

REPUBLIC OF KENYA



Enhancing Accountability



REPORT

DATE: 06 DEC 2023

WED

OF

Hon Naomi Wago, MP

BY:

Deputy majority whip

CLIENT:

Minam Mado

THE AUDITOR-GENERAL

ON

**PROMOTION OF YOUTH EMPLOYMENT AND
VOCATIONAL TRAINING IN KENYA (PHASE I)
REFERENCE: LOAN NO. BMZ 2016 67, 211 &
BMZ NO. 2016 65 298 AND PROJECT GRANT
REFERENCE: NO. 1930 05 527**

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

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



Revised Template 30th June 2023



**PROJECT NAME: PROMOTION OF YOUTH EMPLOYMENT AND VOCATIONAL
TRAINING IN KENYA**

IMPLEMENTING ENTITY: MINISTRY OF EDUCATION -SDTVET

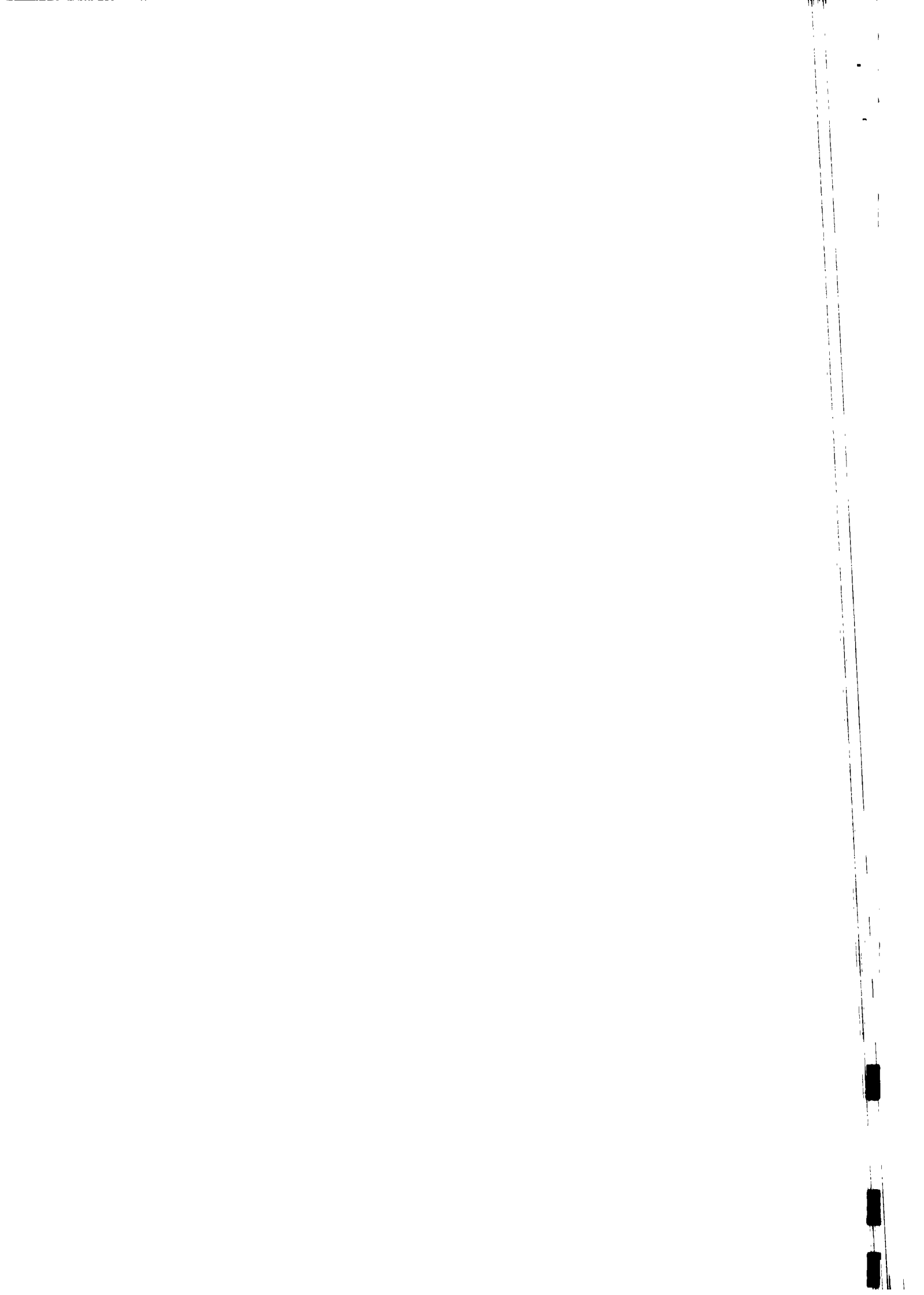
**PROJECT GRANT/CREDIT NUMBER: BMZNo.2016 67 211, BMZ NO. 2016 65 298
AND
PROJECT GRANT REFERENCE NUMBER: 1930 05 527**

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)**



***Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023***

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1. Acronyms and Glossary of Terms

- i) MED- Masters in Education
- ii) MA-ICT- Masters of Arts, Information and Communication Technology.
- iii) BSC-Bachelor of Science
- iv) BA- Bachelors of Arts
- v) CPA (K)- Certified Public Accountant, Kenya
- vi) MBA- Masters of Business Administration
- vii) N/A- Not Applicable
- viii) MA- Masters of Arts
- ix) PFM-Public Finance Management Act
- x) AIE- Authority of Incur Expenditure
- xi) MDAs-Ministries, Departments and Agencies

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Promotion of Youth Employment and Vocational Training.

Objective

The key objective of the project is to promote Kenyan Youth have successfully completed who high-quality labour market –oriented TVET.

Address

The project headquarters offices are Nairobi (city), Nairobi County, Kenya.

The address of its registered office is:

Ministry of Education, State Department of Vocational and Technical Training,
Jogoo House B 8th Floor
P.O. Box 9583-00200
Nairobi, Kenya

Contacts: The following are the project contacts

Telephone: (254) 722492972

E-mail: psvtt@education.go.ke

Website: www.education.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The project start date is 21.02.2020
Project End Date:	The project end date is 31.12.2023
Project Manager:	The project manager is Ms. Lina Ayako
Project Sponsor:	The project sponsor is GoK and KfW Development Bank (Germany)

2.3 Project Overview

Line Ministry/State Department of the project	Ministry of Education/State department for TVET
Project number	BMZNo.2016 67 211, BMZ NO. 2016 65 298
Strategic goals of the project	The strategic goals of the project are as follows: The goal is to enhance employability of youth through dual training.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Capacity building of TVET (ii) Infrastructure expansion (iii) Enhance training equipment
Other important background information of the project	a) The project The challenges in the sector are well documented. They include low penetration due to inadequate facilities; capacity of trainers is not commensurate with the modern technology in the entire sector country wide. b) The consequences have been poor perception of TVET

Promotion of Youth Employment and Vocational Training in Kenya
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	<p>training, poor tools impacting on quality of training. The Government has put interventions in place including, capitation support, infrastructure support and supply of the Art equipment. This project will augment Governments efforts in all areas of deficiency.</p>
<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following problems/gaps:</p> <ul style="list-style-type: none"> (i) Rehabilitation extension and/or construction of essential TVET buildings (ii) Procurement of tools in support of cooperative training (iii) Training of trainers on use and maintenance of equipment (iv) Development and procurement of teaching, learning and assessment materials and tools (v) Provision of Scholarships
<p>Project duration</p>	<p>4 Years</p>

Project Information and Overall Performance (Continued)

2.4 Bankers

The project does not have a separate bank account for its operations. It shares the Development Bank account for the State Department of Vocational and Technical Training at the Central Bank of Kenya.

2.5 Independent Auditor

The project is audited by the:

Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GOP 00100
Nairobi, Kenya

Project Information and Overall Performance (Continued)

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
Niras Africa Limited	Implementing Consultants	International Consultancy	Support Ministry of Education on implementation of all aspects of the project (designs, scholarships, equipment etc)
Lina Ayako	Deputy Director Technical Education	Master of Education	Project Coordinator
Samuel Waweru	Deputy Director Technical Education	Master Arts – Information Communication Technology	Deputy project Coordinator
Arc. Mwangi Kiragu	Senior Supt Architect	Master of Art Urban Management	in charge of liaison with the implementing consultants on architectural designs
Peter G. Kamau	Senior supt. Quantity surveyor	Bachelor of Science quantity Surveying	In charge of liaison with the implementing consultants on material quantities
Joseph Kiraita	Head of Accounts	Bachelor of Art Commerce Certified Public Accountant	Head of Accounting Unit
Joseph Kuria	Principal Accountant	Msc Commerce, Certified Public Accountant	Project Accountant
David Tande	Finance officer	Bachelor of Art Commerce Certified Public Accountant	Project Finance Officer
Ali Bocha	Supply chain Management officer	Bachelor of Art Commerce	Project Supply Chain Officer

Project Information and Overall Performance (Continued)

2.7 Funding summary

The Project is for duration of 4 years from 2020 to 2023 with an approved budget of Euros 22,737,947.00 equivalent to Kshs 2,773,120,000.00 as highlighted in the table below:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 th June, 2023)				Undrawn balance to date (30 th June, 2023)
	Donor currency USD (A)	KShs (A')	Donor currency (USD) (B)	KShs (B')	Donor currency (USD) (A)-(B)	KShs (A')-(B')	
GRANT SUMMARY							
KfW - Germany	2,000,000	243,920,000	772,369	94,198,180	1,227,631	149,721,820	
Total Grants	2,000,000	243,920,000	772,369	94,198,180	1,227,631	149,721,820	
LOAN SUMMARY							
KfW - Germany	20,000,000	2,439,200,000	2,454,457	299,345,578	17,545,543	2,139,854,422	
Total Loans	20,000,000	2,439,200,000	2,454,457	299,345,578	17,545,543	2,139,854,422	
Counter Part funds							
Counter Part funds Government of Kenya	737,947	90,000,000	312,963	38,169,002	424,984	51,830,998	
Total Funding Summary	22,737,947	2,773,120,000	3,539,790	431,712,760	19,198,157	2,341,407,240	

*Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

Project information and overall performance (continued)

B. Application of Funds

Source of funds	Amount received to date – (30 th June, 2023)		Cumulative Amount Paid to date – (30 th June, 2023)			Undrawn balance to date (30 th June, 2023)
	Donor currency (EuR)	KShs (A')	Donor currency (EuR)	KShs (B)	Donor currency (EuR)	
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B')
GRANT SUMMARY						
KfW - Germany	772,369	94,198,180	772,369	94,198,180	1,227,631	149,721,820
Total Grants	772,369	94,198,180	772,369	94,198,180	1,227,631	149,721,820
LOAN SUMMARY						
KfW - Germany	2,454,457	299,345,578	2,454,457	299,345,578	17,545,543	2,139,854,422
Total Loans	2,454,457	299,345,578	2,454,457	299,345,578	17,545,543	2,139,854,422
Counter Part funds						
Counter Part funds Government of Kenya	312,963	38,169,002	312,963	38,169,002	424,984	51,830,998
Total Funding Summary	3,539,790	431,712,760	3,539,790	431,712,760	19,198,157	2,341,407,240

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,
- ii) Physical progress based on outputs, outcomes, and impacts since project commencement Status of implementation

	Key Activities	Outputs	outcome
i.	Rehabilitation extension and/or construction of essential TVET buildings	50% Construction and rehabilitation measures completed	Kenyan Youth have successfully completed high-quality Labour market –oriented TVET 37.5 % of Trainees who have successfully completed TVET at Centre of Excellence
ii.	Procurement of tools in support of cooperative training	50 % of equipment supplied	
iii.	Training of trainers on use and maintenance of equipment	30 trainers trained 100 % of curriculum in 3 materials developed	
iv.	Development and procurement of teaching, learning and assessment materials and tools		

- iii) Indicate the absorption rate for each year since the commencement of the project.
- iv) List the implementation challenges and recommended next steps.

Project Information and Overall Performance (Continued)

2.9 Summary of Project Compliance:

- i) Include significant cases of non-compliance with applicable laws and regulations eg treasury circulars on project investment management, PFM Act 2012 and Kenya vision 2030 flagship projects, and essential external financing agreements/covenants,
- ii) Include consequences suffered on account of non-compliance or likely to be suffered.
- iii) Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance.

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:

- i. Rehabilitation extension and/or construction of essential TVET buildings
- ii. Procurement of tools in support of cooperative training
- iii. Training of trainers on use and maintenance of equipment
- iv. Development and procurement of teaching, learning and assessment materials and tools
- v. Provision of Scholarships

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.

Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
i. Rehabilitation extension and/or construction of essential TVET buildings	To expand infrastructure in TVET	Increased access to TVET training	% Construction and rehabilitation measures completed	FY 2023 50% Construction and rehabilitation measures completed
i. Procurement of tools in support of cooperative training	To increase equipment for training	Increased quality of training	% of equipment supplied	FY 2023 50 % of equipment supplied
ii. Training of trainers on use and maintenance of equipment	To build capacity of trainers		37.5 % of Trainees who have successfully completed TVET at Centre of Excellence	30 trainers trained

4. Environmental and Sustainability reporting

The project of Promotion of Youth Employment and Vocational Training in Kenya (TVET Phase I) exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

The top management especially the accounting officer should refer to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

3. Employee welfare

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

4. Market place practices-

a) Responsible Supply chain and supplier relations-

Project is at the initiation and procurement process is on-going. Suppliers will be managed as per the Public Procurement Act 2005 and the Financial Management Act 2015

b) Responsible ethical practices

The advertisement for tenders done is in line with the procurement laws of Kenya and the financiers' procurement rules and procedures. The advertisement is done through newspapers of larger circulation and through the Ministry and KfW websites. Individual institutions advertise for their programmes through the print and electronic media. There are also efforts to maintain ethical and responsible political environments' and anticorruption practices.

c) Regulatory impact assessment

The ministry has regulatory agencies which include TVET Authority and KNQA which regulates the quality of training across the country to safeguard citizen and stakeholder's rights.

5. Community Engagements

At initiation stage. Community engagements not yet in place.

5. Statement of Project Management responsibilities

The Principal Secretary for the State Department for Vocational and Technical Training in the Ministry of Education and the overall project coordinator for the project promotion of youth employment and vocational training 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. The responsibility includes;

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

The Principal Secretary for the State Department for Vocational and Technical Training in the Ministry of Education and the overall Project coordination for the project promotion of youth employment and vocational training accept responsibility for the Project financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting Policies in accordance with the international Public Sector Accounting Standards

The Principal Secretary for the State Department for Vocational and Technical Training in the Ministry of Education and the overall Project coordinator for the project promotion of youth employment and vocational training are of the opinion that the Financial statements

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

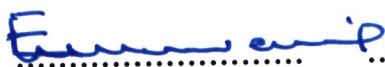
give a true and fair view of the state of the Project's transactions during the financial year ended 30 June 2023 and of the project's financial position as at that date.

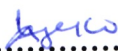
The Principal Secretary for the State Department for Vocational and Technical Training in the Ministry of Education and the overall Project coordinator for the project promotion of youth employment and vocational training further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the project financial statements as well as the adequacy of the systems of internal financial control.

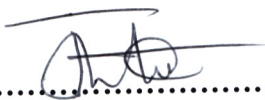
The Principal Secretary for the State Department for Vocational and Technical Training in the Ministry of Education and the overall Project coordinator for the project promotion of youth employment and vocational training confirm that the project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project Financial Statements

The Project financial statements were approved by the Principal Secretary for the Ministry of Education, State Department of Vocational and Technical Training and the Project Coordinator for the Promotion of Youth Employment and Vocational Training in Kenya and signed by them on 24th October, 2023:

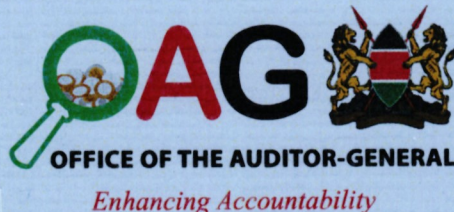

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Dr. Esther T. Muoria
Principal Secretary


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Lina Ayako
Project Coordinator


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Joseph Kuria
Project Accountant
ICPAK Member No:21552

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR-GENERAL ON PROMOTION OF YOUTH EMPLOYMENT AND VOCATIONAL TRAINING IN KENYA (PHASE I) REFERENCE: LOAN NO. BMZ 2016 67, 211 & BMZ NO. 2016 65 298 AND PROJECT GRANT REFERENCE: NO. 1930 05 527 FOR THE YEAR ENDED 30 JUNE, 2023 – STATE DEPARTMENT FOR TECHNICAL, VOCATIONAL EDUCATION AND TRAINING

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards, and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure 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 of The Auditor-General on Promotion Of Youth Employment and Vocational Training in Kenya (Phase I) Reference: Loan No. Bmz 2016 67,211 & Bmz No. 2016 65 298 and Project Grant Reference: No. 1930 05 527 for the year ended 30 June, 2023 – State Department for Technical, Vocational Education and Training

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Promotion of Youth Employment and Vocational Education and Training in Kenya Project Loan Reference No. BMZ 2016 67,211 & BMZ No. 2016 65 298 and Project Grant Reference: No. 1930 05 527 set out on pages 1 to 28, which comprise of the statement of financial assets as at 30 June, 2023, statement of receipts and payments, statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Promotion of Youth Employment and Vocational Training in Kenya Project Loan Reference No. BMZ 2016 67,211 & BMZ No. 2016 65 298 and Project Grant Reference No. 1930 05 527 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 Public Finance Management Act, 2012, and the Loan Financing Agreement No. BMZ 2016 67,211, No. BMZ . 2016 65 298 and No. 1930 05 527 respectively between Kreditanstalt fur Wiederaufbau (KfW) and the Government of Kenya dated 21 February, 2020.

Basis for Opinion

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

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 a comparable basis of Kshs.936,975,000 and Kshs.268,560,780

*Report of The Auditor-General on Promotion Of Youth Employment and Vocational Training in Kenya (Phase I)
Reference: Loan No. Bmz 2016 67,211 & Bmz No. 2016 65 298 and Project Grant Reference: No. 1930 05 527 for
the year ended 30 June, 2023 – State Department for Technical, Vocational Education and Training*

respectively resulting to an under-funding of Kshs.668,414,220 or 71% of the budget. Similarly, the Project expended Kshs.268,560,780 against an approved budget of Kshs.936,975,000 resulting to an under-expenditure of Kshs.668,414,220 or 71% of the budget.

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

2. Unresolved Prior Year Matters

In the audit report for the previous year, several paragraphs were raised under the Report on Lawfulness and Effectiveness in Use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management has not resolved the issues of the prior year matters.

In the circumstances, the issues remain outstanding.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Failure to Raise Receipt Vouchers for Loan from External Development Partners

The statement of receipts and payments reflects an amount of Kshs.52,684,632 in respect of proceeds from domestic and foreign grants as disclosed in Note 2 to the financial statements. However, the Project Management did not issue an official receipt for these grants. The receipts were in respect to direct payments to different suppliers for professional consultancy services which were not supported by the respective bank statements. In addition, the amount was not supported by a receipt voucher or disbursement schedule from the donor.

In the circumstances, the regularity of the proceeds from domestic and foreign grants of Kshs.52,684,632 could not be confirmed.

2.0 Unsupported Receipts and Failure to Open and Maintain a Separate Bank Account

The statement of receipts and payments reflects receipts from Government of Kenya amount of Kshs.8,596,073 as disclosed in Note 1 to the financial statements. However, the Project Management did not maintain a Project bank account as funds received were credited to the Ministry's development bank account instead of a separate project account. It was therefore not possible to trace the receipts to the cash book and in the bank statement. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that 'for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at the Central Bank of Kenya unless it is exempted by the Cabinet Secretary, in writing, into which all funds shall be kept and such an account shall be known by the name of the project for which it is opened and each project shall maintain only one bank account. Further, the receipts were not supported with respective itemized exchequer issue notifications and receipt vouchers to confirm the receipt of funds. In addition, tracing expenditures from the State Department's cashbook pertaining to the Project for the period under review was difficult.

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

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

REPORT ON EFFECTIVENESS 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 overall governance were not effective.

Basis for Conclusion

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

REPORT OF OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by the Kreditanstalt für Wiederaufbau (KfW), I report based on the audit, that:

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

Responsibilities of Management and those Charged with Governance

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

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error,

*Report of The Auditor-General on Promotion Of Youth Employment and Vocational Training in Kenya (Phase I)
Reference: Loan No. Bmz 2016 67,211 & Bmz No. 2016 65 298 and Project Grant Reference: No. 1930 05 527 for
the year ended 30 June, 2023 – State Department for Technical, Vocational Education and Training*

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

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

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

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


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

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

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

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

10 November, 2023

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

STATEMENT OF RECEIPTS AND PAYMENTS	Note	Receipts and payments controlled by the entity		Receipts and Payments made by third parties		Total	Receipts and payments controlled by the entity		Payments made by third parties		Total	Cumulative to Date (From Inception)
		FY 2022/23		FY 2021/22			FY 2022/23		FY 2021/22			
		Kshs	Kshs	Kshs	Kshs		Kshs	Kshs	Kshs	Kshs		
RECEIPTS												
Receipts from Government of Kenya	1	8,596,073				8,596,073					29,572,929	38,169,002
Proceeds from Domestic and Foreign Grants	2	-	52,684,632			52,684,632			31,513,548		31,513,548	94,198,180
Loan from External Development Partners	3	-	207,280,075			207,280,075			74,109,822		74,109,822	299,345,578
TOTAL REVENUES		8,596,073	259,964,707			268,560,780			105,623,370		135,196,299	431,712,760
PAYMENTS												
Purchase of goods and services	4	8,596,073	186,526,005			195,122,078			24,673,629		24,673,629	219,795,707
Acquisition of Non-financial Assets	5	-	73,438,702			73,438,702			105,623,370		110,522,670	211,917,053
TOTAL PAYMENTS		8,596,073	259,964,707			268,560,780			105,623,370		135,196,299	431,712,760
SURPLUS/DEFICIT		0	-			0			0		0	0

**Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023**

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


.....

Dr. Esther T. Muoria, PhD
Principal Secretary

.....

Lina Ayako
Project Coordinator


.....

Joseph Kuria
Project Accountant
ICPAK Member No: 21552

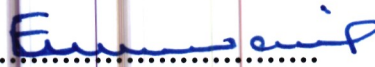
(IPSAS Cash based Standard 2.1.77 encourages an entity to separately disclose third party payments separately on the statement of receipts and payments or as notes to the financial statements. These are payments made by development partners directly on behalf of the entity. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)

Promotion of Youth Employment and Vocational Training in Kenya
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8. Statement of Financial Assets as at 30th June 2023

	Note	FY 2022/23 Kshs	FY 2021/22 Kshs
Bank Balances		-	-
Cash Balances		-	-
Cash Equivalents (Short term deposits)		-	-
Total Cash and Cash equivalents		-	-
Outstanding Imprests & Advances		-	-
TOTAL FINANCIAL ASSETS		-	-
Fund balance b/fwd		-	-
Surplus / (deficit) for the year		-	-
Prior Year Adjustment		-	-
NET FINANCIAL POSITION		-	-


The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 24th October, 2023 and signed by:



Dr. Esther T. Muoria
Principal Secretary



Lina Ayako
Project Coordinator



Joseph Kuria
Project Accountant
ICPAK Member No: 21552

*Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

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

	Note	2022- 2023	2021- 2022
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Receipts from Government of Kenya	1	8,596,073	29,572,929
Proceeds from Domestic and Foreign Grants	2	52,684,632	31,513,548
		61,280,705	61,086,477
Payments for operating expenses			
Use of goods and services	4	- 195,122,078	- 24,673,629
		- 195,122,078	- 24,673,629
Adjusted for:			
Change in Imprests & Advances		-	-
Adjustments during the year		-	-
Net cashflow from operating activities		- 133,841,373	36,412,848
CASHFLOW FROM INVESTING ACTIVITIES			
Acquisition of Non-financial Assets	5	- 73,438,702	- 110,522,670
Net cash flows from Investing Activities		(73,438,702)	(110,522,670)
CASHFLOW FROM BORROWING ACTIVITIES			
Loan from External Development Partners	3	207,280,075	74,109,822
Net cash flow from financing activities		207,280,075	74,109,822
NET INCREASE IN CASH AND CASH EQUIVALENT		0	0
Cash and cash equivalent at BEGINNING of the year		0	-
Cash and cash equivalent at END of the year		0	0

***Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023***

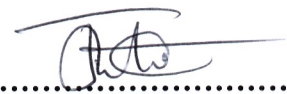
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on 24th October, 2023 and signed by:

.....

Dr. Esther T. Muoria
Principal Secretary

.....

Lina Ayako
Project Coordinator

.....

Joseph Kuria
Project Accountant
ICPAK Member No: 21552

*Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

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

Consolidated Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Utilisation Variance e=c-d	% of Utilisation f=d/c %
Receipts						
Receipts from Government of Kenya	43,000,000	- 34,025,000	8,975,000	8,596,073	378,927	96%
Proceeds from Domestic and Foreign Grants	128,400,000	- 400,000	128,000,000	52,684,632	75,315,368	41%
Loan from External Development Partners	800,000,000		800,000,000	207,280,075	592,719,925	26%
Total Receipts	971,400,000	- 34,425,000	936,975,000	268,560,780	668,414,220	29%
Payments						
Use of goods and services	421,400,000	- 34,425,000	386,975,000	195,122,078	191,852,922	50%
Acquisition of Non-financial Assets	550,000,000		550,000,000	73,438,702	476,561,298	13%
Total Payments	971,400,000	- 34,425,000	936,975,000	268,560,780	668,414,220	29%

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


.....
Dr. Esther T. Muoria

Principal Secretary


.....
Lina Ayako

Project Coordinator


.....

Joseph Kuria
Project Accountant
ICPAK Member No: 21552

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 Promotion of Youth Employment and Vocational Training in Kenya under the State Department of TVET. The financial statements are for the reporting entity Promotion of Youth Employment and Vocational Training in Kenya 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.

d) Recognition of receipts

Promotion of Youth Employment and Vocational Training in Kenya recognises all receipts from the various sources when the event occurs, and the related cash has been received.

Significant Accounting Policies (continued)

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing.

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

vi) Undrawn external assistance

These are loans and grants at 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

Significant Accounting Policies (continued)

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.

Significant Accounting Policies (continued)

v) Acquisition of fixed assets

The payment on acquisition of property plant and equipment items is not capitalized. The cost of acquisition and proceeds from disposal of these items are treated as payments and receipts items respectively. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration and the fair value of the asset can be reliably established, a contra transaction is recorded as receipt and as a payment. A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) In-kind donations

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

g) Cash and cash equivalents

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

Significant Accounting Policies (Continued)

h) Restriction on cash

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

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

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

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

The Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote. **Annex 6** of this financial statement is a register of the contingent liabilities in the year.

Significant Accounting Policies (Continued)

k) Contingent Assets

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

l) Pending bills

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

m) Budget

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

Significant Accounting Policies (Continued)

n) Third party payments

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

o) Exchange rate differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Project operates (Kenya Shillings). Transactions in foreign currencies during the year/period are converted into 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.

p) Comparative figures

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

q) Subsequent events

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

r) Prior period adjustments

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

12. Notes to the Financial Statements

1. Transfers from Government entities

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

	2022-2023	2021-2022	Cumulative to Date
	KShs	KShs	KShs
<i>Counterpart funding through State Department for Vocational</i>			
Counterpart funds Quarter 1	2,149,018	7,393,232	9,542,251
Counterpart funds Quarter 2	2,149,018	7,393,232	9,542,251
Counterpart funds Quarter 3	2,149,018	7,393,232	9,542,251
Counterpart funds Quarter 4	2,149,018	7,393,232	9,542,251
	<u>8,596,073</u>	<u>29,572,929</u>	<u>38,169,002</u>

*Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

Notes to the Financial Statements (Continued)

2. Proceeds From Domestic and Foreign Grants

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

Name of Donor	Date received	FY 2022/23				Total Amount	FY 2021/22	Cumulative to date
		Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind			
		EuR	KShs	KShs	KShs	Ksh	KShs	KShs
Grants Received from Multilateral Donors								
KfW - Germany		431,983		52,684,632	-	52,684,632.00	31,513,548	94,198,180
Total		431,983	-	52,684,632	-	52,684,632.00	31,513,548	94,198,180

*Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

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:

Name of Donor	Date received	Amount in loan currency EuR	Loans received in actual amount KShs	Loans received as direct payment* KShs	Total Amount Kshs.	FY 2021/22 KShs	Cumulative to date KShs
Loans Received from Donors (Multilateral International Organisations)							
KfW - Germany		1,699,574		207,280,075	207,280,075	74,109,822	299,345,578
Total		1,699,574	-	207,280,075	207,280,075	74,109,822	299,345,578

*Promotion of Youth Employment and Vocational Training in Kenya
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Notes to the Financial Statements (Continued)

4. Purchase of Goods and Services

	FY 2022/23			FY 2021/22	Cumulative to-date K Shs
	Payments made by the Entity in Cash KShs	Payments made by third parties KShs	Total Payments KShs	Total Payments KShs	
Domestic travel and subsistence	5,439,100		5,439,100	2,750,200	8,189,300
Training expenses	823,000		823,000	4,693,900	5,516,900
Specialised materials and services		83,024,866	83,024,866		83,024,866
Office and general supplies and services	337,500		337,500	3,195,064	3,532,564
Fuel Oil and Lubricants / Airline	1,996,473		1,996,473	4,999,840	6,996,313
Other operating expenses (Purchase of Office furniture and General Equipment			-	9,034,625	9,034,625
Routine maintenance – vehicles and other transport equipment			-		-
Consultancy services: – Technical and professional services		103,501,139	103,501,139		103,501,139
Total	8,596,073	186,526,005	195,122,078	24,673,629	219,795,707

*Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

Notes to the Financial Statements (Continued)

5. Acquisition of Non-Financial Assets

	Total Payments			FY 2021/22	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	FY 2022/23		
	KShs	KShs	KShs	KShs	KShs
Construction of buildings		73,438,702	73,438,702		73,438,702
Purchase of vehicles & other transport equipment			-	4,899,300	4,899,300
Research, studies, project preparation, design & supervision			-	105,623,370	133,579,051
Total	=	73,438,702	73,438,702	110,522,670	211,917,053

*Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

Other Important Disclosures

1 External Assistance

	FY 2022-2023	FY 2021 -2022
Description	Kshs.	Kshs.
External Assistance received as grants	52,684,632	31,513,548
External assistance received as loans	207,280,075	74,109,822
External assistance received in kind - as payment by third parties		
Total	259,964,707	105,623,370

a) External assistance relating loans and grants

	FY 2022-2023	FY 2021 -2022
Description	Kshs.	Kshs.
External Assistance received as grants	52,684,632	31,513,548
External assistance received as loans	207,280,075	74,109,822
Total	259,964,707	105,623,370

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2022-2023	FY 2021 - 2022
Description		Kshs.	Kshs.
Undrawn external assistance - loans	Youth Empowerment	2,139,854,422	2,347,134,496
Undrawn external assistance - grants	Youth Empowerment	149,721,820	202,406,452
Total		2,289,576,242	2,549,540,948

c) Classe of providers of external assistance

	FY 2022-2023	FY 2021 -2022
Description	Kshs.	Kshs.
Multilateral Donors - KfW Germany	259,964,707	105,623,370
Total	259,964,707	105,623,370

*Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

Other Important Disclosures (Continued)

d) Purpose and use of external assistance

	FY 2022-2023	FY 2021 -2022
Description	Kshs.	Kshs.
Use of goods and services	186,526,005.00	105,623,370.00
Acquisition of assets	73,438,702.00	
Total	259,964,707.00	105,623,370.00

e) External Assistance paid by third parties on behalf of project by Source

	FY 2022-2023	FY 2021 -2022
Description	Kshs.	Kshs.
Multilateral donors	259,964,707	105,623,370
Total	259,964,707	105,623,370

*Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

Other Important Disclosures (Continued)

2. Payments by Third Parties on behalf of the project

2.1 Classification by Source

	FY 2022-2023	FY 2021 -2022
Description	Kshs.	Kshs.
Multilateral donors	259,964,707	105,623,370
Total	259,964,707	105,623,370

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

	FY 2022-2023	FY 2021 -2022
Description	Kshs.	Kshs.
Use of goods and services	186,526,005.00	105,623,370.00
Acquisition of assets	73,438,702.00	
Total	259,964,707.00	105,623,370.00

*Promotion of Youth Employment and Vocational Training in Kenya
Annual Report and Financial Statements for the financial year ended 30 June, 2023*

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)
292. Budgetary Control and Performance	<p>The statement of comparison of budget and actual amounts reflects a final budget and actual receipts on a comparable basis of Kshs.633,000,000 and Kshs.135,196,299 respectively, resulting in an underfunding of Kshs. 497,803,701 (or 79%) of the budget similarly, the project spent an amount of Kshs. 135,196,299 against an approved budget of Kshs. 633,000,000, resulting in an under expenditure of Kshs.497,803,701 (or 79%) of the budget. The underfunding and underperformance affected the planned activities</p>	<p>There was a budgetary underfunding and underperformance of Kshs.497,803,701 (or 93%) of the budget during the Financial Year under review. We wish to state that this was caused by slow procurement processes. The State Department through the Consultant Niras Africa Limited has since identified contractors to implement the construction works in the Centers of Excellence and to furnish the same with specialized equipment. In the Financial year 2022/2023, the Project Management will fast track budgetary performance and ensure that all the activities planned for are undertaken and payments effected to improve on budget absorption.</p>	Not Resolved	

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	and may have impacted negatively on service delivery to the public.			
293. Slow Pace of Project Implementation	<p>The Financing Agreement dated 21 February, 2020 indicated that Phase I of the Project had twelve (12) activities. The activities were meant to construct, equip and upgrade three (3) Institutions identified as Centres of Excellence through training of trainers on the use and maintenance of equipment, development, and procurement of teaching, learning and assessment materials and tools as well as provision of scholarships to disadvantaged youths. However, the project is at the third activity, an indication that nine (9) activities had not been implemented as of the time of the audit in October, 2022. Further, the Project has only fourteen (14)</p>	<p>The project achievement delays were due to the COVID-19 pandemic that occasioned a worldwide lockdown on movement and activities.</p> <p>The pace of the implementation of Phase I was further impacted by the lengthy procurement procedures arising from the project requirement of adhering to the Kenyan Public Procurement and Disposal Act and the KFW procurement guidelines. We confirm that all the planned activities and procurements have since been undertaken and others on course. The implementation of the project is within the planned financing timelines and will be completed as planned. The detailed workplan and budget extract are attached for your audit review</p>	Not Resolved	

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	<p>months remaining before the expiry of the three (3) year period casting doubt on the completion of the project.</p> <p>In the circumstances, value for money may not be realized in the implementation of the project due to the slow implementation.</p>			
<p>294. Irregular Procurement and Payment for Consultancy Services</p>	<p>As previously reported, the State Department requested assistance from the Development Partner in undertaking the procurement of a consultant on 22 August, 2017. The consultancy service contract was awarded at a contract sum of Kshs. 446,041,869 on 9 September, 2020. However, this was done before the Project financier was identified.</p>	<p>The Tender Agent for the KfW phase I project is based in Germany and was contracted by Kreditanstalt fur Wiederaufbau Bank, (KfW) (German Development Bank) who is the financier of the project. We wish to state the following:</p> <ul style="list-style-type: none"> The Tender Agent was procured on 5th July, 2017 on behalf of the Ministry of Education. The request for the tender Agent was reached upon during the Project Appraisal Mission held on 26th May 2017. Minutes of Appraisal Mission and confirmation of the Tender Agent Procurement process by KfW 	<p>Not Resolved</p>	

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		<p>are attached. (Annex 294 a). The Consulting Agreement between the Tender Agent and the KfW bank is hereby attached, itemizing the terms of reference, remuneration and contractual obligations of each party (Annex 294 b).</p> <ul style="list-style-type: none"> • The Tender Agent initiated the procurement process in August, 2017 in line with the KfW procurement guidelines and Kenya Procurement law (PPOA 2015) and concluded the process in 2018. However, the signing of the contract for the provision of consulting services was done after the signing of the Financing Agreement. The delay between the award of the contract and the notification was occasioned by a delay in meeting a pre-condition of the financial 		
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		<p>Cooperation that each beneficiary institution possesses a title deed. The resolution to this issue was protracted and lasted from 2017 to 2019. On acquisition of the title deed by Kiambu Institute of Science and Technology, the Financing Agreement was signed on 21st February, 2020 and the Consultancy Contract on 9th September, 2020 as per the attached evidences of correspondences and land title deed (Annex 294c).</p> <p>The Consultant (NIRAS) is a consortium of companies with the parent company in Germany of which NIRAS Africa (Kenya) is a member. The contract for the Project Promotion of Youth Employment and Vocation Training was awarded to the successful bidder NIRAS IP Consult GmbH which is a legal entity registered in Germany. Both NIRAS African Limited and NIRAS IP consult GmbH are owned</p>		
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		<p>100% by the same shareholder i.e. NIRAS Gruppen A/S. Communication regarding implementation of the project by the NIRAS Kenya is attached. (Annex 294 d). (The details of shareholding structures are hereby attached (Annex 294 e). In addition, KfW - the financier gave a no objection letter to NIRAS Africa to sign the contract on behalf of NIRAS IP of which a Copy of no objection letter and group structure (Annex 294 f)</p>		
<p>295. Failure to Open and Maintain a Separate Project Bank Account</p>	<p>The Project Management did not maintain a specific project account as funds received were credited to the Ministry's development bank account instead of separate project account. It was therefore, not possible to trace the receipts to the cashbook and in the bank statement.</p>	<p>The donor funds (loans and grants Appropriation - In-Aid) are not disbursed to the government of Kenya consolidated funds account at the Central Bank of Kenya. The funding is held by the donor bank account to be disbursed directly to the suppliers and /or contractors as Direct Payments. The State departments responsibility as regards direct payments processing is to pass journals in the IFMIS system to capture expenditure from the department's budget. The payment documents are then forwarded to The National Treasury by The Accounting officer for onward transmission to the KfW bank for eventual payment to the suppliers.</p>	<p>Not Resolved</p>	

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		<p>The KfW phase I project shares development cash book and bank account with the State Department for Vocational and Technical Training. The exchequers come in bulk for the entire development vote for the state Department and the same captured in the IFMIS system using module of Accounts Receivables and subsequently recorded in the development cashbook.</p> <p>The Accounting Officer wrote to the National Treasury requesting for separation of the project's development bank account from that of the State Department at the central Bank of Kenya in order to ensure that Development Project has its own dedicated Special Deposit Account so as to ring fence the projects funds</p>		



Dr. Esther T. Muoria
Principal Secretary



Lina Ayako
Project Coordinator

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

	Final Budget c=a+b	Actual on Comparable Basis d	Utilisation Variance e=c-d	% of Utilisation f=d/c %	Comments on Variance
Receipts					
Receipts from Government of Kenya	8,975,000	8,596,073	658,927	96%	
Proceeds from Domestic and Foreign Grants	128,000,000	52,684,632	75,315,368	41%	Only the consultant implementing the project was paid due to slow procurement process for contractors
Loan from External Development Partners	800,000,000	207,280,075	592,719,925	26%	Only the initial advance payments were paid out due to the lengthy procurement process involved in awarding the contracts
Total Receipts	936,975,000	268,560,780	668,694,220		
Payments					
Use of goods and services	386,975,000	195,122,078	191,852,922	50%	Only the initial advance payments were paid out due to the lengthy procurement process involved in awarding the contracts
Acquisition of Non-financial Assets	550,000,000	73,438,702	476,561,298	13%	Only the initial advance payments were paid out due to the lengthy procurement process involved in awarding the contracts
Total Payments	936,975,000	268,560,780	668,414,220		

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Annex 5: Summary of Fixed Assets Register

Asset class	Opening Cost (KShs)	*Purchases/Additions in the Year (KShs)	**Disposals in the Year (KShs)	Closing Cost (KShs)
	2022 (a)	2022/23 (b)	2022/23 (c)	2023 (d)=(a)+(b)-(c)
Buildings and structures	-	73,438,702	-	73,438,702
Transport equipment	4,899,300	-	-	4,899,300
Office equipment, furniture and fittings	9,034,625	-	-	9,034,625
Total	13,933,925	73,438,702	-	87,372,627