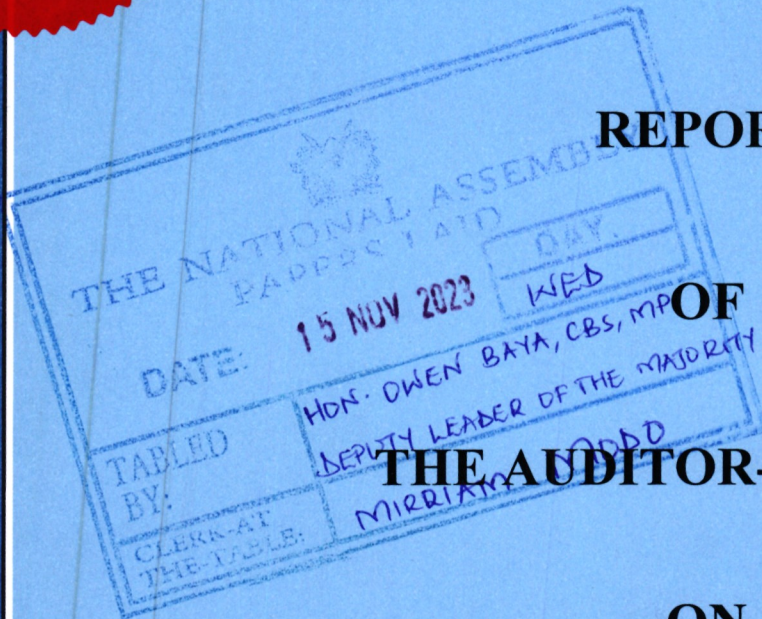


REPUBLIC OF KENYA



Enhancing Accountability

REPORT



**OF
THE AUDITOR-GENERAL**

ON

**KENYA YOUTH EMPLOYMENT AND
OPPORTUNITIES PROJECT CREDIT
NUMBER: IDA-5812-KE**

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

**NATIONAL INDUSTRIAL TRAINING
AUTHORITY (NITA)**



PROJECT NAME: KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT

IMPLEMENTING ENTITY: NATIONAL INDUSTRIAL TRAINING AUTHORITY

PROJECT CREDIT NUMBER: IDA-5812-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2023

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

**KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL
INDUSTRIAL TRAINING AUTHORITY**
Annual Report and Financial Statements for the financial year ended June 30, 2023

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***KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL
INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023***

1. Acronyms and Glossary 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
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.
KYEOP	Kenya Youth Employment and Opportunities Project
NITA	National Industrial Training Authority
OAG	Office of the Auditor General
MYSA	Ministry of Youth Affairs, Sports and The Arts
ML&SP	Ministry of Labour and Social Protection
MSEA	Micro Small Enterprise Authority

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY

Annual Report and Financial Statements for the financial year ended June 30, 2023

2. Project Information and Overall Performance

2.1 Name and registered office

The project's official name is Kenya Youth Employment and Opportunities Project

Objective: The key objective of the project is to increase employment and earnings opportunities for the targeted youth.

Address: The project headquarters offices are in Nairobi, Country, Kenya. The address of its registered office is:

Commercial Street, Industrial Area Nairobi.

P.O Box 74494-00200, Nairobi.

The project also has offices/branches as follows:

Mombasa, Kisumu, Nakuru, Kware, Kilifi, Mandera, Kakamega, Migori, Turkana, Nyandarua, Kitui, Kiambu, Wajir, Kisii, Bungoma, Nairobi and Machakos

Contacts: The following are the project contacts, P.O. Box: 74494-00200, Nairobi, Telephone: (254) 020-2695586/9 E-mail: directorgeneral@nita.go.ke :Website: www.nita.go.ke

2.2 Project Information

Project Start Date:	20/05/2016
Project End Date:	31/08/2023
Project Manager:	Mr Joseph Kinuthia
Project Sponsor:	International Development Association

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the overall supervision of the Ministry of Youth Affairs, Sports and The Arts(MYSA). NITA-KYEOP reports through its line Ministry, the Ministry of Labour and Social Protection (ML&SP)
Project number	5812-KE
Strategic goals of the project	The strategic goals of the project are as follows: (i) Increase Employment for Youth (ii) Increase Earning Opportunities for Youth
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Improving Youth Employability (ii) Support for Job Creation (iii) Improving Labour Market Information (iv) Strengthening Youth Policy Development and Project Management
Other important background information of the project	The Project consists of four components to be implemented by four agencies. Component 1, being implemented by NITA and MYSA addresses the skills mismatch of youth by engaging training providers and private sector employers to offer training and work experience to targeted youth. Component 2, being implemented by Micro Small Enterprise Authority(MSEA), responds to the need for job creation with initiatives to help launch new businesses, support innovative approaches to improve job and earning opportunities among the hard to serve youth. Component 3 being implemented by ML&SP, plans to improve access to and quality of labour market information. Component 4, being implemented by MYSA provides support for strengthening youth policy development, monitoring and evaluation and general supervision of the entire project.
Areas that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Improving Youth Employability (ii) Support for Job Creation (iii) Improving Labour Market Information

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Annual Report and Financial Statements for the financial year ended June 30, 2023

	(iv) Strengthening Youth Policy Development and Project Management
Project duration	The project started on 20/05/2016 and is expected to run until 31/08/2023.

2.4 Bankers

The following are the bankers for the project:

- (i) Kenya Commercial Bank

-Equity Bank suspense account




-Cooperative Bank suspense account

2.5 Independent Auditor

The project is audited by the Office of the Auditor General(OAG)








2.6 Roles and Responsibilities

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

Names	Title designation	Key qualification	Responsibilities
 Dr. Kamau Gachigi	Chairman, National Industrial Training Board	<ul style="list-style-type: none"> B.Sc. (Hons) in Materials Science, University of Bath (UK) 1985-1988 M.S. in Solid State Science, IMRL, The Pennsylvania State University (USA) 1990-1993 PhD. in Solid State Science, IMRL, The Pennsylvania State University (USA) 1993- 1996 	Member of the AD HOC Steering Committee of the Board Charged with the Overall Stewardship of NITA-KYEOP
 Carolyn C. Rutto	Member – National Industrial Training Board Representing COTU (K)	<ul style="list-style-type: none"> Certificate Public Relations (RGI) PI Certificate (Kericho Teachers T. College) 2nd Assistant Secretary General – Central Organization of Trade Unions, COTU (K). Member - General Wages Council. Member of reconciliation committee Counter Trafficking Advisory Committee (CTIP). National Advisory Committee on person with disability Assistant National Women leader - Kenya Electrical Trades and Allied Union (KETAWU). 2019 to date - County revenue collection coordinated and relationship officer Kenya Power. 	Chairperson - AD HOC Steering Committee of the Board Charged with the Overall Stewardship of NITA-KYEOP
 Gilda Atieno Odera	Member National Industrial Training Board Representing FKE	<p>Consultant Director, All About Marketing Ltd Current Vice President, Federation of Kenya Employees Current Board Member, University Funds Board Panel Member & Chair of Business Process Committee in the Health Feb 2019- June 2020 - Reform Panel of Experts, Kenya 2016 to 2019 - Council Member, Kenya National Quality Authority 2012 to 2019 - Board Director, National Hospital Insurance Fund 2013 to 2015 - Board Member, Public Procurement Administrative Review Board Current Part- time PhD Candidate, Public Policy Administration, MA in Leading Innovation and Change, (University of York St</p>	-Member - AD HOC Steering Committee of the Board Charged with the Overall Stewardship of NITA-KYEOP

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY

Annual Report and Financial Statements for the financial year ended June 30, 2023

		John, United Kingdom) Degree in Sociology (UON)	
 Apollo Ng'ang'a Kiarri	Member– National Industrial Training Board representing FKE	<ul style="list-style-type: none"> • HRM - Institute of HRM • Kenya Institute of Management • The Technical University of Kenya • Chief Executive Officer - Kenya Tea Growers Association (KTGA) • Management Board Member – Federation of Kenya Employers • Member – Tea Industry Task Force 	-Member - AD HOC Steering Committee of the Board Charged with the Overall Stewardship of NITA-KYEOP
 Rev. Brother Joel Kandie Chebii, OGW	Member – National Industrial Training Board Representing COTU (K)	Higher level Diploma Entrepreneurship Education in Kenya (ILO) Diploma in Vocational and Technical Training of Trainers (ILO) Diploma in Theology Vice Chairman General of COTU Kenya 2000 to 1995: National General Secretary of Tailors and Textiles Workers Union. 1990 to 1986: Elected National Chairman of Tailors and Textiles Workers Union 1986 to 1989 - Assistant National Treasurer for Tailors and Textiles: Workers Union as well as COTU (K) Board member.	-Member - AD HOC Steering Committee of the Board Charged with the Overall Stewardship of NITA-KYEOP
 Stephen Ogenga	Director General	<ul style="list-style-type: none"> • M. Eng. Sc. (Computer Engineering) B. Eng. Tech. (Electrical/Electronic) Member IEEE • Member (Inst. Of Eng. Australia) 	Overall stewardship of the Authority's Activities including Finance and Administration
 Joseph Kinuthia	Project Coordinator	<ul style="list-style-type: none"> • Bachelor of Science • CPA(K) 	General management of all project inputs, outputs and related activities under Component I of the KYEOP
 Teresa Lagat	Manager Internal Audit	<ul style="list-style-type: none"> • MBA from University of Nairobi • CFE, CPA (K) 	Manage all the internal audits of the Project
 Julius Ndenge	Manager Accounts	<ul style="list-style-type: none"> • MBA from Kenyatta University • Bachelor of Commerce (Finance) • CPA (K) 	Manage all the financial and accounting activities of the Authority
 Elvina Osodo	Manager, Supply Chain Management	<ul style="list-style-type: none"> • MBA in Procurement and Supply Chain Management from University of Nairobi, BBA(Entrepreneurship)KEMU • Diploma in Procurement and Supply Chain Management 	Manage all the procurement activities of the Authority
 Everlyne Siringi	Project Accountant	<ul style="list-style-type: none"> • Bachelor of Business Management from Moi University. • CPA(K) 	Manage all the financial and accounting activities of the KYEOP-NITA component.

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023

Project information and overall performance (continued)
2.7 Funding summary

The Project is for duration of 6 years from 2016 to 2023 with an approved budget of US\$ 26,969,829.32 (SDR 20,277,000) equivalents to Kshs 3,794,655,299.33 as highlighted in the table below:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 th June 2023)		Undrawn balance to date		
	Donor currency (A)	Kshs (A')	Donor currency Ksh (B)	Kshs (B')	Donor currency Ksh (A)-(B)	Kshs (A')-(B')	
(i) Credit							
International Development Association	26,969,829.32	3,794,655,299.33	21,676,807.04	2,886,661,512.00	5,293,022.28	907,993,787.33	
Total	26,969,829.32	3,794,655,299.33	21,676,807.04	2,886,661,512.00	5,293,022.28	907,993,787.33	

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2023)		Cumulative amount paid to date – (30 th June 2023)		Unutilised balance to date (30 th June 2023)	
	Donor currency (A)	Kshs (A')	Donor currency (B)	Kshs (B')	Donor currency (A)-(B)	Kshs (A')-(B')
(i) Credit						
International Development Association	21,676,807.04	2,886,661,513.00	20,703,248.04	2,787,016,065	973,559	99,645,448
Total	21,676,807.04	2,886,661,513.00	20,883,248.12	2,787,016,065	973,559	99,645,448

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023

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.*

YEAR	BUDGET(Kshs.)	ACTUAL EXPENDITURES(Kshs.)
2016/2017	100,000,000	36,019,037
2017/2018	217,980,963	133,310,259
2018/2019	928,187,007	518,719,342
2019/2020	1,376,746,062	1,140,669,670
2020/2021	1,033,473,937	580,680,647
2021/2022	575,808,289	290,909,383
2022/2023	241,739,202	86,707,727
Cumulative	4,473,935,460	2,787,016,065

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

	ACTIVITY	ACTUAL OUTPUT ACHIEVED	EXPECTED OUTPUT (END OF PROJECT)	OUTCOME	IMPACT
1	Contracting of Master Craftsmen (MC)	4,604	There was no specific number of expected output	Effective Job Specific Skills Training	The youths have acquired employable Job Specific skills.
2	Upskilling of Master Craftsmen	1,061	1,000	Improved the quality of the training offered by master craftsmen and the recognition of this training in the marketplace	
3	Contracting of Formal Training Providers (FTP)	84	There was no specific number of expected output	Effective Job Specific Skills Training	
4	Review and development of Occupational Competency Standards (including testing instruments)	50	50	Standardized Training and Assessment Guidelines and Promote greater efficiency in the training market for traditional apprenticeships.	Standardized assessment throughout the country in the specific trades
5	Coordinating Job Specific Skills Training (JSST)	62,641	70,000	Additional youths acquired employable Skill	Improved performance and delivery at work place.
6	Assessment and Certification of youths	33310	27,500	Increased number of youths with employable Skills	Additional youths are assessed and certified

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

YEAR	BUDGET(Kshs.)	ACTUAL EXPENDITURES(Kshs.)	ABSORPTION RATE
2016/2017	100,000,000	36,019,037	36%
2017/2018	217,980,963	133,310,259	61%
2018/2019	928,187,007	518,719,342	56%
2019/2020	1,376,746,062	1,140,669,670	83%

**KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL
INDUSTRIAL TRAINING AUTHORITY**
Annual Report and Financial Statements for the financial year ended June 30, 2023

2020/2021	1,033,473,937	580,680,647	56%
2021/2022	575,808,289	290,909,383	51%
2022/2023	241,739,202	86,707,727	36%
Cumulative	4,473,935,460	2,787,016,065	

iv) *List the implementation challenges and recommended next steps.*

High number of youths failing to report for assessment.

Many youths have been submitting booking applications for assessment. Thereafter when invited for assessment they fail to report for assessment.

Recommendations.

- a. Introduce additional conditions during the admission of youths to the project. Where possible due diligence should be carried out confirm their commitments
- b. Liaise with local leaders to confirm whether the applicants are needy youths.
- c. Pay some bonus to youths who pass the assessment. This is likely to encourage them to report for assessment and improve their performance

2.9 Summary of Project Compliance:

- - No significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants were reported in the financial year.

3. Statement of Performance against Project's Predetermined Objectives

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 entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

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

- a) To train 55000 youths on Job Specific Training within 5 five years
- b) Assess and certify 27500 youths.
- c) To upskill 1000 craftsmen within five years
- d) To develop 20 new trade standards and testing instruments and revise 30 standards for traditional apprenticeships

Progress on attainment of strategic development objectives

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

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023

Below we provide the progress on attaining the stated objectives in FY 22/23

Project	Objective	Outcome	Indicator	Performance
NITA –Kenya Youth Employment and Opportunities Project(KYEOP)	To assess and certify 448 youths	Increased number of youths with employable Skills	Number of youths assessed and certified	A total 1750 were assessed and certified.
	Gazettement of 27 Occupational Competency Standards (OCS) and testing instruments	Gazetted training and assessment Standards	The no of Occupational Competency Standards (OCS) and testing instruments gazetted.	The 27 documents have been submitted to Attorney General for review and further guidance before gazettement
	To Capacity build 7 NITA KYEOP project staff	Improved service delivery	No of staff trained	7 NITA KYEOP Officers were upskilled

4. Environmental and Sustainability reporting

The project is not directly involved in corporate social activities; However, the Authority is actively involved in supporting the society as elaborated below.

1. Sustainability strategy and profile

Kenya's global competitiveness depends on its ability to create a human resource base that is constantly subjected to skills upgrading, NITA is awake to this fact and continues to provide strategic leadership in the development and advancement of the industrial skills ecosystem to ensure systemic, deliberate and innovative policy formulation and mobilization of resources to intensively and effectively drive the skills development agenda in the industry.

Since establishment, what milestones has NITA achieved in its quest to improve the industrial training sector locally;

a) Homecare Management Programme: - Since the inception of the NITA coordinated HCM programme in December 2020, a total of 11 Cohorts have been trained. Cohort-1 undertook training from 7th to 27th December 2020 while Cohort-11 undertook training from 17th January to 6th February 2022. A total of 79,003 girls have been successfully trained and assessed during the 11 Cohorts where Cohort-1 had 1291 trainees while cohort-11 had 9,672 trainees. The Cohort that recorded the highest no. of trainees was Cohort-5 which had 10,450 trainees. Similarly, there has been a steady increase in the number of registered participating training institutions with Cohort-1 having 17 participating institutions while Cohort-11 had 104 institutions. It is expected that with the stabilization of the economic environment and the reduced surge on Covid-19 infections in the country, the number of trainees is likely to increase drastically in the year 2022 as compared to 2021.

b) Train at least 10,000 Youth and Women in Textiles and Apparels within the EPZ and other industries:- Cumulatively, the Authority trained 10,700 youth and women (Q1-3,405 and Q2-7,295). This was due to enrollment of persons for Trade Test assessment, Cycle 6 KYEOP project and Generation Project in the following Textile trades;- Dressmaker, Tailor, Machine Knitter and Sewing Machine operators and upholstery.

c) The Authority enhanced skills of 1,133 workers possessed by in housing and construction against a quarter target of 2,750. Cumulatively, the Authority enhanced skills of 1,691 (Q1-558 and Q2-1,133) workers. This was as a result of slow resumption of training programs in this sector after re-opening of the economy shut by COVID pandemic.

2. Environmental performance

The Authority is in the process of developing Environmental policy to act as a guide to environmental performance. However, the Authority has outsourced garbage collection agents to facilitate its waste disposal mechanism. Waste disposal is strictly done on a daily basis across the entire Authority which has greatly helped the organization to reduce the challenges of environmental impact.

3. Employee welfare

The Authority has a detailed Human Resource Manual Policy which acts as principal guidelines on hiring processes in the Authority. Gender ratio and stakeholder engagements are taken into consideration. The Human Resource manual provides for frequent training, appraisal and reward system of staff to enhance their skills at all levels. The Authority has a well-established Health and Safety committee that is in the process of Developing Safety and Compliance Policy.

4. Market place practices-

a) Responsible Supply chain and supplier relations-

The National Industrial Training Authority ensures that;

1. Suppliers list is continuously updated and it's from the list that suppliers and service providers are drawn from time to time as need arises. This ensures equitable distribution of tenders/ quotations.
2. The contracts are monitored and evaluated to achieve value for money in supply and delivery of goods, services and works
3. That suppliers and contractors are paid in time after certification of the goods, services and works delivered.
4. The Suppliers concerns are addressed from time to time as they arise. Training and sensitization for the specialized groups are also undertaken on annual basis. All these enhance supplier relationship.

5. Community Engagements

Corporate Social Responsibility (CSR) is generally understood as being the way through which a company achieves a balance of economic, environmental and social imperatives (“Triple-Bottom-Line- Approach”), while at the same time addressing the expectations of its shareholders and stakeholders.

Through the Female Engineering Sponsorship Committee which oversees the day-to-day running of the Programme, the Authority is working to develop intensive outreach programs in these areas to sensitize the locals on the importance of taking technical course

Statement of Project Management responsibilities

The *Director General* for the Authority (NITA) and the *Project Coordinator* for **Kenya Youth Employment and Opportunities Project (NITA-KYEOP)** 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 and as at the end of the financial year ended on June 30, 2023.

This responsibility includes (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period, (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The *Director General* for the Authority (NITA) and the *Project Coordinator* for **Kenya Youth Employment and Opportunities Project (NITA-KYEOP)** 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.

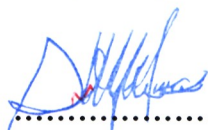
The *Director General* for the Authority (NITA) and the *Project Coordinator* for **Kenya Youth Employment and Opportunities Project (NITA-KYEOP)** are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year ended June 30, 2023, and of the Project's financial position as at that date. The *Director General* for Authority (NITA) and the *Project Coordinator* for **Kenya Youth Employment and Opportunities Project (NITA-KYEOP)** further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The *Director General* for the Authority (NITA) and the *Project Coordinator* for **Kenya Youth Employment and Opportunities Project (NITA-KYEOP)** 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

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023

The Project financial statements were approved by the *Director General* for the Authority NITA and the *Project Coordinator* for *Kenya Youth Employment and Opportunities Project (NITA-KYEOP)* on 16th October, 2023 and signed by:



.....
Stephen Ogenga
Director General



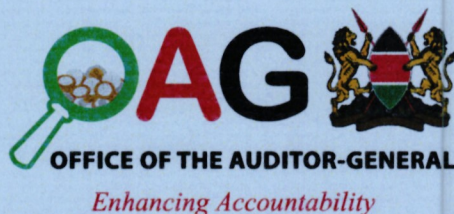
.....
Joseph Kinuthia
Project Coordinator



.....
Everlyne Siriya
Project Accountant
ICPAK Member No: 26770

REPUBLIC OF KENYA

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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT CREDIT NUMBER: IDA-5812-KE FOR THE YEAR ENDED 30 JUNE, 2023 - NATIONAL INDUSTRIAL TRAINING AUTHORITY (NITA)

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 Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on 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, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Kenya Youth Employment and Opportunities Project - National Industrial Training Authority (NITA) set out on pages 1 to 62, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and the statement of

Report of the Auditor-General on Kenya Youth Employment and Opportunities Project Credit Number: IDA-5812-KE for the year ended 30 June, 2023 - National Industrial Training Authority (NITA)

comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and notes to the financial statements 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 respect, the financial position of Kenya Youth Employment and Opportunities Project – National Industrial Training Authority (NITA) as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement Credit No.5812 KE dated 19 October, 2016 between the International Development Association (IDA) and the Government of Kenya and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Kenya Youth Employment and Opportunities Project - National Industrial Training Authority (NITA) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

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

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs. 241,739,202 and Kshs.183,403,784 respectively resulting to shortfall of Kshs.58,335,418 or 24% of the budget.

Further, the Statement reflects budgeted expenditure of Kshs.241,739,202 while actual payments totaled Kshs.86,707,727 resulting to an under absorption of Kshs.155,031,475 or 64%.

The under collection of revenue and under expenditure affected the planned activities and may have impacted negatively on service delivery to the public.

2. Non-Payment of Pending Bills

Annex 4 to the financial statements reflects pending bills balance of Kshs.9,526,965 which includes stipends to beneficiaries for youth of Kshs.2,034,270 relating to financial year 2018-2019. Failure to settle bills during the year in which they relate adversely affects the budgetary provisions for the subsequent year as they form a first charge.

3. Unresolved Prior Year Audit Matters

Annex 1 to the financial statements reflects prior year audit issues raised. However, the issues remained unresolved as at 30 June, 2023. The Project Management explained that the issues have been internally resolved but awaiting invitation by the Public Accounts Committee for final resolution.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

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

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal 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

As required by Financing Agreement between the International Development Association (IDA) and the Kenya Government, I report based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;
- ii. In my opinion, adequate accounting records have been kept by the project so far as appears from the examination of those records; and,
- iii. The Project financial statements agree with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal 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 to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Project or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are following 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 the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with

Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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


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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.

- Conclude on the appropriateness of the Management's use of the sustainability of services and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project ability to continue as a to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 October, 2023

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023


7. Statement of Receipts and Payments for the year ended 30th June 2023.

	No te	Receipts and payments controlled by the entity		Payments made by third parties		Receipts and payment controlled by the entity		Payments made by third parties		Cumulative to-date (From inception)
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	
Receipts										
Transfers from Government entities	1	0	0	0	0	0	0	0	0	0
Proceeds from domestic and foreign credits	2	91,984,582.00	0	91,984,582.00	0	205,587,026.00	0	205,587,026.00	2,886,661,513.00	
Loan from external development partners	3	0	0	0	0	0	0	0	0	0
Miscellaneous receipts	4	0	0	0	0	0	0	0	0	0
Total receipts		91,984,582.00	0	91,984,582.00	0	205,587,026.00	0	205,587,026.00	2,886,661,513.00	
Payments										
Compensation to employees	5	17,085,691.00	0	17,085,691.00	0	21,954,204.00	0	21,954,204.00	143,866,508.00	
Purchase of goods and services	6	68,728,036.00	0	68,728,036.00	0	265,105,379.00	0	265,105,379.00	2,494,096,390.00	
Social security benefits	7	0	0	0	0	0	0	0	0	0
Acquisition of non-financial assets	8	894,000.00	0	894,000.00	0	3,849,800.00	0	3,849,800.00	149,053,167.00	


KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023

Transfers to other government entities	9	0	0	0	0	0	0	0
Other grants and transfers /payments	10	0	0	0	0	0	0	0
Total payments	86,707,727.00	0	86,707,727.00	290,909,383.00	0	290,909,383.00	2,787,016,065.00	
Surplus/ (deficit)	5,276,855.00	0	5,276,855.00	(85,322,357.00)	0	(85,322,357.00)	99,645,448.00	


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



Stephen Ogenga
Director General



Joseph Kinuthia
Project Coordinator



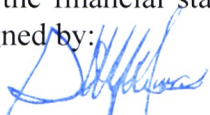
Everlyne Siringi
Project Accountant
ICPAK Member No:26770

**KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL
INDUSTRIAL TRAINING AUTHORITY**
Annual Report and Financial Statements for the financial year ended June 30, 2023

8. Statement of Financial Assets as at 30th June 2023

Description	Note	FY 2022/2023	FY 2021/2022
		Kshs	Kshs
Financial Assets			
Cash and Cash equivalents			
Bank Balances	11	96,696,057.00	94,419,202.00
Cash Balances	11.A	0	0
Total Cash and Cash equivalents		96,696,057.00	94,419,202.00
Imprests and Advances	12	0	0
Total Financial Assets		96,696,057.00	94,419,202.00
Financial Liabilities			
Third party Deposits and Retention	13	0	0
Net Assets			
Represented By			
Fund Balance B/fwd.	14	91,419,202.00	176,741,559.00
Prior Year adjustments	15	0	0
Surplus/(Deficit) for the Year		5,276,855.00	(85,322,357.00)
Net Financial Position		96,696,057.00	91,419,202.00

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 16th October, 2023 and signed by:



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Stephen Ogenga
Director General



.....
Joseph Kinuthia
Project Coordinator



.....
Everlyne Siriya
Project Accountant
ICPAK Member No:26770

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023

9. Statement of Cash flow for the year ended 30th June 2023

Description	Notes	2022/2023	2021/2022
		Kshs	Kshs
Cash flow from operating activities			
Receipts			
Transfer from government entities	1	0	0
Proceeds from domestic and foreign credits	2	91,984,582.00	205,587,026.00
Miscellaneous receipts	4	0	0
Total receipts		91,984,582.00	205,587,026.00
Payments			
Compensation of employees	5	17,085,691.00	21,954,204.00
Purchase of goods and services	6	68,728,036.00	265,105,379.00
Social security benefits	7	0	0
Transfers to other government entities	9	0	0
Other grants and transfers	10	0	0
Total Payments		85,813,727.00	287,059,583.00
Net receipts/(payments)		6,170,855.00	(81,472,557.00)
Adjustments during the year		0	0
Prior year adjustments	15	0	0
Decrease/(increase) in accounts receivable	16	0	0
Increase/(decrease) in accounts payable:	17	0	0
Net cash flow from operating activities		6,170,855.00	(81,472,557.00)
Cash flow from investing activities			
Acquisition of non-financial assets	8	894,000.00	3,849,800.00
Net cash flows from investing activities		894,000.00	3,849,800.00
Net increase in cash and cash equivalents		5,276,855.00	(85,322,357.00)
Cash and cash equivalent at beginning of the year		91,419,202.00	176,741,559.00
Cash and cash equivalent at end of the year		96,696,057.00	91,419,202.00

***KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL
INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023***

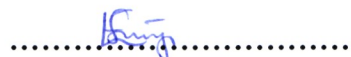
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 16th October, 2023 and signed by:



**Stephen Ogenga
Director General**



**Joseph Kinuthia
Project Coordinator**



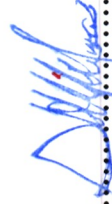
**Everlyne Siriya
Project Accountant
ICPAK Member No:26770**

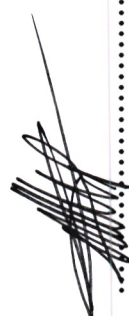
KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023


10. Statement of Comparison of Budget and Actual amounts for year ended 30th June 2023

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 %
Receipts						
Transfer from Government entities	0	0	0	0	0	0
Proceeds from domestic and foreign credits	150,320,000	0	150,320,000	91,984,582	58,335,418	61%
Roll over balance from FY 2021/2022	91,419,202		91,419,202	91,419,202		
Total Receipts	241,739,202	0	241,739,202	183,403,784	58,335,418	
Payments						
Compensation to employees	24,126,800	0	24,126,800	17,085,691	7,041,109	71%
Purchase of goods and services	213,512,402	0	213,512,402	68,728,036	144,784,366	32%
Acquisition of non-financial assets	4,100,000	0	4,100,000	894,000	3,206,000	22%
Total Payments	241,739,202	0	241,739,202	86,707,727	155,031,475	36%
Surplus or Deficit	-	0	0	96,696,057	(96,696,057)	

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

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Stephen Ogenga
Director General

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Joseph Kinuthia
Project Coordinator

.....

Everlyne Siriya
Project Accountant
ICPAK Member No:26770

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 Kenya Youth Employment and Opportunities Project (-NITA-KYEOP) under the State Department of Labour. The financial statements are for the reporting entity Kenya Youth Employment and Opportunities Project (-NITA-KYEOP) as required by Section 81 of the PFM Act, 2012 .

c) Reporting currency

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

i) Recognition of receipts

The Kenya Youth Employment and Opportunities Project (-NITA-KYEOP) recognises all receipts from the various sources when the event occurs, and the related cash has been received.

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 entity.

ii) External Assistance

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

iii) 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.

iv) Undrawn external assistance

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

An analysis of the Project's undrawn external assistance is shown in the funding summary.

e) Recognition of payments

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

i) Compensation to employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

Can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) 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.

f) 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.

g) Imprests and Advances

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023

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.

h) Pending bills

Pending bills consist of unpaid liabilities at the end of the financial year arising from contracted goods or services during the year or in past years.

As pending bills do not involve the payment of cash in the reporting period, they recorded as ‘memorandum’ or ‘off-balance’ 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.

i) 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

or 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*.

j) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates (Kenya Shillings).

Transactions in foreign currencies during the year/period are converted into the functional currency using the exchange rates prevailing at the dates of the transactions.

Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statements of receipts and payments.

k) 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.

l) 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, 2023.

12. Notes to the Financial Statements

1. Transfers from Government entities

Description	FY 2022/2023 Kshs	FY 2022/2023 Kshs	Cumulative to-date (from inception) Kshs
<i>Counterpart funding through Ministry</i>			
Counterpart funds Quarter 1	0	0	0
Counterpart funds Quarter 2	0	0	0
Counterpart funds Quarter 3	0	0	0
Counterpart funds Quarter 4	0	0	0
	0	0	0
<i>Other transfers from government entities</i>			
Ministry	0	0	0
Ministry	0	0	0
Project	0	0	0
Agency	0	0	0
Total	0	0	0
Appropriations-in-Aid	0	0	0
Total	0	0	0

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023

2. Proceeds From Domestic and Foreign Credits

During the financial period to 30 June 2023, we received credits from donors as detailed in the table below:

Name of Donor	FY 2022/2023						FY 2021/2022		Cumulative to date
	Date received	Amount received in donor currency	Credits received in cash	Grants received as direct payment*	Grants received in kind	Total amount	Total Amount	Kshs	Kshs
Grants Received from Bilateral Donors (Foreign Governments)		0	0	0	0	0	0	0	0
Insert name of foreign Government		0	0	0	0	0	0	0	0
Grants Received from Multilateral Donors (International Organizations)		0	0	0	0	0	0	0	0
International Development Association	16/02/2023	744,151.63	91,984,582	0	0	91,984,582	205,587,026	2,886,661,513	
Grants Received from Local Individuals and organizations		0	0	0	0	0	0	0	0
Insert name of individual or local organization		0	0	0	0	0	0	0	0
Total		744,151.63	91,984,582	-	-	91,984,582	205,587,026	2,886,661,513	

Notes to the Financial Statements (Continued)

3. Loan from External Development Partners

During the financial period to 30 June 2023, we received funding from development partners in form of loans negotiated by the National Treasury as detailed in the table below:

Description	FY 2022/2023					Comparative FY 2021/2022		Cumulative to date
	Date received	Amount in loan currency	Loans received in actual amount	Loans received as direct payment*	Total amount in Kshs	Total amount in Kshs	Kshs	
Loans received from bilateral Donors (Foreign Governments)								
Insert name of foreign Government	0	0	0	0	0	0	0	0
Insert name of foreign Government	0	0	0	0	0	0	0	0
Loans received from Multilateral Donors (International Organizations)	0	0	0	0	0	0	0	0
International Development Association	16/02/2023	744,151.63	91,984,582	0	91,984,582	205,587,026	2,886,661,513	
Insert name of international organization	0	0	0	0	0	0	0	0
Total	0	744,151.63	91,984,582	0	91,984,582	205,587,026	2,886,661,513	

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023

4. Miscellaneous receipts

Description	FY 2022/2023			Comparative FY 2021/2022		Cumulative to- date (from inception)
	Receipts controlled by the entity in Cash	Receipts controlled by third parties	Total receipts	Total receipts		
	Kshs	Kshs	Kshs	Kshs	Kshs	
Property income	0	0	0	0	0	0
Sales of goods and services	0	0	0	0	0	0
Administrative fees and charges	0	0	0	0	0	0
Fines, penalties, and forfeitures	0	0	0	0	0	0
Voluntary transfers other than grants	0	0	0	0	0	0
Other receipts not classified elsewhere*	0	0	0	0	0	0
Total	0	0	0	0	0	0

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023

5. Compensation to Employees

Description	FY 2022/2023			FY 2021/2022		Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total payments	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
Basic wages of temporary employees(Contracted and Consultants)	17,085,691.00	0	17,085,691.00	21,954,204	143,866,508	
Basic salaries of permanent employees	0	0	0	0	0	
Personal allowances paid as part of salary	0	0	0	0	0	
Personal allowances paid as reimbursements	0	0	0	0	0	
Personal allowances provided in kind	0	0	0	0	0	
Pension and other social security contributions	0	0	0	0	0	
Compulsory national social security schemes	0	0	0	0	0	
Compulsory national health insurance schemes	0	0	0	0	0	
Social benefit schemes outside government	0	0	0	0	0	
Other personnel payments	0	0	0	0	0	
Total	17,085,691.00	0	17,085,691.00	21,954,204	143,866,508	

KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT-NATIONAL INDUSTRIAL TRAINING AUTHORITY
Annual Report and Financial Statements for the financial year ended June 30, 2023

Notes to the Financial Statements (Continued)

6. Purchase of Goods and Services

Description	FY 2022/2023			FY 2021/2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments		
	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services	1,345,119.00	0	1,345,119.00	1,280,962.00	20,309,609.00
Communication, supplies and services	699,750.00	0	699,750.00	1,693,305.00	10,537,457.00
Domestic travel and subsistence	6,890,840.00	0	6,890,840.00	10,948,311.00	111,060,051.00
Foreign travel and subsistence	7,750,276.00	0	7,750,276.00	1,131,260.00	51,452,950.00
Printing, advertising, and information supplies	146,659.00	0	146,659.00	1,177,750.00	6,023,204.00
Rentals of produced assets	-	0	-	-	630,000.00
Training payments	39,700,565.00	0	39,700,565.00	238,551,364.00	2,151,070,472.00

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Hospitality supplies and services	389,000.00	0	389,000.00	374,320.00	5,449,460.00
Insurance costs	1,752,139.00	0	1,752,139.00	1,799,467.00	30,266,280.00
Specialized materials and services	0	0	0	0	0
Other operating payments	53,505.00	0	53,505.00	179,745.00	74,766,967.00
Routine maintenance – vehicles and other transport equipment	9,892,983.00	0	9,892,983.00	4,387,585.00	32,320,240.00
Routine maintenance- other assets	107,200.00	0	107,200.00	3,581,309.95	209,700.00
Exchange rate losses/gains (net)	-	0	0	0	0
Total	68,728,036.00	0	68,728,036.00	265,105,378.95	2,494,096,390.00

[Training payments relate to Stipends to beneficiary youth and Fees for Master Craftsmen and Formal Training Providers for cycle 1,2 3 & 4 respectively. Material and centre fees and assessment fees. Other operating payments relate to Bank charges. Foreign Travel relates to Capacity building of project implementation unit members claim. Domestic travel relates to per diem and air/road fare for project implementation unit members for Quality Assurance of skills training.]

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7. Social Security Benefits

Description	FY 2022/2023			Comparative FY 2021/2022	Cumulative to- date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		
	Kshs	Kshs	Kshs	Total Payments Kshs	Kshs
Government pension and retirement benefits	0	0	0	0	0
Social security benefits in cash and in kind	0	0	0	0	0
Employer social benefits in cash and in kind	0	0	0	0	0
Total	0	0	0	0	0

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8. Acquisition of Non-Financial Assets

Description	FY 2022/2023				Comparative FY 2021/2022		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Total payments	Total payments	
	Kshs.	Kshs.	Kshs	Kshs	Kshs	Kshs	
Purchase of buildings	0	0	0	0	0	0	0
Construction of buildings	0	0	0	0	0	0	0
Refurbishment of buildings	0	0	0	0	0	0	0
Construction of roads	0	0	0	0	0	0	0
Construction of civil works	0	0	0	0	0	0	0
Overhaul & refurbishment of construction and civil works	0	0	0	0	0	0	0
Purchase of vehicles & other transport equipment	0	0	0	0	0	0	77,620,000
Overhaul of vehicles & other transport equipment	0	0	0	0	0	0	0
Purchase of specialised plant, equipment and machinery	0	0	0	0	0	0	23,220,001
Purchase of office furniture & general equipment	894,000	-	894,000	-	3,849,800	48,213,166	

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Description	FY 2022/2023			Comparative FY 2021/2022		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	Total payments	
Rehabilitation & renovation of plant, equipment & machinery	0	0	0	0	0	0
Purchase of certified seeds, breeding stock and live	0	0	0	0	0	0
Research, studies, project preparation, design & supervision	0	0	0	0	0	0
Rehabilitation of civil works	0	0	0	0	0	0
Acquisition of strategic stocks	0	0	0	0	0	0
Acquisition of land	0	0	0	0	0	0
Acquisition of other intangible assets	0	0	0	0	0	0
Total	894,000	=	894,000	3,849,800	149,053,167	

[There were acquisition of non-financial assets during the financial year under review]

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Notes to the Financial Statements (Continued)

9. Transfers to other Government Entities

Description	FY 2022/2023			Comparative FY 2021/2022
	Payments made in Cash	Payments made by third parties	Total payments	Total payments
	Kshs	Kshs	Kshs	Kshs
Transfers to National Government entities				
Ministry	0	0	0	0
Project	0	0	0	0
Transfers to County Governments				
County	0	0	0	0
County	0	0	0	0
Total	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>

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10. Other Grants, Transfers and Payments

Description	FY 2022/2023			Comparative FY 2021/2022	Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total payments	Total payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Grants for scholarships	0	0	0	0	0
Transfers to lower levels of government e.g. schools	0	0	0	0	0
Miscellaneous payments	0	0	0	0	0
Total	0	0	0	0	0

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11. Cash And Cash equivalents

Description	FY 2022/2023	Comparative FY 2021/2022
	Kshs	Kshs
Bank accounts	96,696,057.00	91,419,902
Total	96,696,057.00	91,419,902

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11. A Cash in hand

Description	FY 2022/2023	Comparative FY 2021/2022
	KShs	KShs
Location 1	0	0
Location 2	0	0
Location 3	0	0
Other locations (<i>specify</i>)	0	0
Total cash in hand balances	<u>0</u>	<u>0</u>

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12. Imprests and Advances

<i>Description</i>	FY 2022/2023	Comparative FY2021/2022
	Kshs	Kshs
Government Imprests	0	0
Salary advances	0	0
Total	0	0

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12A: Breakdown of Imprests and Advances

Name of Officer or Institution	Amount Taken	Due Date of Surrender	Amount Surrendered	Balance Current FY 2022/2023	Balance Comparative FY 2021/2022
	Kshs	Kshs	Kshs	Kshs	Kshs
<i>Officer 1</i>	0	0	0	0	0
<i>Officer 2</i>	0	0	0	0	0
<i>Officer 3</i>	0	0	0	0	0
<i>Officer 4</i>	0	0	0	0	0
<i>Officer 5</i>	0	0	0	0	0
<i>Programme 1</i>	0	0	0	0	0
Total	<u>0</u>	<u>0</u>	0	0	0

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13. Deposits and Retention Monies

Description	FY2022/2023	Comparative FY2021/2022
		Kshs
	Kshs	
Retention	0	0
Deposits	0	0
Total	0	0

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14. Fund Balance Brought Forward

Description	FY 2022/2023	Comparative FY2021/2022
	Kshs	Kshs
Bank accounts	91,419,902	176,741,559
Cash in hand	0	0
Cash equivalents (short-term deposits)	0	0
Outstanding imprests and advances	0	0
Deposits and retention	0	0
Total	91,419,902	176,741,559

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15. Prior Year adjustment

	Balance b/f Previous FY 2021/2022(audited financial statements)	Adjustments	Adjusted balance b/f Previous FY 2021/2022
Description of the error	Kshs	Kshs	Kshs
Bank account Balances	0	0	0
Cash in hand	0	0	0
Imprests and advances	0	0	0
Deposits and retentions	0	0	0
Others (<i>specify</i>)	0	0	0
Total	0	0	0

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16. Changes in Imprests and Advances

Description	FY 2022/2023	Comparative FY 2021/2022
	Kshs	Kshs
Opening Receivables as at 1 st July 2022	0	0
Closing account receivables as at 30 th June 2023	0	0
Change in Imprests and advances	0	0

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17. Changes in Accounts Deposits and Retention

Description	FY 2022/2023	Comparative FY 2021/2022
	Kshs	Kshs
Deposit and Retentions as at 1 st July 2022	0	0
Closing accounts payables as at 30 th June 2023	0	0
Changes in deposit and retention	0	0

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Other Important Disclosures

1. Pending Accounts Payable (See Annex 4a)

Supplier of Goods or Services	Date Contracted/ invoiced.	Original Amount	Amount Paid To-Date	Outstanding Balance Current FY 2022/2023	Outstanding Balance Previous FY 2021/2022	Comments
Supply of services		8,736,331.00		8,736,331.00	0	0
Sub-totals		8,736,331.00		8,736,331.00	0	0
Supply of goods	19/06/2023	790,634.00		790,634.00	0	0
Sub-totals		790,634.00		790,634.00		
Grand Total		9,526,965.00		9,526,965.00	0	0

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2. Pending Staff Payables

	Balance b/f from FY 2021/2022	Additions for the year	Paid during the year	Balance c/f for Current FY 2022/2023
Description	Kshs	Kshs	Kshs	Kshs
Senior management	0	0	0	0
Middle management	0	0	0	0
Union employees	0	0	0	0
Others	0	0	0	0
Total	0	0	0	0

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Other Important Disclosures (Continued)

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)
OAG/KYEOP-NITA/2021-2022(17)	<p>1.Incomplete Fixed Asset Register The summary of Fixed Assets Register to the Financial Statements reflected the cumulative total acquisition of non-financial assets balance of Kshs. 148,159,167. However, the audit review of the assets register was incomplete since important information such as serial number & conditions of the assets were not indicated and assets worth Kshs. 9,254,343 were not tagged. In the circumstances the accuracy, completeness and ownership of cumulative non-financial assets of Kshs.148,159,167 could not be confirmed.</p>	<p>The project maintains asset register where all the project assets have been recorded. However, the Project Implementation Unit(PIU)has taken a task to ensure that all assets are well updated in regards to their condition, serialization and allocation. Assets that had not been tagged have been tagged.</p>	unresolved	

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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)
OAG/KYEOP-NITA/2021-2022(17)	<p><u>Other matters</u> 2.Budgetary control and performance. The statement of comparison of budget and actual amounts reflects final revenue budget and actual revenue on comparable basis of Kshs. 575,808,289 and Kshs. 382,328,585 respectively, resulting to underfunding of Kshs. 193,479,704 or 34% of the approved budget. Similarly, the project expended Kshs. 290,912,383 against an approved budget of Kshs. 575,808,289 resulting to an under-expenditure of Kshs. 284,895,906 or 49% of the budget. The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.</p>	<p>This variance was majorly brought about by provision of a higher allocation on the training vote to cater for grievances that anticipated to arise from beneficiary youths and training providers. However, there were expected payment of bonuses to the master craftsmen which were not paid due to some verification that was still ongoing which has now been settled. Also there were staffs who were supposed to be engaged to assist in the project daily activities who had been included in the budget and the process had not been concluded. Going forward the PIU will ensure that all the budgeted and approved activities</p>	unresolved	

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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)
		have been fast tracked.		
OAG/KYEOP-NITA/2021-2022(17)	<p>3.Lack of effective internal audit function</p> <p>The Project has not established an effective internal audit function. This is contrary to Section 155 of the Public Finance</p>	The Internal Audit Function at NITA has been undertaking audits for the project. However, an Officer from the Internal Department has	unresolved	

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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)
	<p>Management Act, 2012 which was provided for the establishment of an effective internal audit function. As such, the Project did not benefit from the assurance and advisory services from the internal audit function. In the circumstances, effectiveness of internal controls and governance could not be confirmed.</p>	<p>been appointed to specifically be in charge of KYEOP Audits. This has been done taking into cognizance the independence of the Internal Audit Function.</p>		
<p>ACCTS/NITA-KYEOP/2018/19/4</p>	<p><u>1.Unsupported Payments.</u> As disclosed under note 8.6 to the Financial statements, the statements of receipts and payments reflect purchase of goods and services of Ksh. 416,567,658 which include training expenditure of Ksh. 300,236,916. Included in training expenses is Ksh. 1,752,279 paid to Kenyatta university out of which an expenditure amounting to Ksh 351,845 had not been supported with invoices. Further</p>	<p>The correct amount is Kshs. 7,270,200. This relates to the payment of stipends to beneficiary youths and helpers vide payment voucher no.624 of Kshs. 18,630,600 and approved memo of Kshs. 25,900,800. The variance raised of Kshs 7,270,200 can be explained by additional payment of Kshs. 5,952,780 vide payment no.0669 that was raised</p>	<p>unresolved</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)
	<p>comparison of payroll from the centres and payment schedules from headquarters resulted to unreconciled variance of Ksh 7,294,500. In view of the foregoing, purchase of goods and services of Ksh.300,236 916 could not be confirmed.</p>	<p>and paid. Thus the memo raised was paid using two vouchers mentioned. The resultant variance of Kshs. 1,317,420, is explained by missing account details (Payroll containing amounts but with no account details) for the beneficiary youth that were extracted from the MIS payroll and incorporated in the memo for processing.</p>		
ACCTS/NITA-KYEOP/2018/19/4	<p>2.Ineffective Project monitoring and evaluation The management spent Ksh. 300,236,916 on training expenses relating to stipend to beneficiary youth and fees for master craftsmen and Formal providers for the month of June 2018-June 2019.An</p>	<p>Approval was not granted for project monitoring and hiring of interns by the World Bank and by then the Authority hadn't acquired project vehicles. However, minimal spot checks were carried out by</p>	unresolved	

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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)
	<p>Audit inspection during the month of September 2019 revealed that some station was not opened throughout working hours and attendance registers for both trainers and trainees were not maintained and update daily as required. Further in Mombasa county with 93 craftsmen based in all the 8 sub counties only one project coordinator was supposed to carry out physical post checks and attendance monitoring by commuting to the sub counties. The feasibility of the coordination could not be confirmed or whether there are measure to ensure effectiveness of internal control put in place to ensure</p>	<p>one project officer in the County. After some time, the project vehicles were procured to support project activities including Quality Assurance of JSST</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)
ACCTS/NITA-KYEOP/2018/19/4	<p>the project succeeds.</p> <p>3.No remittance of erroneous miscellaneous receipts. As disclosed under note 8.4 to the financial statement, the statement of receipts and payments reflects miscellaneous receipts of Ksh. 120,000. This amount has been explained to have been erroneously deposited in the Project account by the ministry of environment. The management explained that the amount relates to conference income that should have been banked to the National Industrial Training Authority (NITA) account .The error had not been corrected by the time the audit exercise was</p>	<p>The inclusion of Khs. 120,000 in the total receipts for the project had been erroneously deposited in the project account by the Ministry of Environment. However, Management wrote a letter to the Principal Secretary, Ministry of Environment and Forestry to confirm this credit of Kshs 120,000 and its purpose. Upon the response, the funds were then transferred from the project account to National Industrial Training Authority (NITA) account for the use of</p>	unresolved	

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	concluded	conference facilities by the Ministry of Environment vide payment voucher no.1175.		
ACCTS/NITA-KYEOP/2018/19/4	<p><u>4.Budget Control and performance</u> The statement of comparative budget and actual amounts reflects final receipt budget and actual on comparable basis of Ksh. 928,187,007 and Ksh. 793,474,648 respectively resulting to underfunding of Ksh. 134,712,359 or 15% of the budget. Similarly, the project spent Ksh. 518,719,342 or 35% of the approved budget of Ksh. 928,187.007. Management has attributed the under absorption to non-recruitment of additional staff and late procurement</p>	<p>a) Receipts The overall shortfall of Kshs. 134,712,359 was as a result of non-release of funds by the National Treasury, as a result of low absorption of funds by the project, evidenced by the high closing balances in the months of April and May 2019 bank statements.</p> <p>b) Expenditure The under expenditure experienced under Purchase of goods and services, was majorly brought</p>	unresolved	

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	<p>process. The under-absorption could have affected the planned activities and could have impacted negatively to the service delivery to the public.</p>	<p>about by provision of a higher allocation on the training cost vote to cater for youth stipends and fees for training providers. 64% of the total budget was allocated to this vote. It had been anticipated that cycle 2 training targeting 6,000 youth, would begin in the month of September 2018, but began in the month of January 2019. Cycle 3 training, targeting 11,000 youth was to commence in the month of March 2019 but began in June 2019. This had a negative effect in our absorption of funds as a result</p>		

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		<p>of delays in on boarding of youth by the Ministry of Public Service, Youth and Gender Affairs (MPYGA) as per the set timelines determined by them. Admission of youth into the project is a deliverable of MPYGA. On compensation of employees, the under expenditure was majorly as a result of non-recruitment of additional staff in the Project. This was due to the fact that the Project got a delay in receiving a NO Objection from the World Bank to recruit additional staff for the project.</p>		

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		<p>Budget provisions for this vote included recruitment of county drivers, Management Information specialist, Curriculum Development specialist, Office assistants, procurement and accounts assistants and communication assistants.</p> <p>On acquisition of non-financial assets, the low absorption was attributed by late procurement process of 5 additional vehicles for cycle 3 counties. The vehicles were scheduled to be delivered by to the Project by the beginning of December 2019</p>		

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		<p>as an L.P.O for the same had been issued to the service provider.</p> <p>Management had demanded timely approval of all requests including annual work plan by world Bank at the beginning of each financial year and this had come out clearly during the Mid Term Review between the implementing agencies and World Bank. Management had since instituted proper planning of activities in its work plan to ensure efficient use of resources, prompt re-allocation of resources to activities that</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)
		<p>required more funds and had also instituted measures to enable prompt payment of stipends and fees to youth and training providers respectively, to enable achieve its strategic goals and objectives going forward. Recruitment of the earlier mentioned positions was ongoing and was expected to be concluded by the end of December 2019. As for purchase of additional 5 vehicles the process was also ongoing and was also expected to be concluded by receipt of the vehicles by December 2019.</p>		

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ACCTS/NITA-KYEOP/2018/19/4	<p><u>5.Untagged fixed assets</u> The statement of Financial assets reflects total assets of Ksh. 109,141,639 as disclosed under note 8.7 to the Financial Statement. Included in this figure are assets worth Ksh. 9,113,180 that had not been tagged and serialized for ease of identification. Further no evidence was made to prove that the assets were verified quarterly as required by the project implementation manual.</p>	<p>The project had sought a No Objection from the World Bank which was yet to be granted to carry out this activity. However, the asset register is up to dated.</p>	unresolved	
KYEOP/NITA/2020-2021/5	<p><u>1.Inaccuracies in the Financial Statement</u> Cash flow statement The statement of financial Statement reflects cash and cash equivalents of</p>	<p>The cash and cash equivalent of KShs. 176,741,559 as at 30th June 2021 and the statement of financial</p>	unresolved	

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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)
	<p>Kshs. 176,741,559 as at 30th June 2021 which differs with the Year-end cash and cash equivalents of Ksh. 177,214,091 could not be confirmed for the year ended 30th June 2021.</p> <p>Consequently the accuracy and completeness of the cash flow statement cash and cash equivalents of balance of Ksh.177,214,091 could not be confirmed for the year ended 30th June 2021.</p>	<p>assets differs with the year-end cash and cash equivalent of KShs. 177,214,091 in the statement of cash flow.</p> <p>The difference occurred due to the imprest issued to Mr. Festus Kitui of KShs. 472,532 which was accounted for as an outstanding (accounts receivable) as at 30th June 2021. The activity started in the month of June 2020 and ended in the month of July 2021.</p> <p>Consequently, the Cash and Cash Equivalent of Kshs. 177,214,091 as presented in the</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)
		Cash flow statement was accurate.		
KYEOP/NITA/2020-2021/5	<p><u>2.Cash and cash equivalents</u> The statement of financial assets reflects a cash and cash equivalent balance of Ksh 176,741,559 which does not include Ksh. 3,619,473 held in suspense cooperative bank of Kenya. Further audit revealed that another suspense account with nil balance is held at Equity Bank which was not disclosed in the Financial Statements. Her were also no bank reconciliation statements and returns for the two suspense accounts.</p>	<p>The main account in the project is Kenya Commercial Bank. The other two accounts which are cooperative and Equity bank are suspense accounts which were opened as per the service level agreement to facilitate payment of stipends to the beneficiary youth. The balance in the cooperative bank suspense account was disclosed in the financial statement under note 5 under cash and cash equivalents. However, Equity</p>	unresolved	

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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)
		suspense account was not disclosed.		
KYEOP/NITA/2020-2021/5	<p><u>3.Renewal contracts for contractual staff</u> Included in the compensation of employee's balance of Ksh. 29,414,921 is Ksh. 2,400,000 being unsupported monthly salary payments made to ten contracted drivers for the month of January 2021 to 30th June 2021. Examination of records found in their personal files revealed that they had all requested for contract renewal through letters which were all approved on 14th December 2020 but not signed contracts were in place to support the renewal. In the circumstance the propriety and</p>	The signed Contracts for 10 contracted drivers for the period are in place and the same was discussed with the audit team.	Unresolved	

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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)
	completeness of Ksh.29,414,921 for compensation of employees could not be confirmed for the year ended 30 th June 2021.			
KYEOP/NITA/2020-2021/5	<p>4.Fuel unsupported fuel expenditure</p> <p>Note 3 to the financial statement reflects fuel cost of Kshs 2,958,982 which also includes Kshs. 1,254,583. However, documents such as work tickets cashbooks and fuel statements were not provided for audit verification. Further the project fuel statement revealed that National Industrial Training Authority refunded an amount totalling to Ksh. 1,306,818 being mount of fuel incurred by the authority. However, supporting</p>	<p>Project vehicles were stationed across the KYEOP implementing Counties. Some of the work tickets indicated were in the County Offices and were availed for review. In regards to refund of fuel by NITA, the Authority budgets for its activities prior to commencement and the fuel to be consumed for all the vehicles including that of KYEOP vehicles is factored in the budget</p>	unresolved	

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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)
	documents for the actual total amount incurred by the authority were not provided. In the circumstance, the actual fuel consumed by NITA has not been provided for audit verification and the propriety of the fuel cost of kshs.1,254,538 for the year ended 30 th June could not be confirmed.			
KYEOP/NITA/2020-2021/5	<p>5.Fixed assets</p> <p>Analysis of the summary of fixed assets as shown in the table below and at annex 3 of the financial statement and the physical fixed asset register kept by the project revealed significance differences of Kshs. 9,323,039 relating to office furniture and general equipment and a similar</p>	<p>The difference of KShs. 9,323,039 relating to Office Furniture and Equipment and a difference of KShs. 9,323,039 relating to vehicles and other transport equipment occurs due to posting error.</p> <p>The Office Furniture and</p>	unresolved	

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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)
	<p>difference of Kshs. 9,232,039 relating to the vehicles and other transport equipment totalling to Kshs. 18,646,078. No explanation has been provided regard the total difference of Ksh. 18,646,078. Consequently, the accuracy of the summary of fixed asset register at annex 3 could not be confirmed for the year ended 30th June ,2021</p>	<p>General Equipment amounting to Kshs. 9,323,039 was wrongly classified under Vehicle and other Transport Equipment thus understating the Office Furniture and General Equipment amount and overstating Vehicle and other Transport Equipment. The error was corrected in the Financial Statement.</p>		
<p>KYEOP/NITA/2020-2021/5</p>	<p>6.Budgetary control and performance The statement of comparison of budget and actuals amount as at 30th June ,2021 reflects a total payments final budget of Kshs.</p>	<p>The under expenditure experienced under Purchase of goods and services, was majorly brought about by provision of a higher allocation</p>	<p>unresolved</p>	

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	<p>1,033,473,937 against actual expenditure amount of Kshs. 580,680,647 giving a budget utilization of 56%. An in-depth review of the expenditures incurred shewed there were budget under absorption. From the analysis above, it is evident that the project spent under its budget by a total of Kshs. 452,739,290 (44%). This may have a negative impact on implementation of planned activities and service delivery to stake holders. This need proper planning to avoid instances of idle funds.</p>	<p>on the training cost vote to cater for youth stipends, fees for training providers and there were limited training activities due to COVID-19 pandemic whereby some milestones were spilled to the following financial year.</p>		
KYEOP/NITA/2020-2021/5	<p><u>7.Compensation of employees</u> Included in the compensation of employee's balance</p>	<p>Included in the compensation of employee's balance of KShs. 29,414,921 is</p>	unresolved	

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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)
	<p>of Kshs. 29,414,921 is Kshs.1,292,635 relating to the statutory deductions whose documentary evidence such as payment and acknowledgement slips were not provided for audit review and therefore it is not clear whether they had been remitted to relevant entities as required by Section 94(1) of the Tax Procedure Act ,2015,Section 27.(1)of the NSSF Act 2013,and Section 18(2) of the NHIF At Cap 255</p>	<p>KShs. 1,292,635 relating to statutory deductions. NITA KYEOP and National Industrial Training Authority (NITA) share the same employer NSSF number, NHIF number and KRA PIN and therefore, NITA KYEOP transfer the amount to NITA for onward remittance to the statutory bodies. The stated amount was remitted to the relevant entities by National Industrial Training Authority (NITA) inclusive of other staffs in the Authority as evidence in terms of payment</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)
		slips and other supporting documents provided to the auditor for their review.		
KYEOP/NITA/2020-2021/5	<p><u>8.Imprest management</u> Examination of the imprests records totalling Kshs. 4,814,837 revealed that officers serving on the project were issued with more than one(1)imprest contrary to Section 93(4)(b) of the Public Finance Management Regulation,2015 which states that the Accounting Officer shall ensure that an imprest holder does not have an outstanding imprest before an earlier one is surrendered.</p>	Management noted and has ensured adherence to the set-out imprest regulations. It should be noted that all the imprests mentioned above were accounted for in full which was also discussed with the OAG team.	unresolved	
KYEOP/NITA/2020-2021/5	<p><u>9.Activities without prior clearance from the world bank</u></p>	Approval for Development and Updating of	unresolved	

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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)
	<p>The audit reveals that a budget of Kshs. 600,000 was approved by the World Bank for development of a new occupational standards while the actual expenditure is recorded as Kshs. 3,755,900. In addition, another expenditure totalling Kshs.1,034,600 was incurred in a workshop to prepare NITA's new role in KYEOP .However, a no objection certificate from the World Bank was not provided for audit review</p>	<p>existing occupational competency standards (OCS) was granted by the World Bank in the Annual Work Plan (AWP) and Budget for the period July 2020-June 2021.</p> <p>The World Bank approved Kshs. 600,000.00 for development of new occupation competence standards (OCS) and Kshs. 5,250,000.00 for updating of existing competence standards. Since the nature of two activities are related and carried out by the same experts, the actual expenditure of Kshs. 3,755,900</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)
		<p>for development of new occupation competence standards (OCS) and updating the existing occupation competence standards (OCS) is justified. The workshop to prepare NITA's new role in KYEOP utilized approved funds for Quality Assurance (QA) which had been approved in the AWP. Following restructuring of KYEOP and NITA having been allocated key mandate of Quality Assurance, it was important that a QA Frame work be developed. This was developed and shared with the</p>		

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		World Bank and NITA Board. The main activity of the workshop was to develop the QA Framework to enable NITA take the role of quality assurance in the project as per the restructuring documents.		

Guidance Notes:

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the "Issue/Observation" and "management comments", required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
4. Indicate the status of "Resolved" or "Not Resolved" by the date of submitting this report to National Treasury.



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Stephen Ogenga
Director General



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Joseph Kinuthia
Project Coordinator

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Annex 2: Variance explanations - Comparative Budget and Actual amounts for Current FY 2022/2023

	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					
Proceeds from domestic and foreign credits	241,739,202.00	183,403,784.00	58,335,418.00	76%	A supplementary was to be made. However, there were challenges in communication in regards to supplementary
Total Receipts	241,739,202.00	183,403,784.00	58,335,418.00		
Payments					
Compensation of employees	24,126,800.00	17,085,691.00	7,041,109.00	71%	
Purchase of goods and services	213,512,402.00	68,728,036.00	144,784,366.00	32%	Larger percentage of the budget was allocated on training payments whereby there was a decrease in employment milestone and also some of the items were not cleared in the annual work plan
Acquisition of non-financial assets	4,100,000.00	894,000.00	3,206,000.00	22%	Some of the anticipated items to be purchased

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					were not cleared in the annual work plan
Total payments	241,739,202.00	86,707,727.00	155,031,475.00	36%	

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Annex 3: Reconciliation of inter-entity transfers

PROJECT NAME:		KENYA YOUTH EMPLOYMENT AND OPPORTUNITIES PROJECT(NITA)		
Break down of Transfers from the State Department of Labour				
a. Others	Bank Statement Date	Amount (KShs)	Indicate the FY to which the amounts relate	
	19/04/2017	100,000,000.00		2016/2017
	04/07/2017	3,516,303.00		2017/2018
	16/03/2018	54,371,450.00		2017/2018
	11/04/2018	8,315,580.00		2017/2018
	16/05/2018	9,915,475.45		2017/2018
	31/05/2018	81,397,494.55		2017/2018
	20/09/2018	60,316,020.00		2018/2019
	26/09/2018	77,548,277.00		2018/2019
	23/10/2018	38,935,404.30		2018/2019
	11/12/2018	74,196,270.00		2018/2019
	23/01/2019	242,496,940.00		2018/2019
	11/03/2019	87,720,120.00		2018/2019
	27/05/2019	124,074,610.00		2018/2019
	24/09/2019	211,961,646.95		2019/2020
	18/09/2019	70,758,596.20		2019/2020
	23/10/2019	152,948,358.70		2019/2020
	16/12/2019	236,885,446.70		2019/2020
	28/02/2020	76,943,893.25		2019/2020
	28/02/2020	207,747,892.00		2019/2020
	04/09/2020	150,927,779.70		2020/2021
	08/01/2021	294,403,645.95		2020/2021
	14/04/2021	34,710,333.00		2020/2021
	30/04/2021	188,998,367.25		2020/2021

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	12/10/2021	205,587,026	2021/2022
	16/02/2023	91,984,583	2022/2023
	TOTAL	2,886,661,513	

The above amounts have been communicated to and reconciled with the Parent Ministry/ State Department

Project Coordinator
 National Industrial Training Authority

Sign -----

Head of Accounting Unit

State Department for Labour

Sign 

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Annex 4: Analysis of Pending Bills

Supplier of Goods or Services	Date Contracted/ invoiced.	Original Amount	Amount Paid To- Date	Outstanding Balance Current FY 2022/2023	Outstanding Balance Previous FY
Supply of services					-
CMC Motors Group LTD	6/6/2023	144,191.00		144,191.00	
Stipends to beneficiary youths		2,034,270.00		2,034,270.00	
Master craftsmen bonus		6,464,000.00		6,464,000.00	
E-Waste (formal training provider)		80,750.00		80,750.00	-
Uzuri Institute (formal training provider)		3,620.00		3,620.00	
Cornerstone Training Institute (formal training provider)		4,750.00		4,750.00	
Echo contractor (formal training provider)		4,750.00		4,750.00	
Sub-Total		8,736,331.00		8,736,331.00	-
Supply of goods and services					
Nisite Limited	19/06/2023	790,634.00		790,634.00	
Sub-Total		790,634.00		790,634.00	
Grand total		9,526,965.00		9,526,965.00	

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Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2022/2023	Donations in form of assets (KShs) 2022/2023	*Purchases/ Additions in the Year (KShs) 2022/2023	** Disposals in the Year (KShs) 2022/2023	Transfers in/(out) Kshs 2022/2023	Closing Cost (KShs) 2023
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+c- (d)+(-)d
Office equipment, furniture and fittings	47,319,166	-	894,000	-	-	48,213,166
Software	23,220,001	-	-	-	-	23,220,001
Vehicles & other transport equipment	77,620,000	-	-	-	-	77,620,000
Total	148,159,169	-	894,000	-	-	149,053,167

Notes

* Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments

** The disposal amount to be disclosed in this register is the cost that the asset was acquired at and not the price at which it has been sold. The balance as at the end of the year is the cumulative cost of all assets bought and inherited by the project. Additions during the year should tie to note 18 on acquisition of assets during the year. Ensure this section is complete covering all the entities assets. Ensure the complete fixed asset register is separately prepared as per circular number 5/2020 and follow up reminder of circular No. 23/2020 of The National Treasury

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Annex 6: Other Support Documents

- i. Bank Reconciliations statement as at 30th June 2023
- ii. Board of Survey Report