

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

THE NATIONAL ASSEMBLY  
PAPERS LAID

REPORT

DATE: 26 MAR 2019

DAY.  
TUESDAY

TABLED  
BY:

MAJORITY LEADER

OF

CLERK-AT  
THE-TABLE:

PARLIAMENT  
OF KENYA  
LIBRARY

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
STATE DEPARTMENT OF VOCATIONAL AND  
TECHNICAL TRAINING VOTE 1064

FOR THE YEAR ENDED  
30 JUNE 2018

MINISTRY OF EDUCATION

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**MINISTRY OF EDUCATION**  
**STATE DEPARTMENT OF VOCATIONAL AND TECHNICAL TRAINING**  
**REPORTS AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 JUNE 2018**

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

**MINISTRY OF EDUCATION,  
STATE DEPARTMENT OF VOCATIONAL AND TECHNICAL TRAINING  
Reports and Financial Statements  
For the year ended 30 June 2018  
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## I. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background Information

The Ministry of Education was renamed through Presidential Executive Order No. 1/2016 of May 2016, on organization of the Government of the Republic of Kenya where the Ministry of Education created three State Departments namely; Vocational and Technical Training, University Education and Basic Education. The three State Departments are headed by respective Principal Secretaries.

The Ministry is headed by the Cabinet Secretary for Ministry of Education, Amb. (Dr.) Amina Mohamed, EGH who is responsible for the general policy and strategic direction of the entity.

The State Departments under Ministry of Education are outlined below;

- (i) The State Department of Vocational and Technical Training administered by Dr. Kevit Desai, CBS
  - (ii) The State Department of University Education administered by Prof. Collette A.Suda, PhD, FKNAS, CBS,
  - (iii) The State Department of Basic Education administered by Dr. Belio R. Kipsang, CBS
- The accompanying financial statements constitute the financial statements for the State Department of Vocational and Technical Training.

The vision, mission, core values and core function of the **State Department of Vocational and Technical Training** under **Ministry of Education** include:

#### 1.1 Vision

To provide skilled and globally competitive employable human resource.

#### 1.2 Mission

To provide, promote and co-ordinate the training sector by assuring quality, inclusiveness and relevance for the enhancement of the national economy and global competitiveness

#### Mandate

The State Department of Vocational and Technical Training (VTT) is charged with the responsibility of coordinating national skills training. It is responsible for policy, curriculum development, registration and supervision of VTT institutions in the Country.

This mandate is derived from the Technical and Vocation Education Training (TVET) Act 2013 which indicates the Cabinet Secretary in consultation with the other Ministries and the private sector involved in training shall;-

- (i) Develop policies – and profile strategies for the development of a national training system

- (ii) Have the overall responsibility in the provision of training and
- (iii) In collaboration with other Ministries and stakeholders, be responsible for promoting access, equity, quality and relevance in training

### Core Values

- a. **Access and equity** - Every Kenyan has a right to access quality and relevant education and training. The policy shall therefore create an enabling environment, opportunities and mechanisms to provide pathways to those seeking to pursue quality vocational and technical training at all levels.
- b. **Inclusivity and respect for cultural and social diversity**- National values shall be respected and promoted in all TVET institutions and this includes principles that pay attention to the people with disability and respect human dignity while ensuring equity, equality and protection of marginalized societies.
- c. **Non-discrimination** - There shall be no discrimination on grounds of race, colour, gender, religion, national or social origin, economic status, political or other opinions.
- d. **Quality and Relevance** - Emphasis shall be placed on demand driven and outcome based training. This principle shall promote technical, professionalism, knowledge and qualification needed in the various sectors of the economy.
- e. **National integration** - Employment opportunities, occupational standards and development prospects within TVET structures shall be made available to all Kenyans
- f. **Life-long Learning** - The training will be designed to operate within a framework of open-ended and flexible structures in the context of lifelong education and training. This is the principle for continuing training for improvement of professional qualifications and updating of knowledge, skills and understanding.
- g. **Entrepreneurship Culture** - TVET examination and competence assessment shall be centred on promoting and developing innovation, creativity and entrepreneurial minds for self-reliance.
- h. **Complimentarily** -Education for those receiving technical, industrial, vocational and entrepreneurship training in the form of on-the-job training or other training in institutions or other facilities.
- i. **Environment** - Protection of the environment and the common heritage of the country.
- j. **Partnerships** -Creating and promoting an enabling environment for Public-Private Partnerships for enhancing investment in technical training.
- k. **Information and Communication** - Promoting integration of information and marketing of training opportunities through ICT.
- l. **Leadership** - Leadership within TVET Structure and organs shall be based on the principles of serving people with integrity, ethical practices, respect for the people and fairness among others.

**I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**1.3 Core Functions**

The core functions of the State Department for Vocational and Technical Training include:

- a. Increasing access and equity in training
- b. Enhancing quality and relevance of training programmes
- c. Implementing the TVET Act to regulate and monitor training standards in TVET
- d. ICT integration in TVET provision and pedagogy
- e. Extension and outreach programmes
- f. Collaboration and linkages with industry and other relevant institutions
- g. Establishment of TVET Centres of Excellence
- h. Upgrading of National Polytechnics to award degrees and to open up transition from diploma level to the degree level
- i. Upgrading of technical institutes to National Polytechnics to create clear TVET pathways for upward mobility of trainees
- j. Promotion of structured applied research and innovation culture through Annual TVET Fairs, Robot Contests and exhibitions for
- k. Establishment of industrial processing and manufacturing business incubators and intellectual property rights portfolios to empower institutions for pursuing autonomy status

**(b) Key Management**

The State Department's day to day management is under the following key organs:

- Directorate of Technical Vocational Education and Training (DTVET)
- Directorate of Vocational Education and Training (DVET)
- Technical Vocation Education Training Authority (TVETA)
- Curriculum Development assessment Certification Council (CDDAC)
- Kenya National Qualification Authority (KNQA)

**II. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**(c) Fiduciary Management**

The key management personnel who held office during the financial year ended 30<sup>th</sup> June 2017 and who had direct fiduciary responsibility were:

<b>No.</b>	<b>Designation</b>	<b>Name</b>
1	Cabinet Secretary, Ministry of Education	Amb.(Dr.) Amina Mohamed, EGH,CAV
2	Principal Secretary, State Department Vocational and Technical Training	Dr. Kevit Desai, MBS
3	Secretary Administration	Samuel J. Otieno
4	Director Vocational Education and Training	Elijah Mwaniki
5	Director of Technical Education	Dr. MeshackOpwora
6	Director General Technical Vocation Education Training Authority	Dr. Kipkurui Langat
7	Chief Executive Officer (CDACC)	Dr. Lawrence Guantai
8	Ag. Chief Executive Officer (KNQA)	Johnson Nanjakululu
9	Assistant Accountant General	Joseph Nyamora
10	Ag. Chief Finance Officer	Anthony Masinde
11	Central Planning Unit	Evelyn Anupi
12	Supply Chain Management Services	Andrew Nyambeche

**I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

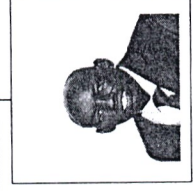
**Senior Management – State Department of Vocational and Technical Training**



Amb. (Dr.) Amina Mohamed, EGH, CAV  
Cabinet Secretary, Ministry Education



Kevit Desai, PhD, MBS  
Principal Secretary, State Department for Vocational and Technical Training



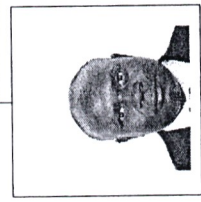
Dr. Belio Kipsang, CBS  
Principal Secretary, State Department of Basic Education



Prof. Collette A. Suda  
Principal Secretary, State Department of University Education



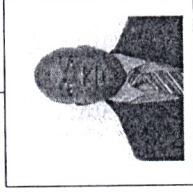
Mr. Albert Cheruiyot  
Principal Secretary, State Department of Post Training and Skills



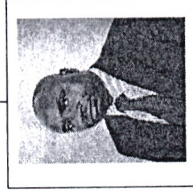
Dr. Meshack Opwora  
Director Technical Vocational Education & Training



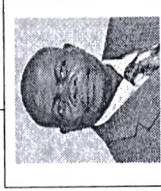
Mr. Samuel J. Ofieno  
Officer Secretary Administration



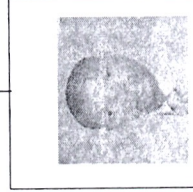
Dr. Lawrence Guantai,  
CEO, CDACC



Dr. Kipkirui Langat  
Director General TVETA



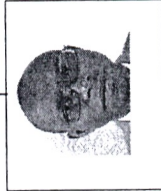
Mr. Johnson Nanjakululu  
Ag. CEO, KNQA



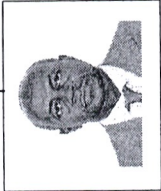
Mr. Elijah Mwaniki,  
Director Vocational & Technical Training



Joseph Nyamora  
Assistant Accountant General



Mr. Andrew O. Nyambeche  
Head of Supply Chain Management Services



Mr. Anthony Masinde  
Chief Finance Officer



Evelyn Anupui  
Deputy Chief Economist

**I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**Senior Management – State Department of Vocational and Technical Training (continued)**



Amb. (Dr.) Amina Mohamed, EGH, CAV  
 Cabinet Secretary, Ministry Education

Amb. (Dr.) Amina C. Mohamed is the Cabinet Secretary, Ministry of Education. Ambassador (Dr.) Amina Mohamed is an accomplished and committed international civil servant and diplomat. Before her appointment, Amb. Amina was the Cabinet Secretary Ministry of Foreign Affairs and International Trade and was the first woman to hold this position in Kenya. During this period, she raised Kenya’s international foreign profile leading to the highest increment of Foreign Direct Investment to the country by 400%. The country also received during her tenure the highest number of Heads of State and Government and dignitaries in history.

Before her appointment as Foreign Minister, she held the post of United Nations Assistant Secretary General and Deputy Executive Director, United Nations Environment Programme (UNEP). During which time, she played an instrumental role in reforming and positioning the United Nations Environment Programme as a global environmental organization. She was also the first African President of the United Nations Conference on Transnational Crime in 2011.

Prior to this, she worked as the Permanent Secretary in the Ministry of Justice, National Cohesion and Constitutional Affairs where she played a key role in writing and steering the process that led to the promulgation of the Constitution of Kenya, 2010. Amb. Mohamed also chaired the Governance, Justice, Law and Order Sector (GJLOS) which carried out transformational reforms in governance and the criminal justice system.




Kevit Desai, PhD, MBS  
 Principal Secretary  
 State Department of Vocational and Technical Training

**Dr. Kevit Desai** is the Principal Secretary in the State Department of Vocational and Technical Training (TVET) in the Ministry of Education. He is the Chairman of the Social and Political Pillar of the Vision 2030 Board Committee (2018) and a Trustee of KENET Board of Trustees (2018). Kevit is also the Chairman of the Permanent Working Group on TVET in Kenya (PWG). He is championing private sector, TVET, government and development partner linkages, towards transformation of Kenya’s technical and vocational training platform. The PWG initiative is promoting continuous communication, common agenda and cross sector coordination throughout different stakeholder networks.

He is the founder of Centurion systems limited and former Managing Director, he holds a PhD in Robotics Systems Engineering. CSL is a technology transfer firm, which Specializes in providing productivity, innovation and efficiency solutions to industry. CSL provides four services: repair and maintenance of systems, professional training and systems integration. CSL is closely linked to other technology transfer organizations, e.g. FESTO, Siemens, Mitsubishi Danfoss and Rockwell automation.

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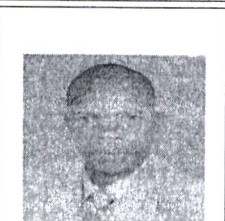
	<p>Kevit also served as an Industrial Automation Development Engineer at Nippon ABS ltd in Tochigi Japan. He is also a master trainer in Automation and drives technologies.</p> <p>In addition to being the founder of Centurion Systems Limited, he is also the founding chairman of Linking Industry with Academia (LIWA). Kevit was the Chairman of Council, Technical University of Mombasa and Chairman of The Board of Governors – Karen Technical Training Institute for the Deaf. He is Chairman of the Board of young Scientists Kenya. He also serves as the Chairman of Board of trustees at the United States International University Africa (USIU).</p> <p>Dr. Desai stepped down from Centurion Systems, LIWA, TUM and KTTID after his appointment to the ministry of Education in February 2018.</p> <p>He is a member of the Steering Committee in JICA master’s degree and internship program of the Africa Business Education (ABE) initiative for the youths. The program has given students scholarships to study in Japan for their master’s degree as well as work in Japanese companies for industrial exposure.</p> <p>He served as a Governor, Director and C.E.O of Kenya Private Sector Alliance and a former Commissioner of the Commission of Higher Education. As a Task Force Member of the Ministry of Higher Education, Science and Technology, Dr. Desai was responsible for the development of the University Act; Science, Technology and Innovation Act; and Technical, Vocational Education and training (TVET) Act of Parliament. This was a culmination of 15 years of his involvement in all the sessional papers, policy documents and strategies for skills, education and research.</p>
 <p>Samuel J. Otieno, EBS          Secretary Administration</p>	<p>He holds a Bachelor’s Degree in Political Science from the University of Nairobi. He served for over 30 years in the former Provincial Administration in various capacities where he rose from District Officer to County Commissioner, and also as a Regional Commissioner in Lower Eastern Province. His last posting as a County Commissioner was in ElgeyoMarakwet from 2014-2015.</p> <p>Prior to working in the field, Mr.Otieno worked at the Treasury as an Assistant Secretary and was involved in the setting up of the current Insurance Regulatory Authority.</p> <p>He is a God fearing man and believes in being fair and just.</p>

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DR. Meshack Chuma  
Opwora  
Ag. Director of Technical  
Education and Training

He has worked in TVET for over twenty one (21) years. He is responsible for technical training strategic policy formulation, management and governance of National Polytechnics and Technical Training Colleges. He holds a PhD in TVET from the University of Newcastle Australia, an MBA Kenyatta University MED (Administration and Planning) University of Nairobi and BED in Technology from Moi University.



Mr. Elijah Mwaniki  
Ag. Director of Vocational &  
Technical Training



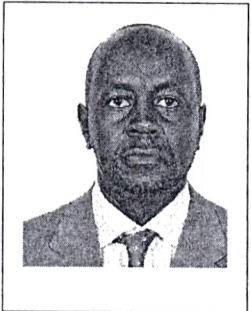
He has over 22 years experience in Vocational and Technical Training. He has served as Technical Training Officer for 10 years and Directorate of Technical Accreditation and Quality Assurance for 5 years and now in Directorate of Vocational Education and Training for the last 3 years. Currently, he is the acting Director Vocational Education and Training responsible for policy and curriculum for vocational training centres.



Dr. Kipkirui Langat  
Director General of  
TVET Authority

Dr. Langat is the Director General of TVET Authority. He holds Doctor of Philosophy in Engineering Systems and Management from Egerton University, Master of Philosophy in Technology Education (Automotive Technology), Master of Business Administration (Strategic Management) and Bachelor of Education in Technology Education a from Moi University. He has worked as an Assistant Lecturer, Lecturer and Head of Department, Automotive Engineering at Rift Valley Training Institute. He has also worked as a lecturer in the Department of Mechanical Engineering and a Deputy Dean of students at Eldoret Polytechnic. Dr. Langat worked at Egerton University as a Lecturer in the Department of Industrial and Energy Engineering. He was a programme coordinator for Twinning Programme between Western Michigan University, USA and Egerton University. He was also among a team of experts who developed Bachelor of Technology in Mechanical Engineering and Bachelor of Philosophy in Mechanical Engineering at the Technical University of Kenya. He was a subject panel for Diploma and Higher National Diploma in Mechanical Engineering between 1999 and 2004 at Kenya Institute of Education. Dr. Langat has also been working with United Nations Environment Programme (UNEP) in developing policies and guidelines for transport emissions in East Africa Region. He was instrumental in the training of motor vehicle inspectors in Kenya and Rwanda. Since 2014, he has been advising East African Community in harmonization of standards for importation of used motor

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	<p>vehicles in the region. He is a member of Technical Committee on Road Transport Standards at the Kenya Bureau of Standards and a consultant for Boston Garage Equipment UK since 2007. He is a fellow member of Institution of Engineering Technologists and Technicians (IET) of Kenya.</p>
 <p>Dr. Lawrence              GuantaiM'itonga              Council Secretary/CEO</p>	<p>Dr. Lawrence Guantai M'itonga is the Chief Executive Officer/Council Secretary of TVET CDACC. He has extensive experience in the TVET sector where he has worked both in TVET institutions as well as in the Ministry. Dr. Guantai has worked as a Senior Assistant Director, TVET, Ag. Senior Assistant Director, Technical Accreditation and Quality Assurance and a Graduate Lecturer at Nairobi Technical Training Institute. He holds a PhD in Medical Microbiology, M.Sc.in Medical Microbiology and B.Ed (Science).</p>
 <p>Ms. Evelyn Anupi              Deputy Chief Economist              Head Central Planning</p>	<p>Ms. Evelyn Anupi assumed the position of Head of Central Planning and Project Monitoring Unit in 2016. She holds a Masters Degree from Williams College Massachussetes – U.S.A and in a Bachelors Degree in Development. Economics fromMoi University Eldoret. She has over 15 years of working as an Economist in the Government of Kenya.</p>
 <p>CPA Anthony              Barasa Masinde,              Ag. Chief Finance Officer</p>	<p>Mr. Anthony Masinde assumed the position of Ag Chief Finance Officer, State Department of Vocational and Technical Training in 2016.</p> <p>He holds a Bachelor of Commerce Degree (Accounting option) from the University of Nairobi and a Master of Business Administration(MBA) from the same institution. He is a Certified Public Accountant CPA (K) and a member of the Institute of Certified Public Accountants (ICPAK).</p>

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CPA Joseph Nyamora  
 Assistant accountant General  
 Head of Accounting Unit

Joseph Nyamora assumed the position of Head of Accounting Unit in November 2018. He is in charge of accounting and financial reporting as well as designing, implementing and fair presentation of financial statements. He holds a Master's of Business Administration, Bachelor of Commerce Accounting option and CPA (K).



Andrew O. Nyambeche  
 Head of Supply Chain  
 Management Services  
 State Department of  
 Vocational and Technical  
 Training

Mr. Nyambeche assumed the position of head of supplies Division I. He has 21 years of experience in Government Procurement having worked in various Ministries before he joined the State Department of Vocational and Technical Training. He holds a Bachelor of Commerce Degree and Masters Degree in Procurement and logistics from Jomo Kenyatta University of Agriculture and Technology (JKUAT) and is a member of the Chartered Institute of Purchasing and Supplies (CIPS).



Mr. Johnson Nanjakululu  
 Ag. CEO. KNQA

Mr. Nanjakululu has over 30 years of experience as a teacher Quality Assurance and Standards Officer and Technical Education Officer. He holds a M.ED in Measurement and Evaluation from University of Nairobi. Currently serving as Ag. Chief Executive Officer of Kenya National Qualification Authority which is mandated to Develop and oversee the implementation of Kenya National Qualification Framework.

**I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**(d) Fiduciary Oversight Arrangements**

**i. Composition of the Committee Members**

The various committee members within the State Department are drawn from various sectors of the economy and have a wide range of skills and experience and each contributes independently judgement and knowledge of the committee discussions.

On appointment each committee member is provided with a comprehensive and tailored induction processes covering the State Department's business and operations and provided with information relating to their legal and regulatory obligations.

All committee members and required to re-submit themselves for re-appointment after expiry of their term.

**ii. Human Resources Management Advisory Committee**

This committee is composed of the following members:

1. Dr.Kevit Desai (Chairperson)
2. Mr. Samuel Otieno
3. Dr.MeshackOpwora
4. Ms. Evelyn Anupi
5. Mr. Anthony Masinde
6. Joseph Nyamora
7. Mrs. Joyce Gichomo

**I. KEY ENTITY INFORMATION AND MANAGEMENT (CONTINUED)**

**(d) Fiduciary Oversight Arrangements (continued)**

**iii. Human Resources Management Advisory Committee Activities**

Their duties include:

- Review of promotions of officers in Job Group A-P
- Review of confirmations in appointment
- Review of disciplinary matters
- Review of re-designation of officers from one cadre to another and
- Confirmation of surcharge of officers found to have misused government resources
- Overall coordination of the training functions in the State Department
- Review and implementation of the State Department training plan
- Review of induction of newly appointed officers and activities around long term training

**(e) State Department for Vocational & Technical Training**

P.O. Box 9583 - 00200  
Jogoo House "B"  
Harambee Avenue  
Nairobi, Kenya

**(f) Entity Contacts**

Telephone: +254-020-3318581  
Email: [psvtt@education.go.ke](mailto:psvtt@education.go.ke)  
Website: [www.education.go.ke](http://www.education.go.ke)

**(g) Entity Bankers**

Central Bank of Kenya  
Haile Selassie Avenue  
P.O. Box 60000  
City Square 00200  
Nairobi, Kenya

**(h) Independent Auditors**

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

## II. COMMENTARY BY THE CABINET SECRETARY



Amb. (Dr.) Amina C. Mohamed,  
EGH, CAV  
Cabinet Secretary  
Ministry of Education

The Ministry is responsible for Education Policy Management; Management of Continuing Education; Administration of Early Childhood Education, education; Standards and Norms; Management of Education Standards; Management of National Examinations and Certification; Curriculum Development; Quality Assurance in Education; Primary and Secondary Education Institutions Management; Teacher Education and Management; School Administration and Programmes; Registration of Basic Education and Training Institutions; Special Needs Education Management; Representation of Kenya in UNESCO; Adult Education Management;

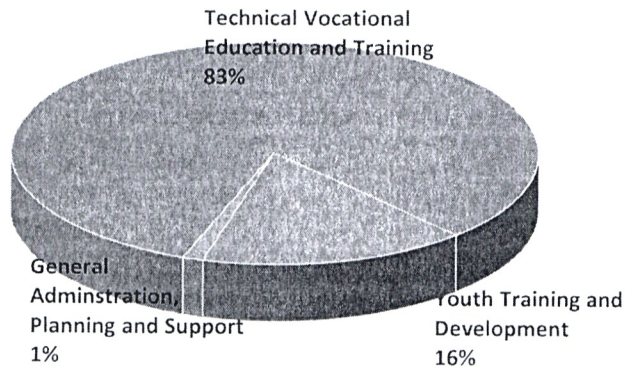
University Education Policy Management; University education; Public Universities and Tertiary Institutions; Science technology innovation policy; Management of Technical Training Institutes including Youth Polytechnics; Management of Institutes of Science and Technology; Management of National Polytechnics; National Council for Sciences and Technology.

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**BUDGET ALLOCATION**

In the financial year 2017/18 the State Department of Vocational and Technical Training was granted a gross budget of **Kshs.13,393,067,901** which was made up of **Kshs.2,568,156,993** and **KShs.10,824,910,908** for recurrent and development vote respectively.

The State Department was to expend the gross budget of **Kshs.13,393,067,901** under the following three programmes:

**BUDGET ALLOCATION BY PROGRAMMES**



## II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

### **Programme 1: Technical Vocational Education and Training**

The objective of this programme is to enhance access, equity, quality and relevance of technical vocational education and training

This programme was allocated **Ksh.11,036,530,944** representing 83 % of the budget spent under the following sub programmes:

- SP 1.1 Technical Accreditation and Quality Assurance
- SP 1.2 Technical Trainers and Instructor Services
- SP 1.3 Special Needs in Technical and Vocational Education
- SP1.4 Infrastructure Development

### **Programme 2: Youth Training and Development**

The objective of this programme is to promote access, equity, quality and relevance of Vocational Education and Training. This programme was allocated **Kshs.2,187,522,899** representing 16 % of the budget spent under the following sub programmes:

- SP 2.1: Revitalization of Youth Polytechnics
- SP 2.2: Curriculum Développent
- SP 2.3: Quality Assurance and Standards
- SP 2.4: ICT Integration in VTCs

### **Programme 3: General Administration, Planning and Support Services**

The objective of this programme to provide effective and efficient support services and linkages among programmes of the sub-sector. This programme was allocated **Kshs.169,014,058** representing 1 % of the budget spent.

## II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

### Key Performance Highlights

Below is an overview of the financial performance for the year ended 30<sup>th</sup> June 2018 as reported in the detailed financial statements together with the commentary and comparative analysis against budget and prior year for the key items in the financial statements.

### Financial Performance Summary

#### Actual Performance against Budget for Year to 30<sup>th</sup> June 2018

Financial Performance	Printed Estimates	Actual	Variance	%
	KShs	KShs	KShs	Utilisation Variance
Total Receipts	10,677,402,447	10,657,488,569	19,913,378	99%
Total Payments	10,681,585,027	10,681,585,027	0	100%
<b>Surplus for the Year</b>	(4,182,580)	(24,096,458)		

Actual receipts by the MDAs stood at 4% below budget while actual payments were 7% below budget. This is attributable to underutilisation of budget allocation for acquisition of assets and transfers and grants.

### Budget Utilisation

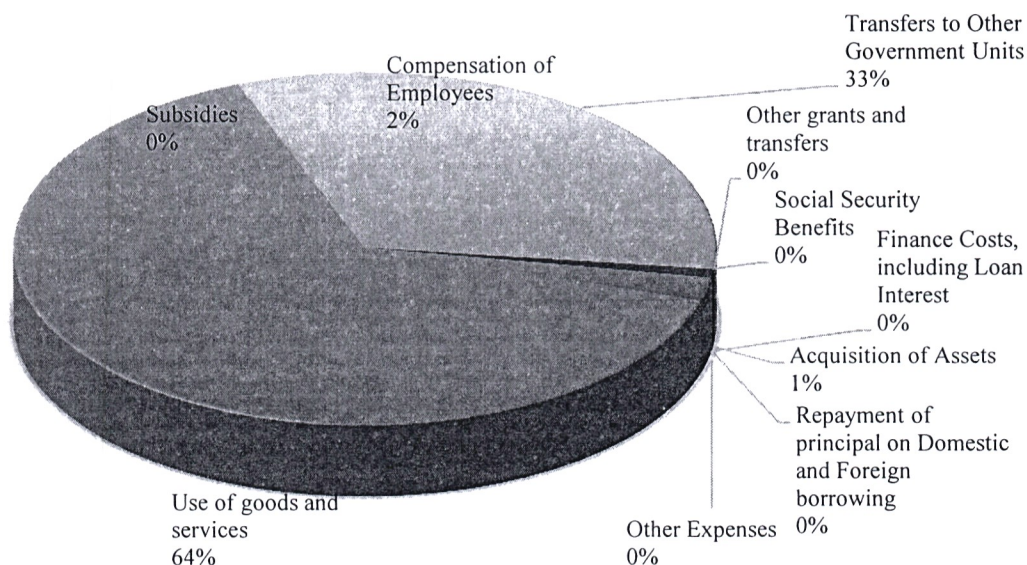
The State Department spent **Kshs.10,681,585,027** against an approved budget of **Kshs.13,393,067,901** representing absorption of 80%. Utilisation of the budget was carried out through various activities (economic classifications) as shown in the chart below:

	Approved Budget Allocation	Actual Payments	Variance
	KShs	KShs	KShs
Use of goods and services	7,201,590,581	6,850,983,600	350,606,980
Compensation of Employees	224,300,000	229,523,132	(5,223,132)
Social Security Benefits	3,000,000	4,690,818	(1,690,818)
Transfers to Other Government Units	5,676,841,485	3,514,285,398	2,162,556,086
Acquisition of Assets	287,335,835	82,102,076	205,233,759
<b>Total Payments</b>	<b>13,393,067,901</b>	<b>10,681,585,027</b>	<b>2,711,482,875</b>

II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Key Performance Highlights (Continued)

Budget Utilisation as Per Economic Items



It is noted that 33% of the State Department's budget was used in Transfers to Other Government entities i.e. National Polytechnics, Technical and Training Institutes and Semi-Autonomous Government Agencies (SAGAs).64% of the budget was utilised on Use of goods and services while 1% was utilised in Acquisition of assets.

**Receipts**

The State Department's receipts comprise of exchequer releases from the National Treasury and proceeds from foreign borrowings.

The total receipts for FY 2017/2018 stood at KShs.10,657,488,569

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II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Total Receipts Breakdown

	Year to 30 <sup>th</sup> June 2018	Year to 30 <sup>th</sup> June 2017	Change	%
Receipts	KShs	KShs	KShs	Change
Transfers from National Treasury	3,677,402,447	7,239,800,000	(3,562,397,553)	(49%)
Proceeds from Foreign Borrowings	6,980,086,122	695,940,311	(6,284,145,811)	952%
<b>Total Receipts</b>	<b>10,657,488,569</b>	<b>7,935,740,311</b>	<b>2,721,748,258</b>	

## II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

The diagram above depicts the share of major categories of receipts for the fiscal year ended 30<sup>th</sup> June 2017. The major source of funding for the State Department is exchequer releases that account for 91% of the total receipts.

### Payments

The State Department's payments mainly comprise of Transfers to Other Government entities, Use of goods and services and acquisition of assets.

The total payments for FY 2017/2018 stood at KShs.10,681,585,027

### Total Payment Breakdown

	Year to 30 <sup>th</sup> June 2018	Year to 30 <sup>th</sup> June 2017	Change	%
Payment	KShs	KShs	KShs	Change
Use of goods and services	6,850,983,600	3,578,277,464	3,272,706,136	91%
Transfers to Other Government Units	3,514,285,398	4,205,180,140	(690,894,742)	-16%
Other grants and transfers		8,662,400	(8,662,400)	-100%
Compensation of Employees	229,523,132	-	229,523,132	100%
Social Security Benefits	4,690,818	-	4,690,818	100%
Acquisition of Assets	82,102,076.25	56,365,187	25,736,889.25	45%
<b>Total Payments</b>	<b>10,681,585,027</b>	<b>7,848,485,191</b>	<b>-</b>	<b>-</b>

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II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

Financial Assets Summary

Financial Assets	As at 30 <sup>th</sup> June 2018	As at 30 <sup>th</sup> June 2017	Change	%
	KShs	KShs	KShs	Change
Bank Balances	108,428,249	156,703,080	(48,274,831)	(31%)
Cash Balances	219,328	66,067	153,261	231%
Accounts Receivables – District Suspense	14,830,022	460,719	14,369,303	
<b>Total Financial Assets</b>	<b>123,477,599</b>	<b>157,229,866</b>		

## II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

### Cash Flows and Cash Position

The cash and bank balances held by the State Department of Vocational & Technical Training as at 30<sup>th</sup> June 2018 were KShs.108,647,577.

### Cash and Bank Balance

Cash and Bank balances	As at 30 <sup>th</sup> June 2017	As at 30 <sup>th</sup> June 2016	Change	%
	KShs	KShs	KShs	Change
Bank Balances	108,428,249	156,703,080	-	
Cash Balances	219,328	66,067	-	
<b>Total</b>	<b>108,647,577</b>	<b>156,769,147</b>	<b>-</b>	

## II. COMMENTARY BY THE CABINET SECRETARY (CONTINUED)

### Key Achievements of the State Department in the FY 2017/18

The State department accomplished the following during FY 2017/18:

**Access to Technical Education and Vocational Training:** The number of public TVET institutions rose from 874 in 2015 to 1,101 in 2017 as presented in Table 1.1. The number of TVET institutions is set to sharply rise given the ongoing construction and establishment of 217 new TTIs to ensure that there is at least one TTI in each Constituency.

**Table 1.1 Public TVET Institutions 2015-2017**

Category	2015	2016	2017
Vocational Training Centres (VTCs)	816	816	987
Technical and Vocational Colleges	55	53	102
Kenya Technical Trainers College	1	1	1
National Polytechnics	2	10	10
<b>Total</b>	<b>874</b>	<b>881</b>	<b>1,101</b>

Source: *Economic Survey 2018*.

- The enrolment in Technical Training Institutions increased from 98,823 in 2015/16 to 101,108 in 2016/17 and further to 103,433 in 2017/18. The enrolment does not cover enrolment in private technical institutions. This increase between the years is attributed to establishment of new TTIs in the Country, expansion of existing TTIs, increased funding of 4 special needs TVET institutions and putting in place reforms in the TVET sector.
- Infrastructure improvement and equipping of TVET Institutions: During the period under review, 92 departments in existing and newly constructed institutions were provided with modern training equipment. A total of 10 smart classrooms were set up in 10 TVET institutions whose equipment had earlier been upgraded. The sub sector developed a draft ICT lecturers' competencies framework and e-resource centres.
- A total of eight (8) technical institutions started offering Cisco Networking Academy Programmes meant to provide trainees with industry-valued certification in skills to repair and maintain computers.
- Construction works for nine sites under the "counties without any TTI" project is currently ongoing and the physical progress on average is at around 85% with five (5) of the institutions complete. Additionally, construction works for 60 new TTIs in constituencies without a TTI continued throughout. Out of the 60, a total of 52 TVCs were completed and operationalized. In addition, construction of 70 TTIs which started in FY 2015/2016 under phase II of the project is ongoing and 7 are complete. On average, the physical progress for the phase I is at 97%, whereas the physical progress for the construction of phase II is at 85%. The Ministry equipped the 60 TTIs with furniture and basic Information Communication Technology equipment.
- The completed institutions are being equipped with the state-of-the-art training equipment in various disciplines under the GOK/China initiatives which is targeting 134 institutions. Partial delivery of learning assistive devices for the hearing and visual impaired youths has been done at Machakos TTIB under the GoK/ AfDB project.
- In addition, the sub sector has continued to conduct TVET technological fairs and contests with a view of popularizing the TVET programmes and motivating TVET trainees. To this

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end, annual Robot contests at regional and national levels have been held. The annual Africa Tech Challenge (ATC) aims at identifying trainees and putting them in incubation program where winning trainees are awarded contracts to fabricate machine parts for sale in Chinese Market. In the FY 2016/2017 and 2017/2018 the contests were carried out and the two winning institutions (Meru National Polytechnic and Rift Valley Technical Training Institute) were awarded Ksh10 million and three winning trainees were offered scholarship to study in China.

- Revitalization of VTCs : During the period under review, under the Kenya Italy Debt for Development Programme (KIDDP) project, 15 workshops were built in 11 youth polytechnics and this improved the training space and enrolment. In each of the workshops constructed, consideration for Trainees with Special Needs was made. In addition, 4 hostels were built while 5 were rehabilitated to increase access especially in marginalized areas where there is great need for boarding facilities. A total of 115 Youth Polytechnics were equipped with tools and equipment and 104 trainers and 70 officers trained on governance and financial management.
- Under the GoK Subsidized Vocational Training Centers Support Grant, details of disbursement are as indicated in the table below;

Table 1.2: Disbursement of GoK Subsidized Vocational Training Centers Support Grant

Allocation by County				
County	Trainee enrolment	Capitation at KES 15,000 per trainee	Equitable share per County	Total allocation 2018/19
Baringo	1043	15,645,000	19,960,000	35,605,000
Bomet	1861	27,915,000	19,960,000	47,875,000
Bungoma	3036	45,540,000	19,960,000	65,500,000
Busia	2800	42,000,000	19,960,000	61,960,000
ElgeyoMarakwet	1456	21,840,000	19,960,000	41,800,000
Embu	1196	17,940,000	19,960,000	37,900,000
Garissa	1,025	15,375,000	19,960,000	35,335,000
Homa Bay	1781	26,715,000	19,960,000	46,675,000
Isiolo	85	1,275,000	19,960,000	21,235,000
Kajiado	1359	20,385,000	19,960,000	40,345,000
Kakamega	3330	49,950,000	19,960,000	69,910,000
Kericho	1403	21,045,000	19,960,000	41,005,000
Kiambu	3210	48,150,000	19,960,000	68,110,000
Kilifi	2205	33,075,000	19,960,000	53,035,000
Kirinyanga	2150	32,250,000	19,960,000	52,210,000
Kisii	3342	50,130,000	19,960,000	70,090,000
Kisumu	1446	21,690,000	19,960,000	41,650,000
Kitui	2567	38,505,000	19,960,000	58,465,000
Kwale	1460	21,900,000	19,960,000	41,860,000
Laikipia	571	8,565,000	19,960,000	28,525,000
Lamu	750	11,250,000	19,960,000	31,210,000
Machakos	2289	34,335,000	19,960,000	54,295,000
Makueni	774	11,610,000	19,960,000	31,570,000

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Mandera	752	11,280,000	19,960,000	31,240,000
Marsabit	421	6,315,000	19,960,000	26,275,000
Meru	3071	46,065,000	19,960,000	66,025,000
Migori	786	11,790,000	19,960,000	31,750,000
Mombasa	1329	19,935,000	19,960,000	39,895,000
Muranga	3050	45,750,000	19,960,000	65,710,000
Nairobi	974	14,610,000	19,960,000	34,570,000
Nakuru	1856	27,840,000	19,960,000	47,800,000
Nandi	1153	17,295,000	19,960,000	37,255,000
Narok	724	10,860,000	19,960,000	30,820,000
Nyamira	2197	32,955,000	19,960,000	52,915,000
Nyandarua	1316	19,740,000	19,960,000	39,700,000
Nyeri	589	8,835,000	19,960,000	28,795,000
Samburu	63	945,000	19,960,000	20,905,000
Siaya	1236	18,540,000	19,960,000	38,500,000
TaitaTaveta	1981	29,715,000	19,960,000	49,675,000
Tana River	302	4,530,000	19,960,000	24,490,000
TharakaNithi	1342	20,130,000	19,960,000	40,090,000
Trans Nzoia	2250	33,750,000	19,960,000	53,710,000
Turkana	355	5,325,000	19,960,000	25,285,000
UasinGishu	886	13,290,000	19,960,000	33,250,000
Vihiga	2336	35,040,000	19,960,000	55,000,000
Wajir	89	1,335,000	19,960,000	21,295,000
West Pokot	595	8,925,000	19,960,000	28,885,000
<b>Total</b>	<b>70,792</b>	<b>1,061,880,000</b>	<b>938,120,000</b>	<b>2,000,000,000</b>

- The enrolment in VTCs grew from 77,465 in 2015 to 80,905 in 2016 and 89,598 in 2017, which could mainly be attributed to the expansion of the VTCs and infrastructure development by the County Governments, development and introduction of VTC curriculum, in-servicing of instructors, government's effort to rehabilitate, modernize and expand the VTCs, and improved terms of service for instructors. With the introduction of Subsidized Vocational Training Centers Support Grant, the enrolment in VTCs is expected to grow significantly.
- **Curriculum Development:** During the period under review revision of instructional materials in four (4) course areas in National Vocational Certificate in Education and Training (NVCET) curriculum namely Metal Processing Technology, Motor Vehicle Technology, Building Technology and Fashion Design & Garment Making has been on-going. The process has slowed due to lack of funds. However, efforts are underway to liaise with TVET CDACC apart from KICD in CBET curriculum development.
- **Quality Assurance and Standards:** During the period 300 officers were sensitized on Quality Assurance and Standards. A QAS policy is under development to guide on the training environment and ensure standardization of training in Vocational Training Centers. Four meetings were held with the Council of Governors on improving governance of VTCs and strengthening collaborations between the Ministry and the County Governments.

### Emerging Issues

- a) Transfer of service for TVET trainers from TSC to PSC in an environment of variant opinion between trade unions and policy implementers. The likely litigation may slow down the process.
- b) **Acceptability of the Kenya National Qualifications Framework:** the gazzetted National Qualifications Regulations are applicable to all qualifications from primary to PhD level (10 levels). However, mapping of the traditional awards (KCPE, KCSE, Trade Test, Artisan, Craft, Diploma, PhD) over the new levels (level 1 - 10) is still not clear to the stakeholders who are yet to be sensitized on the same.
- c) **Curriculum Reform:** The current reforms in curriculum at all levels of education calls for increased resources for piloting the new curriculum; and training and in servicing of trainers for effective implementation.
- d) **Implementation of CBET:** although the concept of CBET has been generally accepted, its implementation has been slowed down by lack of competent CBET trainers and facilities in TVET institutions. The requisite institution-based assessment and verification of competencies are new concepts which require a different approach from the traditional terminal examination system.
- e) **Capitation in TVET:** the government effort to lower the cost of TVET is being addressed through capitation. This calls for accurate enrolment data and development and implementation of a realistic differentiated unit cost mechanisms for the provision of TVET programmes.
- f) **Increased demand for Technical and Vocational skills:** demand for TVET has gone up because of capitation and the shift of government focus to the Big 4 Agenda and the requisite skills to support the agenda. There is likely to be an upsurge of enrolment in the courses that directly relate to the Big 4 consequently putting pressure on the facilities and trainers.
- g) **Implementation of a realistic unit cost:** Continuous review and implementation of a realistic unit cost at all levels of education and training requires increased resources
- h) **ICT Integration:** There has been continuous effort by the Sector and stakeholders to embrace ICT in teaching/learning. Implementation of ICT responsive teaching and learning calls for increased investment which has an impact on the already constrained resource envelop.
- i) **Institutional and Legal Requirements:** The full implementation of the various Acts governing the Sector requires the establishment and operationalization of a number of institutions as well as implementation of relevant reforms. As a result, the effective operation of these bodies and their mandate require additional resources
- j) **Devolved System of Governance:** The Constitution transferred a number of functions that were previously implemented by the National Government to County Governments. Some of the services devolved from ETS perspective include provision of ECDE and VET. Development of policies to manage the provision of services in these areas however were retained at the National Government. The operational challenges of the independence and inter-dependence of these two levels of governments were not anticipated.
- k) **Special Needs Education:** Special Needs Education which cuts across all levels of education and training addresses the needs of learners with varied impairments which require more financial resources for the provision of infrastructure, learning materials and assessment of the

curriculum implementation. The Ministry will mainstream special needs programmes in all levels of education and training, including TVET.

- l) **Expansion of Training Institutions:** The need to establish Technical Training Institutions in counties that do not have any continues to exert budgetary pressure on resources.
- m) **Increased Demand For Technical Trainer Colleges:** The significant expansion of existing TVET institutions and establishment of new ones all over the country has been recorded. The expansion of TVET call for an establishment of additional technical trainer colleges to match the demand for more trainers. The training of trainers should also mainstream the curriculum reforms that are underway.
- n) **Capacity Building Needs:** The Sector requires continuous capacity building for the effective implementation of curriculum as well as other emerging issues. Specifically, there is the need to establish the Kenya School of Teachers to cater for large number of teachers requiring in service training at a cost of Kshs 300 million at the start.
- o) **Kenya National Qualification Authority and TVET Funding Board:** Full Operationalization of KNQA is yet to be realized despite their creation in the TVET Act.
- p) **Stakeholder Coordination and Participation in Management of Public Business:** The Constitutional requirement for a broad-based stakeholder participation and the current Education and training reforms calls for revolutionizing of the current practices in various areas including policy formulation and quality assurance. The high number and widespread of stakeholders leads to overlap and conflict of interest in addressing issues in education and training sector. There is need to create mechanisms for better stakeholders participation in management of public business.

## Challenges

The following challenges weighed heavily on the Ministry's effort to effectively deliver on its mandate;

**Special Needs TVET Education:** The SNE requires costly equipment, well trained tutors and other enabling facilities. Lack of detailed and reliable data on the actual prevalence of disabilities among TVET - age going students in the country, negative stereotype, misconceptions and beliefs about the causes and consequences of disability as well as high levels of poverty and gender discrimination are barriers within society that prevent learners with special needs from participating in education and training. Special needs education is constrained with inadequate number of specialized expertise, tutors and other support staff in related fields.

**Technical and Vocational Education and Training:** TVET is constrained by limited infrastructure and obsolete equipment. There is also regional and gender inequality at this level. Access for students with special needs is a challenge since the institutions are not able to cater for their needs. There exists a shortage of trainers coupled with the inadequate professional training to teach at this level. The rapid changes in technology and labour-market demands necessitate an all-inclusive review of curricular for vocational and technical training through active industry participation. The competency based training assessment need to be enhanced to include all cadres in access to training and certification.

**Staffing at TVET level:** TVET trainers are required to have competencies in various professional areas to ensure transfer of the skills to the trainees. Currently majority of training staff have undergone university training where knowledge based studies are emphasized disregarding the hands on skills training.

There is inadequate staff to handle competency based curriculum that is envisaged at this level. Majority of graduates from TVET enter into world of work with unmatched skills and are unable to meet market demands. There is also discrepancies in prioritization of VTCs by county government; Youth polytechnics have very low priority in some counties.

**Enforcement of training and teaching standards:** Although the TVET Act 2013 provides the mandate to the TVET Authority to register all trained trainers, the enforcement of this requirement has not been achieved. This is due to lack of a robust enforcement mechanism. The immediate consequence of trainers not complying with the registration requirements is that learners may be exposed to non-qualified trainers which may compromise quality of training.

**Inadequate Funding:** The financing of the sub sector is a joint effort of National and County governments on one hand and private sector/households/development partners on the other hand. The government recognizes the need to scale up expenditure to ensure better access of education as well as better implementation of programmes / projects. However, the resource envelope still remains constrained when measured as a share of overall government budget, and as a proportion of the GDP and in per capita terms.

In addition, available funding is largely used to finance recurrent costs with less amounts allocated to the development budget. There is unpredictability in financing the budgetary allocations, thereby affecting implementation of planned activities, projects/programmes

Operationalization of National Qualifications Framework, TVETA, TVET funding board and Curriculum Development Assessment and Certification Council requires additional financing to operate effectively.

**Governance and Management:** A major challenge of the present structures is inefficiency in the management of resources and utilization. Funds disbursed directly to institutions are at times not properly utilized for intended purposes. Other challenges include weak accountability, inefficient monitoring and tracking systems coupled with an over-centralized, hierarchical and bureaucratic decision-making system which encourages mismanagement.

Additionally, inefficiencies in the system like duplication and segmentation of training, Lack of a common platform for developing coherent policies and joint initiatives and inadequate coordination, sharing of resources, and articulation within the overall TVET system still abide.

Implementation of the Constitution requiring realignment of the sub sector targets to the constitution especially in relation to devolution/decentralization of services to county and sub-county levels. Management of youth polytechnics has been devolved but issues of policy, curriculum, examinations and quality assurance are done by national government.

**Learning Facilities:** The following are some of the challenges facing institution infrastructure improvement:

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Uncoordinated investment of various funding initiatives leading to duplication of projects, poor construction standards and inadequate maintenance compounded by different independent supervisory and monitoring stakeholders

In some areas natural calamities such as wind storm, fire and floods destroy the existing infrastructure hence the need for continuous intervention

Technological advancement requires that the sector provides relevant education and training by providing relevant infrastructure and equipment in increasing amounts progressively.

- Acquiring and conversion of TVET institutions into universities leaving to increased demand for money to put up new TVET institutions

**Understaffing:** Most of the support units are understaffed hindering effective delivery of service.

**Slow adoption of ICT driven methods of service delivery:** Despite efforts at the state department to equip officers with skills and equipment, there still exist limited access to ICT equipment and slow embrace of ICT for service delivery.

**Data Management in Education and Training:** The education and training sector is faced with a general lack of harmony in data management system. Data for planning purposes is either inaccurate, incomplete or untimely. Data from VTCs from the counties is scarce and unpredictable and it takes a long time to collect when need arises while timeliness and accuracy of the data is not efficient.

**HIV&AIDS :** HIV/AIDS is eroding quality of education and training, weakening demand and access, drying up the country's pool of skilled workers and increasing cost which is already high in relation to available public resources

**Poor Perception and Recognition of TVET:** The public, parents and potential trainees view TVET as last resort career choice. This has led to little impact from TVET as an important strategy to train skilled manpower for the employment market and for sustainable livelihoods. There is stigmatization of Learners with disabilities.

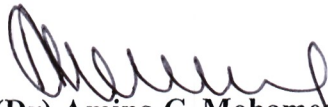
**Overlaps in Acts of Parliament in Education and Training:** Existence of fragmented and multiple legislations governing education and training sector pose a problem in coordination of education and training functions. Fragmentation of policies e.g. Some policies in TVET sector remains contrary to the spirit of the education regulations and the Constitution.

**Lack of Regulations of Qualifications:** The education and training lacks regulations of qualification leading to uncoordinated qualifications awarding bodies, fraudulent qualifications, lack of credibility and quality qualifications.

**Inadequate Training and Capacity Building:** The sector experienced some challenges that impacted on full achievement of its objectives including uncoordinated and fragmented training, capacity building and research by various governments' capacity development agencies and lack of a harmonized National Capacity Development policy, agenda and priorities

**Understaffing:** Mass retirements and natural attrition has affected the State Department negatively. VET having been devolved to county Governments, the officers formerly working here were inherently transferred. This left DVET understaffed at the national level.

**Skill and Competency Manpower Gap in TVET Trainers Management:** In line with the current TVET reforms which are geared at producing skilled manpower that can actively contribute to the country's economic development courses offered in TVET institutions are highly specialized and require trainers who are skilled in those specific areas for effective training. The current TSC scheme of service for technical teachers does not adequately attract and retain competent professionals such as engineers, technologists and medics to work as trainers in TVET institutions. To enable recruitment, management and retention of adequately skilled and competent staff the Ministry will put in place the necessary policies and structures to facilitate a smooth transition of TVET Trainers management function



**Amb. (Dr) Amina C. Mohamed, EGH, CAV**  
**Cabinet Secretary, Ministry of Education**

### III. STATEMENT OF MANAGEMENT RESPONSIBILITIES

Section 81 (1) of the Public Finance Management Act, 2013 requires that, at the end of each financial year, the accounting officer for a National Government Entity shall prepare financial statements in respect of that entity. Section 81 (3) requires the financial statements so prepared to be in a form that complies with relevant accounting standards as prescribed the Public Sector Accounting Standards Board of Kenya from time to time.

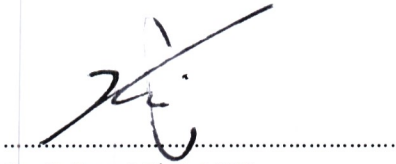
The Accounting Officer in charge of the State Department of Vocational and Technical Training is responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the entity; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Accounting Officer in charge of the State Department of State Department of Vocational and Technical Training accepts responsibility for the entity's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards (IPSAS). The Accounting Officer is of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2018, and of the entity's financial position as at that date. The Accounting Officer charge of the State Department of Vocational and Technical Training further confirms the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

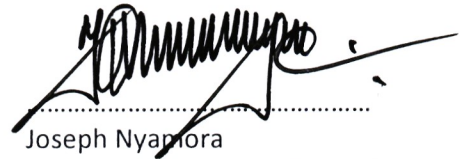
The Accounting Officer in charge of the State Department of Vocational and Technical Training confirms that the entity has complied fully with applicable Government Regulations and the terms of external financing covenants (where applicable), and that the entity's funds received during the year under audit were used for the eligible purposes for which they were intended and were properly accounted for. Further the Accounting Officer confirms that the entity's financial statements have been prepared in a form that complies with relevant accounting standards prescribed by the Public Sector Accounting Standards Board of Kenya.

**Approval of the financial statements**

The entity's financial statements were approved and signed by the Accounting Officer on 20<sup>th</sup> September 2018.



Kevit Desai PhD, MBS  
Principal secretary



Joseph Nyamora  
Assistant Accountant General  
ICPAK Member Number 7770



# REPUBLIC OF KENYA

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## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON THE MINISTRY OF EDUCATION - STATE DEPARTMENT OF VOCATIONAL AND TECHNICAL TRAINING VOTE 1064 FOR THE YEAR ENDED 30 JUNE 2018

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Qualified Opinion

I have audited the accompanying financial statements of the Ministry of Education - State Department of Vocational and Technical Training set out on pages 1 to 20 which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respect, the financial position of The Ministry of Education - State Department of Vocational and Technical Training as at 30 June 2018, 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 Public Finance Management Act 2012.

#### Basis for Qualified Opinion

##### 1.0. Cash and cash Equivalents

##### 1.1. Bank Reconciliation Statement

The statement of assets and liabilities as at 30 June 2018 reflects cash and cash equivalents balance of Kshs.108,647,577 out of which an amount of Kshs.45,716,743 for the recurrent account whose bank reconciliation statement was not availed for audit review.

In the absence of the bank reconciliation statement, the accuracy of the cash and cash equivalents figure of Kshs.108,647,577 as at 30 June 2018 cannot be confirmed.

##### 2.0. Outstanding imprest

Note 9 to the financial statements for the year ended 30 June 2018 reflects Kshs.13,366,521 as outstanding imprest while the manual imprest register reflects a nil

balance. The IFMIS imprest register for the same period reflects a balance of Kshs.9,441,138. No explanation has been given for the variance in the three sets of records which should in normal circumstances reflect the same balance.

In addition, a schedule for the outstanding District suspense figure of Kshs.1,463,501 which represents unspent funds in the district offices was not provided for audit review and therefore validity of its inclusion as a receivable in the financial statements could not be confirmed.

### **3.0. Unresolved Prior Year Matters**

#### **3.1. Cash and Bank Balances**

As reported in the previous year, excluded from the cash and bank balances of Kshs.156,769,047 as at 30 June, 2017 is a payment in the cashbook not in the bank statement amounting to Kshs.600,000 relating to development account which was not reversed in the cashbook as at the date of this report.

In the circumstances, it has not been possible to confirm that cash and bank balance of Kshs.156,769,047 as at 30 June, 2017 is fairly stated.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Ministry of Education - State Department of Vocational and Technical Training in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

#### **Other Matter**

#### **Budget Analysis**

According to the statement of comparison of budget and actual amounts, the State Department had an approved budget of Kshs.224,300,000 for compensation of employees and Kshs.3,000,000 for social security benefits against actual expenditure of Kshs.229,523,132 and Kshs.4,690,818 respectively, resulting to an overall over-expenditure of Kshs.6,913,950. Further, the State Department underspent on various vote items as detailed below:

<b>COMPONENT</b>	<b>FINAL BUDGET 2017/2018</b>	<b>ACTUAL EXPENDITURE</b>	<b>UNDEREXPENDI TURE</b>	<b>OVEREXPEND ITURE</b>	<b>% VARIANCE</b>
Compensation of Employees	224,300,000	229,523,132		5,223,132	2%
Use of goods and services	7,201,590,581	6,850,983,600	350,606,981		5%
Transfer to other government units	5,676,841,845	3,514,285,398	2,162,556,447		38%
Social security benefits	3,000,000	4,690,818		1,690,818	56%
Acquisition of assets	287,335,835	82,102,076	205,233,759		71%
<b>TOTAL</b>	<b>13,393,068,261</b>	<b>10,681,585,024</b>	<b>2,718,397,187</b>	<b>6,913,950</b>	

From the analysis, the State Department underspent by a total of Kshs.2,718,397,187 on various votes equivalent to 20% of the total final budget. The implication of the underutilized budget is that the State Department did not offer services envisaged for delivery to the Citizens during the year under review.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) 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 Purchase of ICT equipment, furniture and fittings for Technical institutions

The statement of receipts and payments reflect a figure of Kshs.6,850,983,600 under use of goods and services. The figure includes an amount of Kshs.6,509,182,533 for purchase of specialized materials and services as disclosed in Note 4 to the financial statements, which also includes an amount of Kshs.339,347,580 spent in the procurement of ICT equipment, furniture and fittings for various technical training institutions from nine(9) firms.

However, bidder's original Tender Documents were not availed for audit review and therefore the validity of the procurement process could not be ascertained for the year ended 30 June 2018.

Further, tender evaluation was undertaken 34 days after the tender opening on 19 April 2018 and forty-one (41) days for ICT equipment and furniture and fittings respectively contrary to the provisions of section 80(6) of the Public Procurement and Asset Disposal Act 2015 which allows a maximum of 30 days after the opening of the tenders.

In addition, the appointment letters for the tender opening and evaluation committees were not availed for audit review and hence it's not clear if the members who performed the duties on 19 April 2017 and 15 May 2017 were appointed by the Principal Secretary as per the Public Procurement and Assets Disposal Act 2015, Section 78(1) which states that an accounting officer of a procuring entity shall appoint a tender opening committee specifically for the procurement, and Section 46(1) which states that an accounting officer shall ensure that an ad-hoc evaluation committee is established in accordance with this Act and regulations made there under and from within the members of staff with relevant expertise. Further, the evaluation reports prepared did not have scores awarded by each evaluator neither were the individual score sheets availed for audit review.

Furthermore, the approved procurement plan for the year was not availed for audit review. It was therefore not possible to confirm that the items were in the procurement plan of the State Department of Vocational and Technical Training.

Also the Inspection and Acceptance Committee members were paid Kshs.5,917,800 for inspection and acceptance of various equipment and construction works at various Technical Training Institutions. The officers had not been appointed formally into the Inspection and Acceptance Committees as required by the Public Procurement and Asset Disposal Act Section 48(1) which states that an accounting officer of a procuring entity shall establish an ad-hoc committee known as the Inspection and Acceptance committee, and Section 159(1) which states an accounting officer of a procuring entity shall only receipt goods, works and services which have been certified in accordance with this section and section 48 of this Act.

In the circumstances, the State Department is in breach of the law.

## **2.0 Disbursements to Technical and Vocational Institutions**

### **2.1 Excess Disbursement**

Note 5 to the financial statements reflects transfers to other government units of Kshs.3,514,285,398 out of which Kshs.2,118,483,203 in respect of recurrent grants. Examination of records held by the State Department revealed that the recurrent grants were to be disbursed based on criteria where new technical institutions were to receive Kshs.2 Million per year, those with less than 500 students were to receive Kshs.12 million, those with between 501 to 999 students Kshs.20 million, those with between 1,000 to 2,000 students Kshs.24 million and those with over 2,000 students Kshs.28 million.

Further, examination of records held by the state department revealed that some 58 institutions received a total of Kshs.1,418,011,801 instead of the entitled Kshs.782,000,000 based on the set criteria resulting to excess disbursement of Kshs.636,011,801 as detailed below:

	<b>Name/Type of Institution</b>	<b>County</b>	<b>Amount disbursed (Kshs)</b>	<b>Criteria</b>	<b>Amount per Criteria (Kshs)</b>	<b>Excess (Kshs)</b>
1	Kisumu NP	Kisumu	108,000,000	Above 2000 students	28,000,000	80,000,000
2	Eldoret NP	Uasin Gishu	112,345,000		28,000,000	84,345,000
3	KTTC	Nairobi	102,000,000	Above 2000 students	28,000,000	74,000,000
4	Kabete NP (TTI)	Nairobi	50,250,000	Above 2000 students	28,000,000	22,250,000
5	Kitale NP (TTI)	Trans Nzoia	50,250,000	1000 – 2000 Student	24,000,000	26,250,000
6	Meru NP (TTI)	Meru	50,250,000	Above 2000 students	28,000,000	22,250,000
7	Kenya Coast NP (Mombasa TTI)	Mombasa	50,250,000	1000 – 2000 Students	24,000,000	26,250,000
8	Nyeri NP (TTI)	Nyeri	50,250,000	Above 2000 students	28,000,000	22,250,000
9	Sigalagala NP(TTI)	Kakamega	50,250,000	Above 2000 students	28,000,000	22,250,000
10	North Eastern NP (TTI)	Garissa	50,250,000	500-999 Students	20,000,000	30,250,000
11	Kisii NP (Gusii IT)	Kisii	49,886,948	Above 2000 students	28,000,000	21,886,948
12	Aldai TTI	Nandi	13,500,000	less than 500 Students	12,000,000	1,500,000
13	Baringo TTI	Baringo	13,500,000	less than 500 Students	12,000,000	1,500,000
14	Bureti TTI	Kericho	13,500,000	less than 500 Students	12,000,000	1,500,000
15	Butere TTI	Kakamega	13,500,000	less than 500 Students	12,000,000	1,500,000
16	Emining TTI	Baringo	13,500,000	less than 500 Students	12,000,000	1,500,000
17	Gitwebe TTI (Gusii IT)	Nyamira	13,500,000	less than 500 Students	12,000,000	1,500,000
18	Godoma TTI	Kilifi	13,500,000	less than 500 Students	12,000,000	1,500,000
19	Karumo TTI	Meru	13,500,000	less than 500 Students	12,000,000	1,500,000

	<b>Name/Type of Institution</b>	<b>County</b>	<b>Amount disbursed (Kshs)</b>	<b>Criteria</b>	<b>Amount per Criteria (Kshs)</b>	<b>Excess (Kshs)</b>
20	Katine TTI	Machakos	13,500,000	less than 500 Students	12,000,000	1,500,000
21	Kiirua TTI	Meru	13,500,000	less than 500 Students	12,000,000	1,500,000
22	Koshim TTI	Baringo	13,500,000	less than 500 Students	12,000,000	1,500,000
23	Maasai Mara TVC	Narok	15,000,000	less than 500 Students	12,000,000	3,000,000
24	Mandera TTI	Mandera	13,500,000	less than 500 Students	12,000,000	1,500,000
25	Mitunguu TTI	Meru	13,500,000	less than 500 Students	12,000,000	1,500,000
26	Mukiria	Meru	13,500,000	less than 500 Students	12,000,000	1,500,000
27	Mukurwe-ini TTI	Nyeri	13,500,000	less than 500 Students	12,000,000	1,500,000
28	Musakasa TTI	Bungoma	13,500,000	less than 500 Students	12,000,000	1,500,000
29	Nairobi TTI	Nairobi	29,000,000	Above 2000	28,000,000	1,000,000
30	Rift Valley TTI	Uasin Gishu	29,000,000	Above 2000 Students	28,000,000	1,000,000
31	Siala TTI	Migori	13,500,000	less than 500 Students	12,000,000	1,500,000
32	Sot TTI	Uasin Gishu	13,500,000	less than 500 Students	12,000,000	1,500,000
33	Thika TTI	Kiambu	29,000,000	Above 2000 Students	28,000,000	1,000,000
34	Tseikuru TTI	Kitui	13,500,000	less than 500 Students	12,000,000	1,500,000
35	Ziwa TTI	Uasin Gishu	13,500,000	less than 500 Students	12,000,000	1,500,000
36	Kiambu IST	Kiambu	29,000,000	Above 2000 Students	28,000,000	1,000,000
37	Ramogi IAT	Kisumu	22,000,000	500-999 Students	20,000,000	2,000,000

	Name/Type of Institution	County	Amount disbursed (Kshs)	Criteria	Amount per Criteria (Kshs)	Excess (Kshs)
38	Rwika TI	Embu	22,000,000		0	22,000,000
39	Sang'alo IST	Bungoma	29,000,000	Above 2000 Students	28,000,000	1,000,000
40	Machakos TI for the Blind	Machakos	39,612,763	less than 500 Students	12,000,000	27,612,763
41	Karen TI for the Deaf	Nairobi	39,612,763	less than 500 Students	12,000,000	27,612,763
42	VTC for the Blind - Sikri	Homa Bay	40,612,763	less than 500 Students	12,000,000	28,612,763
43	St. Joseph's TI for the Deaf - Nyangoma	Siaya	40,612,763	less than 500 Students	12,000,000	28,612,763
44	Ahmed S. Mwidani TTI	Mombasa	3,000,000	New	2,000,000	1,000,000
45	Endebess TVC	Trans Nzoia	3,250,000	New	2,000,000	1,250,000
46	Kapcherop TVC	Elgeyo Marakwet	4,902,225	New	2,000,000	2,902,225
47	Kipsinende TVC	Kericho	4,185,248	New	2,000,000	2,185,248
48	Kipkabus TVC	Uasin Gishu	2,500,000	New	2,000,000	500,000
49	Konoin TVC	Bomet	7,595,694	New	2,000,000	5,595,694
50	Laikipia North TVC	Laikipia	2,497,640	New	2,000,000	497,640
51	Laisamis TVC	Marsabit	4,250,000	New	2,000,000	2,250,000
52	Mathioya TVC	Muranga	3,984,650	New	2,000,000	1,984,650
53	Mathira TVC	Nyeri	4,500,000	New	2,000,000	2,500,000
54	Moiben TVC	Uasin Gishu	4,902,225	New	2,000,000	2,902,225
55	Muraga TVC	Tharaka Nithi	4,216,505	New	2,000,000	2,216,505
56	Naivasha TVC	Nakuru	3,060,961	New	2,000,000	1,060,961
57	Runyenjes TVC	Embu	3,500,000	New	2,000,000	1,500,000
58	Sotik TVC	Bomet	3,233,653	New	2,000,000	1,233,653
	<b>Total</b>		<b>1,418,011,801</b>		<b>782,000,000</b>	<b>636,011,801</b>

No explanation has been given to justify the excess payment.

Further, Kshs.25,075,725 was disbursed to Rwika institute. However, the institution was not listed among the beneficiary institutions.

In the circumstances it is not possible to confirm the authenticity of the disbursements.

## 2.2 Development disbursements

A total of Kshs.1,066,152,564 was disbursed as Development Grants to Special Needs Institutions, National Polytechnics, Technical Training Institutions and Technical Vocational Centers as detailed below:

	<b>Name/Type of Institution</b>	<b>County</b>	<b>Disbursement (Kshs)</b>
1	Kisumu NP	Kisumu	25,794,000
2	Eldoret NP	Uasin Gishu	10,747,500
3	KTTC	Nairobi	13,613,500
4	Kabete NP (TTI)	Nairobi	4,235,496
5	Kitale NP (TTI)	Trans Nzoia	3,582,500
6	Meru NP (TTI)	Meru	4,872,410
7	Kenya Coast NP (Mombasa TTI)	Mombasa	7,165,000
8	Nyeri NP (TTI)	Nyeri	8,279,729
9	Sigalagala NP(TTI)	Kakamega	5,373,750
10	North Eastern NP (TTI)	Garissa	3,582,500
11	Kisii NP (Gusii IT)	Kisii	3,861,935
12	Aldai TTI	Nandi	2,512,500
13	Baringo TTI	Baringo	4,721,735
14	Bondo TTI	Siaya	6,565,890
15	Bumbe TTI	Busia	5,732,000
16	Bureti TTI	Kericho	4,442,300
17	Bushiangala TTI	Kakamega	5,703,340
18	Butere TTI	Kakamega	2,512,500
19	Ekerubo Gietai TTI	Nyamira	5,423,905
20	Emining TTI	Baringo	4,578,435
21	Gitwebe TTI (Gusii IT)	Nyamira	4,370,650
22	Godoma TTI	Kilifi	4,413,640
23	Kaiboi TTI	Nandi	5,015,500
24	Karumo TTI	Meru	5,015,500
25	Katine TTI	Machakos	6,940,750

	<b>Name/Type of Institution</b>	<b>County</b>	<b>Disbursement (Kshs)</b>
26	Keroka TTI	Kisii	5,015,500
27	Kiirua TTI	Meru	3,582,500
28	Kisiwa TTI	Bungoma	3,582,500
29	Koshin TTI		2,512,500
30	Maasai Mara TVC	Narok	2,512,500
31	Mandera TTI	Mandera	2,752,887
32	Maasai TTI		3,582,500
33	Mathenge TTI	Nyeri	4,271,568
34	Matili TTI	Bungoma	15,556,484
35	Mawego TTI	Homa Bay	5,373,750
36	Michuki TTI	Muranga	5,402,410
37	Mitunguu TTI	Meru	3,582,500
38	Mukiiria TTI	Meru	5,732,000
39	Mukurwe-ini TTI	Nyeri	5,015,500
40	Musakasa TTI	Bungoma	5,015,500
41	Nairobi TTI	Nairobi	17,126,902
42	Nkabune TTI	Meru	5,373,750
43	Oi'Lessos TTI	Nandi	3,912,090
44	PC Kinyanjui TTI	Nairobi	7,165,000
45	Rift Valley TTI	Uasin Gishu	3,582,500
46	Shamberere	Kakamega	7,745,365
47	Siala TTI	Migori	2,512,500
48	Sot TTI		7,165,000
49	Thika TTI	Kiambu	5,732,000
50	Tseikuru TTI	Kitui	3,797,450
51	Wote TTI	Makueni	3,582,500
52	Ziwa TTI	Uasin Gishu	3,582,500
53	Coast IT	Taita Taveta	3,582,500
54	Friends College Kaimosi	Vihiga	3,582,500
55	Kiambu IST	Kiambu	3,582,500
56	Nyandarua IST	Nyandarua	3,582,500
57	Ramogi IAT	Kisumu	3,582,500
58	Rwika TI	Embu	3,075,725
59	Sang'alo IST	Bungoma	3,582,500
60	Siaya IT	Siaya	3,582,500
61	Machakos TI for the Blind	Machakos	9,439,887
62	Karen TI for the Deaf	Nairobi	9,439,887
63	VTC for the Blind – Sikri	Homa Bay	9,439,887
64	St. Joseph's TI for the Deaf – Nyangoma	Siaya	9,439,887

	<b>Name/Type of Institution</b>	<b>County</b>	<b>Disbursement (Kshs)</b>
65	Mabera	Migori	15,824,525
66	Turbo	Uasin Gishu	12,385,829
67	Bomet Central TTI	Bomet	14,136,626
68	Chepalungu IST	Bomet	11,440,284
69	Kajiado North TTI	Kajiado	14,396,707
70	Kajiado East TTI	Kajiado	13,227,083
71	Tabraj TTI	Wajir	8,824,067
72	Wajir North TTI	Wajir	8,746,419
73	Msambweni TTI	Kwale	18,057,969
74	Lagdera TTI	Garissa	8,329,899
75	Kitutu Masaba VTC	Nyamira	12,418,700
76	Kinangop TTI	Kwale	15,715,305
77	Ndaragwa TTI	Nyandarua	13,329,899
78	Chepsirei TTI	Elgeyo-Marakwet	9,273,055
79	Mwea TTI	Kirinyaga	12,763,294
80	Tetu TTI	Nyeri	11,773,255
81	Orogare TTI	Kisii	13,608,495
82	Riragia TTI	Nyamira	14,193,574
83	Sabatia TTI	Vihiga	0
84	Kongoni	Kakamega	8,329,899
85	Navakholo	Kakamega	8,329,899
86	Sirisia TTI	Bungoma	8,167,939
87	Gatundu South	Kiambu	12,871,487
88	Igembe South TTI	Meru	5,085,148
89	Tigania East TTI	Meru	7,353,045
90	Awendo	Migori	8,833,160
91	Mandera North	Mandera	6,664,972
92	Kandara TTI	Muranga	7,884,433
93	Ngeria	Uasin Gishu	7,884,432
94	Loima TTI	Turkana	7,884,433
95	Turkana North TTI	Turkana	7,884,433
96	Narok South TTI	Narok	7,884,433
97	Emurua Dikirr TI	Narok	7,884,431
98	Cherengany TTI	Trans Nzoia	7,781,617
99	Tinderet TTI	Nandi	7,781,617
100	Chanzeywe TTI	Vihiga	7,884,433
101	Kitalekapel TTI	Turkana	7,884,432
102	Chamasiri TTI	Busia	7,884,432
103	Mungatsi TTI	Busia	7,884,433

	Name/Type of Institution	County	Disbursement (Kshs)
104	Moyale TTI	Marsabit	7,884,433
105	Kieni TTI	Nyeri	7,884,432
106	Kamukunji TTI	Nairobi	8,455,860
107	Belgut TTI	Kericho	7,455,861
108	Webuye West TTI	Bungoma	13,227,083
109	Ikutha TTI	Kitui	12,521,515
110	Awach	Kisumu	12,418,700
111	Rachuonyo TTI	Homa Bay	10,465,852
112	Ombek TTI	Homa Bay	10,241,154
113	Kibwezi TTI	Makueni	12,521,515
114	Kiptaragon	Nakuru	10,455,861
115	Total TTI	Nakuru	12,521,516
116	Wanga TTI	Kakamega	10,227,083
117	Likoni TTI	Mombasa	13,982,729
118	Ugunja TTI	Siaya	10,492,857
119	Kimini TTI	Trans Nzoia	12,521,515
120	Mochongoi TTI	Baringo	9,353,045
121	Kapchepkor TTI	Baringo	10,358,606
122	Manyatta TTI	Embu	9,455,861
123	Dr. Daniel Wako TTI	Busia	12,418,705
124	Mwatete TTI	Taita Taveta	12,697,415
125	Kericho Township TTI	Kericho	10,353,045
126	Mwala TTI	Machakos	12,521,515
127	Limuru TTI	Kiambu	7,455,861
128	Laikipia West	Laikipia	7,455,861
129	Gichugu TTI	Kirinyaga	7,455,861
130	Samburu North TTI	Samburu	4,125,962
131	Magarini TTI	Kilifi	5,085,148
132	Elburgon TTI	Nakuru	8,455,861
133	Heroes TTI	Kiambu	7,455,860
134	Emgwen TVC	Nandi	10,000,000
	<b>Total</b>		<b>1,066,152,564</b>

However, the basis for the allocation of the funds to the institutions, the purpose of the funds and status reports of the projects to be funded, if any, were not availed for audit review.

In the circumstances it has not been possible to confirm the propriety of the Development expenditure of Kshs.1,066,152,564.

### 3.0 Unresolved Prior year matters

#### 3.1. Nugatory Payment

As reported in the previous year, the statement of receipts and payments for the year ended 30 June, 2017 reflects use of goods and services figure of Kshs.3,497,472,588. This figure includes an amount of Kshs.159,817,204 paid to a clearing and forwarding firm on 29 June 2017 in respect of interest, storage, delays and court costs on a contract signed in 2011 for the provision of clearance and inland logistics services for the Government of Kenya-China Project. Although the payment of Kshs.159,817,204 was supported by a High Court decree and Certificate of Order both dated 7 September, 2016, documents availed for audit review indicate that the amount was arrived at after the consent between the clearing firm and the defendant (Ministry). Further, examination of the decree document reflects a contract sum of Kshs.137,135,407, while the contract signed on 13 December, 2011 indicates a contract sum of Kshs.59,954,926. No explanation was availed for audit review on how the contract sum changed from the initial Kshs.59,954,926 to Kshs.137,135,407 and finally to Kshs.159,817,214.

Additionally, it is not clear and the management has not explained the basis of the interest charged at 3% per month (36% per year) instead of 6% per annum of the principal sum as spelt out under Section 26 of the Civil Procedure Act or between 12% -14% per annum usually applied in settlement of court cases. Further, no explanation has been provided as to why the Ministry consented to pay Kshs.159,817,204 instead of appealing the case considering the huge interest differences. Besides, no judgement has been availed for audit review to support the basis of the payment.

In the circumstances, the expenditure of Kshs.159,817,204 cannot be confirmed as a proper charge to public funds for the year ended 30 June 2017.

#### 3.2. Delay in Completion of Projects

As reported in the previous year, the statement of receipts and payments for the year ended 30 June, 2017 reflects transfers to other government units figure of Kshs.4,329,951,710 which includes Kshs.1,037,244,895 disbursed to various institutions for settlement of claims from various contractors. These claims arose when the Ministry awarded contracts for the construction of additional seventy (70) new technical training institutes across the country at a total contract sum of Kshs.3,821,946,490 for a period of one year as shown below:

##### Seventy (70) new Technical Institutes

S/no	Institution	County	Contract Sum (Kshs.)
1	Sabatia TTI	Vihiga	55,911,023
2	Kapchepkor TTI	Baringo	49,746,020
3	Mochongi T.T.I	Baringo	56,917,344

<b>S/no</b>	<b>Institution</b>	<b>County</b>	<b>Contract Sum (Kshs.)</b>
4	Bomet Central TTI	Bomet	53,398,637
5	Chepalungu Institute of Science and Technology	Bomet	52,180,740
6	Navakholo TTI	Bungoma	53,251,373
7	Sirisia TTI	Bungoma	52,948,588
8	Webuye West TTI	Bungoma	54,865,865
9	Chamasiri TTI	Busia	54,867,250
10	Dr. Daniel Wako- Murende TTI	Busia	54,500,748
11	Mungatsi TTI	Busia	53,997,893
12	Chepsirei TTI	Elgeyo-Marakwet	48,698,788
13	Manyatta TTI	Embu	49,202,841
14	Lagdera TTI	Garissa	49,354,030
15	Ombek TTI	Homa Bay	48,851,800
16	Rachuonyo TTI	Homa Bay	57,669,270
17	Kajiado East TTI	Kajiado	57,542,758
18	Kajiado North TTI	Kajiado	53,998,395
19	Kongoni	Kakamega	55,626,061
20	Wanga TTI	Kakamega	47,899,593
21	Belgut TTI	Kericho	58,819,135
22	Kericho Township	Kericho	52,905,088
23	Total TTI	Kericho	59,848,695
24	Gatundu South	Kiambu	55,481,165
25	Heroes TTI	Kiambu	54,598,965
26	Limuru	Kiambu	60,780,080
27	Magarini TTI	Kilifi	59,481,166
28	Gichugu TTI	Kirinyaga	51,300,055
29	Mwea TTI	Kirinyaga	59,210,550
30	Orogare TTI	Kisii	56,944,454
31	Riragia TTI	Kisii	51,949,663
32	Awach	Kisumu	55,774,985
33	Ikutha TTI	Kitui	59,257,958
34	Msambweni TTI	Kwale	58,493,743
35	Laikipia Tti	Laikipia	58,043,743
36	Mwala TTI	Machakos	55,231,665
37	Kibwezi TTI	Makueni	59,107,958
38	Mandera TTI	Mandera	53,128,605

S/no	Institution	County	Contract Sum (Kshs.)
39	Moyale TTI	Marsabit	58,959,306
40	Igembe South TTI	Meru	57,520,415
41	Tigania East TTI	Meru	53,799,150
42	Awendo TTI	Migori	63,171,256
43	Mabera	Migori	54,865,865
44	Likoni TTI	Mombasa	54,984,099
45	Kandara TTI	Murang'a	55,800,278
46	Kamukunji TTI	Nairobi	53,740,660
47	Elburgon	Nakuru	57,570,913
48	Kiptaragon	Nakuru	51,837,890
49	Kilibwoni TVC	Nandi	55,278,596
50	Tinderet TTI	Nandi	53,745,204
51	EmuruuDikirr Technical Institute	Narok	52,444,894
52	Narok South TTI	Narok	54,686,533
53	KitutuMasaba VTC	Nyamira	54,983,210
54	Kinangop TTI	Nyandarua	54,574,680
55	Ndaragwa TTI	Nyandarua	53,333,635
56	Kieni TTI	Nyeri	53,443,888
57	Tetu TTI	Nyeri	52,008,412
58	Samburu North	Samburu	47,677,860
59	Ugunja TTI	Siaya	54,309,817
60	Mwatate TTI	TaitaTaveta	52,949,162
61	Kiminini TTI	Trans Nzoia	57,530,888
62	Loima TTI	Turkana	54,683,900
63	Turkana North TTI	Turkana	47,498,800
64	Ngeria	UasinGishu	52,180,740
65	Turbo- Cheptach	UasinGishu	53,914,075
66	Chanzeywe TTI	Vihiga	57,500,270
67	Tarbaj TTI	Wajir	51,998,685
68	Wajir North TTI	Wajir	57,635,435
69	Cherangany TTI	West Pokot	52,075,773
70	Kitalekapel TTI	West Pokot	53,455,516
<b>Total</b>			<b>3,821,946,495</b>

However, review of the projects' progress report of December 2017 indicates that all the seventy (70) institutions are incomplete, yet the contract period has already lapsed. The project was therefore way behind schedule.

The State Department of Vocational and Technical Training had earlier embarked on construction of sixty (60) new Institutes in October 2014 at a total contract sum of Kshs.3,246,940,967.92 and for a contract period of one year. A review of the project progress report dated December 2017 further revealed that twenty-four (24) institutes worth Kshs.1,284,489,490 are still incomplete as detailed below:

#### List of 24 Technical Training Institutions

S/No	Mentoring Institution	New TVC	Percentage Work Done	Contract Amount
1.	NE National Polytechnic	Balambala	50	50,879,095
2.	Matili	Bungoma North	95	55,060,696
3.	Bumbe	Bunyala	95	51,823,820
4.	Friends College Kaimosi	Ebukanga	80	54,664,954
5.	RVIST	Eldama Ravine	98	50,440,915
6	NE National Polytechnic	Elwak	80	52,632,190
7	TUM	Fayya	95	50,847,206
8	Homabay	Rangwe TTI	95	55,191,780
9	N'kabune	Kaelo	70	55,102,270
10	Rongo University	Kakrao	60	54,032,486
11	Mombasa	Kaloleni	95	49,535,280
12	TUK	Kasarani	97	50,631,009
13	Rongo University College	Kendege	80	57,254,222
14	RVIST	Kipsoen	96	51,067,432
15	Mombasa	Lamu East	65	59,758,850
16	KIST	Lari	90	52,619,314
17	KIST	Nachu	98	53,166,434

S/No	Mentoring Institution	New TVC	Percentage Work Done	Contract Amount
18	Kisumu Poly	Nyakach	85	60,243,100
19	Kisii National Poly	Riamo	55	53,938,485
20	Meru	Saku	85	51,402,035
21	Meru	Samburu West	90	51,798,340
22	Kitale	Sigor	80	53,838,998
23	Eldoret Poly	Turkana East	90	55,172,555
24	Nairobi	Wajir South	90	53,388,490
<b>Total</b>				<b>1,284,489,957</b>

All the above 24 institutions are incomplete despite the fact that the contract period has already lapsed and the Ministry has released its entire contribution totaling Kshs.2,646,940,968 for the projects.

In the circumstances, it has not been possible to confirm when and if the projects will be completed and if the stakeholders will ever get value for money from the public resources totaling Kshs.5,106,436,447.

### 3.3. Construction of Septic Tanks in nine (9) New Technical Institutes

As reported previously, the statement of receipts and payments for the year ended 30 June, 2017 reflects transfers to other government units figure of Kshs.4,329,951,710 which includes payments of Kshs.39,929,939.40 to eight (8) technical training institutes vide payment voucher No.115 dated 19 May 2017 towards construction of septic tanks. This project was proceeded by the construction of nine (9) technical institutes in counties with none during the year 2014/2015 at a contract sum of Kshs.487,865,560.34.

However, available information indicates that the institutes are incomplete while one Chepareria TI has since collapsed the cause is yet to be established. Although the management has explained that a team of experts is carrying out investigation on the cause of the collapsed building, the outcome is unknown. It is not clear and management has not explained why the initial project worth Kshs.487,865,560.34 has not been completed as at the date of this report. Further, the management has not explained why the construction of septic tanks was not included in the main contract sum.

In the circumstances, it has not been possible to confirm the propriety of the expenditure of Kshs.39,929,939.40 for the year ended 30 June 2017 incurred on construction of septic tanks.

### **3.3. Procurement of Equipment for TTIS – Kenya-China project**

As previously reported, the Government of Kenya through the then Ministry of Education, Science and Technology entered into a contract with AVIC International Holding Corporation for the supply of equipment under Kenya-China project on establishment of Technical and Vocational Training (TVET) workshops at a total cost of US \$ 166,618,659 later revised to US \$158,785,183 (Kshs.16,402,509,403.90) through an addendum dated 25 May 2016.

This project proceeded a previously negotiated project Contract No. ATE/KEZ/09M5409 with the same contractor for the supply of equipment to various TVETs at a cost of US \$ 133,427,833 (Kshs.13,743,066,799). However, minutes of the meeting on negotiations between AVIC International and GoK were not availed for audit review to confirm the considerations/terms of the contract. It was further noted that an essential component of the project, the Government of Kenya was to undertake civil works on construction of 130 Technical Training Institutes. However, a review of the status report dated December 2017 indicates percentage of work done averaged 51% despite the fact the first batch of equipment were delivered in December 2017. The project was therefore behind schedule. The Ministry did not provide reasons for the delay in project completion.

In the circumstances, it has not been possible to confirm if and when the project will be completed and when the stakeholders will obtain the value for their public resources.

It was further noted that the on 11 January, 2017 the State Department-VTT paid Kshs.2,440,000,000 to the Principal Secretary-Treasury Deposit account for equipment under Kenya-China Project on establishment of Technical and Vocational Training Workshop in Kenya. However, no supporting analysis on how the Kshs.2,440,000,000 was utilized was availed for audit review. In the circumstances, it has not been possible to confirm the propriety of expenditure of Kshs.2,440,000,000 for the year ended 30 June.

### **3.4. Payment of Rent without Valid Lease Agreements**

As reported in the previous year, the statement of receipts and payments for the year ended 30 June, 2017 reflects use of goods and service figure of Kshs.3,497,472,558 and which includes payments totalling Kshs.57,244,711 in respect of rentals of produced assets as disclosed in Note 3 to the financial statements. The figure of Kshs.57,244,711 also includes Kshs.55,369,049 being rent of office space for the various departments whose valid and current lease agreements with various landlords and property managers were not availed for audit verification.

In the circumstances, it has not been possible to confirm that the rent paid of Kshs.55,369,049 was in line with the existing agreement and consistent with market rates.

### **3.5. Direct Procurement of Goods and Services**

As previously reported, the statement of receipts and payments for the year ended 30 June, 2017 reflects use of goods and services figure of Kshs.3,497,472,558 and which

includes payments totalling Kshs.463,883 in respect of air tickets procured from suppliers through direct procurement. No reasons were given for direct procurement as opposed to competitive bidding. In the circumstances, the air tickets may have been overpriced and procurement was not in accordance Section 161 (2) (d) Public Procurement and Assets Disposal Act 2015 on procedure for request for quotations which states that at least three persons shall submit their quotations prior to evaluation.

### **3.7 Pending Bills**

#### **3.7.1 Unclear Payments for Equipment for Vocational Training Centers**

As reported in the previous year, examination of payment records for the year 2016/2017 revealed that the Department paid pending bills for the year 2015/2016 totalling Kshs.8,362,600 relating to procurement of tools and equipment for youth polytechnics. However, scrutiny of the procurement records revealed that purchase of equipment for Youth Polytechnics had not been factored in the procurement plan for the year 2015/2016. This is contrary to Section 53 (8) of the Public Procurement and Asset Disposal Act 2015 which requires the Accounting Officer not to commence any procurement proceeding until satisfied that sufficient funds to meet the obligations of the resulting contract are reflected in its approved budget estimates.

In the circumstances, the propriety of expenditure of Kshs.8,362,600 on equipment for the year ended 30 June, 2017 could not be confirmed and the State Department therefore is in breach of the law.

#### **3.7.2 Unauthorized Payment of Pending Bills**

As previously reported, examination of pending bills revealed that during the year 2016/2017, the State Department of VTT paid Kshs.1,695,000 and Kshs.2,082,336 to Kenya Education Management Institute and Shawa Suppliers and General Contractors respectively. These two payments were however not included in the approved list of pending bills for the year 2015/2016. No explanation has been provided for this anomaly. In the circumstances, it has not been possible to confirm that expenditure totalling Kshs.3,777,336 was a proper charge to public resources.

### **3.8. Transfers to Other Government Units**

As previously reported, the statement of receipts and payments for the year ended 30 June 2017 reflects transfers to other government units figure of Kshs.4,329,951,710 which includes payments totalling Kshs.91,400,000 made to ten (10) Technical Institutes and seven (7) National Polytechnics towards renovation of workshops as summarized below:

**Disbursement to TTIs and National polytechnics for renovation of workshops**

S/No.	County	Institution	Amount
<b>National polytechnics</b>			
1	Nyeri	Nyeri Polytechnic	6,000,000
2	Garisa	North Eastern Polytechnic	6,000,000
3	Meru	Meru Polytechnic	7,000,000
4	Kakamega	Sigalagala Polytechnic	7,000,000
5	Kisumu	Kisumu Polytechnic	5,000,000
6	Kiambu	Kabete Polytechnic	5,000,000
7	Transzoia	Kitale Polytechnic	5,000,000
Subtotal			41,000,000
<b>TTIS</b>			
1	Kiambu	Thika TTI	4,140,000
2	Nairobi	PC Kinyanjui TTI	5,140,000
3	Meru	Nkabune TTI	5,140,000
4	Kiambu	Kiambu IST	5,140,000
5	Bungoma	Katine	5,140,000
6	Mandera	Mandera TTI	5,140,000
7	Embu	Mukiria TTI	5,140,000
8	Bungoma	Musakasa TTI	5,140,000
9	Kakamenga	Friends C Kaimosi	5,140,000
10	Baringo	Koshim TTI	5,140,000
<b>Total</b>			<b>50,400,000</b>
<b>Grand Total</b>			<b>91,400,000</b>

However, no evidence was availed for audit review showing how the Institutions were identified and amount disbursed to each Institution was arrived at.

In the circumstances, it has not been possible to confirm the authenticity of payments totalling Kshs.91,400,000 to the ten (10) Technical Institutions and seven (7) National Polytechnics for the year ended 30 June 2017.

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, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the procedures performed, except for the matter described in the Conclusion on Effectiveness of Internal Controls sections of my report, 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**

#### **1. Audit Committee**

As required by Section 73(5) of the Public Finance Management Act (2012) the State Department did have an audit Committee in place. However, the Minutes of the deliberations of the Committee were not availed for audit review.

In the absence of the minutes, it has not been possible to confirm that the audit committee's roles of ensuring the integrity of the state department's financial information, its system of internal controls, and the legal and ethical requirements provided for in section 3.2 of gazette notice No.2690 dated 15 April 2016 were achieved.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. 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 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.

### **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 such 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 control.

In preparing the financial statements, management is responsible for assessing the ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless the National Government either intends to cease operations, or have no realistic alternative but to do so.

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 financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

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

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal 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 control 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.

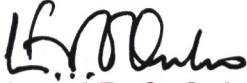
Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the going concern 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 ability to continue as a going concern or 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 State Department to cease to continue as a going concern or 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 to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

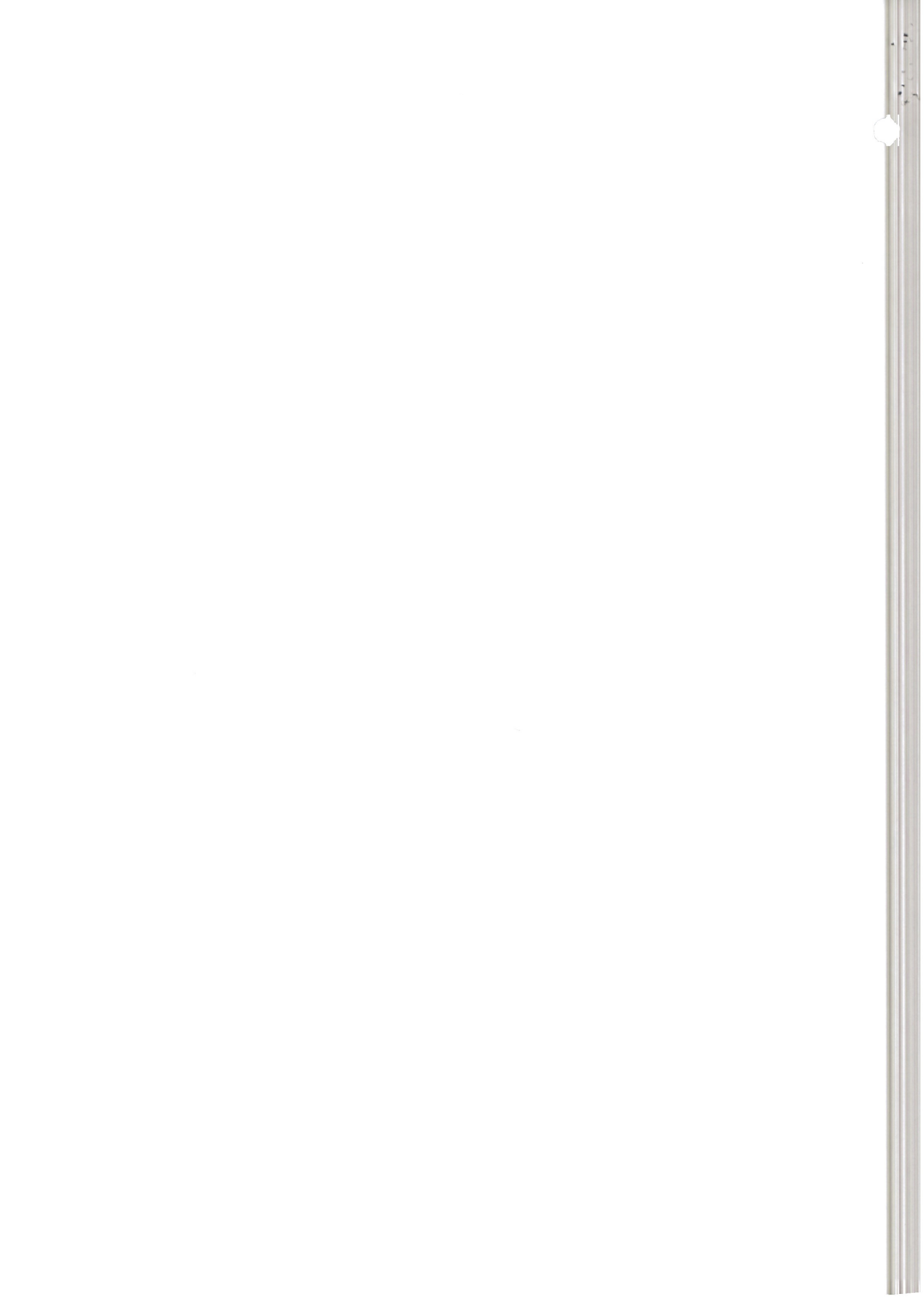
I also provide management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

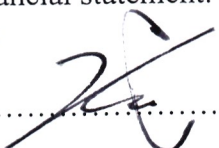
**27 February 2019**



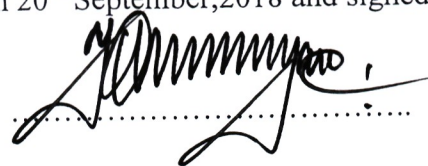
**VI. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2018.**

RECEIPTS	NOTES	2017/2018 KSHS	2016/2017 KSHS
Transfer from National Treasury	1	3,677,402,447	7,239,800,000
Proceeds from foreign borrowing	2	6,980,086,122	696,180,311
<b>TOTAL REVENUE</b>		<b>10,657,488,569</b>	<b>7,935,980,311</b>
<b>PAYMENTS</b>			
Compensation of Employees	3	229,523,132	-
Use of goods and services	4	6,850,983,600	3,497,472,558
Transfers to other Government units	5	3,514,285,398	4,329,951,710
Social security benefits	6	4,690,818	-
Acquisition of assets	7	82,102,076	21,301,023
<b>Total payments</b>		<b>10,681,585,025</b>	<b>7,848,725,291</b>
<b>Surplus/Deficit</b>		<b>(24,096,456)</b>	<b>87,255,020</b>

The accounting policies and explanatory notes to the financial statement form an integral part of the financial statement. The entity financial statement was approved on 20<sup>th</sup> September, 2018 and signed by:

.....  


Kevit Desai PhD, MBS  
 Principal secretary

.....  


Joseph Nyamora  
 Assistant Accountant General  
 ICPAK Member Number 7770

VII. STATEMENT OF ASSETS AND LIABILITIES AS AT 30 JUNE 2018

FINANCIAL ASSET	NOTE	2017/2018	2016/2017
		KSHS	KSHS
Cash and cash equivalent			
Bank balances	8A	108,428,249	156,702,980
Cash balances	8B	219,328	66,067
<b>Total cash and cash equivalent</b>		<b>108,647,577</b>	<b>156,769,047</b>
Accounts receivable-Outstanding imprest and clearance account	9	14,830,022	460,719
<b>TOTAL FINANCIAL ASSET</b>		<b>123,477,599</b>	<b>157,229,766</b>
LESS FINANCIAL LIABILITIES			
Accounts payable-Deposits	10	60,319,037	69,974,746
<b>NET FINANCIAL ASSETS</b>		<b>63,158,562</b>	<b>87,255,020</b>
REPRESENTED BY			
<b>Fund balance b/fwd</b>		<b>87,255,020</b>	
<b>Prior year adjustments</b>			
<b>Surplus/Deficit for the year</b>		<b>(24,096,456)</b>	<b>87,255,020</b>
<b>NET FINANCIAL POSITION</b>		<b>63,158,562</b>	<b>87,255,020</b>

The accounting policies and explanatory notes to the financial statement form an integral part of the financial statement. The entity financial statement were approved on 20<sup>th</sup> September,2018 and signed by:

.....  
 Kevit Desai PhD,MBS  
 Principal secretary

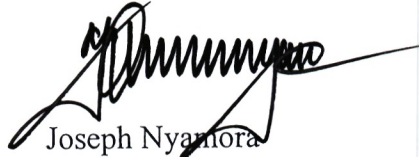
.....  
 Joseph Nyamora  
 Assistant Accountant General  
 ICPAK Member Number 7770

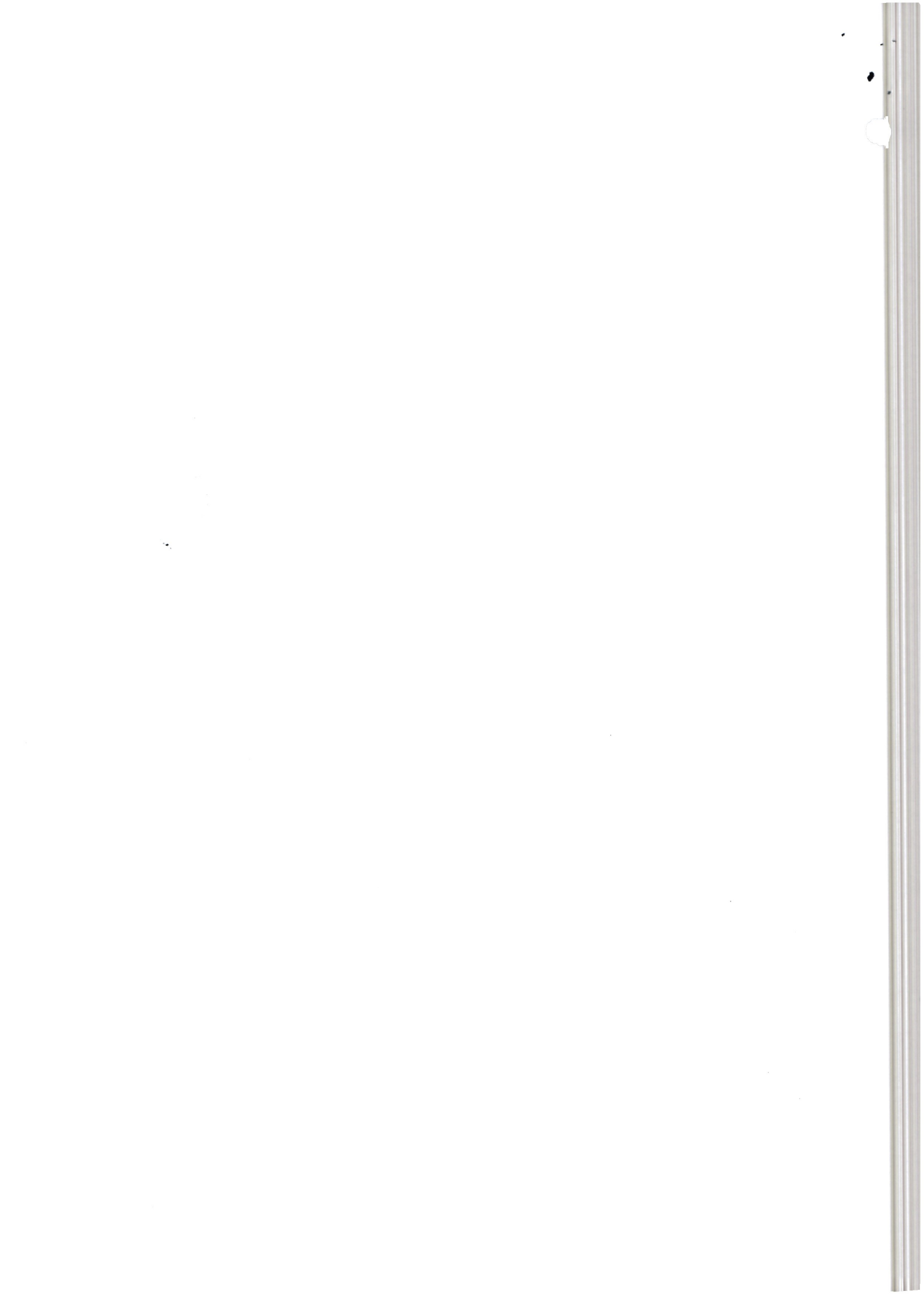
VIII. STATEMENT OF CASHFLOWS FOR YEAR ENDED 30<sup>TH</sup> JUNE 2018

CASHFLOW FROM OPERATING EXPENDITURE	NOTE	2017/2018	2016/2017
RECEIPTS FOR OPERATING EXPENDITURE		KSHS	KSHS
Transfer from National Treasury	1	3,677,402,447	7,239,800,000
<b>Net cashflow from operating expenditure</b>		<b>3,677,402,447</b>	<b>7,239,800,000</b>
<b>PAYMENT FOR OPERATING EXPENSES</b>			
Compensation of Employees	3	229,523,132	-
Use of goods and Services	4	6,850,983,600	3,497,472,558
Transfer to other Government units	5	3,514,285,398	4,329,951,710
Social security benefits	6	4,690,818	-
		<b>10,599,482,949</b>	<b>7,827,424,268</b>
Changes in receivables		(14,369,303)	460,719
Changes in payables		(38,381,042)	69,974,746
<b>Net cashflow from operating expenditure</b>		<b>(6,946,105,514)</b>	<b>(518,110,241)</b>
Acquisition of assets	7	(82,102,076)	(21,301,023)
<b>CASHFLOW FROM BORROWING ACTIVITY</b>			
Proceeds from foreign borrowing	2	6,980,086,122	696,180,311
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>(48,121,468)</b>	<b>156,769,047</b>
<b>Cash and cash equivalent at the beginning of the year</b>		<b>156,769,047</b>	<b>-</b>
<b>Cash and cash equivalent at the end of the year</b>		<b>108,647,579</b>	<b>156,769,047</b>

The accounting policies and explanatory notes to these financial statement form an integral part of the financial statement.  
 The entity financial statement were approved on 20<sup>th</sup> September and signed by

.....  
 .....  
 Kevit Desai PhD,MBS  
 Principal secretary

  
 Joseph Nyamora  
 Assistant Accountant General  
 ICPAK Member Number 7770



**VIII. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT AND DEVELOPMENT COMBINED**

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
		a	b	c=a+b	d	e=c-d	f=d/c %
	<b>RECEIPTS</b>						
1	Exchequer releases	0	3,677,402,447	3,677,402,447	3,677,402,447	0	100%
2	Proceeds from Foreign Borrowings	650,000,000	6,350,000,000	7,000,000,000	6,980,086,122	19,913,878	100%
	<b>Total Receipts</b>	<b>650,000,000</b>	<b>10,027,402,447</b>	<b>10,677,402,447</b>	<b>10,657,488,569</b>	<b>19,913,878</b>	<b>100%</b>
	<b>Payments</b>						
3	Compensation of Employees	106,250,000	118,050,000	224,300,000	229,523,132.00	(5,223,132.00)	102%
4	Use of goods and services	759,707,171	6,441,883,410	7,201,590,581	6,850,983,600.00	350,606,981.00	95%
5	Transfers to Other Government Units	3,217,549,685	2,459,291,800	5,676,841,485	3,514,285,398.00	2,162,556,087.00	61%
6	Social Security Benefits	1,500,000	1,500,000	3,000,000	4,690,818	(1,690,818)	156%
7	Acquisition of Assets	181,243,144	106,092,691	287,335,835	82,102,077.00	205,233,759.00	28%
	<b>Grand Total</b>	<b>4,266,250,000</b>	<b>9,126,817,901</b>	<b>13,393,067,901</b>	<b>10,681,585,027</b>	<b>2,711,482,875</b>	<b>80%</b>
	<b>Surplus/Deficit</b>	<b>(3,616,250,000)</b>	<b>900,584,546</b>	<b>(2,715,665,454)</b>	<b>(24,096,458)</b>	<b>(2,691,568,997)</b>	

Notes

- Underutilisation in Transfers to other Government Entities of 62% is as a result of a lack of exchequer issues for development vote.
- The underutilisation of Acquisition of Assets of 30% is as a result of delay of capturing the procurement plan in IFMIS due to associated system challenges.

.....  
Kevit Desai PhD, MBS

Principal secretary

.....  
Joseph Nyamora

Assistant Accountant General

ICPAK Member Number 7770


**IX. SUMMARY STATEMENT OF APPROPRIATION: RECURRENT**

Code	Revenue/Expense Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation Difference to Final Budget
		a	b	c=a+b	d	e=d-c	f=d/c %
	<b>RECEIPTS</b>			0			
1	Exchequer releases		2,555,866,447	2,555,866,447.00	2,555,866,447	0	100%
	<b>Total Receipts</b>	0	<b>2,555,866,447</b>	<b>2,555,866,447</b>	<b>2,555,866,447</b>	<b>0</b>	<b>100%</b>
	<b>PAYMENTS</b>						
3	Compensation of Employees	106,250,000	118,050,000	224,300,000	229,523,132.00	(5,223,132.00)	102%
4	Use of goods and services	143,756,856	54,928,566	198,685,422	155,131,907	43,553,516	78%
5	Transfers to Other Government Units	1,063,000,000	1,073,000,000	2,136,000,000	2,123,504,546	12,495,455	99%
6	Social Security Benefits	1,500,000	1,500,000	3,000,000	4,690,818	(1,690,818)	156%
7	Acquisition of Assets	5,743,144	428,427	6,171,571	532,164	5,639,407	9%
	<b>Grand Total</b>	<b>1,320,250,000</b>	<b>1,247,906,993</b>	<b>2,568,156,993</b>	<b>2,509,128,586</b>	<b>59,028,407</b>	<b>98%</b>
	<b>Surplus/Deficit</b>	<b>(1,320,250,000)</b>	<b>1,307,959,454</b>	<b>(12,290,546)</b>	<b>46,737,861</b>	<b>(59,028,407)</b>	

underutilisation in use of goods of 78% and that of Acquisition of Assets of 9% is as a result of delay of capturing the procurement plan in IFMIS due to associated system challenges.

The entity financial statements were approved on 20<sup>th</sup> September 2018 and signed by:

.....  
  
 Joseph Nyamora  
 Assistant Accountant General  
 ICPAK Member Number 7770

.....  
  
 Kevit Desai PhD, MBS  
 Principal Secretary

**SUMMARY STATEMENT OF APPROPRIATION: DEVELOPMENT**

Code	Revenue/Expense Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilisation Difference e=c-d	% of Utilisation f=d/c %
	<b>RECEIPTS</b>						
1	Exchequer releases		1,121,536,000	1,121,536,000.00	1,121,536,000	0	100%
2	Proceeds from Foreign Borrowings	650,000,000	6,350,000,000	7,000,000,000.00	6,980,086,122	19,913,878	100%
	<b>Total Receipts</b>	<b>650,000,000</b>	<b>7,471,536,000</b>	<b>8,121,536,000.00</b>	<b>8,101,622,122</b>	<b>19,913,878</b>	<b>100%</b>
	<b>Payments</b>						
4	Use of goods and services	615,950,315	6,386,954,844	7,002,905,159.00	6,695,851,693	307,053,466	95%
5	Transfers to Other Government Units	2,154,549,685	1,386,291,800	3,540,841,485.00	1,390,780,852	2,150,060,633	39%
7	Acquisition of Assets	175,500,000	105,664,264	281,164,264.00	81,578,912	199,585,352	29%
	<b>Grand Total</b>	<b>2,946,000,000</b>	<b>7,878,910,908</b>	<b>10,824,910,908.00</b>	<b>8,168,211,457</b>	<b>2,656,699,451</b>	<b>75%</b>
	<b>Surplus/Deficit</b>	<b>(2,296,000,000)</b>	<b>(407,374,908)</b>	<b>-</b>	<b>(66,589,335)</b>	<b>(2,636,785,573)</b>	

- i. Underutilisation in Transfers of 39% is as a result of a lack of exchequer funding for the development vote.
- ii. The underutilisation of Acquisition of Assets of 30% is as a result of delay of capturing the procurement plan in IFMIS due to associated system challenges.

The entity financial statements were approved on 20<sup>th</sup> September 2018 and signed by:



Joseph Nyamora  
Assistant Accountant General  
ICPAK Member Number 7770

.....

Kevit Desai PhD, MBS  
Principal secretary

**BUDGET EXECUTION BY PROGRAMMES AND SUB-PROGRAMMES**

Programme/Sub-programme	Original Budget	Adjustments	Final Budget	Actual on comparable basis	Budget utilization difference
	2017/2018 Kshs	Kshs	2017/2018 Kshs	2017/2018 Kshs	Kshs
<b>Technical Vocational Education and Training</b>	<b>11,036,530,944</b>		<b>11,036,530,944</b>	<b>10,568,207,458</b>	<b>468,323,486</b>
Technical Accreditation and Quality Assurance	212,459,652	-	212,459,652	201,488,649	10,971,004
Technical Trainers and Instructor Services	1,975,068,783	-	1,975,068,783	1,974,286,647	782,137
Special Needs in Technical and Vocational Education	160,451,052	-	160,451,052	160,451,052	0
Infrastructure Development and Expansion	8,688,551,457	-	8,688,551,457	8,231,981,111	456,570,346
<b>Youth Training and Development</b>	<b>2,187,522,899</b>		<b>2,187,522,899</b>	<b>84,684,920</b>	<b>2,102,837,980</b>
Revitalization of Youth Polytechnics	2,187,522,899	0	2,187,522,899	84,684,920	2,102,837,980
Sub-programme 2			0		0
<b>General Administration, Planning and Support</b>	<b>169,014,058</b>		<b>169,014,058</b>	<b>130,225,122</b>	<b>38,788,936</b>
Headquarters Administrative Services	169,014,058	0	169,014,058	130,225,122	38,788,936
County Administrative Services			0		0
<b>TOTAL</b>	<b>13,393,067,901</b>	<b>0</b>	<b>13,393,067,901</b>	<b>10,783,117,500</b>	<b>2,609,950,401</b>

(NB: This statement is a disclosure statement indicating the utilisation in the same format as the department's budget which is programme based.)

## XI. SIGNIFICANT ACCOUNTING POLICIES

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

### 1. 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 notes 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 receivables and payables are disclosed in the Statement of Assets and Liabilities. The Statement of Assets and Liabilities is not mandatory statement under the IPSAS Cash basis but is encouraged in order to disclose information on assets and liabilities.

The financial statements are presented in Kenya Shillings, which is the functional and reporting currency of the entity all values are rounded to the nearest Kenya Shilling. The accounting policies adopted have been consistently applied to all the years presented.

The financial statements comply with and conform to the form of presentation prescribed by the PSASB.

### 2. Reporting entity

The financial statements are for the State Department of Vocational and Technical Training. The financial statements encompass the reporting entity as specified under section 81 of the PFM Act 2012 and also comprise of the following development projects implemented by the entity:

- i. Revitalization of youth polytechnics under Kenya Italy Debt for Development Program(KIDDP)
- ii. GOK/AfDB Support to Technical and Vocational Education and Training (TVET) for Enhanced Skills Development Project-TVET Phase II
- iii. The Netherlands Technical, Industrial, Vocational and Entrepreneurship Training (TIVET) Project

### 3. Recognition of receipts and payments

#### a) Recognition of receipts

The Entity recognises all receipts from the various sources when the event occurs and the related cash has actually been received by the entity.

#### Tax receipts

Tax Receipts is recognized in the books of accounts when cash is received. Cash is considered as received when notification of tax remittance is received.

## XII. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### **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.

### **External Assistance**

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

### **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.

### **Proceeds from borrowing**

Borrowing includes Treasury bill, treasury bonds, corporate bonds; sovereign bonds and external loans acquired by the entity or any other debt the Entity may take on will be treated on cash basis and recognized as receipts during the year of receipt.

### **Undrawn external assistance**

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for projects currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to continue to completion. During the year ended 30th June 2017, there were no instances of non-compliance with terms and conditions which have resulted in cancellation of external assistance loans.

### **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 recognised in the financial statements the time associated cash is received.

### **Recognition of payments**

The entity recognises all expenses when the event occurs and the related cash has actually been paid out by the entity.

### **Compensation of employees**

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

### **XIII. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **1. Use of goods and services**

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

#### **2. Interest on borrowing**

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

#### **3. 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.

#### **4. 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 disclosure. This summary is disclosed as an annexure to the entity's financial statements.

#### **5. In-kind contributions**

In-kind contributions are donations that are made to the State Department 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 State Department includes such value in the statement of receipts and payments both as receipts and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

#### **6. 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.

**XIV. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**7. 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 party deposits. There were no other restrictions on cash during the year

**8. Accounts Receivable**

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 are 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.

**XV. NOTES TO THE FINANCIAL STATEMENTS**

**1. TRANSFERS FROM NATIONAL TREASURY**

The following are the amounts transferred from the exchequer to the ministry on a quarterly basis:

<b>Description</b>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Total Exchequer Releases for quarter 1	136,059,082	817,000,000
Total Exchequer Releases for quarter 2	1,824,332,365	1,045,900,000
Total Exchequer Releases for quarter 3	805,300,000	1,220,000,000
Total Exchequer Releases for quarter 4	911,711,000	4,156,900,000
<b>TOTAL</b>	<b>3,677,402,447</b>	<b>7,239,800,000</b>

## 2. PROCEEDS FROM FOREIGN BORROWINGS

These represent borrowings that are received from outside the country.

	2017-2018	2016-2017
	Kshs	Kshs
Foreign Borrowing-Draw-downs Through Exchequer		
<b>Foreign Borrowing-China (Purchase of Equipment)</b>		696,108,311
VCH00232 AVIC International Holding	2,456,405,4	
VCH00600 AVIC International Holding	1,871,945,234	
VCH00770 AVIC International Holding	1,341,755,360	
VCH001873 AVIC International Holding	295,809,539	
VCH001872 AVIC International Holding	214,541,866	
ADB PROJECT (Equipment and Construction)	779,628,708	
<b>TOTAL</b>		
	<b>6,980,086,122</b>	<b>696,108,311</b>

## 3. COMPENSATION OF EMPLOYEES

	2017-2018	2016-2017
	Kshs	Kshs
Basic salaries of permanent employees	153,667,063	
Personal allowances paid as part of salary	75,856,069	
<b>TOTAL</b>	<b>229,523,132</b>	<b>-</b>

#### 4. USE OF GOODS AND SERVICES

These comprise the total value of goods and services consumed.

USE OF GOODS	2017-2018	2016-2017
	Kshs	Kshs
Utilities, supplies and services	8,512,888	7,428,066
Communication, supplies and services	3,025,175	9,193,670
Domestic travel and subsistence	48,736,291	25,900,027
Foreign travel and subsistence	4,686,058	10,025,503
Printing, advertising and information supplies & services	3,684,938	3,606,620
Rentals of produced assets	53,556,128	57,244,711
Training expenses	94,395,965	124,507,630
Hospitality supplies and services	5,012,389	12,085,585
Specialized materials and services	6,509,182,533	3,031,854,715
Office and general supplies and services	3,210,455	16,480,220
Other operating expenses	84,764,156	178,151,859
Routine maintenance – vehicles and other transport equipment	8,737,353	6,647,100
Routine maintenance – other assets	1,558,349	4,700,806
Fuel Oil and Lubricants	21,920,925	9,646,047
<b>TOTAL</b>	<b>6,850,983,600</b>	<b>3,497,472,558</b>

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**5. GRANTS AND TRANSFERS TO OTHER GOVERNMENT ENTITIES**

Description	CODE	2017-2018	2016-2017
		Kshs	Kshs
RECURRENT GRANTS	2630100	2,118,483,203	
CAPITAL GRANTS	2630200	1,395,802,195	
<b>TOTAL</b>		<b>3,514,285,398</b>	<b>4,329,951,710</b>

The above transfers were made to the following self-reporting entities in the year:

Description	Recurrent	Development	2017-2018
	Kshs	Kshs	Kshs
Transfers to SAGAs and SCs			-
TVET AUTHORITY	104,483,967		110,000,000
CDACC	76,000,000		76,000,000
KNQA	15,000,000		8,868,000
<b>TOTAL</b>	<b>195,483,967</b>	<b>-</b>	<b>194,868,000</b>

We have confirmed these amounts with the recipient entities and attached these confirmations as an Appendix to this financial statements

**6. SOCIAL SECURITY BENEFITS**

	2017-2018	2016-2017
	Kshs	Kshs
Government pension and retirement benefits	4,690,818	
<b>TOTAL</b>	<b>4,690,818</b>	<b>-</b>

**7. ACQUISITION OF ASSETS (See Annex 1)**

These represent payments made to acquire property, plant and equipment during the year; which have been fully expended in the year of purchase in line with the accounting policies.

	2017-2018	2016-2017
	Kshs	Kshs
<b>Non-Financial Assets</b>		
Construction of Buildings	81,589,912	3,402,001
Refurbishment of Buildings	-	3,000,000
Purchase of Vehicles and Other Transport Equipment	-	7,595,200
Purchase of Office Furniture and General Equipment	-	5,639,490
Purchase of ICT Equipment, Software and Other ICT Assets	-	1,664,332
Purchase of Specialized Plant, Equipment and Machinery	532,164	-
<b>TOTAL</b>	<b>82,102,076</b>	<b>21,301,023</b>

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**8A: Bank Accounts**

Name of Bank, Account No. & currency	Amount in bank account currency	Indicate whether recurrent, Development, deposit e.t.c	Exc rate (if in foreign currency)	2017-2018	2016-2017
				Kshs	Kshs
<i>Central Bank of Kenya, 100302577, KShs</i>		Recurrent	1	45,716,743	6,198,507
<i>Central Bank of Kenya, 1000302623, KShs</i>		Development	1	2,392,469	80,529,727
<i>Central Bank of Kenya, 1000302631, KShs</i>		Deposits	1	60,319,037	69,974,746
<i>Central Bank of Kenya, 100302658, KShs</i>		CBK 165			-
<i>Central Bank of Kenya, 100328061, KShs</i>		Equalization Fund	1		-
<b>Total</b>	-			<b>108,428,249</b>	<b>156,702,980</b>

**8B: CASH IN HAND**

	2017-2018	2016-2017
	Kshs	Kshs
Cash in Hand – Held in domestic currency	219,328	66,067
Cash in Hand – Held in foreign currency		
<b>TOTAL</b>	<b>219,328</b>	<b>66,067</b>

Cash in hand should also be analysed as follows:

	2017-2018	2016-2017
	Kshs	Kshs
Headquarters, Cash Office	219,328	66,067
<b>TOTAL</b>	<b>219,328</b>	<b>66,067</b>

Cash count certificates for the above amount has been provided as an attachments to the financial statement.

**9. ACCOUNTS RECEIVABLE**

<i>Description</i>	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Government Imprests	13,366,521	
District suspense	1,463,501	460,719
<b>TOTAL</b>	<b>14,830,022</b>	<b>460,719</b>

**10. ACCOUNTS PAYABLE**

	<b>2017-2018</b>	<b>2016-2017</b>
	<b>Kshs</b>	<b>Kshs</b>
Deposits	60,319,037	69,974,746
<b>TOTAL</b>	<b>60,319,037</b>	<b>69,974,746</b>

These are retention monies that are 10% retained by the State Department on behalf of third parties that offer services to the State Department.

**11. RELATED PARTY DISCLOSURES**

Related party disclosure is encouraged under non-mandatory section of the Cash Basis IPSAS.

The following comprise of related parties to the State Department Vocational and Technical Training.

- Key management personnel that include the Cabinet Secretaries, Accounting Officers, Director Generals and various committee members within the State Department.
- Other Ministries Departments and Agencies and Development Projects;
- County Governments; and
- State Corporations and Semi-Autonomous Government Agencies.

**XV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**12. OTHER IMPORTANT DISCLOSURES**

**12.1: PENDING ACCOUNTS PAYABLE**

Description	2017 – 2018	2016 – 2017
	Kshs	Kshs
Construction of buildings	-	-
Construction of civil works	-	-
Supply of goods	-	-
Supply of services	-	-
<b>Total</b>	-	-

**12.2: PENDING STAFF PAYABLES**

	2017 – 2018	2016 – 2017
	Kshs	Kshs
Senior management	-	-
Middle management	-	-
Unionisable employees	-	-
Others	-	-
<b>Total</b>	-	-

**12.3: OTHER PENDING PAYABLES**

	2017 – 2018	2016 – 2017
	Kshs	Kshs
Amounts due to National Government entities	-	-
Amounts due to Entity entities	-	-
Amounts due to third parties	-	-
Others	-	-
<b>Total</b>	-	-

**XV. NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**13. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The summary of issues raised by the external auditor, and management comments that were provided to the auditor have been attached as an appendix (See Annex 9). Focal persons have been nominated to resolve the various issues with the associated time frame within which the issues are expected to have been resolved.



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Kevit Desai PhD, MBS  
Principal Secretary



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Joseph Nyamora  
Assistant Accountant General  
ICPAK Member Number 7770

