

c) Regulatory impact assessment

Citizen and stakeholder's rights are guarded by the ethical practices. Stakeholders engagement plan was designed to ensure all stakeholders are involved.

v. Community Engagements

- AfDB TVET institutions have accommodated ICT infrastructure development through JITUME program which is a government initiative where youth carry online jobs.
- Some of the projects in the 12 institutions have provided water to the neighbouring communities for example in Aldai TTI is providing water to the health centre and the private hostel facilities around the institution. In addition, the project management involves the communities through councils and boards of management which has representations from the community and county governments.

5. Statement of Project Management Responsibilities

The Principal Secretary State Department for Technical, Vocational Education and Training, Ministry of Education and the Project Coordinator for ‘Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II’ 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 (vi) Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary State Department for Technical, Vocational Education and Training, Ministry of Education and the Project Coordinator for ‘Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II’ 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 State Department for Technical, Vocational Education and Training, Ministry of Education and the Project Coordinator for ‘Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II’ 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 State Department for Technical, Vocational Education and Training, Ministry of Education and the Project Coordinator further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in


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Project (GoK/AfDB -TVET Project Phase II)
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the preparation of the Project financial statements and the adequacy of the systems of internal financial control.


The Principal Secretary State Department for Technical, Vocational Education and Training, Ministry of Education 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

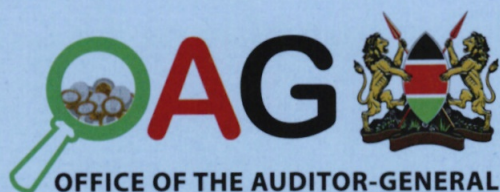
The Project financial statements were approved by The Principal Secretary State Department for Technical, Vocational Education and Training, Ministry of Education and the Project Coordinator on 23 September, 2024, and signed by:


.....
Dr. Esther Muoria, PhD
Principal Secretary


.....
John K. Tuwei
Project Coordinator


.....
Carolyne Nyambok
Project Accountant
ICPAK Member No:5875

REPUBLIC OF KENYA



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

REPORT OF THE AUDITOR-GENERAL ON SUPPORT TO TECHNICAL VOCATIONAL EDUCATION AND TRAINING FOR RELEVANT SKILLS DEVELOPMENT PROJECT - TVET PROJECT PHASE II (ADF LOAN NO.2100150033295) 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 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, 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 and Training for Relevant Skills Development Project -TVET Project Phase II (ADF Loan No.2100150033295) set out on pages 1 to 23, which comprise of the

Report of the Auditor-General on Support to Technical, Vocational Education and Training for Relevant Skills Development Project - TVET Project Phase II (ADF Loan No.2100150033295) for the year ended 30 June, 2024 - State Department for Technical, Vocational Education and Training

statement of financial assets and liabilities 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 Support to Technical, Vocational Education and Training for Relevant Skills Development Project - TVET Project Phase II (ADF Loan No.2100150033295) 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.2100150033295 between the African Development Fund and the Government of Kenya dated 16 December, 2015.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Support to Technical, Vocational Education and Training for Relevant Skills Development Project - TVET Project Phase II 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

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts and payments budgets and actual amounts on a comparable basis of Kshs.867,000,000 and Kshs.762,185,436 respectively, resulting to an under-funding of Kshs.104,814,564 or 12% of the budget.

The under-funding 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 Matter

In the audit report of the previous year, an issue was raised under the report on the effectiveness of internal controls, risk management and governance. However, Management had not resolved the issue or given any explanation for failure to implement the recommendation.

Other Information

Conclusion

Management is responsible for the other information set out on page iv to xxiv 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

Statement of Performance Against Predetermined Objectives

The statement of performance against the Project's predetermined objectives at page xv indicates that the main objective of the Project is to increase access and equity and improve quality and relevance of TVET education training with performance achieved being the training of five hundred and forty-four (544) teachers, development of teaching programs and enrolment of trainees in engineering and applied sciences in the thirty-three (33) TVET institutions. The Project was to run up to 31 December, 2020 but got a no cost extension up to 31 December, 2024, which means it has delayed for four (4) years.

In connection with my audit on the Project 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. In my opinion except for the matter described in the Basis for Conclusion, I confirm that it is not materially inconsistent with the financial statements.

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 matter 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

Failure to Maintain Separate Project Bank Account

The statement of receipts and payments reflects receipts and payments controlled by the entity amounting to Kshs.131,210,064. However, Management did not maintain a separate Project bank account. As a result, disbursements and payments for Project's activities were processed through the State Department's Development Bank Account. This was contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulation, 2015 which states 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.

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 amounting to Kshs.131,210,064 as disclosed in Note 1 to the financial statements. However, it was not possible to confirm the receipts since there was no notification from The National Treasury indicating the amount disbursed for the Project or itemized Exchequer issuance notification for the specific monies for the Project since all monies were channeled through development bank account for the State Department without

specification. Further, the Project Management did not raise receipt vouchers to confirm actual receipt of funds.

In the circumstances, the effectiveness of internal controls over notifications of exchequer issuance 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 iii to xix 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' 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 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.

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

Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AjDB -TVET Project Phase II)

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

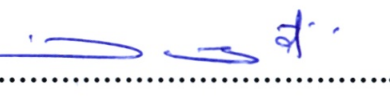
7. Statement of Receipts and Payments for the Year Ended 30th June 2024.

	Note	Receipts and payments controlled by the entity	Payments made by third parties	Total	Receipts and payment controlled by the entity	Payments 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	131,210,064	-	131,210,064	44,907,155	-	44,907,155	975,226,419
Loan from external development partners	2	-	630,975,372	630,975,372	-	612,969,414	612,969,414	5,731,678,815
Total receipts		131,210,064	630,975,372	762,185,436	44,907,155	612,969,414	657,876,569	6,706,905,234
Payments								
Purchase of goods and services	3	99,849,064	-	99,849,064	39,937,155	117,577,184	157,514,339	1,355,418,401
Acquisition of non-financial assets	4	6,361,000	-	6,361,000	4,970,000	495,392,230	500,362,230	4,507,133,980
Transfers to other government entities	5	25,000,000	-	25,000,000	-	-	-	213,377,481
Other capital grants payments	6	-	630,975,372	630,975,372	-	-	-	630,975,372
Total payments		131,210,064	630,975,372	762,185,436	44,907,155	612,969,414	657,876,569	6,706,905,234
Surplus/ (deficit)		-	-	-	-	-	-	-

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



Dr. Esther Muoria, PhD
Principal Secretary



John Tuwei
Project Coordinator



Carolyn Nyambok
Project Accountant
ICPAK Member No:5875

Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2024

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 Tuwei
Project Coordinator



Carolyn Nyambok
Project Accountant
ICPAK Member No:5875

Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 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	131,210,064	44,907,155
Proceeds from domestic and foreign grants		-	-
Total receipts		131,210,064	44,907,155
Payments			
Purchase of goods and services	3	(99,849,064)	(157,514,339)
Transfers to other government entities	5	(25,000,000)	-
Other grants and transfers		(630,975,372)	-
Total Payments		(755,824,436)	(157,514,339)
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		(624,614,372)	(112,607,184)
Cashflow from investing activities		-	-
Acquisition of non-financial assets	4	(6,361,000)	(500,362,230)
Net cash flows from investing activities		(6,361,000)	(500,362,230)
Cash flow from financing activities			
Proceeds from foreign borrowings	2	630,975,372	612,969,414
Net cash flow from financing activities		630,975,372	612,969,414
Net increase in cash and cash equivalents		-	-
Cash & cash equivalent at beginning of the year		-	-
Cash and cash equivalent at end of the year		-	-

*Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2024*

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	167,000,000	-	167,000,000	131,210,064	35,789,936	79%
Proceeds from borrowings– AfDB Loan	700,000,000	-	700,000,000	630,975,372	69,024,628	90%
Total Receipts	867,000,000	-	867,000,000	762,185,436	104,814,564	88%
Payments						
Purchase of goods and services	107,000,000	-	107,000,000	99,849,064	7,150,936	93%
Acquisition of non-financial assets	10,000,000	-	10,000,000	6,361,000	3,639,000	64%
Transfers to other government entities	50,000,000	-	50,000,000	25,000,000	25,000,000	50%
Other grants and transfers	700,000,000	-	700,000,000	630,975,372	69,024,628	90%
Total Payments	867,000,000	-	867,000,000	762,185,436	104,814,564	88%
Surplus or Deficit	-	-	-	-	-	-

Note: The significant budget utilization/performance differences in the last column are explained in Annex 2 to these financial statements.

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 'Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II'. under the State Department for Technical, Vocational Education and Training as required by Section 81/ Section 164 of the PFM Act, 2012.

c) Reporting currency

The financial statements are presented in Kenya Shillings (Kshs), the project's functional and reporting currency. All values are rounded to the nearest Kenya Shilling.

d) Recognition of receipts

The 'Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II'. recognizes all receipts from various sources when an event occurs, and the related cash is received.

Significant Accounting Policies (continued)

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 'Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB - TVET Project Phase II'.

ii) External Assistance

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

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 the 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 a receipt and as a payment. A fixed asset register is maintained by each public entity, and a summary is provided for consolidation purposes. 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 authorized 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 Kenya-Support to Technical Vocational Education and Training for relevant skills Development - Phase II 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 Support to Technical Vocational Education and Training for relevant skills Development Project (GoK/AfDB – TVET project phase II) 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 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 2 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 financial year 2023-2024, Kshs. 630,975,372 being loan disbursements that were received in form of direct payments from third party, The AfDB 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 during the year/period are converted into functional currency using the exchange rates prevailing at the dates of the transactions.

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).

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 State Department for Technical, Vocational Education and Training			
Counterpart funds Quarter 1	5,809,145	11,226,789	216,813,234
Counterpart funds Quarter 2	60,671,600	11,226,788	271,675,689
Counterpart funds Quarter 3	16,197,799	11,226,789	227,201,888
Counterpart funds Quarter 4	48,531,520	11,226,789	259,535,608
Total	131,210,064	44,907,155	975,226,419

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

Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II)
Annual Report and Financial Statements for the financial year ended 30 June, 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	
		USD	Kshs	Kshs	Kshs	Kshs	Kshs
Loans received from bilateral Donors (Foreign Governments)							
AfDB	FY 2023-2024	7,380,692	-	630,975,372	630,975,372	612,969,414	5,731,678,815
Total	-	7,380,692	-	630,975,372	630,975,372	612,969,414	5,731,678,815

Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II)
Annual Report and Financial Statements for the financial year ended 30 June, 2024

Notes to the Financial Statements (Continued)

3. Purchase of Goods and Services

Description	2023-2024			2022-2023	Cumulative to-date 30 th June 2024
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services	-	-	-	-	188,100
Domestic & Foreign travel and subsistence	19,740,910	-	19,740,910	12,838,860	139,808,725
Printing, advertising, and information supplies	-	-	-	-	531,000
Training payments & Consultancy – Technical and professional services	58,195,695	-	58,195,695	130,172,882	973,465,683
Hospitality supplies and services	-	-	-	-	11,575,910
Transportation costs	4,943,500	-	4,943,500	9,778,569	24,664,101
Office and general supplies and services/Furniture & Equipment	9,078,860	-	9,078,860	2,474,100	38,625,822
Other operating payments	-	-	-	-	123,709,051
Other operating payments - Fuel	7,890,099	-	7,890,099	2,249,928	35,995,495
Office and general supplies and services	-	-	-	-	5,738,200
Routine maintenance – vehicles and other transport equipment	-	-	-	-	1,116,314
Routine maintenance- other assets	-	-	-	-	-
Exchange rate losses/gains (net)	-	-	-	-	-
Total	<u>99,849,064</u>	<u>=</u>	<u>99,849,064</u>	<u>157,514,339</u>	<u>1,355,418,401</u>

Notes to the Financial Statements (Continued)

4. Acquisition of Non-Financial Assets

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	
Construction of civil works/renovations	-	-	-	110,362,230	2,315,527,055
Purchase of vehicles & other transport equipment	4,111,000	-	4,111,000	-	52,012,200
Purchase of office furniture & general equipment	2,250,000	-	2,250,000	-	2,250,000
Purchase of specialised plant, equipment and machinery	-	-	-	390,000,000	2,137,344,725
Rehabilitation of civil works	-	-	-	-	-
Total	<u>6,361,000</u>	=	<u>6,361,000</u>	<u>500,362,230</u>	<u>4,507,133,980</u>

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Notes to the Financial Statements (Continued)

5. Transfers to other Government Entities

During the financial period to 30 June 2024, we transferred funds to reporting government entities as shown below:

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Transfers to National/County Government entities					
Transfers to TTIs – Kitale	25,000,000	-	25,000,000	-	213,377,481
Total	<u>25,000,000</u>	=	<u>25,000,000</u>	=	<u>213,377,481</u>

(We have confirmed that the beneficiary institutions have received the funds and have recorded these as inter-entity receipts. We have attached these duly signed confirmations as an Annex 4 to the financial statements).

Notes to the Financial Statements (Continued)

6. Other Grants, Transfers, and Payments

Description	2023-2024			2022-2023	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	
Other Capital Grants – Direct payments	-	630,975,372	630,975,372	-	630,975,372
Total	-	630,975,372	630,975,372	-	630,975,372

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 and also refers to payments made to suppliers of equipment for furnishing the AfDB II structures in the TVET institutions.

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Other Important Disclosures

7. External Assistance

	2023-2024	2022-2023
Description	Kshs	Kshs
External assistance received as grants	-	-
External assistance received as loans	630,975,372	612,969,414
External assistance received in kind- as payment by third parties	-	-
Total	630,975,372	612,969,415

a). External assistance relating to loans and grants

	2023-2024	2022-2023
Description	Kshs	Kshs
External assistance received as loans	630,975,372	612,969,414
External assistance received as grants	-	-
Total	630,975,372	612,969,414

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 access and equity, improve quality and relevance of TVET education and training in Kenya	436,546,124	1,067,521,496
Undrawn external assistance - grants	-	-	-
Total		436,546,124	1,067,521,496

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

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Other Important Disclosures (Continued)

c) Classes of providers of external assistance

	2023-2024	2022-2023
Description	Kshs	Kshs
Multilateral donors – AfDB Bank	630,975,372	612,969,414
Total	630,975,372	612,969,414

(Provide details of the reasons for external assistance, e.g., Economic development or welfare objective, Emergency relief, Trading activities, etc.)

d.) Non-monetary external assistance

	2023-2024	2022-2023
Description	Kshs	Kshs
Goods	-	-
Services	-	-
Total	-	-

(This may occur when goods such as vehicles, computers, medical equipment, food aid etc, are contributed to a project by donors, NGOs etc N/B: Disclose the basis on which the value of goods and services were determined.)

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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, training and consultancy	-	117,577,184
Subsidies	-	-
Transfers to other Government entities	-	-
Other grants and transfers - Equipment, construction, consultancies and training of disengaged youth	630,975,372	-
Acquisition of non-financial -Construction works and equipment	-	495,392,230
Finance Costs including loan interest	-	-
Repayment of principal on domestic and foreign borrowing	-	-
Other payments	-	-
Total	630,975,372	612,969,414

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

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Other Important Disclosures (Continued)

f). External Assistance paid by third parties on behalf of Kenya-Support to Technical Vocational Education and Training for Relevant Skills Development Project – TVET Phase II) by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of Kenya-Support to Technical Vocational Education and Training for Relevant Skills Development -TVET Phase.

	2023-2024	2022-2023
Description	Kshs	Kshs
National government National Treasury	-	-
Multilateral donors – AfDB Bank	630,975,372	612,969,414
Total	630,975,372	612,969,414

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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

8.1 Classification by Source

	2023-2024	2022-2023
Description	Kshs	Kshs
National/ County government	-	-
Multilateral donors – AfDB Bank	630,975,372	612,969,414
Total	630,975,372	612,969,414

(Third-party payments may be done by other entities that are not providers of external assistance)

8.2 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, training and consultancy	-	117,577,184
Other grants and transfers – Equipment, construction, consultancies and training of disengaged youth	630,975,372	-
Acquisition of non-financial assets- Construction works and equipment	-	495,392,230
Total	630,975,372	612,969,414

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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)
329. Budgetary Control and Performance	<p>The statement of comparison of budget and actual amounts reflects a final budget and actual receipts on a comparable basis of Kshs.759,500,000 and Kshs.657,876,570 respectively, resulting to an underfunding of Kshs.101,623,430 or 13% of the budget.</p> <p>Similarly, the Project spent an amount of Kshs.657,876,570 against an approved budget of Kshs.759,500,000, resulting to an under-expenditure of Kshs.101,623,430 or 13% of the budget.</p> <p>The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>There was an under-expenditure of Kshs.101,623,430 (13%) of the budget. This was occasioned by delays in the submission of certificates for construction to be processed for payment by AfDB. This is now being fast tracked by the consultant so that the absorption is increased before the project winds up on 31st December, 2024.</p>	<p>Resolved The absorption rate was highly improved in the current financial year 2023-2024</p>	<p>Before PAC 2024-2025</p>

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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)
331. Failure to Issue Notifications and Raise Receipt Vouchers	<p>The statement of receipts and payments reflects transfers from Government entities amount of Kshs.44,907,155 as disclosed in Note 1 to the financial statements. However, the amount was not supported with notifications from The National Treasury indicating the amount disbursed for the project nor itemized exchequer issuance notifications indicating funds for the project. Further, review of records provided for audit revealed that all monies were channelled through the development bank account of the State Department without the details. In addition, the Management did not raise receipt vouchers to confirm actual receipt of funds. In the circumstances, the effectiveness of internal</p>	<p>The receipt 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 Cash Office. Copies of exchequer notifications together with the receipt vouchers were availed for audit verification.</p> <p>The project shares development cash book and bank account with the State Department for Technical, Vocational Education and Training. The exchequers come as a consolidated figure and are captured in the IFMIS Accounts Receivables Module before recording in the development cashbook hence cannot be distinctly separated or itemized</p> <p>The project funds come in form of Appropriation in Aid from foreign grants, or borrowings</p>	Not Resolved	Before PAC 2024-2025

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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)
	controls on notifications of exchequer issuance and raising of receipt vouchers could not be confirmed.	from AfDB bank and are disbursed directly to the consultants, 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 which are spent on financing administrative work of the project		



Dr. Esther Muoria, PhD
Principal Secretary

23/09/2024



John Tuwei
Project Coordinator

23/09/2024

Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB -TVET Project Phase II)

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Annex 2: Variance explanations - Comparative Budget and Actual Amounts for FY 2023-2024

Receipts/Payments Item	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	c=a+b	d	e=c-d	f=d/c %	
	Kshs	Kshs	Kshs		
Receipts					
Transfer from Government entities	167,000,000	131,210,064	35,789,936	79%	Lack of exchequer funding
Proceeds from borrowings– AfDB Loan	700,000,000	630,975,372	69,024,628	90%	
Total Receipts	867,000,000	762,185,436	104,814,564	88%	
Payments					
Purchase of goods and services	107,000,000	99,849,064	7,150,936	93%	
Acquisition of non-financial assets	10,000,000	6,361,000	3,639,000	64%	Lack of exchequer funding
Transfers to other government entities	50,000,000	25,000,000	25,000,000	50%	Lack of exchequer funding
Other grants and transfers	700,000,000	630,975,372	69,024,628	90%	
Total Payments	867,000,000	762,185,436	104,814,564	88%	
Surplus or Deficit	-	-	-	-	

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Annex 3: 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) 2023/24	Closing Cost (KShs) 2024
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c)- (d)+(-)d
Transport equipment, CT equipment, software and other ICT Assets & Office equipment, furniture and fittings						
Office equipment, furniture and fittings	72,833,670	-	2,250,000	-	-	75,083,670
Transport equipment – Motor Vehicle registration number GKC.599B	-	-	4,111,000	-	-	4,111,000
Total	72,833,670	-	6,361,000	-	-	79,194,670

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Annex 4: Other Support Documents

- i) Signed official receipts and confirmations from beneficiaries in Transfers to Other Government Entities
 - Kitale National Polytechnic – Kshs 5,000,000
 - Wajir TTI – Kshs 12,500,000
 - North Rift TTI Kshs 7,500,000
- ii) Trial Balance
- iii) Direct payment schedule

Trial Balance for July 2023 to June 2024

Support to Technical Vocational Education and Training for Relevant Skills Development Project			
(GoK/AfDB TVET Project-Phase II)			
		Debit	Credit
		Kes	Kes
	GoK Exchequer Receipts Quarter 1		5,809,145
	GoK Exchequer Receipts Quarter 2		60,671,600
	GoK Exchequer Receipts Quarter 3		16,197,799
	GoK Exchequer Receipts Quarter 4		48,531,520
2630201-00001001-0505049999-00000001	Capital Grants Transfer to Kitale National Polytechnic	5,000,000	
2630201-00001001-0505049999-00000001	Capital Grants Transfer to North Rift TTI	7,500,000	
2630201-00001001-0505049999-00000001	Capital Grants Transfer to Wajir TTI	12,500,000	
2210302-00001001-0505049999-00000001	Accommodation - Domestic Travel	19,740,910	
2210702-00001001-0505049999-00000001	Advertising, Awareness and Publicity Campaigns	0	
2211006-00001001-0505049999-00000001	Remuneration of Instructors and Contract Based Training Services	9,993,503	
2211201-00001001-0505049999-00000001	Purchase of Workshop Tools, Spares and Small Equipment	9,078,860	
2211307-00001001-0505049999-00000001	Refined Fuels and Lubricants for Transport	7,890,099	
2211310-00001001-0505049999-00000001	Transport Costs and Charges (freight, loading/unloading,	4,943,500	
3110202-00001001-0505049999-00000001	Contracted Professional Services	48,202,192	
3110701-00001001-0505049999-00000001	Non-Residential Buildings (offices, schools, hospitals, etc..)	2,250,000	
2210702-22510061-0505049999-00000001	Purchase of Motor Vehicles	4,111,000	
2211006-22510061-0505049999-00000001	Other Capital Grants and Trans	630,975,372	
5120202-22510061-0505049999-00000001	Borrowing from International Organizations loan receipts		630,975,372
	Period Total	762,185,436	762,185,436