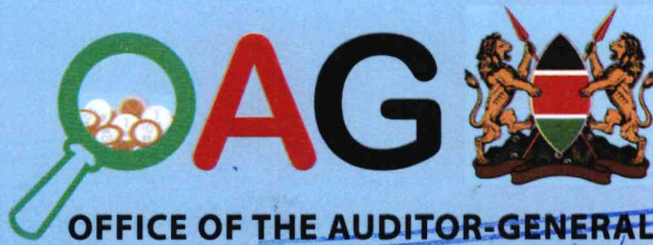


REPUBLIC OF KENYA



*Enhancing Accountability*



THE NATIONAL ASSEMBLY  
PAPERS LAID

**REPORT**

DATE: 14 OCT 2025

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TUESDAY

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LIBRARY

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BY:

DEPUTY MAJORITY LEADER

ASN. OWEN BATA

CLERK-AT  
THE TABLE:

A. SHIBUKO

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED**

**30 JUNE, 2025**

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

100  
100



THE NATIONAL ARCHIVES

DAY

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10 SEP 2025



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

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

**PROJECT GRANT/CREDIT NUMBER: BMZ No.2016 67 211, BMZ NO. 2016 65 298**

**GRANT NO: 1930 05 527**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**30 JUNE, 2025**

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**Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)**

*Promotion of Youth Employment and Vocational Training in Kenya*  
*Annual Report and Financial Statements for the financial year ended June 30, 2025*

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## 1. Acronyms and Definition of Terms

A-I-A	Appropriation in Aid
CBET	Competency Based Education Training
CBK	Central Bank of Kenya
Comparative FY	Financial year preceding the current financial year.
CT	County Treasury
ECL	Expected Credit Loss
EUR	Euros
FY	Financial Year
HR	Human Resource
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information and Communication Technology
IFMIS	Integrated Financial Management Information System
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
IT	Information Technology
KINAP	Kiambu National Polytechnic
MoE	Ministry of Education
NP	National Polytechnic
NT	National Treasury
PFM	Public Finance Management.
PPE	Property, Plant and Equipment
PSASB	Public Sector Accounting Standards Board
SDPW	State Department for Public Works
SDTVET	State Department for Technical, Vocational Education and Training
TTI	Technical Training Institute
WB	World Bank

## **2. Project Information and Overall Performance**

### **2.1 Name and registered office**

#### **Name**

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

#### **Objective**

Establish Centres of excellence for cooperative training at selected public Technical Vocational Education and Training institutes that shall offer high quality labor market-oriented training to Kenyan youth in specific trades with a strong engagement of surrounding industries for improved employment.

#### **Address**

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

The address of its registered office is:

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

**Contacts:** The following are the project contacts

P.O. Box: 9583-00200

Telephone: (254) 0203318581

E-mail: [pstvet@education.go.ke](mailto:pstvet@education.go.ke)

Website: [www.education.go.ke](http://www.education.go.ke)

**Project information and overall performance (continued)**

**2.2 Project Information**

Project Start Date:	21.02. 2020
Project End Date:	31.06. 2026
Project Coordinator:	Ms. Stellamaris Mathuku
Project Development Partner:	GoK- KfW

**2.3 Project Overview**

Line Ministry or State departments/ County Department	State Department for TVET
Project number: Loan Component Grant Component	BMZ No.2016 67 211, BMZ NO. 2016 65 298 BMZ No. 1930 05 527
Strategic goals of the project	The strategic goals of the project is to enhance employability of youth through dual training. (i) Establish centres of excellence in duo training (ii) Improve the image of TVET (iii) Enhance participation of industry in training
Summary of Project Strategies for achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Infrastructure expansion (ii) Enhance training equipment (iii) Capacity building of TVET trainers
Other important background information of the project	The project's aim is to enhance employability of youth through dual training and increase penetration to TVET institutions through equipping them; capacity building of trainers to commensurate with the modern technology in the entire sector country wide.  The Government has put interventions in place including, HELB loans and scholarships support, infrastructure support and supply of the Art equipment.

***Promotion of Youth Employment and Vocational Training in Kenya  
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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	This project will augment Governments efforts in all areas of deficiency.
Areas that the project was formed to intervene	The project was formed to intervene in the following problems/gaps: <ul style="list-style-type: none"> <li>(i) Rehabilitation extension and/or construction of essential TVET buildings</li> <li>(ii) Procurement of tools in support of cooperative training</li> <li>(iii) Training of trainers on use and maintenance of equipment</li> <li>(iv) Development and procurement of teaching, learning and assessment materials and tools</li> </ul>
Project duration	Approximately Six Years

**Project Information and Overall Performance (Continued)**

**2.4 Bankers**

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

**2.5 Independent Auditor**

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

**2.6 Roles and Responsibilities**

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
Niras Africa Limited	Implementing Consultants	International Consultancy	Support Ministry of Education on implementation of all aspects of the project (designs, scholarships, equipment etc)
Stellamaris Mathuku	Principal Vocational Technical Education Officer	Bachelor of Science Information Technology	Project Coordinator
Emmanuel Ngeno	Senior Vocational Technical Education Officer	Bachelor of Science Civil Engineering	Project Technical Officer

*Promotion of Youth Employment and Vocational Training in Kenya  
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Maliyun Hassan	Economist I	Masters (Economics Cooperation and human Development)	Project Monitoring and Evaluation Officer
Joseph Kuria	Assistant Accountant General	Msc Commerce, Certified Public Accountant	Project Accountant
Miriam Chepchumba	Finance Officer I	Bachelor of Business Management	Project Finance Officer
Fred Omondi	Principal Supply Chain Management officer	Masters Supply Chain Management	Project Supply Chain Officer

**2.7 Funding summary**

The Project is for a duration of six years from 2020 to 2026 with an approved budget of Euros 22,737,947 equivalent to Kshs 2,773,120,000 as highlighted in the table below:  
(Exchange rate at 1EUR= Kshs. 121.96)

*Promotion of Youth Employment and Vocational Training in Kenya  
Annual Report and Financial Statements for the financial year ended 30 June, 2025*

**Project information and overall performance (continued)**

Below is the funding summary:

**A. Source of Funds**

Source of funds	Development Partner Commitment		Amount received to date – (30th June, 2025)		Undrawn balance to date	
	Development Partner Currency (Eur)	KShs	Development Partner currency (Eur)	KShs	Development Partner currency (Eur)	KShs
	(A)	(A')	(B)	(B')	1	(A')-(B')
<b>GRANT SUMMARY</b>						
KfW - Germany	2,000,000	243,920,000	1,449,369	176,765,048	550,631	67,154,952
<b>Total Grants</b>	<b>2,000,000</b>	<b>243,920,000</b>	<b>1,449,369</b>	<b>176,765,048</b>	<b>550,631</b>	<b>67,154,952</b>
<b>LOAN SUMMARY</b>						
KfW - Germany	20,000,000	2,439,200,000	7,667,427	935,119,449	12,332,573	1,504,080,551
<b>Total Loans</b>	<b>20,000,000</b>	<b>2,439,200,000</b>	<b>7,667,427</b>	<b>935,119,449</b>	<b>12,332,573</b>	<b>1,504,080,551</b>
<b>COUNTER PART FUNDS</b>						
Counter Part funds Government of Kenya	737,947	90,000,000	565,353	68,950,500	172,594	21,049,500
<b>Total Funding Summary</b>	<b>22,737,947</b>	<b>2,773,120,000</b>	<b>9,682,150</b>	<b>1,180,834,997</b>	<b>13,055,797</b>	<b>1,592,285,003</b>

**Project information and overall performance (continued)**

**B. Application of Funds**

Application of Funds	Amount received to date – (30th June, 2025)		Cumulative Amount paid to date – (30th June, 2025)		Unutilised balance to date (30th June, 2025)	
	<i>Development Partner Currency (Eur)</i>	<i>KShs</i>	<i>Development Partner Currency (Eur)</i>	<i>KShs</i>	<i>Development Partner Currency (Eur)</i>	<i>KShs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>GRANT SUMMARY</b>						
KfW - Germany	1,449,369	176,765,048	1,449,369	176,765,048	0	0
<b>Total Grants</b>	<b>1,449,369</b>	<b>176,765,048</b>	<b>1,449,369</b>	<b>176,765,048</b>	<b>0</b>	<b>0</b>
<b>LOAN SUMMARY</b>						
KfW - Germany	7,667,427	935,119,449	7,667,427	935,119,449	0	0
<b>Total Loans</b>	<b>7,667,427</b>	<b>935,119,449</b>	<b>7,667,427</b>	<b>935,119,449</b>	<b>0</b>	<b>0</b>
<b>COUNTER PART FUNDS</b>						
Counter Part funds Government of Kenya	565,353	68,950,500	565,353	68,950,500	0	0
<b>Total Funding Summary</b>	<b>9,682,150</b>	<b>1,180,834,997</b>	<b>9,682,150</b>	<b>1,180,834,997</b>	<b>0</b>	<b>0</b>

**Project information and overall performance (continued)**

**2.8 Summary of Overall Project Performance:**

- i) *The overall budget absorption for the project was 79% with the actual expenditure being Ksh.508,484,815 against an approved budget of Ksh. 642,960,000 bringing the cumulative expenditure for the project since inception to Ksh. 1,180,834,997.*

	Budget	Actual	Absorption
FY 2024/25	642,960,000	508,484,815	79%
Cumulative Expenditure	2,773,120,000	1,180,834,997	42.58%

- ii) *The Physical progress based on outputs and outcomes since project commencement are as follows:*

Key Activities	Outputs	Progress
i. Rehabilitation extension and/or construction of essential TVET buildings	Construction of autobody building and welding workshop at Thika TTI	Thika is at 92% completion level
	Construction of automotive mechatronics workshop at Nairobi TTI	Nairobi TTI is at 92% completion level
	Construction of industrial mechatronics workshop at Kiambu Institute of science and technology	Kiambu Institute of science and technology workshop is at 93% completion level
	Construction of dormitory at Kiambu Institute of science and technology	Kiambu Institute of science and technology dormitory is at 98% completion level
ii. Procurement of training equipment and tools	Procurement of training equipment - Training Equipment (Specialized	Tender awarded, equipment delivered and paid - completed

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	<p>Electronics for Industrial Mechatronics - KIST) – First Phase</p> <p>Procurement of training equipment (Nairobi TTI Automotive Mechatronics and Thika Automotive Body building and repair) - First Phase</p> <p>Procurement of training equipment (IT, Software &amp; Hardware) – First Phase</p> <p>Procurement of Solar Powered MESH Wifi Hot Spot and Internet Connectivity</p> <p>Procurement of Furniture for TVET Colleges</p> <p>Procurement of training equipment - Training Equipment (Specialized Electronics for Industrial Mechatronics - KIST) - Second Phase</p> <p>Procurement of training equipment (Nairobi TTI Automotive Mechatronics and Thika</p>	<p>Tender awarded; equipment delivered training done and paid</p> <p>Tender awarded, equipment delivered and paid - complete</p> <p>Wifi procured, installed and accessible to the entire population of the three institutions</p> <p>Tender awarded; equipment delivered training done but bench vices inspection not done</p> <p>Tender ICB 07 for procurement of equipment evaluated awaiting award.</p> <p>Tender ICB 08 for procurement of equipment evaluated awaiting award.</p>
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*Promotion of Youth Employment and Vocational Training in Kenya  
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<p>iii. Training of trainers on use and maintenance of equipment</p> <p>iv. Development and procurement of teaching, learning and assessment materials and tools</p> <p>v. Improve the image of TVET</p>	<p>Automotive Body building and repair) - Second Phase</p> <p>Procurement of training equipment (IT, Software &amp; Hardware) – Second Phase</p> <p>Training of trainers completed in Preventive maintenance, workshop management, Occupational Safety &amp; health.</p> <p>Three CBET programmes in dual training developed</p> <p>Dual TVET communication Policy</p>	<p>Tender ICB 09 for procurement of equipment (IT, software &amp; hardware) tender evaluated awaiting award.</p> <p>60 trainers trained</p> <p>Three CBET programmes adapted to dual training available for use nationally</p> <p>Draft Dual training policy developed.</p>
--	--	---

iii) *The project's absorption rate for each year since commencement is as analysed below.*

<i>Financial Year</i>	<i>Overall Budget Absorption Rate against final approved Budget (%)</i>
2024 - 2025	79
2023 - 2024	39
2022 - 2023	29
2021 - 2022	21

- iv) *Some of the implementation challenges encountered and their recommend solutions are as outlined below.*

CHALLENGES	RECOMMENDATION
1) Delayed approval of variation and additional works estimates by SDPW.	Improve the collaboration between SDTVET and SDPW.
2) Delayed contractor payment due to expired documents	Ensure all required documents are Valid

**2.9 Summary of Project Compliance:**

- i) The project complied with all the laws and regulations in place as is required and thus did not experience any cases of non – compliance in the year under review.
- ii) The project has in place a Project Steering Committee to oversee the implementation of the project by the project coordinating unit and the project consultant, all of whom are guided by a singular objective of ensuring a successful implementation of the project within the set guidelines, laws and regulations governing project implementation in the country.

### 3) Statement of Performance against Project's Predetermined Objectives

#### **Introduction**

*Section 81(2)(f) /Section 164 (2)(f)* of the Public Finance Management Act, 2012, requires that the Accounting Officer include a statement of the national government entity's performance against predetermined objectives at the end of each financial year.

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

- a. Construction of auto-body building and welding workshop at Thika TTI
- b. Construction of automotive mechatronics workshop at Nairobi TTI
- c. Construction of industrial mechatronics workshop at Kiambu Institute of Science and Technology
- d. Construction of dormitory at Kiambu Institute of Science and Technology
- e. Provision of furniture for workshops
- f. Provision of IT equipment for training
- g. Provision of specialized equipment for industrial mechatronics
- h. Provide equipment for automotive mechatronics and auto-body building
- i. Provide ICT network hardware, software and internet connectivity

#### **Progress on the attainment of strategic development objectives**

To implement and cascade 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 to track progress and performance measurement.

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Below, we provide the progress on attaining the stated objectives:

Project	Objective	Outcome	Indicator	Performance
Promotion of youth employment and Vocational training in Kenya - TVET I	Establish Centres of excellence for cooperative training at selected public Technical Vocational Education and Training institutes that shall offer high quality labor market-oriented training to Kenyan youth in specific trades with a strong engagement of surrounding industries for improved employment.	Kenyan youth have successfully completed high-quality labor market-oriented TVET (quality and practice oriented) at one of the newly established CoE for cooperative training.	At least 100% of trainees (on average at least 30% thereof are women) enrolled to TVET at CoE	270 trainees have successfully enrolled TVET at CoE: Male: 194 Female :76
			At least 85% of trainees (on average at least 20% thereof are women) of the supported training programs completed the course	47 Trainees successfully completed TVET
			Proportion (30%) of practical training units held in enterprises regarding the newly supported training courses.	30% Labour market orientation – in-company training
		Construction of automotive mechatronics workshop at Nairobi TTI	Percent completion	Completion increased from 62 % to 92%
		Construction of industrial mechatronics workshop	percent completion	Completion increased from 62% to 90%

*Promotion of Youth Employment and Vocational Training in Kenya  
Annual Report and Financial Statements for the financial year ended 30 June, 2025*

		at Kiambu Institute of science and technology		
		Construction of dormitory at Kiambu Institute of science and technology	percent completion	Completion increased from 62% to 98%
		Provision of furniture for workshops	percent completion	Furniture provided to the three institutions
		Provision of IT equipment for training	Number of IT equipment	IT equipment provided to the three institutions
		Provision of specialized equipment for industrial mechatronics	Number Industrial mechatronics equipment	At tender evaluation stage
		Provide equipment for automotive mechatronics and autobody building	Number automotive mechatronics equipment	At tender evaluation stage
		Provide ICT network hardware, software and internet connectivity	Functional campus wide network connected to the internet	At tender evaluation stage

#### **4) Environmental and Sustainability Reporting**

##### **1. Sustainability strategy and profile**

The government has provided support for the project by committing resources to the project in terms of human capital and space. In the project training has been provided to the three institutions on business plan development and the institutions are currently developing business plans to ensure sustainability of the project. To ensure full ownership and appreciation of the project, the trainers, institution managers and the policy makers are part of the governance structure of the implementation of the project.

##### **2. Environmental performance**

The state department has a draft policy of greening of TVET. The TVET institutions are integrating green skills into their programs, offering courses in renewable energy, sustainable agriculture, water conservation, and waste management.

The project is contributing towards use of renewable energy by providing solar powered IT equipment; specifically, solar powered mesh Wi-Fi to all three institutions.

##### **3. Employee welfare**

The welfare management of the project implementation team under the ministry of education is guided by the following legal and regulatory documents

- Public Service Commission (PSC) Act, 2017 and Regulations: Governs fair and transparent recruitment processes, setting standards for job advertising, interviews, and appointments.
- HR Policies and Procedures Manual (2016): Provides guidelines for recruitment, performance management, employee welfare, and dispute resolution.
- Diversity Policy (2016): Ensures inclusive and fair hiring practices reflective of Kenya's demographic diversity.

The project adheres to the Occupational Safety and Health Act (OSHA) 2007, ensuring a safe working environment. Compliance includes accessible facilities for persons with disabilities and gender-sensitive policies to maintain an inclusive workplace.

#### **4. Marketplace practices-**

##### **a) Responsible Supply chain and supplier relations-**

The project follows the Public Procurement and Assets Disposal Act of 2015 and KfW procurement guidelines in all the project procurement activities.

Tenders are advertised in the newspaper, at the ministry of education website and the development partner's website.

##### **b) Responsible ethical practices**

- All key project implementors have strategically placed corruption boxes, dedicated emails and telephone numbers for reporting corruption cases.
- All key project implementors, have posters and signage to indicate corruption free zones.
- Sensitization is done to staff students and other stakeholders during forums such as staff meetings.

##### **c) Regulatory impact assessment**

The implementation of the project has complied with regulations concerning access by communities to resources such as water ways, community paths and roads.

#### **5. Community Engagements**

The project through the State Department has been involved in several CSR activities:

The project as part of the State Department successfully planted over 10,000 seedlings at Kinari and Kijabe forests. This impactful project underscores the State Department's unwavering commitment to environmental sustainability, climate change mitigation, and the long-term well-being of Kenyan communities.

The project was also involved in mentoring of other TVET institutions on dual training.

**5) Statement of Project Management Responsibilities**

The Principal Secretary for the Ministry of Education State department for Technical, Vocational Education and Training and the Principal Vocational Technical Education Officer 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 the financial year ended on June 30, 2025.

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 project, (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the project, (v) Selecting and applying appropriate accounting policies and (v) Making accounting estimates that are reasonable in the circumstances.

The Principal Secretary for the State department for Technical, Vocational Education and Training and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on the accrual basis method of financial reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Principal Secretary for the State department for Technical, Vocational Education and Training and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of the Project's transactions during the financial year ended June 30, 2025, and of the Project's financial position as at that date. The Principal Secretary for the State department for Technical, Vocational Education and Training and the Project Coordinator further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements and the adequacy of the systems of internal financial control.

The Principal Secretary for the State department for Technical, Vocational Education and Training and the Project Coordinator confirm that the Project has complied fully with applicable Government Regulations and the terms of external financing covenants and that

*Promotion of Youth Employment and Vocational Training in Kenya*  
*Annual Report and Financial Statements for the financial year ended 30 June, 2025*

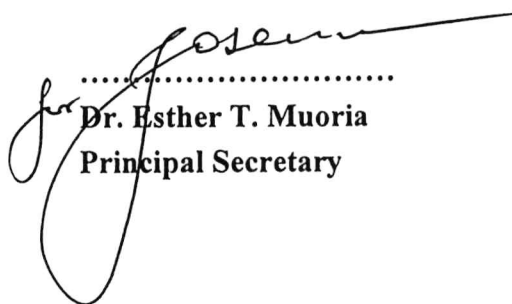
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Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project Financial Statements**

The Project financial statements were approved by the Principal Secretary for the State department for Technical, Vocational Education and Training and the Project Coordinator on

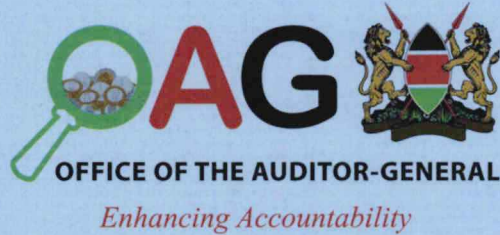
\_\_\_\_\_ 09/09/2025 and signed by:

  
.....  
**Dr. Esther T. Muoria**  
Principal Secretary

  
.....  
**Stellamaris Mathuku**  
Project Coordinator

# REPUBLIC OF KENYA

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



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

## REPORT OF THE AUDITOR-GENERAL ON PROMOTION OF YOUTH EMPLOYMENT AND VOCATIONAL TRAINING IN KENYA (TVET I & II) REFERENCE: LOAN NO. BMZ NO. 2016 67 211 & BMZ NO. 2016 65 298 AND PROJECT GRANT REFERENCE: NO.1930 05 527 FOR THE YEAR ENDED 30 JUNE, 2025 - STATE DEPARTMENT FOR TECHNICAL, VOCATIONAL EDUCATION AND TRAINING

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### PREAMBLE

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

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

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### Opinion

I have audited the accompanying financial statements of Promotion of Youth Employment and Vocational Training in Kenya Project (TVET I & II) Reference: Loan No. BMZ NO.

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*Report of the Auditor-General on Promotion of Youth Employment and Vocational Training in Kenya Project (TVET I & II) Reference: Loan No. BMZ NO. 2016 67 211 & BMZ No. 2016 65 298 and Project Grant Reference: No.1930 05 527 for the year ended 30 June, 2025 - State Department for Technical, Vocational Education and Training*

2016 67 211 & BMZ No. 2016 65 298 and Project Grant Reference: No.1930 05 527 for the Year Ended 30 June, 2025 - State Department for Technical, Vocational Education and Training set out on pages 1 to 25, which comprise of the statement of financial position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and the statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Promotion of Youth Employment and Vocational Training in Kenya Project (TVET I & II) Reference: Loan No. BMZ NO. 2016 67 211 & BMZ No. 2016 65 298 and Project Grant Reference: No.1930 05 527 as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and the Loan Financing Agreement No. BMZ 2016 67 211, No. BMZ 2016 65 298 and Grant No.1930 05 527 respectively between Kreditanstalt fur Wiederaufbau (KfW) and the Government of Kenya dated 21 February, 2020 and comply with the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Promotion of Youth Employment and Vocational Training in Kenya Project (TVET I & II) Reference: Loan No. BMZ NO. 2016 67 211 & BMZ No. 2016 65 298 and Project Grant Reference: No.1930 05 527 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 final receipts budget and actual on comparable basis of Kshs.642,960,000 and Kshs.508,484,815 respectively, resulting to an under-funding of Kshs.134,475,185 or 21% of the budget.

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

My opinion is not modified in respect of this matter.

## **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, several issues were raised under the Report on Financial Statements, Report on Lawfulness and Effectiveness in use of Public Resources, and Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issues as at 30 June, 2025.

## **Other Information**

### **Conclusion**

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

### **Basis for Conclusion**

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

## **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 effects of 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**

### **Commitment Fee Charged on Undrawn Portion of the Loan**

Review of the funding summary under the project information and overall performance as disclosed on page viii to the financial statements reflects Development Partner commitment and received amounts of Kshs.2,683,120,000 and Kshs.1,111,884,497 respectively, resulting to undrawn balance of Kshs.1,571,235,503. Further, the Government of Kenya may incur commitment charges on the undrawn portion of the Loan as per Section 3.1 of Loan Agreement between the Republic of Kenya and KfW I Germany on Promotion of Youth Employment and Vocational Training in Kenya (Loan No. 2016 67 211, 2016 65 298).

As a result, value for money could not be on the commitment fees payable on the undrawn portion of the loan.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The Standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

## **REPORT ON 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, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Effectiveness of the Internal Audit Unit**

During the year under review, the Internal Audit did not perform its function of internal performance appraisal as required by Regulation 166 (1) and (2) of the Public Finance Management (National Government Regulations), 2015 which states that, 'the internal audit unit of a National Government entity to assess effectiveness of the Project through an internal performance appraisal commenting on its effectiveness in the annual report

to The National Treasury'. In the circumstances, the Project did not benefit from the oversight role and advice from the internal audit.

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 OF OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

## **Responsibilities of Management and those Charged with Governance**

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

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

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

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

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

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

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

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

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

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

  
**FCPA Nancy Gathungu, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**30 September, 2025**

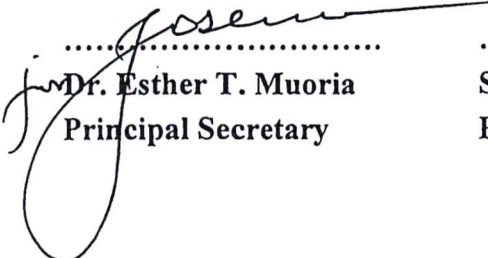
*Report of the Auditor-General on Promotion of Youth Employment and Vocational Training in Kenya Project (TVET I & II) Reference: Loan No. BMZ NO. 2016 67 211 & BMZ No. 2016 65 298 and Project Grant Reference: No.1930 05 527 for the year ended 30 June, 2025 - State Department for Technical, Vocational Education and Training*

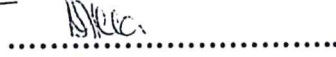
*Promotion of Youth Employment and Vocational Training in Kenya  
Annual Report and Financial Statements for the financial year ended 30 June, 2025*

7) **Statement of Financial Performance for the Year Ended 30 June, 2025.**

	Notes	FY 2024/2025
		Kshs
<b>Revenue</b>		
Revenue Transfers	6	508,484,815
<b>Total Revenue</b>		<b>508,484,815</b>
<b>Expenses</b>		
Use of goods and services	7	346,474,371
Certified Works	8	162,010,444
<b>Total expenses</b>		<b>508,484,815</b>
<b>Surplus/ (deficit) before tax</b>		
Taxation		
<b>Surplus/(deficit) for the period</b>		<b>-</b>
<b>Net Surplus for the period</b>		<b>-</b>

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

  
.....  
**Dr. Esther T. Muoria**  
Principal Secretary

  
.....  
**Stellamaris Mathuku**  
Project Coordinator

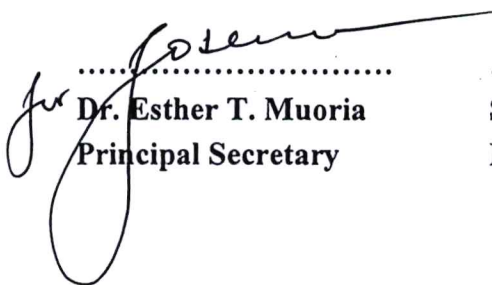
  
.....  
**Joseph Kuria**  
Project Accountant  
ICPAK Member No:21552


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8) Statement of Financial Position as at 30 June, 2025

	Notes	BY 30/06/2025	30/06/ 2024
		KSh	KSh
<b>Assets</b>			
<b>Current Assets</b>			
<b>Total Current Assets</b>		-	-
<b>Non-Current Assets</b>			
<b>Total Non- Current Assets</b>		-	-
<b>Total Assets</b>		-	-
<b>Liabilities</b>			
<b>Current Liabilities</b>			
<b>Total Current Liabilities</b>		-	-
<b>Non-Current Liabilities</b>			
<b>Total Non- Current Liabilities</b>		-	-
<b>Total Liabilities</b>		-	-
<b>Net Assets</b>		-	-
<b>Accumulated Surplus</b>		-	-
<b>Total Net Assets and Liabilities</b>		-	-

The financial statements were approved on 09/09 2025 and signed by:

  
 .....  
**Dr. Esther T. Muoria**  
 Principal Secretary

  
 .....  
**Stellamaris Mathuku**  
 Project Coordinator

  
 .....  
**Joseph Kuria**  
 Project Accountant

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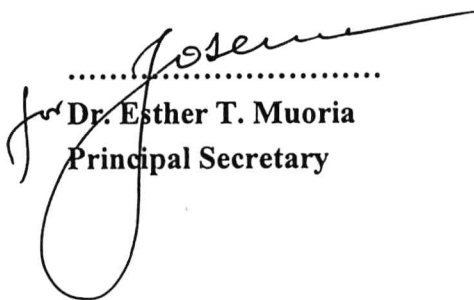
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9) Statement of Changes in Net Assets for the year ended 30 June, 2025

Description	Revaluation reserve	Accumulated surplus	Total
As at 30th June, 2024 (Cash Basis)	-	-	-
Revaluation gain	-	-	-
Surplus/(deficit) for the year	-	-	-
Capital/Development grants	-	-	-
Adjustments: (To recognize assets and liabilities)	-	-	-
<b>As At 1st July, 2024</b>	-	-	-
Surplus/(deficit) for the year	-	-	-
<b>As At 30th June, 2025</b>	-	-	-

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

The financial statements were approved on 09/09 2025 and signed by:

.....  
  
**Dr. Esther T. Muoria**  
**Principal Secretary**

.....  
  
**Stellamaris Mathuku**  
**Project Coordinator**

.....  
  
**Joseph Kuria**  
**Project Accountant**

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10) Statement of Cashflow for the year ended 30 June, 2025

	Notes	Ksh.
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Revenue Transfers	6	508,484,815
<b>Total receipts</b>		<b>508,484,815</b>
<b>Payments</b>		
Use of goods and services	7	346,474,371
Certified Works	8	162,010,444
<b>Total payments</b>		<b>508,484,815</b>
<b>Net cash flows from/(used in) operating activities</b>		<b>-</b>
<b>Cash flows from investing activities</b>		
Purchase of PPE and Intangible assets		
Proceeds from sale of PPE		-
Purchase of investments		-
Sale of investments		-
<b>Net cash flows from/ (used in) investing activities</b>		<b>-</b>
<b>Cash flows from financing activities</b>		
<b>Net cash flows from financing Activities</b>		<b>-</b>
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>		<b>-</b>
Cash and cash equivalents at 1 July 2024		
<b>Cash and cash equivalents at 30 June 2025</b>		<b>-</b>

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**11) Statement of Comparison of Budget and Actual Amounts for the Year ended 30 June, 2025**

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	<b>a</b>	<b>b</b>	<b>C=(a+b)</b>	<b>d</b>	<b>e=(c-d)</b>	<b>f=d/c*100</b>
<b>Revenue</b>						
Transfers	950,000,000	(307,040,000)	642,960,000	508,484,815	134,475,185	79%
<b>Total Income</b>	<b>950,000,000</b>	<b>(307,040,000)</b>	<b>642,960,000</b>	<b>508,484,815</b>	<b>134,475,185</b>	<b>79%</b>
<b>Expenses</b>						
Use of Goods and Services	275,000,000	229,809,896	504,809,896	346,474,371	158,335,525	69%
Certified Works	675,000,000	(536,849,896)	138,150,104	162,010,444	(23,860,340)	117%
<b>Total Expenditure</b>	<b>950,000,000</b>	<b>(307,040,000)</b>	<b>642,960,000</b>	<b>508,484,815</b>	<b>134,475,185</b>	<b>79%</b>
<b>Surplus for the period</b>				-		

**Budget notes**

- 1. Cancellation of previously flouted international Competitive tenders meant that the Revenues and Use of Good and Services components could not be adequately absorbed during the year under review.*
- 2. The budget cuts occasioned by supplementary II & III to the overall budget for FY 2024-2025 led to the overabsorption observed under certified work components. This is because the budget cuts were instituted when expenditure on the same had already been incurred and accounted for.*
- 3. Similarly, the same budget cuts under supplementary II & III occasioned the changes between the original and final budget.*

## 12) Notes to the Financial Statements.

### 1. General Information

Promotion of Youth Employment and Vocational Training in Kenya is established by and derives its authority and accountability from the agreement between the Government of the Federal Republic of Germany and the Government of the Republic of Kenya on financial cooperation, the Republic of Kenya, represented by the National Treasury and Planning, and KfW. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The project's principal activity is to establish Centres of excellence for cooperative training at selected public Technical Vocational Education and Training Institutes that shall offer high quality labour market-oriented training to Kenyan youth in specific trades with a strong engagement of surrounding industries for improved employment.

### 2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

#### **Guiding note during the transition period:**

*The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The entity is a first-time adopter of accrual-basis IPSAS and has elected to apply the transitional provisions provided under IPSAS 33 – First-time Adoption of Accrual Basis IPSASs.*

*As such, these financial statements represent the entity's first year of transitional financial reporting. In accordance with IPSAS 33, the entity has taken advantage of the permitted three-year transitional period, during which certain assets and liabilities may not be recognized and/or measured in full compliance with accrual IPSAS.*

*Specifically, the entity has not yet recognized the following elements of the financial statements:*

#### ***Property, Plant and Equipment, inventories and Provisions***

*This is due to challenges in obtaining reliable historical cost data and developing necessary accounting systems and controls. The entity continues to apply previous accounting policies for these elements on a temporary basis, as permitted by IPSAS 33.*

*The following steps are being taken to achieve full compliance by the end of the transitional period:*

- *Conducting comprehensive asset verification and valuation exercises*
- *Developing asset registers and inventory systems*
- *Implementing system upgrades to support accrual accounting*
- *Training staff in IPSAS-compliant recognition and measurement principles*

*The entity expects to progressively recognize all outstanding elements in accordance with applicable IPSAS and to fully comply with accrual-basis IPSAS by end of third-year from initial adoption*

These financial statements were authorized for issue by the accounting officer on 08 August 2025.

*Promotion of Youth Employment and Vocational Training in Kenya  
Annual Report and Financial Statements for the financial year ended 30 June, 2025*

3. Adoption of New and Revised Standards

- i) *New and amended standards and interpretations in issue effective in the year ended 30 June 2025.*

Standard	Effective date and impact
IPSAS 43	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45-Property Plant and Equipment	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the</p>

**Promotion of Youth Employment and Vocational Training in Kenya  
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Standard	Effective date and impact
	infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<p><b>Applicable 1<sup>st</sup> January 2025</b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS;</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

**ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025**

Standard	Effective date and impact
IPSAS 47- Revenue	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p><b>Applicable 1<sup>st</sup> January 2026</b></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature,</p>

*Promotion of Youth Employment and Vocational Training in Kenya  
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Standard	Effective date and impact
	amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	<b>Applicable 1<sup>st</sup> January 2026</b> The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<b>Applicable 1<sup>st</sup> January 2027</b> The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none"> <li>i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.</li> <li>ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.</li> <li>iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.</li> </ul>

*iii) Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year.

*Promotion of Youth Employment and Vocational Training in Kenya*  
*Annual Report and Financial Statements for the financial year ended 30 June, 2025*

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**4. Summary of Significant Accounting Policies**

**a) Revenue recognition**

**i) Revenue from non-exchange transactions**

**Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

**ii) Revenue from exchange transactions**

**Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**b) Budget information**

The original budget for FY 2024/2025 was approved on June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded no additional appropriations on the FY 2024/2025. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

**c) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the project

*Promotion of Youth Employment and Vocational Training in Kenya*  
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**Notes to the financial statements**

recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**d) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the project. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The project also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

**e) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**f) Research and development costs**

The project expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the project can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.

***Promotion of Youth Employment and Vocational Training in Kenya  
Annual Report and Financial Statements for the financial year ended 30 June, 2025***

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**Notes to the financial statements**

- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**g) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. *The entity does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the project's financial statements.* A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

***Financial assets***

***Classification***

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity, or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made an irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the project classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

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**Notes to the financial statements**

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/ equity are measured at fair value through surplus or deficit. A business model where the project manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

**Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year-end.

**Impairment**

The project assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date.

***Financial liabilities***

***Classification***

The project classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

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**Notes to the financial statements**

**h) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the project.

**i) Provisions**

Provisions are recognized when the project has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the project expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

The project 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.

***Contingent assets***

The Promotion of Youth Employment and Vocational Training in Kenya 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

***Promotion of Youth Employment and Vocational Training in Kenya  
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**Notes to the financial statements**

***Contingent assets (Continued)***

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.

**j) Nature and purpose of reserves**

The Promotion of Youth Employment and Vocational Training in Kenya does not create and maintains reserves in terms of specific requirements.

**k) Changes in accounting policies and estimates**

The Promotion of Youth Employment and Vocational Training in Kenya project recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

**l) Employee benefits**

**Retirement benefit plans**

The Promotion of Youth Employment and Vocational Training in Kenya project provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

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**Notes to the financial statements**

**m) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the agreed fixed rate of exchange as outlined in the financing agreement. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

**n) Borrowing costs**

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

**o) Related parties**

The Promotion of Youth Employment and Vocational Training in Kenya project regards a related party as a person or an entity with the ability to exert control individually or jointly or to exercise significant influence over the project, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

**p) Service concession arrangements**

The Promotion of Youth Employment and Vocational Training in Kenya project analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the project recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the project also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

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**Notes to the financial statements**

**q) 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.

**r) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

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**Notes to the financial statements**

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the Promotion of Youth Employment and Vocational Training in Kenya project's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The project based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the project.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

**Provisions**

Provisions were raised and management determined an estimate based on the information available.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Notes to the financial statements

6. Revenue Transfers

	FY 2024/2025
	KShs
<b>Unconditional Transfers</b>	
GoK Counter Part funding	11,272,874
Transfers from KfW Bank (Direct Payments: Grants)	50,550,332
Other Grants (A-I-A)	-
	<b>61,823,206</b>
<b>Conditional Transfers</b>	
Transfers from KfW Bank (Direct Payments: Loans)	446,661,609
Other Organizational Grants (specify)	-
<b>Total Conditional Transfers</b>	<b>446,661,609</b>
<b>Total Transfers for the Period</b>	<b>508,484,815</b>

*(The funding was to cater for operational expenses, Consultancy services and certified construction works)*

a) Details to Revenue Transfers

Name of the Entity Transferring	Amount recognized to Statement of Financial performance	Amount deferred under deferred income	Amount moved to capital fund	Total Transfers (Current Period)
	KShs	KShs	KShs	KShs
GoK Funding	11,272,874			11,272,874
KfW Bank	497,211,941			497,211,941
<b>Subtotal</b>	<b>508,484,815</b>	-	-	<b>508,484,815</b>
<b>Total</b>	<b>508,484,815</b>	-	-	<b>508,484,815</b>

**Promotion of Youth Employment and Vocational Training in Kenya**  
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**Notes to the financial statements**

**7. Use of Goods and Services**

Description	FY 2024/2025
	Kshs
Specialized materials and supplies	233,834,658
Fuel and Lubricants	1,999,265
Printing and Advertising	366,559
Training	2,496,700
Domestic Travel & Subsistence	6,410,350
Other Operating Expenses - Consultancy Services	101,366,839
<b>Total</b>	<b>346,474,371</b>

**8. Certified Works**

Description	FY 2024/2025
	Kshs
Construction Works	162,010,444
<b>Total</b>	<b>162,010,444</b>

**9. Related Party Disclosures**

**Nature of related party relationships**

Entities and other parties related to the project include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**Government of Kenya**

The Government of Kenya is the principal shareholder of the project, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the Entity, both domestic and external.

**Promotion of Youth Employment and Vocational Training in Kenya**  
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**Notes to the financial statements**

**Other related parties include:**

- i) The National Treasury
- ii) The Ministry of Education through the State Department for Technical, Vocational Education and Training.

Description	FY 2024/2025
	Kshs
<b>Transactions with related parties</b>	
<b>a) Grants /transfers from the government (National Treasury)</b>	
Counter Part Funding	11,272,874
<b>Total</b>	<b>11,272,874</b>

**10. Events after the Reporting Period**

There were no material adjusting and non-adjusting events after the reporting period.

**11. Ultimate And Holding Entity**

The Promotion of Youth Employment and Vocational Training in Kenya project is a Semi-Autonomous Government Agency under the State Department for Technical, Vocational Education and Training. Its ultimate parent is the Government of Kenya.

**12. Currency**

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

**13. Annexes**

**Annex 1: Prior Year Auditor-General's Recommendations**

Reference No. of the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeline (Date when you expect the issue to be resolved)
406	<p><b>Budgetary Control and Performance</b></p> <p>The statement of comparison of budget and actual amounts reflects final receipts budget and actual amount on a comparable basis of Kshs.625,000,000 and Kshs.240,637,419 respectively, resulting to an under-funding of Kshs.384,362,581 or 61% of the budget. Further, the Project expended Kshs.240,637,419 against an approved budget of Kshs.625,000,000, resulting to under expenditure of Kshs.384,362,581 or 61% of the budget.</p> <p>In the circumstances, the under-funding and under-expenditure affected the planned activities which may have a negative impact on service delivery to the public.</p>	<p>The Ministry procured automotive and industrial mechatronic equipment worth Euro 807,900, automotive and industrial mechatronic worth Euro 937,838.8, IT equipment worth Euro 317,124.00 and furniture Euro 289,137 totalling to Euro 2,351,999.8 an equivalent of Ksh 286,708,775,62. The invoices were submitted for payment but due to budget cuts during supplementary II the invoices could not be paid. The same have been earmarked for payment in the subsequent financial year.</p>	Not Resolved	Scheduled to appear before the National Assembly's PAC in FY 2025/26
407	<p><b>Unresolved Prior Year Matters</b></p> <p>In the audit report for the previous year, issues were raised in the Report on Lawfulness and Effectiveness in Use of Public Resources. However,</p>		Resolved	

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Reference No. of the Annual Audit Report	Issue / Observation from Auditor	Management comment	Status (Resolved / Not Resolved)	Timeline (Date when you expect the issue to be resolved)
	the matters remained unresolved as at 30 June, 2024.			
408	<p><b>Low Absorption of Funds</b></p> <p>The funding summary at paragraph 2.7 under the Project Information and Overall Performance indicates that the Project had a duration of six (6) years from 2020 to 2026 with total donor commitments of Kshs.2,683,120,000. The State Department had received disbursements of Kshs.614,672,556 as at 30 June, 2024, resulting to undrawn balances of Kshs.2,068,447,444, an indication that the Project was only at 25% completion/financing. Failure to fully spend funds already released to the Project may have denied the beneficiaries of the Project critical services.</p> <p>In the circumstances, the Project may not be completed on time and attain its objectives as intended.</p>	<p>The loan agreement was a financing agreement signed between KfW and the National Treasury on 21/2/20 together with the separate agreement between KfW and Ministry of Education (MoE) that gave details and design of the project. This initiated the process of signing the contract between MoE and the consultant, Niras on 9/9/2020 who were then brought on board to implement the project. This meant that there was a seven-month period lapse before commencement of any budget absorbing activity by the project.</p>	Not Resolved	Scheduled to appear before the National Assembly's PAC in FY 2025/26
409	<p><b>Failure to Raise Receipt Vouchers for Receipts from Government of Kenya</b></p> <p>The statement of receipts and payments reflects receipt from Government of Kenya amounting to Kshs.19,508,622. Records provided for audit</p>	<p>The project shares development cash book and bank account with the State Department for Vocational and Technical Training. The exchequers</p>	Not Resolved	Scheduled to appear before the National

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Reference No. on the Annual Audit Report	Issue/Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeframe (Period under review / Issue / Resolved)
	<p>review indicated that the funds were channelled through a development bank account of the State Department and not the project account, contrary to regulation 74(5) of the Public Finance Management (National Government) Regulations, 2015, which require all monies relating to the Project to be deposited to the specific Project Bank Account. Additionally, the receipts were not supported with The National Treasury's itemized Exchequer issuance notifications indicating the amount disbursed to the Project. Further, the Project Management did not raise receipt vouchers to confirm actual receipt of funds.</p> <p>In the circumstances, it was not possible confirm whether the project coordination unit had control of the project funds. Further, the regularity of receipts from Government of Kenya of Kshs.19,508,622 could not be confirmed.</p>	<p><b>come in bulk and are captured in the IFMIS Accounts Receivables Module and subsequently recorded in the development cashbook.</b></p> <p><b>The project funds come in form of Appropriation in Aid from foreign grants, or borrowings from KfW bank and are disbursed directly to the consultants, suppliers and contractors from the loan account at the KfW bank, without passing through the Consolidated Account at the Central Bank of Kenya. Only the GoK counterpart funding which comes to the State Departments development bank account that are spent on financing administrative expenditures of the project.</b></p> <p><b>The Management has since written to The National Treasury to request for authority to open a project dedicated bank account at the Central Bank of Kenya as per the attached copy. This will ultimately enable the</b></p>		<p>Assembly's PAC in FY 2025/26</p>

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Reference No. of the external audit Report	Issue / Observations from Auditor	Management comments	Status (Resolved / Not Resolved)	Timeline (Put in date when you expect the issue to be resolved)
		management to capture receipts of exchequers specific to the project.		

.....  
*Dr. Esther T. Muoria*  
**Dr. Esther T. Muoria**  
**Principal Secretary**

.....  
*Stellamaris Mathuku*  
**Stellamaris Mathuku**  
**Project Coordinator**

**Annex 2: Fixed Asset Register**

Asset class	Opening Cost (KShs) 2024	Purchases/Additions in the Year (KShs) 2024/25	Disposals in the Year (KShs) 2024/25	Closing Cost (KShs) 2025
	(a)	(b)	(c)	(d) = (a) + (b) - (c)
Buildings and structures	208,635,829	162,010,444	-	370,646,273
Transport equipment	4,899,300	-	-	4,899,300
Office equipment, furniture and fittings	17,757,845	-	-	17,757,845
<b>Total</b>	<b>231,292,974</b>	<b>162,010,444</b>	<b>-</b>	<b>393,303,418</b>

**Annex 3: Other Support Documents**

- i. Trial Balance
- ii. Schedule of Direct Payments