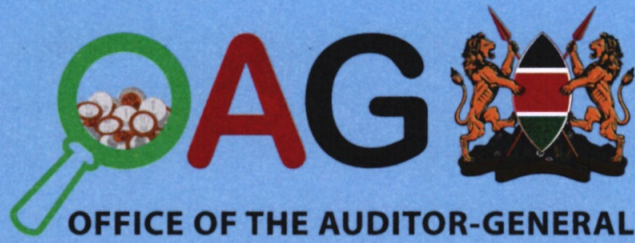


REPUBLIC OF KENYA



Enhancing Accountability



REPORT

OF

DATE: 04 DEC 2024

DAY

WEDNESDAY

THE AUDITOR-GENERAL

HON. OWEN BAYA

ON

DAVID

**PROMOTION OF YOUTH EMPLOYMENT
THROUGH SCHOLARSHIPS PHASE II
("WINGS TO FLY IV") PROJECT GRANT NO.
BMZ-NO. 2018 67 399**

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

**STATE DEPARTMENT FOR TECHNICAL,
VOCATIONAL EDUCATION AND TRAINING
(SDTVET)**



**PROJECT NAME: WINGS TO FLY - PROMOTION OF
YOUTH EMPLOYMENT THROUGH SCHOLARSHIPS
PHASE II ("WINGS TO FLY IV")**

IMPLEMENTING ENTITY: MINISTRY OF EDUCATION-SDTVET

PROJECT GRANT NUMBER: BMZ - No.: 2018 67 399

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2024

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

Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Table Contents	Page
1. Acronyms and Definition of Terms.....	ii
2. Project Information and Overall Performance.....	iii
3. Statement of Performance against Project’s Predetermined Objectives.....	xi
4. Environmental and Sustainability reporting.....	xii
5. Statement of Project Management Responsibilities.....	xiii
7. Statement of Receipts and Payments for the Year Ended 30th June 2024.....	1
8. Statement of Financial Assets and Liabilities as at 30 th June 2024.....	2
9. Statement of Cash flows for the year ended 30 th June 2024.....	3
10. Statement of Comparison of Budget and Actual Amounts for the Year ended 30 th June 2024.....	4
11. Significant Accounting Policies.....	5
12. Notes to the Financial Statements.....	12
13. Annexes.....	17

***Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024***

1. Acronyms and Definition of Terms

1. M.ED - Masters of Education
2. MBA - Masters of Business Administration. N/A- Not Applicable
3. MDAs - Ministries, Departments and Agencies.
4. PFM - Public Finance Management.
5. EGF - Equity Group Foundation.
6. MoE - Ministry of Education.
7. BSC - Bachelor of Science.
8. B.A - Bachelor of Arts
9. GoK - Government of Kenya
10. TVET - Technical Vocational Education and Training
11. SMART - Specific, Measurable, Achievable, Realistic and Time Bound
12. CDACC - Curriculum Development, Assessment and Certification Council
13. KNQA - Kenya National Qualification Authority
14. IPSAS - International Public Sector Accounting Standards
15. PSASB - Public Sector Accounting Standards Board
16. IFMIS - Integrated Financial Management Information System
17. TVETA - Technical and Vocational Education and Training Authority
18. OSHA - Occupational Safety and Health Act
19. CSR - Corporate Social Responsibility

***Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV")
Annual Report and Financial Statements for the financial year ended June 30, 2024***

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The projects official name is Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV")

Objective

The key objective of the project is to promote Kenyan youth employment through provision of financial support scholarships for TVET courses.

Address

The project headquarters offices are in Nairobi City County, Kenya. The address of its registered office is;

Ministry of Education,

State department of Technical Vocational Education and Training.,

Jogoo House B, 8th floor

P.O.Box 9583-00200

NAIROBI, KENYA

Contacts: The following are the project contacts

Telephone: (254) 722492972

E-mail: psvtt@education.go.ke

Website: www.education.go.ke

***Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	01 August 2022
Project End Date:	30 June 2027
Project Coordinator:	M/s Mary Njugi
Project Sponsor:	The project sponsor is GoK and KFW Development Bank (Germany)

2.3 Project Overview

Line Ministry and State/ County Department	Ministry of Education State Department for TVET
Project number	BMZ - No.: 2018 67 399
Strategic goals of the project	The goal of the project is to promote Kenyan youth employability through provision of scholarships to complete Technical Vocational Education and Training (TVET) courses.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: Placement of WTF graduates to TVET institutions <ul style="list-style-type: none"> (i) provision of scholarship (admission fees, learning materials, examination fees, accommodation and meals, transport etc) to vulnerable young people. (ii) mentorship and transition to the world of work of the scholars (iii) Monitoring and evaluation
Other important background information of the project	The project targets secondary schools Wings to Fly Alumni who did not transition to Universities.

Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Provision of scholarships and mentorship to vulnerable Secondary Schools Wings to Fly Alumni who did not transition to Universities.
Project duration	5 Years

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024*

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 Technical Vocational Education and Training at the central bank of Kenya.

2.5 Independent Auditor

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

2.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Equity Group Foundation	Management Agency for MoE.	implementation consultant	Implementation consultancy services
Mary Njugi	Deputy Director Vocational Technical Education	M.Ed.	Project Coordinator
Benson Mureithi Kinyua	Senior Deputy Accountant General (Head of Accounting Unit)	Msc Commerce, Certified Public Accountant	Head of Accounting Unit, State Department for TVET
Joseph Kuria	Assistant Accountant General	M.Sc. Commerce, Certified Public Accountant	Project Accountant

***Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024***

David Tande	Finance Officer	Bachelor of Arts Certified Public Accountant	Project Accountant
John Tuwei	Deputy Director Technical Education	Masters Degree	Director Donor projects.
Ali Bocha	Supply Chain Management Officer	Bachelor of Commerce	Project Supply Chain officer
DR. Opwora	Director Technical Education	PHD	Director Technical Education

2.7 Funding summary

The Project is for a duration of 5 years from 2022 to 2027 with an approved budget of EUROS 7.0 million equivalent to Kshs 770,000,000.00 as highlighted in the table below:

Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment		Amount received to date – (30 th June 2024)		Undrawn balance to date	
	Donor currency	Kshs	Donor currency Kshs	Kshs	Donor currency Kshs	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
KFW-Germany	7,000,000	770,000,000.00	679,284	74,721,240.00	6,320,716	695,278,760.00
Total Grants	7,000,000	770,000,000.00	679,284	74,721,240.00	6,320,716	695,278,760.00
Total Funding Summary	7,000,000	770,000,000.00	679,284	74,721,240.00	6,320,716	695,278,760.00

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2024)		Cumulative amount paid to date – (30 th June 2024)		Unutilised balance to date (30th June 2024)	
	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>	<i>Donor currency</i>	<i>Kshs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Grant						
KFW-Germany	679,284	74,721,240.00	679,284	74,721,240.00	6,320,716	695,278,760.00
Total	679,284	74,721,240.00	679,284	74,721,240.00	6,320,716	695,278,760.00

Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024
Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) The project achieved a budget absorption of 47% against the approved budget set for the financial year ended June 2024. The cumulative amount incurred so far by the project is Ksh. 74,721,240
- ii) Physical progress based on outputs and outcomes since project commencement,

<i>Key Activities</i>	<i>Outputs</i>	<i>Outcome</i>
Provision of financial support to 452 scholars, convening launch	First tranche of disbursement for 452 scholars released in Dec 2023	Placement and facilitation of scholars in TVET institutions

- iii) The first disbursement was done in December 2023 for 452 scholars. The implementing agency is yet to place all the scholars in TVET institutions (165 scholars have so far been placed). The absorption rate was 47% for the year ended June 2024, this being the first year in which the project incurred expenditure.
- iv) Some of the implementation challenges include; Slow progress by the implementing agency in placing scholars with the relevant institutions and a lack of GoK counterpart contribution thus hindering the state department officers from effectively participating in the project through monitoring and evaluation.
 To address this, the state department has written to the National Treasury to request for budgetary support through incorporation of a GoK Counterpart component to help the state department with effective monitoring and management of the project.

2.9 Summary of Project Compliance:

The project complied with all the laws and regulations as required. We did not have any cases of non-compliance in the year under review.

***Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024***

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 objective of the project is,

1. To provide scholarships to needy secondary School Wings to Fly alumni who did not transition to universities to pursue Technical and Vocational Courses of their choice.

Progress on the attainment of strategic development objectives

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

Below we provide the progress on attaining the stated objectives

Project	Objectives	Outcome	Indicator	Performance
Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)	To provide scholarships to needy Secondary School Wings to Fly alumni who did not transition to universities to pursue Technical and Vocational Courses of their choice	Increases access to TVET training	Youths enrolled in TVET institutions	Funds for 452 scholars out of 805 released for year 1

4. Environmental and Sustainability reporting

The project Promotion of Youth Employment through Scholarships Phase II (Wings to Fly IV”) exists to transform lives. This is our purpose; the driving force behind everything we do. It’s what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

i. Sustainability strategy and profile

The sustainability strategy of Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) aligns with the broader National objectives of enhancing the quality and accessibility of Technical and Vocational Education and Training (TVET) across the country. This strategy is designed to ensure that the nation’s workforce is equipped with the skills needed to drive economic growth while also fostering social and environmental responsibility.

ii. Environmental performance

The Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) through the initiatives of the state department has a draft policy of greening of TVET. The TVET institutions are integrating green skills into their programs, offering courses in renewable energy, sustainable agriculture, water conservation, and waste management.

iii. Employee welfare

The employee welfare management of Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) is managed through the State Department for Technical and Vocational Education and Training (TVET) and is guided by several key legal and regulatory documents:

i. Key Regulatory Frameworks:

- TVET Act, 2013: Defines the structure, roles, and qualifications required for employees in the TVET sector.
- Public Service Commission (PSC) Act, 2017 and Regulations: Governs fair and transparent recruitment processes, setting standards for job advertising, interviews, and appointments.
- HR Policies and Procedures Manual (2016): Provides guidelines for recruitment, performance management, employee welfare, and dispute resolution.

iv. Market place practices-

a) Responsible Supply chain and supplier relations-

Project is at the initiation and procurement process is done by the management agency (EGF) as per the agreement and it will be guided by 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.

c) Regulatory impact assessment

The Ministry of Education has regulatory agencies which include TVET Authority, TVET-CDACC and KNQA which regulates the quality of training across the country to safeguard citizen and stakeholder’s rights.

(v) Community Engagements

Community engagements is done during selection for Wings to Fly beneficiaries for Secondary schools.

5. Statement of Project Management Responsibilities

The Principal Secretary for the State Department for Technical, Vocational Education and Training in the Ministry of Education and the overall project coordinator for the Promotion of Youth Employment through scholarships Phase II (“Wings to Fly IV”) 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, 2024.

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

The Principal Secretary for the State Department for Technical, Vocational Education and Training in the Ministry of Education and the overall Project coordination for the Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) 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 Technical, Vocational Education and Training in the Ministry of Education and the overall Project coordinator for the project Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) are of the opinion that the Financial statements 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 Technical, Vocational Education and Training in the Ministry of Education and the overall Project coordinator for the project Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) 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 Technical, Vocational Education and Training in the Ministry of Education and the overall Project coordinator for the Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) 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.

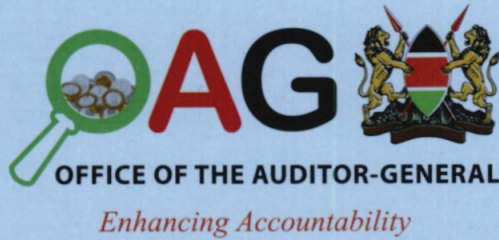
***Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Approval of the Project Financial Statements

The Project financial statements were approved by the Principal Secretary for the Ministry of Education, State Department of Technical, Vocational Education and Training and the Project Coordinator on 23/10 2024

		
Dr. Esther Thaara Muoria, PhD Principal Secretary	Mary Njugi Project Coordinator	Joseph Kuria Project Accountant ICPAK Member No:21552

REPUBLIC OF KENYA



Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke

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

REPORT OF THE AUDITOR-GENERAL ON PROMOTION OF YOUTH EMPLOYMENT THROUGH SCHOLARSHIPS PHASE II (“WINGS TO FLY IV”) PROJECT GRANT NO. BMZ-NO. 2018 67 399 FOR THE YEAR ENDED 30 JUNE, 2024 - STATE DEPARTMENT FOR TECHNICAL, VOCATIONAL EDUCATION AND TRAINING (SDTVET)

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; and,
- C. Report on the Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, is effective in the use of resources, or that its internal 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 through Scholarships Phase II (“Wings to Fly IV”) Program Credit No. BMZ-No. 2018 67 399 for the year ended 30 June, 2024 - State Department for Technical, Vocational Education and Training (SDTVET)

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV") Project Grant No. BMZ-No. 2018 67 399 - State Department for Technical, Vocational Education and Training (SDTVET) set out on pages 1 to 17, which comprise the statement of financial assets as at 30 June, 2024, 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 through Scholarships Phase II ("Wings to Fly IV") Project Grant No. BMZ-No. 2018 67 399 - State Department for Technical, Vocational Education and Training (SDTVET) as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Agreement between the KfW Development Bank, Equity Group Foundation and the Government of the Republic of Kenya of 22 March, 2021 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with the International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV") Project Grant No. BMZ-No. 2018 67 399 - State Department for Technical, Vocational Education and Training (SDTVET) Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final budget and actual receipts on a comparable basis of Kshs.160,000,000 and Kshs.74,721,240 respectively, resulting to underfunding of Kshs.85,278,760 or 53% of the budget. Management explained that the under absorption was occasioned by slow progress of the implementing agency in placing scholars with the relevant institutions and forwarding

Report of the Auditor-General on Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV") Program Credit No. BMZ-No. 2018 67 399 for the year ended 30 June, 2024 - State Department for Technical, Vocational Education and Training (SDTVET)

a report to allow for additional disbursements to be made resulting to underfunding of Kshs.85,278,760 or 53% of the budget.

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

My opinion is not modified in respect of this matter.

Key Audit Matters

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

Other Information

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

In connection with my audit on the Promotion of Youth Employment through Scholarships Phase II("Wings to Fly IV") Project Grant No. BMZ-No. 2018 67 399 - State Department for Technical, Vocational Education and Training (SDTVET) financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution and based on the audit procedures performed, 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 ISSAIs 3000 and 4000. The Standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

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

Conclusion

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

Basis for Conclusion

Failure to Supervise and Authenticate Beneficiaries

The statement of receipts and payments reflects other grants and transfers and payments of Kshs.74,721,240 as disclosed in Note 2 to the financial statements. The summary of overall project performance indicates that the payments were in respect of four hundred and fifty-two (452) scholars. However, the following unsatisfactory observations were made:

- i. Management did not provide evidence of measures taken to ensure that the four hundred and fifty-two (452) scholars were actually the intended beneficiaries and instead, Management relied on information obtained from the Consultant (EGF) before approving disbursements;
- ii. Review of the Consultant's Letter dated 27 January, 2023, requesting for funds, revealed that one hundred and two (102) of the scholars were awaiting placement by Kenya Universities and Colleges Central Placement Service while one hundred and thirty-seven (137) had no admission letters. It was not clear why funds were released for the benefit of the two hundred and thirty-nine (239) scholars whose schools and reporting dates had not been confirmed;
- iii. Management did not provide the current status report of the beneficiaries;

- iv. Further, there was no budgetary allocation within the State Department for monitoring and supervising implementation of the Project.

In the circumstances, the effectiveness of supervisory role of the State Department in implementation of the Project could not be confirmed.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by the KfW Development Bank, Equity Group Foundation and the Government of the Republic of Kenya, I report based on my audit, that I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit. In my opinion, I confirm that information given in the Management's report on pages iii to xiv is consistent with the financial statements.

Basis for Conclusion

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

Responsibilities of Management and those Charged with Governance

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

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

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

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


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the INTOSAI Framework of Professional Pronouncements (IFPP). The Framework requires that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I also I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

25 October, 2024


*Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV")
Annual Report and Financial Statements for the financial year ended June 30, 2024*

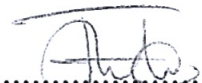
7. Statement of Receipts and Payments for the Year Ended 30th June 2024.

	Note	Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Total	Cumulative to Date (From Inception)
		FY 2023/24			
		Kshs	Kshs		Kshs
RECEIPTS					
Proceeds from Domestic and Foreign Grants	1	-	74,721,240	74,721,240	74,721,240
TOTAL REVENUES		-	74,721,240	74,721,240	74,721,240
PAYMENTS					
Other grants and transfers and payments	2	-	74,721,240	74,721,240	74,721,240
TOTAL PAYMENTS		-	74,721,240	74,721,240	74,721,240
SURPLUS/DEFICIT		-	-	-	-

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

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

.....

Mary Njugi
Project Coordinator

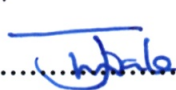
.....

Joseph Kuria
Project Accountant
ICPAK Member No:21552

**Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024**

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

	Note	FY 2023/24
		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 23/10 2024 and signed by:


.....
for **Dr. Esther Thaara Muoria, PhD**
Principal Secretary


.....
for **Mary Njugi**
Project Coordinator


.....
Joseph Kuria
Project Accountant
ICPAK Member No:21552

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024*

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

	Note	2023- 2024
		Kshs
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts for operating income		
Proceeds from Domestic and Foreign Grants	1	74,721,240
		74,721,240
Payments for operating expenses		
Transfers to Other Government Entitiess	2	74,721,240
		-
		74,721,240
Adjusted for:		
Change in Imprests & Advances		-
Adjustments during the year		-
Net cashflow from operating activities		-
CASHFLOW FROM BORROWING ACTIVITIES		
Loan from External Development Partners		-
Net cash flow from financing activities		-
NET INCREASE IN CASH AND CASH EQUIVALENT		-
Cash and cash equivalent at BEGINNING of the year		-
Cash and cash equivalent at END of the year		-

Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024

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

Consolidated	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts/Payments Item						
Receipts						
Proceeds from Domestic and Foreign Grants	115,422,807	44,577,193	160,000,000	74,721,240	85,278,760	47%
Total Receipts	115,422,807	44,577,193	160,000,000	74,721,240	85,278,760	47%
Payments						
Other Grants and Other Payments	115,422,807	44,577,193	160,000,000	74,721,240	85,278,760	47%
Total Payments	115,422,807	44,577,193	160,000,000	74,721,240	85,278,760	47%

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

11. Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) under the State department of Technical Vocational Education and Training. The financial statements are for the reporting entity Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) as required by Section 81/ Section 164 of the PFM Act, 2012.

c) Reporting currency

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

d) Recognition of receipts

Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) recognizes all receipts from various sources when an event occurs, and the related cash is received.

i) Transfers from the Exchequer

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

***Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024***

Significant Accounting Policies (continued)

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing.

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

vi) Undrawn external assistance

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

Significant Accounting Policies (continued)

e) Recognition of payments

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

i) Compensation to employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

Significant Accounting Policies (continued)

v) Acquisition of fixed assets

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

f) In-kind donations

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

g) Cash and cash equivalents

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

Significant Accounting Policies (Continued)

h) Restriction on cash

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

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

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

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

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

Significant Accounting Policies (Continued)

k) Contingent Assets

Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) 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 Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset’s value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

l) Pending bills

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

m) Budget

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

Significant Accounting Policies (Continued)

n) Third-party payments

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

o) Exchange rate differences

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

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. This was the first year that the project was presenting its financial statements and thus there were no comparative figures for the previous financial year/period.

q) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended June 30, 2024.

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s). There were no prior period adjustments during the financial period under review.

12. Notes to the Financial Statements

1. Proceeds From Domestic and Foreign Grants

During the financial period to 30 June 2024, we received grants from donors as detailed in the table below:

Name of Donor	FY 2023/24						Cumulative to date
	Date Received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount	
		EuR	KShs	KShs	KShs	KShs	
Grants Received from Multilateral Donors							
KfW - Germany		679,284		74,721,240	-	74,721,240	74,721,240
Total		679,284	-	74,721,240	-	74,721,240	74,721,240

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

2. Other Grants, Transfers, and Payments

	FY 2023/24			Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	
	KShs	KShs	KShs	KShs
Grants for scholarships		74,721,240	74,721,240	74,721,240
Total	-	<u>74,721,240</u>	<u>74,721,240</u>	<u>74,721,240</u>

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Notes to the Financial Statements (Continued)

3. External Assistance

	FY 2023 -2024
Description	Kshs
External assistance received as grants	74,721,240
Total	74,721,240

a). External assistance relating to loans and grants

	FY 2023 -2024
Description	Kshs
External assistance received as grants	74,721,240
Total	74,721,240

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	FY 2023 -2024
Description		Kshs
Undrawn external assistance - grants	Scholarships	695,278,760
Total		695,278,760

c) Classes of providers of external assistance

	Insert Current FY
Description	Kshs
Multilateral donors	74,721,240
Total	74,721,240

Other Important Disclosures (Continued)

d) Purpose and use of external assistance

Payments made by third parties	Insert Current FY
Description	Kshs
Other grants and transfers	74,721,240
Total	74,721,240

e). External Assistance paid by third parties on behalf of Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) by Source

	Insert Current FY
Description	Kshs
Multilateral donors	74,721,240
Total	74,721,240

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024*

Other Important Disclosures (Continued)

4. Payments by Third Party on Behalf of the Project

4.1 Classification by Source

	Insert Current FY
Description	Kshs
Multilateral donors	74,721,240
Total	74,721,240

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

	Insert Current FY
Description	Kshs
Other grants and transfers	74,721,240
Total	74,721,240

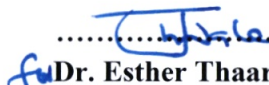
*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024*



13. Annexes

Annex 1: Prior Year Auditor-General’s Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

There were no prior year audit issues during the year under review.

.....

Dr. Esther Thaara Muoria, PhD
 Principal Secretary

.....


Mary Njugi
 Project Coordinator

Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024

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

	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation	Comments on Variance
	c=a+b	d	e=c-d	f=d/c %	
Receipts					
Proceeds from Domestic and Foreign Grants	160,000,000	74,721,240	85,278,760	47%	This was occasioned by the slow progress of the implementing agency in placing scholars with the relevant institutions and forwarding a report to allow for additional disbursements to be made.
Total Receipts	160,000,000	74,721,240	85,278,760		
Payments					
Other Grants and Other Payments	160,000,000	74,721,240	85,278,760	47%	This was occasioned by the slow progress of the implementing agency in placing scholars with the relevant institutions and forwarding a report to allow for additional disbursements to be made.
Total Payments	160,000,000	74,721,240	85,278,760		

***Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)
Annual Report and Financial Statements for the financial year ended June 30, 2024***
