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*Enhancing Accountability*

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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED**

**30 JUNE, 2025**

**MINISTRY OF EDUCATION**

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



THE NATIONAL ASSEMBLY  
PARLIAMANT

DATE: \_\_\_\_\_  
DAY: \_\_\_\_\_

MEMBER  
BY: \_\_\_\_\_

MEMBER OF PARLIAMANT  
BY: \_\_\_\_\_

MEMBER OF PARLIAMANT  
BY: \_\_\_\_\_

11 SEP 2025



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

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

**PROJECT GRANT/CREDIT NUMBER: BMZ- No.: 2018 67 399**

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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)**

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## **1. Acronyms and Definition of Terms**

1. CDACC	Curriculum Development, Assessment and Certification Council
2. CSR	Corporate Social Responsibility
3. EGF	Equity Group Foundation.
4. GoK	Government of Kenya
5. HR	Human Resource
6. ICPAK	Institute of Certified Public Accountants of Kenya
7. IPSAS	International Public Sector Accounting Standards
8. KNQA	Kenya National Qualification Authority
9. KUCCPS	Kenya Universities and Colleges Central Placement Services
10. M.ED	Masters of Education
11. M.Sc	Masters of Science
12. OSHA	Occupational Safety and Health Act
13. PAC	Public Accounts Committee
14. PFM	Public Finance Management.
15. PHD	Doctor of Philosophy.
16. Phd	Doctor of Philosophy
17. PPE	Property Plant & Equipment
18. PSC	Public Service Commission
19. SMART	Specific, Measurable, Achievable, Realistic and Time Bound
20. TVET	Technical Vocational Education and Training
21. TVETA	Technical and Vocational Education and Training Authority
22. WTF	Wings to Fly

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

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

#### **Name**

The project’s official name is Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)

#### **Objective**

The key objective of the project is to promote Kenyan youth employment through provision of financial support scholarships, mentorship, and skills development opportunities to promote access, retention, completion, and transition of vulnerable and deserving youth into Technical and Vocational Education and Training (TVET) to enhance employability, self-reliance, and contribution to national development

#### **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

Telephone: (254) 722492972

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:	01 August 2022
Project End Date:	30 December 2026
Project Coordinator:	M/s Mary Njugi
Project Development Partner:	The project sponsor is KFW Development Bank (Germany)

**2.3 Project Overview**

Line Ministry and State/ County Department	Ministry of Education State Department for TVET
Project number	<b>BMZ- No.: 2018 67 399</b>
Strategic goals of the project	<ul style="list-style-type: none"> <li>i) Expand access and equity by providing scholarships and support to vulnerable and deserving youth to pursue TVET.</li> <li>ii) Promote retention, completion, and transition through mentorship, psychosocial, and career guidance support.</li> <li>iii) Develop industry-relevant skills that enhance employability, entrepreneurship, and self-reliance among beneficiaries.</li> <li>iv) Contribute to national and global development priorities by strengthening the skilled workforce for Kenya’s Vision 2030 and the SDGs.</li> </ul>
Summary of Project Strategies for achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <p><b>Enhancing Access and Equity</b> Award scholarships and financial support to vulnerable and deserving youth. Partner with local communities, counties, and constituencies to identify eligible beneficiaries. Apply transparent and inclusive selection criteria to ensure fairness and accountability.</p> <p><b>Promoting Retention, Completion, and Transition</b> Provide continuous mentorship, psychosocial support, and career guidance to trainees. Establish structured mentorship programs involving trainers, alumni, and community leaders. Create peer-support networks and alumni associations to strengthen continuity and motivation.</p>

	<p><b>Developing Industry-Relevant Skills for Employability and Self-Reliance</b> Align training with the Competency-Based Education and Training (CBET) framework and labor market demands. Strengthen partnerships with industries to facilitate apprenticeships, internships, and job placements. Integrate entrepreneurship training and provide access to start-up toolkits or seed capital for graduates.</p> <p><b>Contributing to National and Global Development Priorities</b> Align project interventions with Kenya’s TVET reforms, Vision 2030, and the Sustainable Development Goals (SDGs). Mainstream gender, inclusion, environmental sustainability, and innovation into project activities. Strengthen monitoring, evaluation, and learning (MEL) systems to track progress and measure impact.</p>
<p>Other important background information of the project</p>	<p>The Project is a collaborative initiative between the Government of Kenya, through the Ministry of Education – State Department for Technical and Vocational Education and Training (TVET), and the Government of Germany, through the KfW Development Bank, with the Equity Group Foundation (EGF) serving as the implementing partner.</p> <p>The project builds on the success of the Wings to Fly Scholarship Programme, which has supported thousands of bright but financially disadvantaged students to access secondary education since 2010. Recognizing the urgent need to extend opportunities beyond secondary school, the TVET component was introduced to enable vulnerable youth, including graduates of the Wings to Fly and Elimu Scholarship programmes, to pursue technical and vocational training.</p>
<p>Areas that the project was formed to intervene</p>	<p>To address key challenges faced by vulnerable and deserving youth in accessing and benefiting from technical and vocational education and training.</p> <p>The main areas of intervention include:</p> <ol style="list-style-type: none"> <li>a. Access to Training Opportunities-provision of scholarships and financial support to ensure that youth from disadvantaged backgrounds can enroll in accredited TVET institutions.</li> <li>b. Retention and Completion-offering mentorship, psychosocial support, and career guidance to reduce dropout rates and support successful completion of training programs.</li> <li>c. Skills Development for Employability-equipping beneficiaries with market-driven, competency-</li> </ol>

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)  
Annual Report and Financial Statements for the financial year ended 30 June, 2025*

	<p>based, and industry-relevant skills to enhance employability and entrepreneurship.</p> <ul style="list-style-type: none"> <li>d. Transition to Employment and Self-Reliance-facilitating internships, industrial attachments, and linkages to job markets, as well as supporting entrepreneurship and start-up initiatives.</li> <li>e. Equity and Inclusion-targeting marginalized groups, including orphans, girls, and youth from economically disadvantaged households, to promote equal opportunities in education and training.</li> <li>f. Contribution to National Development Agendas-Supporting Kenya’s Vision 2030 and the Sustainable Development Goals (SDGs) by building a skilled workforce for priority sectors.</li> </ul>
Project duration	Approximately 4 Years

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

**2.4 Bankers**

The project does not have a separate bank account for its operations. All the payments are made directly from KFW Bank.

**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>
Equity Group Foundation	Management Agency for MoE.	implementation consultant	Implementation consultancy services
Mary Njugi	Director Vocational Technical Education	M.Ed.	Project Coordinator
Joseph Kuria	Assistant Accountant General	M.Sc. Commerce, Certified Public Accountant	Project Accountant
Miriam Jepchumba	Finance Officer	Bachelor of Arts Certified Public Accountant	Project Accountant
John K. Tuwei	Director Technical Education	Masters in Chemistry Graduate Certificate in TVET	Director Donor projects.
Dr. Opwora	Director technical Education	PHD	Director technical Education

**2.7 Funding summary**

The Project is for a duration of 4 years from 2022 to 2026 with an approved budget of EUROS 7.0 million equivalent to Kshs 770,000,000.00 as highlighted in the table below:

(Exchange rate at 1EUR=Kshs. 110)

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	
	<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>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
<b>GRANT SUMMARY</b>						
KfW - Germany	7,000,000	770,000,000	679,284	74,721,240	6,320,716	695,278,760
<b>Total Grants</b>	<b>7,000,000</b>	<b>770,000,000</b>	<b>679,284</b>	<b>74,721,240</b>	<b>6,320,716</b>	<b>695,278,760</b>
<b>Total Funding Summary</b>	<b>7,000,000</b>	<b>770,000,000</b>	<b>679,284</b>	<b>74,721,240</b>	<b>6,320,716</b>	<b>695,278,760</b>

Project information and overall performance (continued)

B. Application of Funds

Source funds	of	Amount received to date – (30th June, 2025)		Cummulative Amount paid to date – (30th June, 2025)		Unutilized balance to date	
		Development Partner currency <i>Eur</i>	<i>KShs</i>	Development Partner currency ( <i>Eur</i> )	<i>KShs</i>	Development Partner currency ( <i>Eur</i> )	<i>KShs</i>
		(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
<b>GRANT SUMMARY</b>							
KfW - Germany		679,284	74,721,240	679,284	74,721,240	0	0
<b>Total Grants</b>		<b>679,284</b>	<b>74,721,240</b>	<b>679,284</b>	<b>74,721,240</b>	<b>0</b>	<b>0</b>
<b>Total Funding Summary</b>		<b>679,284</b>	<b>74,721,240</b>	<b>679,284</b>	<b>74,721,240</b>	<b>0</b>	<b>0</b>

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)*  
*Annual Report and Financial Statements for the financial year ended 30 June, 2025*

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

**2.8 Summary of Overall Project Performance:**

- i) The project achieved a budget absorption of nil against a final approved budget of Kshs. 160,000,000 for the financial period ended 30<sup>th</sup> June, 2025.

	Budget	Actual	Absorption
FY 2024/25	160,000,000	-	-
Cumulative Expenditure to date	770,000,000	74,721,240	9.7%

- ii) Physical progress based on outputs and outcomes since project commencement,

<i>Key Activities</i>	<i>Outputs</i>	<i>Outcome</i>	<i>Key Activities</i>	<i>Outputs</i>	<i>Outcome</i>
1. Identification and Selection of Beneficiaries.	805 vulnerable and deserving youth identified and enrolled in the scholarship programme.	Increased equitable access to TVET among disadvantaged youth.			
2. Award of Scholarships.	Scholarship letters issued to all selected beneficiaries.	increased enrolment of disadvantaged youth in accredited TVET institutions.	Provision of financial support to 805 scholars, convening launch	First tranche of disbursement for 805 scholars released in Dec 2023	Placement and facilitation of the 805 scholars in TVET institutions
3. Disbursement of Financial Support.	Tuition fees, stipends, accommodation, meals, and training materials paid for 805 scholars.	Reduced financial barriers to TVET access and improved retention and completion rates of scholars. Increased efficiency in scholarship management.			

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)  
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4. Monitoring, tracking progress and Outcomes.	Regular financial and progress reports produced.				
5. Mentorship and Support Services	Mentorship programs and psychosocial support sessions conducted.	Improved learner motivation, confidence, and resilience			

The implementing agency has placed all the scholars in TVET institutions.

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

<i>Financial Year</i>	<i>Overall Budget Absorption Rate against final approved Budget (%)</i>
2024 - 2025	-
2023 - 2024	47
2022-2023	-

iv) *Challenges realised and recommended next steps.*

- Slow progress by the implementing agency- EGF to hasten implementation.
- Lack of counterpart contribution thus hindering -MoE from effective participation in the project- MoE to facilitate participation in project activities, monitoring an evaluation.
- Drop outs-To enhance Retention and Support Systems there is need to scale up mentorship, psychosocial support, and health services to address non-financial barriers to completion.

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

The key development objective of the project is to promote Kenyan youth employment through provision of financial support scholarships, mentorship, and skills development opportunities to promote access, retention, completion, and transition of vulnerable and deserving youth into Technical and Vocational Education and Training (TVET) to enhance employability, self-reliance, and contribution to national development

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

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

Below we provide the progress on attaining the stated objectives

Project	Objectives	Outcome	Indicator	Performance
Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)	To promote youth employment by supporting vulnerable and deserving Kenyan youth to access, complete, and transition through TVET with scholarships, mentorship, and skills development for employability and self-reliance.	Increases access and equity, improved retention and completion	805 scholars supported and retained in school at various level of training.	805 enrolled, thirty-one (31) have graduated, fifty-eight (58) are awaiting graduation.

#### **4. Environmental and Sustainability Reporting**

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

##### **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. 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 using solar power to supplement the grid power supply in the planned training workshops.

##### **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-**

Project procurement process is done by the management agency (EGF) as per the agreement and it will be guided by the Public Procurement Act 2005 and the Financial Management Act 2015

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

The advertisement for tenders done is in line with the procurement laws of Kenya and the financiers’ procurement rules and procedures.

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

The Ministry of Education (MoE) oversees the Technical and Vocational Education and Training (TVET) sector through key regulatory agencies mandated to safeguard the rights of citizens and stakeholders by ensuring quality, relevance, and credibility of training across the country.

These agencies include:

#### **1. TVET Authority (TVETA)**

- a) Mandated to accredit, license, and regulate TVET institutions.
- b) Ensures compliance with national training standards, infrastructure, and governance requirements.
- c) Protects learners and stakeholders by enforcing institutional accountability.

#### **2. TVET Curriculum Development, Assessment and Certification Council (TVET-CDACC)**

- a) Responsible for the development of Competency-Based Education and Training (CBET) curricula.
- b) Oversees assessment and certification of TVET trainees to ensure skills are industry-relevant.
- c) Enhances employability by aligning training outcomes with labor market demands.

#### **3. Kenya National Qualifications Authority (KNQA)**

- a. Coordinates and harmonizes the Kenya National Qualifications Framework (KNQF).
- b. Ensures comparability, recognition, and progression of qualifications nationally and internationally.
- c. Safeguards learners’ rights by protecting the integrity and portability of qualifications.

## **5. Community Engagements**

Community engagements are done during selection for Wings to Fly beneficiaries identification and selection, parental and guardian engagement throughout the selection, award and training period. Mentorship and support networks by linking scholars with community-based mentors, including professionals, alumni, and role models as well as establishing peer-support and alumni networks to build resilience and encourage success.

## **5. Statement of Project Management Responsibilities**

The Principal Secretary for the State Department for Vocational and Technical Training and the overall project coordinator for the Promotion of Youth Employment through scholarships Phase II (“Wings to Fly IV”) are responsible for the preparation and presentation of the project’s financial statements, which give a true and fair view of the state of affairs of the project for and as at the end of the financial year ended on June 30 2025.

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

The Principal Secretary for the State Department for Vocational and Technical Training and the overall Project coordination for the Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) accept responsibility for the Project financial statements, which have been prepared on the Accrual basis method of financial reporting, using appropriate accounting Policies in accordance with the international Public Sector Accounting Standards.

The Principal Secretary for the State Department for Vocational and Technical Training and the overall Project coordinator for the project Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) are of the opinion that the financial statements give a true and fair view of the state of the Project’s transactions during the financial year ended 30 June 2025 and of the project’s financial position as at that date. The Principal Secretary for the State Department for Vocational and Technical Training in the Ministry of Education and the overall Project coordinator for the project Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the State Department for Vocational and Technical Training and the overall Project coordinator for the Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) confirm that the project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.


*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)  
Annual Report and Financial Statements for the financial year ended 30 June, 2025*

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**Approval of the Project Financial Statements**

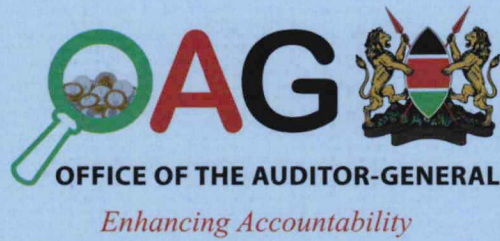
The Project financial statements were approved by the Principal Secretary for the Ministry of Education, State Department of Vocational and Technical Training and the Project Coordinator for the Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) on 15/07 2025 and signed by:

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

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

# REPUBLIC OF KENYA

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

## REPORT OF THE AUDITOR-GENERAL ON PROMOTION OF YOUTH EMPLOYMENT THROUGH SCHOLARSHIPS PHASE II ("WINGS TO FLY IV") PROJECT GRANT NUMBER BMZ NO. 2018 67 399 FOR THE YEAR ENDED 30 JUNE, 2025 - MINISTRY OF EDUCATION (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 through Scholarships Phase II ("Wings to Fly IV") Project Grant Number BMZ No. 2018 67 399 - Ministry of Education (State Department for Technical, Vocational

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*Report of the Auditor-General on Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV") Project Grant Number BMZ No. 2018 67 399 for the year ended 30 June, 2025 - Ministry of Education (State Department for Technical, Vocational Education and Training)*

Education and Training) set out on pages 1 to 23, which comprise 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 statement of comparison of budget and actual amounts the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV") Project Grant Number BMZ No. 2018 67 399 - Ministry of Education (State Department for Technical, Vocational Education and Training) 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 comply with the Agreement between the KfW Development Bank, Equity Group Foundation and the Government of the Republic of Kenya of 22 March, 2021 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the Promotion of Youth Employment through Scholarships Phase II (Wings to Fly IV) Project Grant Number BMZ No. 2018 67 399 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 Controls and Performance**

The statement of of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.160,000,000 and nil amount respectively, resulting to an under-funding of Kshs.160,000,000 or 100% of the budget.

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

My opinion is not modified in respect of this matter.

## **Key Audit Matters**

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

## **Other Matter**

### **Unresolved Prior Year Matters**

In the audit report of the previous year, issue was raised under the Report on Effectiveness of Internal Controls, Risk Management and Governance. However, Management had not resolved the issue or given any explanation for failure to implement the recommendations as at 30 June, 2025.

## **Other Information**

### **Conclusion**

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

In connection with my audit on Project 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. In my opinion except for the matter described in the Basis for Conclusion, I confirm that it is not materially inconsistent with the financial statements

## **Basis for Conclusion**

### **Failure to Drawdown Projects Funds for the Period**

The State Department did not receive funds from the donor- KFW during the year despite having an approved budget amount of Kshs.160,000,000. Whereas the donor is ready to finance the project up to 7,000,000 Euros equivalent to an amount of Kshs.770,000,000 as per the financing agreement, the State Department had only drawn 679,284 Euros equivalent to an amount of Kshs.74,721,240 which is 10% of the total funding as at 30 June, 2025. No explanation was provided as to which conditions of the financing agreement was not met by the Management or any reasons for non-financing. With the

Project start and end dates of 1 August, 2022 and 30 December, 2026 respectively, the objective of expanding access and equity by providing scholarships and support to vulnerable and deserving youths to pursue TVET objective may not be achieved by the Project end date.

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

## 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, I confirm that nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

## REPORT ON 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**

#### **Failure to Supervise and Authenticate Beneficiaries**

As reported in the previous year, the summary of project information and overall performance reflects an amount of Kshs.74,721,240 in respect of placement and facilitation of eight hundred and five (805) scholars. However, the following unsatisfactory observations were made:

- i. Summary of the overall project performance on page xi indicates the outputs. However, the status of the students' education could not be confirmed as only returns for one hundred and ninety (190) out of eight hundred and five (805) or 24% were provided for audit; and
- ii. Further, it was noted that the Project did not have a budget line item for monitoring and evaluation.

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

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

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### Conclusion

As required by KfW Development Bank, Equity Group Foundation and the Government of the Republic of Kenya, I report based on my audit that I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit. In my opinion:

- i. Information given in the Management report on pages iii to xix is consistent with the financial statements;
- ii. Adequate accounting records have been kept by the Project, 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.

### Basis for Conclusion

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

### Responsibilities of Management and those Charged with Governance

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 controls 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 governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

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

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

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

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


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the 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

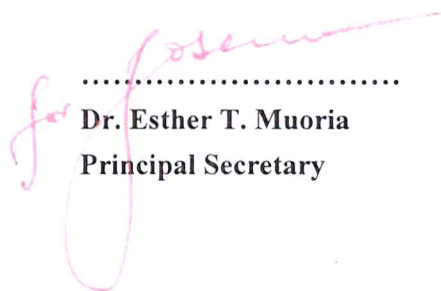
*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)*  
*Annual Report and Financial Statements for the financial year ended 30 June, 2025*


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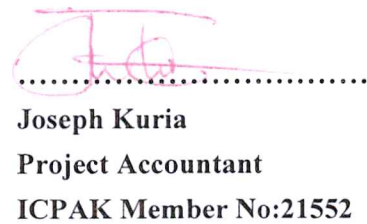
**7. Statement of Financial Performance for the Year Ended 30 June, 2025.**

	Notes	FY 2024/2025
		Kshs
<b>Revenue</b>		
Revenue Transfers	6	-
<b>Total Revenue</b>		-
<b>Expenses</b>		
Grants and subsidies	7	-
<b>Total expenses</b>		-
<b>Surplus/ (deficit) before tax</b>		
Taxation		
<b>Surplus/(deficit) for the period</b>		-
<b>Net Surplus for the period</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

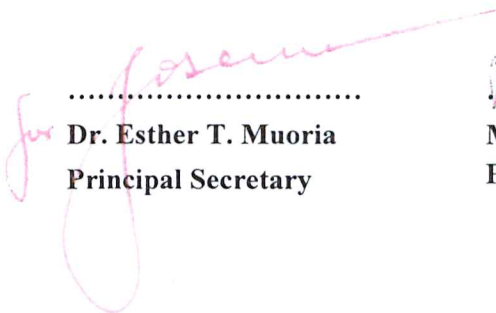
  
 .....  
**Mary Njugi**  
 Project Coordinator

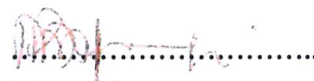
  
 .....  
**Joseph Kuria**  
 Project Accountant  
 ICPAK Member No:21552

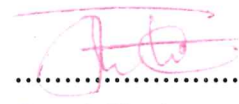
**8. Statement of Financial Position as at 30 June, 2025**

	Notes	FY 2024/2025	1 <sup>st</sup> July 2024
		Kshs	Kshs.
<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>		-	-
Accumulated Surplus		-	-
<b>Total Net Assets and Liabilities</b>		-	-

The financial statements were approved on 10/09 2025 and signed by:

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

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

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

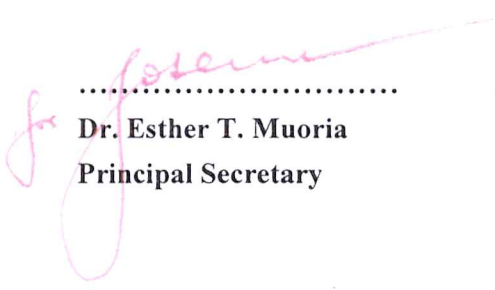
*Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV")  
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**9. Statement of Changes in Net Assets**

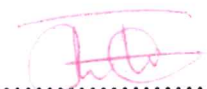
Description	Revaluation reserve	Accumulated surplus	Total
As at 30th June, 2024 (Cash Basis)	-	-	-
Revaluation gain	-	-	-
Surplus/(deficit) for the year	-	-	-
Capital/Development grants	-	-	-
Adjustments: (To recognize assets and liabilities)	-	-	-
<b>As At 1st July 1, 2024</b>	-	-	-
Surplus/(deficit) 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 10/09 2025 and signed by:

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

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

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

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)*  
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10. Statement of Cashflow for the year ended 30 June, 2025

	FY 2024/2025	
	Notes	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Revenue Transfers	6	-
<b>Total receipts</b>		-
<b>Payments</b>		
Grants and subsidies	7	-
<b>Total payments</b>		-
<b>Net cash flows from/(used in) operating activities</b>		-
<b>Cash flows from investing activities</b>		
<b>Net cash flows from/(used in) investing activities</b>		-
<b>Cash flows from financing activities</b>		
<b>Net cash flows from financing Activities</b>		-
<b>Net increase/(decrease) in cash &amp; Cash equivalents</b>		-
Cash and cash equivalents at 1 July 2024		
<b>Cash and cash equivalents at 30 June 2025</b>		-

*Promotion of Youth Employment through Scholarships Phase II ("Wings to Fly IV")  
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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	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
<b>Revenue</b>						
Transfers	250,000,000	(90,000,000)	160,000,000	-	160,000,000	0%
<b>Total Income</b>	<b>250,000,000</b>	<b>(90,000,000)</b>	<b>160,000,000</b>	<b>-</b>	<b>160,000,000</b>	<b>0%</b>
<b>Expenses</b>						
Grants and Subsidies	250,000,000	(90,000,000)	160,000,000	-	160,000,000	0%
<b>Total Expenditure</b>	<b>250,000,000</b>	<b>(90,000,000)</b>	<b>160,000,000</b>	<b>-</b>	<b>160,000,000</b>	<b>0%</b>
<b>Surplus for the period</b>				-		

Budget notes

- The implementing consultant did not forward any invoices for reimbursement for the period under review, hence the reason for the nil expenditure.*

## **12. Notes to the Financial Statements**

### **1. General Information**

Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”) project 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 offer scholarships and mentorship to vulnerable young people.

### **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 08th August 2025

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)  
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**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.</p> <p>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 infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)  
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<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 46 Measurement	<p><i>Applicable 1<sup>st</sup> January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ol 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> </ol> <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*

<b>Standard</b>	<b>Effective date and impact:</b>
IPSAS 47- Revenue	<p><i>Applicable 1<sup>st</sup> January 2026</i></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><i>Applicable 1<sup>st</sup> January 2026</i></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, 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.</p>

*Promotion of Youth Employment through Scholarships Phase II (“Wings to Fly IV”)  
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Standard	Effective date and impact:
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>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.</p>
IPSAS 50: Exploration For & Evaluation of Mineral Resources	<p><i>Applicable 1<sup>st</sup> January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ol 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> </ol>

*iii) Early adoption of standards*

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

**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 by the Council or Board on Jun 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 budget. 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.

**Notes to the financial statements**

**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 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.

**Notes to the financial statements**

**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.
- 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 project does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the project's financial statements).

***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.

**Notes to the financial statements**

**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.

**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 entity 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..

## **Notes to the financial statements**

### *Financial liabilities*

#### *Classification*

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

#### **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.

**Notes to the financial statements**

*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.

**j) Nature and purpose of reserves**

The project does not create and maintain reserves in terms of specific requirements.

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

The 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.

**Notes to the financial statements**

**l) Employee benefits**

**Retirement benefit plans**

The project does not provide 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 a proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

**m) Foreign currency transactions**

Transactions in foreign currencies are initially accounted for at the agreed fixed exchange rate outlined in the financial 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

**Notes to the financial statements**

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 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 Entity, 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 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.

**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.

**Notes to the financial statements**

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

The preparation of the 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>	
Transfers from KfW Bank (Direct Payments: Grants)	-
<b>Total Transfers for the Period</b>	-

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
KfW Bank	-			-
<b>Subtotal</b>	-	-	-	-
<b>Total</b>	-	-	-	-

7. Grants for Subsidies

Description	FY 2024/2025
	Kshs
Scholarships	-
<b>Total</b>	-

**Notes to the financial statements**

**8. 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.

**Government of Kenya**

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

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**Notes to the financial statements**

**Other related parties include:**

- i) The State department for Technical, Vocational, Education and Training
- ii) The National Treasury

**9. Events after the Reporting Period**

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

**10. Ultimate And Holding Entity**

The 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.

**11. Currency**

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

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13. Annexes

Annex 1: Prior Year Auditor-General’s Recommendations

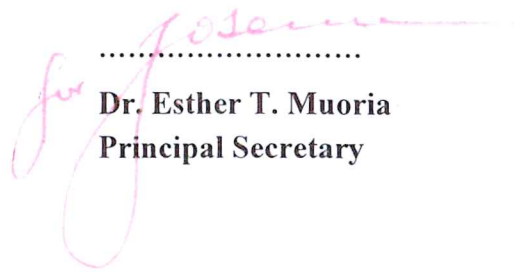
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
419	<p><b>Budgetary control and performance</b> The statement of comparison of budget and actual amounts reflect final receipts budget and actual on comparable basis of Kshs. 160,000,000 and 74,721,240 respectively, resulting in an under-funding of Kshs. 85,278,760 or 53% of the budget.</p>	<p>The underutilization of the budget was due to delay by the implementing agency (Consultant) to exhaust the initial advance funds disbursed to them during the year under review and give a quarterly report on the same to enable them to qualify for additional disbursements as provided for in the contract and allocated in the budget.</p>	Not resolved	Scheduled to appear before the National Assembly PAC FY 2025/26
421	<p><b>Failure to Supervise and Authenticate Beneficiaries</b> The statement of receipts and payments reflects other grants and transfers and payments of Kshs.74,721,240 as disclosed in Note 2 to the financial statements. The summary of overall project performance</p>	<p>i. The Secondary School wings to fly beneficiaries are selected and awarded scholarships as they join form one. The 452 scholars are those who didn’t transit to university and as such are awarded scholarship to TVET for a course of their choice at preferred institutions. The consultant</p>		

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>(Resolved / Not Resolved)</i>	Timeframe: <i>(Put a date when you expect the issue to be resolved)</i>
	<p>indicates that the payment was in respect of four hundred and fifty-two (452) scholars. However, the following unsatisfactory observations were made:</p> <ul style="list-style-type: none"> <li>i. Management did not provide for audit review any evidence that measures were taken to ensure that the four hundred and fifty-two (452) scholars were the intended beneficiaries nor were their existence confirmed. Instead, Management relied on information obtained from the Consultant (EGF) before approving disbursements;</li> <li>ii. Review of the Consultant’s Letter dated 27 January, 2023, requesting for funds, revealed that of the four hundred and fifty-two (452) scholars, one hundred and two (102) were awaiting placement by Kenya Universities and Colleges Central Placement Service while one hundred and thirty-seven (137) had no admission letters. It was not clear why funds were released for two hundred and thirty-nine (239) scholars whose schools and reporting dates were unknown;</li> <li>iii. Management did not provide the current status report of the beneficiaries;</li> </ul>	<p>is the custodian of the data on beneficiaries.</p> <ul style="list-style-type: none"> <li>ii. <b>The initial advance payment of funds as per the agreement was to facilitate the consultant provide services to the 452 scholars who did not transit to university. The scholars had to express interest in the scholarship as well as apply for placement by KUCCPS. At the time the consultant was requesting for funds, out of 452 scholars 213 had been placed, 102 were waiting for placement by the Kenya Universities and Colleges Central Placement Service while 137 had not requested for placement. The advance payment was to facilitate the consultant to provide services to the scholars as they place them but subsequent payments are to be made after exhausting funds released and accounting for the same.</b></li> <li>iii. <b>Scholars awarded scholarships up to date are 304 as per attached list provided by the consultant.</b></li> </ul>	<p>Not resolved</p>	<p>Scheduled to appear before the National Assembly PAC FY 2025/26</p>

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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)
	<p>iv. Further, there was no budgetary allocation within the State Department for monitoring and supervising implementation of the Project.</p> <p>In the circumstances, the supervisory role of the State Department in the Implementation of the Project could not be confirmed.</p>	<p><b>The project has no GoK/ counterpart funding</b></p>		

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

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

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**Annex 2: Fixed Asset Register**

Asset class	Opening Cost (KShs)	*Purchases/Additions in the Year (KShs) 2024/25	**Disposals in the Year (KShs) 2024/25	Closing Cost (KShs)
	2024			2025
	(a)	(b)	(c)	(d)= (a)+ (b)- (c)
Office equipment, furniture and fittings	-	-	-	-
ICT Equipment, Software and Other ICT Assets				-
Other Machinery and Equipment				-
<b>Total</b>	-	-	-	-