

REPUBLIC OF KENYA



Enhancing Accountability



REPORT		NATIONAL ASSEMBLY PAPERS LAID	
DATE:	06 DEC 2023	DAY:	WED
TABLE BY:	OF	Hon Naomi Wago, MP Deputy majority whip	
CLERK-AT THE-TABLE:		Mumam Moko	

THE AUDITOR-GENERAL

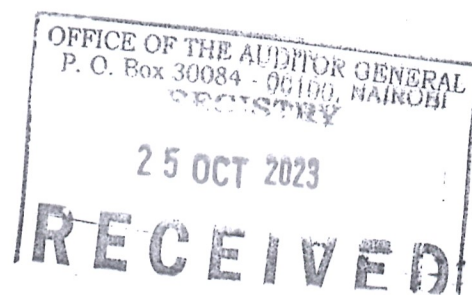
ON

**SUPPORT TO TECHNICAL AND VOCATIONAL
EDUCATION TRAINING AND
ENTREPRENEURSHIP (TVETE PROJECT
PHASE III) (LOAN NO. 2100150042254)**

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

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





**SUPPORT TO TECHNICAL AND VOCATIONAL EDUCATION TRAINING AND
ENTREPRENEURSHIP (TVETE PROJECT - PHASE III)**

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

**PROJECT GRANT/CREDIT NUMBER: ADF LOAN No: 2100150042254
PROJECT ID. NO. P-KE-IAE-003**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2023

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

Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023

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1. Acronyms and Glossary of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
WB	World Bank
Comparative FY	Financial year preceding the current financial year.
AfDB	African Development Bank
GoK	Government of Kenya
SDTVET	State Department for Technical, Vocational Education and Training
TVETE	Technical Vocational Education Training and Youth Entrepreneurship
CDACC	Curriculum Development, Assessment and Certification Council
TVETA	Technical and Vocational Education and Training Authority

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Acronyms and Glossary of Terms (continued)

TUM	Technical University of Mombasa
TVET – MIS	Technical Vocational Education and Training – Management Information System
TTI	Technical Training Institute
WMI	Wangare Maathai institute
MSMEs	Micro Small and Medium Enterprises
STEM	Science Technology Engineering and Mathematics
OSHA	Occupational Safety and Health Act
WIBA	Workplace Injury and Benefits Act
ESS	Environmental Social Safeguards
EMCA	Environmental Management and Co-ordination Act
ESMP	Environmental and Social Management Plan
PFM	Public Finance Management
KNQA	Kenya National Qualification Authority
MDAs	Ministries, Departments and Agencies

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2 Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is 'Support to Technical and Vocational Education Training and Entrepreneurship (TVETE) Project (GoK/AfDB TVET Project-Phase III)'.

Objective

The key objective of the project is to increase youth employment by improving the employability and competitiveness of Kenyan youth through improved access to quality and relevant Technical Education and Entrepreneurship Training (TVETE).

Address

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

The address of its registered office is:

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

Contacts: The following are the project contacts

Telephone: (254) 722492972
E-mail: psvtt@education.go.ke
Website: www.education.go.ke

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Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	11.01.2021
Project End Date:	30.06.2025
Project Manager:	Mr. John K. Tuwei
Project Sponsor:	The project sponsor is GoK and African Development Bank Group

2.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Education, State Department for Technical, Vocational Education and Training (SDTVET)
Project number	2100150042254 P-KE-IAE-003
Strategic goals of the project	The strategic goals of the project are as follows: To improve employability and competitiveness of Kenyan youth through quality and relevant Technical Education and Entrepreneurship Training.
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: <ul style="list-style-type: none"> (i) Expansion of infrastructure and training equipment, including to trainees with special needs (ii) Develop and implement demand driven CBET curriculum, capacity building of TVET actors, partnership with industry and entrepreneurship (iii) Facilitate evidence-based decision making in TVET through research.

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Other important background information of the project	The project covers 24 TVET institutions spread across the entire Country
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: (i) Increase transition of youth from basic education into TVET and reduce unemployment (ii) Improve the quality and relevance of TVET for industry
Project duration	5 Years, the project started in 2021 and is expected to run until 30 June 2025.

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Project Information and Overall Performance (Continued)

2.4 Bankers

The project doesn't have separate bank accounts for its operations. It shares the Development Bank account for the State Department for Technical, Vocational Education and Training at the Central Bank of Kenya.

2.5 Independent Auditor

The project is audited by The Auditor-General
Office of the Auditor General
Anniversary Towers, University Way
P.O. Box 30084
GPO 00100
Nairobi, Kenya

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Project Information and Overall Performance (Continued)

2.6 Roles and Responsibilities

Names	Positions	Key qualifications	Project Responsibilities	Contact
John K. Tuwei	Deputy Director Technical Education	Masters in Chemistry Graduate Certificate in TVET	Project Coordinator	0722492972 jkiplagatuwei@yahoo.com
Joseph N. Njau	Deputy Director Technical Education	Masters in Project Management	Deputy Project coordinator	0721273442 calfjn@gmail.com
Joseph Kanyi	Deputy Director Technical Education	Masters in entrepreneurship development	Project Officer	0722689096 Jmkanyi2014@gmail.com
Carolyne Nyambok	Principal Accountant	Masters in Business Administration	Project Accountant	0722966504 nyambokc@yahoo.com
Steve Juma	Finance Officer	Bachelor of commerce Finance	Project Finance Officer	0741801348 Jumanature93@gmail.com
Zannah Awiti	Supply Chain Management Officer	Diploma in Supply Chain Management	Project Procurement Officer	0722900945 Zannah.awiti@gmail.com
Perpetuah Njeru	Assistant Director VTE	Bachelor of Education Arts	Project Environmental and Gender Officer	0711833572 perpetuahnjeruw@gmail.com
Sharon Otieno	Economist	Bachelors in Economics	Project Monitoring & Evaluation Officer	0716321363 Atienosharon173@gmail.com

Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
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Project information and overall performance (continued)

2.7 Funding summary

The Project is for duration of 5 years from 2021 to 2025 with an approved budget of Euro 38,404,002 equivalent to KShs. 4,336,374,840 as highlighted in the table below:

*Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
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Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date (30 June 2023)		Undrawn balance to date (30 06 2023)	
	Donor currency Euros (A)	KShs (A')	Donor currency Euros (B)	KShs (B')	Donor currency Euros (A)-(B)	KShs (A)-(B)
(i) Loan						
AfDB Loan	33,238,985	3,753,168,700	749,846	84,668,649	32,489,139	3,668,500,051
(ii) Counterpart funds						
Government of Kenya	5,165,017	583,206,140	783,798	88,502,447	4,381,219	494,703,693
Total	38,404,002	4,336,374,840	1,533,644	173,171,096	36,870,358	4,163,203,744

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

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Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date (30 June 2023)		Cumulative amount paid to date (30 June 2023)		Unutilised balance to date (30 June 2023)	
	Donor currency Euros (A)	Kshs (A')	Donor currency Euros (B)	Kshs (B')	Donor currency Euros (A)-(B)	Kshs (A')-(B')
(i) Loan						
AfDB	749,846	84,668,649	749,846	84,668,649	32,489,139	3,668,500,051
(ii) Counterpart funds						
Government of Kenya	783,798	88,502,447	783,798	88,502,447	4,381,219	494,703,693
Total	1,533,644	173,171,096	1,533,644	173,171,096	36,870,358	4,163,203,744

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for current year and for cumulative to-date,
- ii) The physical progress based on outputs, outcomes, and impacts since project commencement,

The project disbursed funds (direct payments) amounting to Kshs. 71,590,854 during the year under review because of slow procurement process caused by delays in approval of procurement activities by the Bank.

The project commenced in March 2021 with procurement of training consultancies for ‘upskilling’ of TVET trainers at Technical University of Mombasa (TUM), TU-K and De KUT. Upskilling of 96 TVET Trainers at Degree is in progress currently. The delivery of equipment for Wangare Maathai institute of Peace and environmental studies (WMI) is ongoing while the project has procured suppliers for training equipment for 10 new TVET institutions. The contracts for works in 22 sites were signed with handing over of sites expected to take place in October 2023.

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

In the financial year ended 30 June 2022 the GoK counter funding absorption rate was at 89% while the absorption rate for proceeds from foreign borrowing was at 4% giving us a net absorption of 12%. In the period ending 30 June 2023 the GoK counterpart funds absorption, rate was at 102% while proceeds from foreign borrowing was at 9% giving us a net absorption rate of 14%.

- iv) The implementation challenges and recommended steps.

Some of the main challenges of the project include delay in issuance of ‘no objection’ on procurement processes by the AfDB. The challenge was raised by the project and was addressed by the AfDB during the June/July 2022 Bank supervision mission.

Project information and overall performance (continued)

2.9 Summary of Project Compliance:

- i) The project has not violated any agreements and covenants with the African Development Bank and has so far complied with applicable laws and regulations such as the National Treasury circulars on project investment management, PFM Act 2012 and Kenya vision 2030 flagship projects, and essential external financing agreements/covenants.
- ii) There were no consequences suffered on account of non-compliance since there was none.
- iii) Since the inception of the project there has been no mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance since there was none.

3 Statement of Performance against Project's Predetermined Objectives

The overall objective of the proposed Support to Technical and Vocational Education Training and Youth Entrepreneurship (TVETE III) project is to improve employability and competitiveness of Kenyan youth through quality and relevant Technical Education and Entrepreneurship Training.

The project targets trainees and trainers in Technical Training Institutes (TTIs), trainees living with disability, semi-skilled youth in Micro Small and Medium Enterprises (MSMEs), TVET quality assurance agencies and industry. The project will directly benefit 156,000 trainees (50% female), 2000 youth in MSMEs, 1000 TVET trainers and indirectly 6.9 million youth aged 15 – 25 years who qualify for tertiary education across the 47 counties in Kenya. The project will: (i) increase enrolment to TVET and expand inclusive access through expansion of workshops and classrooms in 11 TTIs, including 4 special needs TTIs, provision of 16 hostels (60% female); training equipment to 26 TTIs in Science Technology Engineering and Mathematics (STEM); (ii) improve the quality and relevance of TVET training through TVET institutional development and trainers' capacity building, promote demand-driven training in collaboration with industry, establishment of a Curriculum Development, Assessment and Certification Council (CDACC) publishing, printing and assessment centre (iii) promote entrepreneurship development through training trainers and youth on entrepreneurship, reskilling youth in the MSME sector through recognition of prior learning, creating incubation centres in TTIs and providing start-up kits to young entrepreneurs.

The project commenced in March 2021 with procurement of training consultancies for 'upskilling' of TVET trainers at Technical University of Mombasa (TUM), TU-K and De KUT. Upskilling of 96 TVET Trainers at Degree is in progress currently. The delivery of equipment for Wangare Maathai institute of Peace and environmental studies (WMI) is ongoing while the project has procured suppliers for training equipment for 10 new TVET institutions. The contracts for works in 22 sites were signed with handing over of sites expected to take place in October 2023.

Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
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Introduction

Section 81(2)(f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government project in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the national government project's performance against predetermined objectives.

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

The objective of the proposed Support to Technical and Vocational Education Training and Youth Entrepreneurship (TVETE III) project is to improve access, quality and relevance of technical education and entrepreneurship training for youth employment.

Progress on attainment of strategic development objectives

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

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Below we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
State Department for Technical, Vocational Education and Training	To improve access, quality and relevance of technical education and entrepreneurship training for youth employment.	Enrolment in TVET increased (50%) women	20% increase to 60 % in enrollment to TVET enrollment (50% women) by 2025	In FY 22/23 0% (Construction works is yet to commence)
		TVET trainees enrolled in engineering and applied science (50% women)	27% increase to 80 % of trainees to TVET enrolled in engineering and applied science (50% women) by 2025	In FY 22/23
			Gender Parity Index for enrollment in Public TVET Institutions	0% (Construction works is yet to commence)

4 Environmental and Sustainability reporting

African Development Bank (AfDB) exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

1. Sustainability strategy and profile

The top management led by the accounting officer is making reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements and failure.

2. Environmental performance

The Environmental and Social Management Plan (ESMP) for the project will be developed by a consultant and will be approved by the National Environmental Management Authority (NEMA) at the start of the project.

The environmental and social impacts of the project are expected to be very low and involve minor excavations with minimum impact on the natural environment. In addition, there will be no movement of communities in any of the sites since the land belongs to existing TVET institutions. The Environment Impact Assessment will be done once the consultant for works will be procured.

3. Employee welfare

In the hiring of labour in the 20 TVET institutions where construction works will take place the following will be taken into consideration:

- a. The employees will be hired from within the locality hence limited movement or very short distances from their homes.
- b. The skilled labour force from elsewhere will reside in hotels in the closest proximity to the project area.

- c. Labour influx is expected to be insignificant due to few employees required in the project and the fact that the contractors are expected to hire unskilled labour force from within the locality.
- d. The contractors will be expected to ensure the hiring process is done with fairness and gender sensitivity.
- e. The contractors will be expected to comply with provisions of Workplace Injuries and Benefits Act (WIBA), 2007 for all the workers who will be engaged.
- f. Effective contractual obligations for the contractors will be done by ensuring workers adhere to the mitigation of risks against labour influx, including sexual exploitation and abuse.
- g. The contractors will be expected to keep proper and updated records of the laborers on site while avoiding child and forced labour.
- h. The contractors shall be expected to ensure fair treatment, non-discrimination and equal opportunity of all laborers.
- i. The Contractors shall be expected to ensure the laborers, sub-contractors, sub-consultants, and any personnel thereof engaged in construction works individually signed and complied with a Code of Conduct with specific provisions on protection from sexual exploitation and gender-based violence.
- j. The Ministry will fully implement the safety and compliance with Occupational Safety and Health Act of 2007, (OSHA) whereby the contractors will be directed to provide sanitation facilities as outlined in the Public Health Act and OSHA, 2007.

4. Market place practices-

The AfDB TVETE phase III project has outlined its efforts to:

a) Responsible Supply chain and supplier relations-

The procurement of goods, works and services will be in line with the Kenya procurement law and the donor procurement rules and procedures. The organization will ensure proper contract management and budgeting to ensure the contractors, suppliers and all service providers are paid as per signed contracts.

b) Responsible ethical practices

The advertisement for tenders will be done in line with the procurement laws of Kenya and the financiers procurement rules and procures. The advertisement is done through newspapers of larger circulation and through the Ministry and AfDB websites. Individual institutions will advertise for their programs through the print and electronic media.

c) Regulatory impact assessment

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

5. Community Engagements

The project management will involve the communities through the boards of management which have representations from the community and county governments.

5 Statement of Project Management responsibilities

The Principal Secretary State Department for Technical, Vocational Education and Training, Ministry of Education and the Project Manager Support to Technical and Vocational Education Training and Youth Entrepreneurship (TVETE III) project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on 30 June 2023. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Principal Secretary State Department for Technical, Vocational Education and Training, Ministry of Education and the Project Manager for AfDB TVETE III project accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary State Department for Technical, Vocational Education and Training, Ministry of Education and the Project Manager for Support to Technical and Vocational Education Training and Youth Entrepreneurship (TVETE III) project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended 30 June, 2023, and of the Project's financial position as at that date. The Principal Secretary for Ministry of Education, State Department for Technical, Vocational Education and Training and the Project Manager for Support to Technical and Vocational Education Training and Youth Entrepreneurship (TVETE III) project further confirm the

Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023

completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary State Department for Technical, Vocational Education and Training, Ministry of Education and the Project Manager for Support to Technical and Vocational Education Training and Youth Entrepreneurship (TVETE III) project confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

Approval of the Project financial statements

The Project financial statements were approved by the Principal Secretary for the Ministry of Education, State Department for Technical, Vocational Education and Training and the Project Manager for Support for Support to Technical and Vocational Education Training and Youth Entrepreneurship (TVETE - Phase III) project and signed by them on 25 October, 2023.



Dr. Esther Muoria, PhD
Principal Secretary

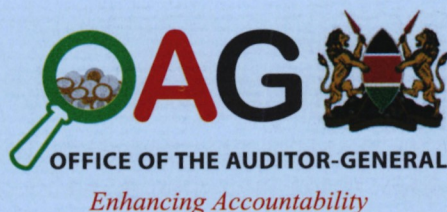
John Tuwei
Project Coordinator



Carolyne Nyambok
Project Accountant
ICPAK Member No:5875

REPUBLIC OF KENYA

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

REPORT OF THE AUDITOR GENERAL ON SUPPORT TO TECHNICAL AND VOCATIONAL EDUCATION TRAINING AND ENTREPRENEURSHIP (TVETE PROJECT PHASE III) (LOAN NO. 2100150042254) FOR THE YEAR ENDED 30 JUNE, 2023 - STATE DEPARTMENT FOR TECHNICAL, VOCATIONAL EDUCATION AND TRAINING

PREAMBLE

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

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards, and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure Government achieves value for money and that such Projects are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance, which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient, and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Support to Technical and Vocational Education Training and Entrepreneurship (TVETE Project Phase III) (LOAN NO. 2100150042254) set out on pages 1 to 23, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and 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 the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects,, the financial position of the Support to Technical and Vocational Education Training and Entrepreneurship (TVETE Project Phase III) as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and complies with the Loan Financing Agreement No.2100150042254 between the African Development Fund and the Government of Kenya dated 11 January, 2021 and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

Unconfirmed Receipts and Failure to Raise Receipt Vouchers

The statement of receipts and payments reflects transfers from Government entities amounting to Kshs.48, 830,710. However, it is not possible to confirm these receipts for neither was there notification from The National Treasury indicating the amount disbursed for the project nor itemized Exchequer issuance notification indicating the specific monies for the project provided for audit. The records indicated that the funds were channeled through development bank account of the State Department without details. Further, the project management did not raise receipt vouchers to confirm the actual receipts of funds.

In the circumstances, the accuracy and completeness of receipts of Kshs.48,830,710 could not be confirmed.

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

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final budget and actual receipts on a comparable basis of Kshs.848,000,000 and Kshs.120,421,564 respectively, resulting in an underfunding of Kshs.727,578,436 (or 86%) of the budget. Similarly, the Project spent an amount of Kshs.120,421,564 against an approved budget of Kshs.848,000,000, resulting in an under-expenditure of Kshs.727,578,436 (or 86%) of the budget.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

Unsupported Consultancy Services

The State Department for Technical, Vocational Education and Training invited request for proposals for tender NCB/MOE-VTT/TVET Phase III/2/2021 for consultancy services for the development of designs, master plans, tender documents, and supervision of construction works of additional department blocks in eleven (11) technical vocational colleges and a publishing and printing complex for curriculum and training materials. Review of the tendering process revealed the following anomalies; -

- i. Performance bond lapsed on 9 August, 2023 but there was no evidence of its renewal;
- ii. Notifications to the bidders were signed by the head of supply chain management instead of the Accounting Officer as required by Section 126(4) of the Public Procurement and Asset Disposal Act, 2015;

- iii. The contract was signed on 17 August, 2022 which is nine (9) days after notifications were sent to the bidders on 8 August, 2022 and before lapse of fourteen (14) days, contrary to Section 135(3) of the Public Procurement and Asset Disposal Act, 2015 which provides that 'the written contract shall be entered into within the period specified in the notification but not before fourteen (14) days have elapsed following the giving of that notification provided that a contract shall be signed within the tender validity period'.

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

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

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

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by African Development Fund, I report based on my audit, that: -

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

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash

Basis) and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

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

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

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

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

Auditor-General's Responsibilities for the Audit

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

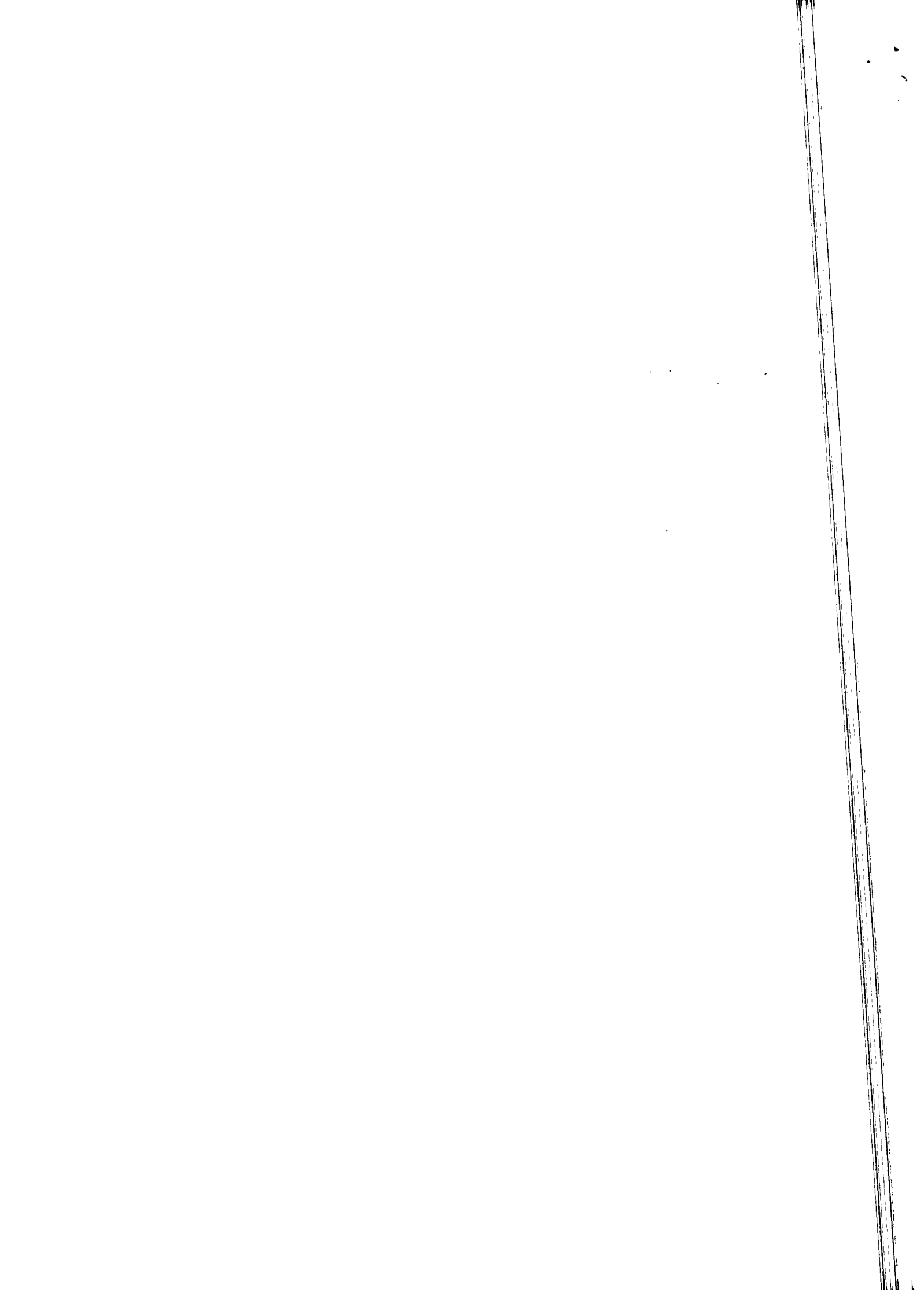
I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

02 November, 2023





**Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023**

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

	Note	Receipts and payments controlled by the project		Payments made by third parties		Total		Receipts and payment controlled by the project		Payments made by third parties		Total		Cumulative to-date (From inception)
		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.		
		2022-2023				2021-2022								
Receipts														
Transfer from Government entities	1	48,830,710			-	48,830,710			39,671,737		-	39,671,737	88,502,447	
Loan from -AFDB Bank	2	-			71,590,854	71,590,854			-		13,077,795	13,077,795	84,668,649	
Total receipts		48,830,710			71,590,854	120,421,564			39,671,737		13,077,795	52,749,532	173,171,096	
Payments														
Purchase of goods and services	3	48,830,710			71,590,854	120,421,564			34,772,437		13,077,795	47,850,232	168,271,796	
Acquisition of non-financial assets – motor vehicle	4	-			-	-			4,899,300		-	4,899,300	4,899,300	
Total payments		48,830,710			71,590,854	120,421,564			39,671,737		13,077,795	52,749,532	173,171,096	
Surplus/ (deficit)		-			-	-			-		-	-	-	

*Support to Technical and Vocational Education Training Entrepreneurship (TYETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023*

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements. The financial statements were approved on 25 October, 2023 and signed by:

Dr. Esther Muoria, PhD

John Tuwei

Carolyn Nyambok

Principal Secretary

Project Coordinator

Project Accountant

ICPAK Member No:5875

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

Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023

8 Statement of Financial Assets as at 30 June 2023

Description	Note	2022-2023	2021-2022
		Kshs	Kshs
Financial Assets			
Cash and Cash Equivalents			
Bank Balances		-	-
Cash Balances		-	-
Cash Equivalents (Short-Term Deposits)		-	-
Total Cash and Cash Equivalents		-	-
		-	-
Imprests and Advances		-	-
Total Financial Assets		-	-
		-	-
Financial Liabilities		-	-
Deposits and Retention Monies		-	-
Net Assets		-	-
		-	-
Represented By		-	-
Fund Balance B/Fwd		-	-
Prior Year Adjustments		-	-
Surplus/(Deficit) For the Year		-	-
Net Financial Position		-	-

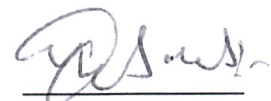
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 25 October 2023 and signed by:



Dr. Esther Muoria, PhD
Principal Secretary



John K. Tuwei
Project Coordinator



Carolyne Nyambok
Project Accountant
ICPAK Member No:5875

Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023

9 Statement of Cashflow for the year ended 30 June 2023

Description	Notes	2022-2023	2021-2022
		KShs	KShs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	48,830,710	39,671,737
Total Receipts		48,830,710	39,671,737
Purchase of goods and services	3	(48,830,710)	(47,850,232)
Total Payments		-	(8,178,495)
Adjustments during the year			
Prior year adjustments		-	-
Decrease/(increase) in accounts receivable		-	-
Increase/(decrease) in accounts payable:		-	-
Net cash flow from operating activities		-	(8,178,495)
Cashflow from investing activities			
Acquisition of non-financial assets	4	-	(4,899,300)
Net cash flows from investing activities		-	(4,899,300)
Cashflow from Financing activities			
Proceeds from foreign borrowings	2	-	13,077,795
Net cash flow from financing activities		-	13,077,795
Net increase in cash and cash equivalents		-	-
Cash and cash equivalent at beginning of the year		-	-
Cash and cash equivalent at end of the year		-	-

Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The project financial statements were approved on 25 October, 2023 and signed by:

Dr. Esther Muoria, PhD
Principal Secretary

John K. Tuwei
Project Coordinator

Carolyn Nyambok
Project Accountant
ICPAK Member No:5875

**Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023**

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

Receipts/Payments Item	Original Budget A	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfer from Government entities	80,000,000	(32,000,000)	48,000,000	48,830,710	(830,710)	102%
Proceeds from borrowings	1,300,000,000	(500,000,000)	800,000,000	71,590,854	728,409,149	9%
Total Receipts	1,380,000,000	(532,000,000)	848,000,000	120,421,564	727,578,436	14%
Payments						
Purchase of goods and services	1,380,000,000	(532,000,000)	848,000,000	120,421,564	727,578,436	14%
Acquisition of non-financial assets	-	-	-	-	-	0%
Total Payments	1,380,000,000	(532,000,000)	848,000,000	120,421,564	727,578,436	14%
Surplus or Deficit	-	-	-	-	-	

Note:

TVETE phase III project is at active implementation phase. The contracts for works in 22 sites were signed with handing over of sites expected to take place in October 2023. The absorption rate for the proceeds from foreign borrowing will improve substantially when the contractors for the 22 sites commence work and submit certificates for payments to be effected.

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements and are set out from page 7 to page 18 of this report. The project financial statements were approved on 25 October, 2023 and signed by:


.....
Dr. Esther Muoria, PhD

Principal Secretary


.....
John K. Tuwei

Project Coordinator


.....
Carolyne Nyambok

Project Accountant
ICPAK Member No:5875

11 Significant Accounting Policies

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

a) Statement of compliance and basis of preparation

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

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

b) Reporting entity

The financial statements are for the Support to Technical and Vocational Education Training Entrepreneurship (TVETE) – TVET African Development Bank Phase III Project under Ministry of Education State Department for Technical Vocational and Education Training. The financial statements encompass the reporting project as specified in the relevant legislation Public Finance Management Act 2012.

c) Reporting currency

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

d) Recognition of receipts

Support to Technical and Vocational Education Training Entrepreneurship (TVETE) African Development Bank Phase III Project recognises all receipts from the various sources when the event occurs, and the related cash has actually been received by the Government.

Significant Accounting Policies (continued)

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

iv) Donations and grants

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

v) Proceeds from borrowing.

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

Significant Accounting Policies (continued)

vi) Undrawn external assistance

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

e) Recognition of payments

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

i) Compensation to employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

Significant Accounting Policies (continued)

v) Acquisition of fixed assets

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

A fixed asset register is maintained by each public entity and a summary provided for purposes of consolidation. This summary is disclosed as an annexure to the consolidated financial statements.

f) In-kind donations

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

g) Cash and cash equivalents

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

Significant Accounting Policies (continued)

h) Restriction on cash

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

i) Imprests and Advances

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

j) Contingent Liabilities

A contingent liability is:

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

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

Significant Accounting Policies (continued)

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

k) Contingent Assets

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

l) Pending bills

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

m) Budget

The budget is developed on a comparable accounting basis (cash basis), the same accounts classification basis (except for accounts receivable - outstanding imprest and clearance accounts and accounts payable - deposits, which are accounted for on an accrual basis), and for the same period as the financial statements. The Project's budget was approved as required by Law and National Treasury Regulations, as well as by the participating development partners, as detailed in the Government of Kenya Budget Printed Estimates for the year. The Development Projects are budgeted for under the MDAs but receive

Significant Accounting Policies (continued)

budgeted funds as transfers and account for them separately. These transfers are recognised as inter-entity transfers and are eliminated upon consolidation. A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

n) Third party payments

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

During the year Kshs. 71,590,854 being loan disbursements were received in form of direct payments from third parties.

o) Exchange rate differences

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

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

p) Comparative figures

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

Significant Accounting Policies (continued)

q) Subsequent events

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

r) Prior period adjustments

Prior period adjustments relate to errors and other adjustments noted arising from previous year(s).

Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023

12 Notes to the Financial Statements

1. Transfers from Government entities

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

Description	KShs		Cumulative to-date (from inception)
	2022-2023	2021-2022	
Counterpart funding through The National Treasury			
Counterpart funds Quarter 1	12,207,677	9,917,934	22,125,611
Counterpart funds Quarter 2	12,207,678	9,917,934	22,125,612
Counterpart funds Quarter 3	12,207,677	9,917,934	22,125,611
Counterpart funds Quarter 4	12,207,678	9,917,935	22,125,613
Total	48,830,710	39,671,737	88,502,447

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

*Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023*

Notes to the Financial Statements (Continued)

2. Loan from External Development Partners

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

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs		Cumulative to date Euros	Cumulative to date KShs
					2022-2023	2021-2022		
AfDB	Various	634,026	-	71,590,854	71,590,854	13,077,795	749,846	84,668,649
Total	-	634,026	-	71,590,854	71,590,854	13,077,795	749,846	84,668,649

The project commenced in March 2021 with procurement of training consultancies for 'upskilling' of TVET trainers at Technical University of Mombasa (TUM), TU-K and De KUT. Upskilling of 96 TVET Trainers at Degree is in progress currently.

The delivery of equipment for Wangare Maathai institute of Peace and environmental studies (WMI) is ongoing while the project has procured suppliers for training equipment for 10 new TVET institutions. The contracts for works in 22 sites were signed with handing over of sites expected to take place in October 2023.

Exchange rate as per the Financing Agreement memorandum dated 17 Dec 2019 and the project currency is in Euros

1 UA= KES 139.523

1UA= EUR 1.23565

1 UA = USD 1.53481

*Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023*

Notes to the Financial Statements (Continued)

3. Purchase of Goods and Services

	2022/2023			2021/2022	
	Payments made by the Project in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	KShs	KShs	KShs	KShs	KShs
Domestic travel and subsistence	20,847,600	-	20,847,600	19,969,400	40,817,000
Training payments-Consultancy	18,000,000	46,121,438	64,121,438	13,077,795	77,199,233
Routine maintenance – vehicles and other transport equipment-Fuel	4,999,910	-	4,999,910	9,994,672	14,994,582
Purchase of office general supplies	4,983,200	-	4,983,200	-	4,983,200
Purchase of general office supplies and office furniture and general equipment	-	-	-	4,808,365	4,808,365
Purchase of workshop tools spares and small equipment	-	25,469,416	25,469,416	-	25,469,416
Total	48,830,710	71,590,854	120,421,564	47,850,232	168,271,796

*Support to Technical and Vocational Education Training Entrepreneurship (TYETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023*

Notes to the Financial Statements (Continued)

4. Acquisition of Non-Financial Assets

	Payments made by the Project in Cash		Payments made by third parties		Total Payments	Total Payments	Cumulative to-date
	Kshs.	Kshs.	Kshs.	Kshs.			
Purchase of vehicles and other transport equipment	-	-	-	-	-	4,899,300	4,899,300
Total	-	-	-	-	-	4,899,300	4,899,300

Note: Purchase of isuzu double cab pick-up GKB 579Z in the financial year ended 30 June 2022

*Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project)
Annual Report and Financial Statements for the Financial year ended 30 June, 2023*

Other Important Disclosures

1. External Assistance

	2022-2023	2021-2022
Description	Kshs	Kshs
External assistance received as loans AfDB Bank	71,590,854	13,077,795
Total	71,590,854	13,077,795

a). External assistance relating loans and grants

	2022/2023	2021/2022
Description	Kshs	Kshs
External assistance received as loans	71,590,854	13,077,795
Total	71,590,854	13,077,795

b) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	2022/2023	2021/2022
Description		Kshs	Kshs
Undrawn external assistance - loans	To increase youth employment by improving the employability and competitiveness of Kenyan youth through improved access to quality and relevant Technical Education and Entrepreneurship Training (TVETE)	3,668,500,051	3,740,090,905
Total		3,668,500,051	3,740,090,905

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

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Other Important Disclosures (Continued)

c. Purpose and use of external assistance

Payments Made by Third Parties	2022/2023	2021/2022
	Kshs	Kshs
Use of goods and services	71,590,854	13,077,795
Total	71,590,854	13,077,795

The External Assistance Was Used to pay for training consultancy for ‘upskilling’ of TVET trainers at Technical University of Mombasa (TUM), TU-K and De KUT upskilling of 96 TVET Trainers at Degree is in progress currently.

Payment and delivery of equipment for Wangare Maathai institute of Peace and environmental studies (WMI).

d. External Assistance paid by third parties on behalf of (Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project) by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of (Support to Technical and Vocational Education Training Entrepreneurship (TVETE Phase III Project). This note should tie to line 3 of note 4 on external assistance.

	2022/2023	2021/2022
Description	Kshs	Kshs
Multilateral donors – AfDB Bank	71,590,854	13,077,795
Total	71,590,854	13,077,795

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13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
304. Budgetary and Control Performance	<p>The statement of comparison of budget and actual amounts reflects a final budget and actual receipts on a comparable basis of Kshs.445,000,000 and Kshs,52,749,532 respectively, resulting in an underfunding of Kshs.392,250,468 (or 88%) of the budget. Similarly, the Project spent an amount of Kshs.52,749,532 against an approved budget of Kshs.445,000,000, resulting in an under expenditure of Kshs.392,250,468 (or 88%) of the budget.</p> <p>The underfunding and underperformance affected the planned activities and may have impacted negatively on service delivery to the public.</p> <p>My opinion is not modified in respect of this matter.</p>	<p>The underfunding of Kshs.392,250,468 or 12% of the budget, while the Project spent an amount of Kshs.52,749,532 against an approved budget of Kshs.445,000,000, resulting to an under-expenditure of Kshs.392,250,468 or 12% of the budget. The project was still at the inception stage with slow process of procurement of consultants and contractors to implement the development project. The project management confirms that the project is now on course and all the activities will be completed within the project cycle timelines as per the financing agreement and the African Development Fund approved procurement plan.</p>	Not Resolved	Issues currently before PAC

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
305. Failure to Open and Maintain a Separate Project Bank Account	<p>The Project Management did not maintain a separate Project bank account instead funds received were credited to the Ministry's development bank account. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which provides that, for the purpose of disbursement of project funds there shall be opened and maintained a Project account for every Project at the Central Bank of Kenya unless it is exempted by the Cabinet Secretary, in writing, into which all funds shall be kept and such an account shall be known by the name of the Project for which it is opened and each Project shall maintain only one bank account.</p> <p>In the circumstances, the Project Management was in breach of the law.</p>	<p>The donor funds (loans and grants Appropriation -In-Aid) are not disbursed to the government of Kenya consolidated funds account at the Central Bank of Kenya. The funding is held by the donor bank account to be disbursed directly to the suppliers and /or contractors as Direct Payments. The State departments responsibility as regards direct payments processing is to pass journals in the IFMIS system to capture expenditure from the department's budget. The payment documents are then forwarded to The National Treasury by The Accounting officer for onward transmission to the AfDB bank for eventual payment to the suppliers.</p> <p>The AfDB (TVETE phase III) project shares development cash book and bank account with the State Department for</p>	Not Resolved	Issues currently before PAC

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		Technical, Vocational Education and Training. It is also true that the exchequers come in bulk and the same are captured in the IFMIS system Accounts Receivables Module and subsequently recorded in the development cashbook.		


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Dr. Esther Muoria, PhD
Principal Secretary
Date:


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John Tuwei
Project Coordinator
Date:

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Annex 2: Variance explanations - Comparative Budget and Actual amounts for Current Financial Year 2022-2023

Receipts/Payments Item	Original Budget a	Adjustments b	Final Budget c=a+b	Actual on Comparable Basis d	Budget Utilization Difference e=c-d	% of Utilization f=d/c %
Receipts	Kshs	Kshs	Kshs	Kshs	Kshs	
Transfer from Government entities	80,000,000	(32,000,000)	48,000,000	48,830,710	(830,710)	102%
Proceeds from borrowings	1,300,000,000	(500,000,000)	800,000,000	71,590,854	728,409,149	9%
Total Receipts	1,380,000,000	(532,000,000)	848,000,000	120,421,564	727,578,436	14%
Payments						
Purchase of goods and services	1,380,000,000	(532,000,000)	848,000,000	120,421,564	727,578,436	14%
Acquisition of non-financial assets	-	-	-	-	-	0%
Total Payments	1,380,000,000	(532,000,000)	848,000,000	120,421,564	727,578,436	14%
Surplus or Deficit	-	-	-	-	-	-

Note:

The column b of adjustments/reductions of the original budget under column a is with regard to the budget cuts by the National Treasury effected to all Ministries, Departments and Agencies during the year under review through supplementary budgets approved by The National Assembly. This reduced the original budgets to arrive at the final budgets under column c=a+b

The underutilization of the budget of 14% was as a result of the TVETE III project is in the initial phase and procurement of constructions works are ongoing. The contracts for the 22 sites were awarded in July 2023 and handing over of sites is ongoing. The payments processed during the period under review was to Technical University of Mombasa, TU-K and DeKUT for training of 96 TVET trainers. Also, payment and delivery of equipment for Wangare Maathai institute of Peace and environmental studies (WMI). For the 9% the only amounts spent under the direct payments is equal to the receipts and the explanation above still refers.

The utilisation of 102% under the Transfer from Government entities was due to budget cuts during the supplementary after the expenditure had been incurred under the budget line for refined fuels and lubricants for transport.