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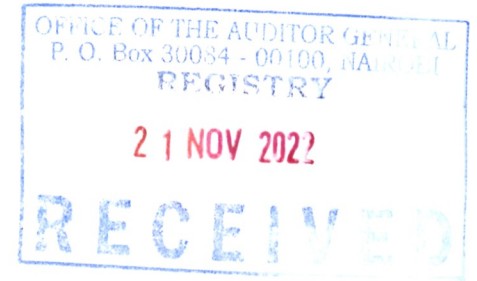
THE AUDITOR-GENERAL

ON

**SUPPORT TO TECHNICAL AND VOCATIONAL
EDUCATION AND TRAINING FOR RELEVANT
SKILLS DEVELOPMENT PROJECT-PHASE II
(LOAN NO.2100150033295)**

**FOR THE YEAR ENDED
30 JUNE, 2022**

**STATE DEPARTMENT FOR VOCATIONAL
AND TECHNICAL TRAINING**



**SUPPORT TO TECHNICAL VOCATIONAL EDUCATION AND TRAINING FOR
RELEVANT SKILLS DEVELOPMENT PROJECT (TVET PROJECT - PHASE II)**

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

**PROJECT LOAN NUMBER: ADF Loan No: 2100150033295
PROJECT ID NO. P-KE-IAE-002**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30 JUNE, 2022

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

***Support to Technical Vocational Education and Training for Relevant Skills Development
Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022***

*Support to Technical Vocational Education and Training for Relevant Skills Development
Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022*

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*Support to Technical Vocational Education and Training for Relevant Skills Development
Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022*

1. Project Information and Overall Performance

1.1 Name and registered office

Name

The project's official name of the project is 'Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB TVET Project-Phase II)'.

Objective

The key objective of the project is to increase access and equity, improve quality and relevance of TVET education and training

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 8th Floor

P.O. Box 9583-00200

Nairobi, Kenya

Contacts: The following are the project contacts

Telephone: (254) 722492972

E-mail: psvtt@education.go.ke

Website: www.education.go.ke

1.2 Project Information

Project Start Date:	The project start date is 16.12.2015
Project End Date:	The project end date is 31.12. 2022
Project Manager:	The project manager is Mr. John K. Tuwei
Project Sponsor:	The project sponsor is GoK and African Development Bank Group

Project information and overall performance (continued)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Education, State Department of Vocational and Technical Training (SDVTT)
Project Number	PROJECT ID: P-KE-IAE-002 ADF LOAN NO. 2100150033295
Strategic goals of the project	The strategic goals of the project are as follows: (i) To increase access and equity, improve quality and relevance of TVET education and training (ii) To equip youth, at least 50% of them women, with relevant TVET skills for the immediate and emerging labor market needs
Achievement of strategic goals	The project management aims to achieve the goals through the following means: (i) Provision of infrastructure to 12 TVET including hostels to 4 Special needs TVETs and equipping 33 TVET institutions. (ii) Capacity Building of TVET trainers and Technicians and training of disengaged youth (iii) Support of TVET Authority and CDACC to operationalize (iv) Support on cross cutting issues such as gender, tracer studies governance and development of TVET-MIS
Other important background information of the project	The project covers 33 TVET institutions spread across the entire Country
Current situation that the project was formed to intervene	The project was formed to intervene in the following areas: (i) Increase transition of youth from basic education into TVET and reduce unemployment (ii) Improve the quality and relevance of TVET for industry
Project duration	The project started on 16 December 2015 and is expected to run until 31.12.2022

Project Information and Overall Performance (Continued)

1.4 Bankers

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

1.5 Auditors

The project is audited by the

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

1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
John K. Tuwei	Senior Assistant Director Technical Education	Masters	Project Manager
Joseph N. Njau	Senior Assistant Director Technical Education	Masters	Deputy Project Manager
Joseph Kanyi	Senior Assistant Director Technical Education	Masters	Project Officer
Carolyne Nyambok	Principal Accountant	Masters	Principal Accountant
Steve Juma	Finance Officer	Bachelor of commerce	Project Finance Officer
Samwel Njogu	Supply Chain Management Officer	Diploma	Project Procurement Officer
Zannah Awiti	Supply Chain Management Officer	Diploma	Project Procurement Officer

1.7 Funding summary

The Project is for duration of 5 years from 2015 to 31 December 2022 with an approved budget of US\$ 74,586,606.00 equivalent to Kshs 6,359,999,893 as highlighted in the table below:

Below is the funding summary:

A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 June 2022)		Undrawn balance to date	
	Donor currency USD	KShs	Donor currency USD	KShs	Donor currency USD	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
(i) Loan						
AfDB Loan	62,976,427	5,369,999,930	52,629,694	4,487,733,958	10,346,733	882,265,972
(ii) Counterpart funds						
Government of Kenya	11,610,179	989,999,963	9,371,516	799,109,200	2,238,663	190,890,763
Total	74,586,606	6,359,999,893	62,001,210	5,286,843,158	12,585,396	1,073,156,735

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 June, 2022)		Cumulative Amount paid to date – (30 June, 2022)	Unutilised balance to date (30 June, 2022)	
	Donor currency USD	Kshs		Donor currency USD	Kshs
	(A)	(A')		(A)-(B)	(A')-(B')
AfDB Loan	52,629,694	4,487,733,958	4,487,733,958	10,346,733	882,265,972
(i) Counter part funds					
Government of Kenya	9,371,516	799,109,200	799,109,200	2,238,663	190,890,763
Total	62,001,210	5,286,843,158	5,286,843,158	12,585,396	1,073,156,735

Project information and overall performance (continued)

1.8 Summary of Overall Project Performance:

- i) Budget performance against actual amounts for current year and for cumulative to-date,
- ii) Physical progress based on outputs, outcomes, and impacts since project commencement, The overall physical completion of the project stands at 96% with construction works in Aldai TTI, Siala TTI, Godoma TTI, Karen TTID and Tseikuru TTI having been handed over for use in training; the construction works in Butere TTI, Machakos TTIB, Sikri TTIBD and Bureti TTI stands at over 98% completion while at Nyangoma TTID and Mukurwe-ini TTI the works stands at over 92% completion rate. The project has so far trained 1,849 economically disengaged youth in various vocational areas including, plumbing, wiring, cake making, ICT, solar technology, garment making, tile making and so on. The project also completed supply, delivery, installation and commissioning of equipment in 33 TVET institutions except in two workshops at Butere and Wajir TTI which were included later. The other achievements include development of accreditation manuals for TVETA and development of 7 CBET curricula. The other key output is the training of 414 TVET trainers at diploma and degree levels with the first cohort of 395 Trainers having completed their training and another 19 in the second cohort set to complete by December, 2022. The other outputs include the development of the TVET-MIS and carrying out of the TVET graduate's tracer studies with a versatile interactive graduate database.
- iii) Comment on value-for-money achievements
So far, the project has achieved most of its development objectives with funds having been applied efficiently and effectively for the intended purpose.
- iv) Indicate the absorption rate for each year since the commencement of the project.
- v) List the implementation challenges and recommended way forward.

Some of the key implementation challenges included delays in processing of tax exemptions at National Treasury, the turnover of key staff including heads of

***Support to Technical Vocational Education and Training for Relevant Skills Development
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procurement and accounts, frequent budget cuts during the supplementary budgets and the impact of COVID-19 pandemic. The loss in time of implementation as a result of these challenges included ‘no cost extensions’ of time for contracts and extension of loan period by the National Treasury and the AfDB. Non-performing contractor for supply of equipment to Kisumu National Polytechnic was terminated and the tender re-advertised.

1.9 Summary of Project Compliance:

- i) Include significant cases of non-compliance with applicable laws and regulations, and essential external financing agreements/covenants,
- ii) Include consequences suffered on account of non-compliance or likely to be suffered.
- iii) Indicate mitigation measures taken or planned to be taken to alleviate the adverse effects of actual or potential consequences of non-compliance.

2. Statement of Performance against Project's Predetermined Objectives

The overall project objective is to increase access and equity, improve quality and relevance of TVET education and training. The overall progress towards achievement of the development objective is good with physical implementation of the project activities being at over 85% despite disbursement rate at 65%. Workshops in at least 4 institutions are already in use while hostels in 3 out of 4 SN TVET being ready for occupation by trainees; Learning Assistive Devices in 2 out of 4 institutions have been handed over and are in use to promote equity among the SN TVET trainees Equipment in 31 out 37 institutions have been handed over for used to improve quality of TVET training; Development of 7 CBET curricula is complete and launch to improve relevance of TVET; Quality assurance tools including quality manuals, accreditation manuals were developed and are currently in use to quality assure TVET programmes

Introduction

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

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

Increase access and equity; improve quality and relevance of TVET education and training

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bund (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:

Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB TVET Project-Phase II)
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Project	Objective	Outcome	Indicator	Performance
State Department of Vocational and Technical Training	To increase access and equity, improve quality and relevance of TVET education and training for skills	Increased access to quality TVET skills training	% increase in enrolment to TVET	In 2021/2022 Increased enrolment into TVET by 8% as a result of increase in training spaces
State Department of Vocational and Technical Training	To increase access and equity, improve quality and relevance of TVET education and training for skills	Increased number of trainers	No. of Trainees 'upskilled'	TVET trainers were upskilled
State Department of Vocational and Technical Training	To increase access and equity, improve quality and relevance of TVET education and training for skills	Increased disengaged youth accessing skills	No of youth accessing skills	youth skilled from inception

3. Environmental and Sustainability Reporting

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

1. Sustainability strategy and profile

Education and training is a key priority area for the social pillar of Kenya Vision 2030, which is geared towards promoting Globally Competitive Quality Education, Training and Research for Sustainable Development. This is in line with the United Nations, Sustainable Development Goals (SDGs, 2015-2030), and in particular, Sustainable Development Goal 4.

The manufacturing and service sector is fast adopting the new and emerging technologies in industry. These technologies need a higher knowledge-based system and would require enormous technical skills. This has a profound effect on the employment, education and training of technical manpower. To this end, Kenya has initiated a number of interventions that include: enhancing the investment budget, improving the governance structure by enacting the Technical Vocational Education Training Act 2013, extending the fibre optic cable to ensure reliable internet connectivity to 40 TVET institutions and ensuring installation of electricity to all institutions and rolling out the digital literacy skills in schools and colleges.

TVET programmes in Kenya target post primary and post-secondary learners. TVET institutions include Technical and Vocational Education and Training (TVET) institutions, Medium and Small Enterprise (MSE) training and demonstration centres, Vocational Training Centres (VTCs) and National Youth Service Skills Development Centres. The government considers investment in TVET a strategy to reduce unemployment and achieve sustainable development. However, the subsector faces major challenges which include: inadequate access, low quality of training, mismatch of skills attained in training with the requirements of industry, use of obsolete training equipment, high cost of training and poor public perception. In addition, education for sustainable development is an essential component of every human being. This means that education should be available and

accessible to all learners on the basis of equal opportunity and equity. However, the persons with disabilities are often marginalized and consequently, they may not access technical training as they should. Thus, it is true that government agencies have focused more on providing equality to the learners in TVET institutions, but overlooked the aspect of equity. Therefore, there is necessity for special commitment to enhance infrastructure, necessary technology, access to training and transition to work for learners with disabilities in the four technical institutions. This will in the long-term create a critical mass of technically and entrepreneurially qualified people, who are able to stimulate investment opportunities, create jobs and increase productivity.

2. Environmental performance

The scope of works in the 12 TVET institutions included electrical, structural, mechanical and civil in each of the sites where workshops were put up including hostel facilities in four special needs institutions.

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

The ESMP included assessment and development of monitoring of social and environmental impact parameters in line with EMCA 2019 and ESS. The environmental and social impacts of the project were very low and involved minor excavations with minimum impact on the natural environment. In addition, there were no movement of communities in any of the sites since the land belonged to existing TVET institutions.

3. Employee welfare

In the hiring of labour in the 12 TVET institutions where construction works are ongoing the following was taken into consideration:

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

- c) Labour influx was insignificant due to few employees required in the project and the fact that the contractor intends to hire unskilled labour force from within the locality.
- d) The contractor ensured the hiring process was done with fairness and gender sensitivity
- e) The contractor complied with provisions of Work Place Injuries and Benefits Act (WIBA), 2007 for all the workers engaged
- f) Effective contractual obligations for the contractor was done with workers to adhere to the mitigation of risks against labour influx, including sexual exploitation and abuse
- g) The contractor kept proper and updated records of the laborers on site while avoiding child and forced labour
- h) Fair treatment, non-discrimination and equal opportunity of all laborers
- i) The Contractor ensured the laborers, sub-contractors, sub-consultants, and any personnel thereof engaged in construction works individually signed and complied with a Code of Conduct with specific provisions on protection from sexual exploitation and gender-based violence

The Ministry fully implements the safety and compliance with Occupational Safety and Health Act of 2007, (OSHA) whereby the contractors were directed to provide sanitation facilities as outlined in the Public Health Act and OSHA, 2007. This is crucial especially during this period of Covid -19 pandemic

4. Market place practices-

The organisation has outlined its efforts to:

a) Responsible Supply chain and supplier relations-

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

b) Responsible Ethical practices-

The state department ensures fair competition by following the constitution of Kenya 2010, the Public Finance Management Act and the procurement laws to ensure

equitable participation of all in businesses. The Ministry further has an anti-corruption reporting box at Jogoo house 'B' 10th floor. All the officers have been sensitized on the good governance

The advertisement for tenders done is in line with the procurement laws of Kenya and the financiers procurement rules and procures. The advertisement is done through newspapers of larger circulation and through the Ministry and AfDB websites. Individual institutions advertise for their programmes through the print and electronic media. There is also effort to maintain ethical and political environments anti-corruption practices

c) Regulatory impact Assessment-

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

5. Community Engagements

The projects in the 12 institutions are ongoing and providing water to the neighbouring communities for example in Aldai TTI is providing water to the health centre and the private hostel facilities around the institution. In addition, the project management involves the communities through the boards of management which has representations from the community and county governments. The land where the 12 institutions were developed were initially donated by the communities.

4. Statement of Project Management Responsibilities

The Principal Secretary State Department of Vocational and Technical Training, Ministry of Education and the Project Manager for Support to Technical and Vocational and Education Training (TVET) project are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on 30 June, 2022. This responsibility includes: (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Project; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

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

The Principal Secretary State Department of Vocational and Technical Training, Ministry of Education and the Project Manager for Support for TVET project are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the financial year/period ended 30 June, 2022, and of the Project's financial position as at that date. The Principal Secretary for Ministry of Education, State Department of Vocational and Technical Training and the Project Manager for Support for Technical Industrial, Vocational and Entrepreneurship Training (TVET) project 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.

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

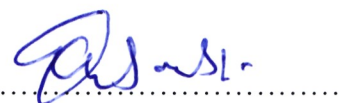
Approval of the Project financial statements

The Project financial statements were approved by the Principal Secretary for the Ministry of Education, State Department of Vocational and Technical Training and the Project Manager for Support for TVET Phase II project and signed by them on 18 November, 2022.



**Dr. Margaret
Mwakima
Principal Secretary**

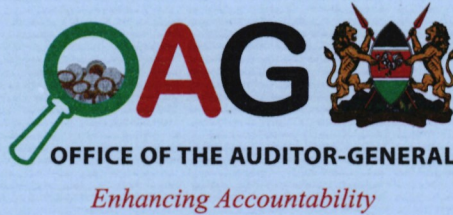
**John Tuwei
Project Coordinator**



**Carolyne Nyambok
Project Accountant**

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

REPORT OF THE AUDITOR-GENERAL ON SUPPORT TO TECHNICAL AND VOCATIONAL EDUCATION AND TRAINING FOR RELEVANT SKILLS DEVELOPMENT PROJECT-PHASE II (LOAN NO.2100150033295) FOR THE YEAR ENDED 30 JUNE, 2022 - STATE DEPARTMENT FOR VOCATIONAL AND TECHNICAL TRAINING

PREAMBLE

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

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

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

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

Report of the Auditor-General on Support to Technical and Vocational Education and Training for Relevant Skills Development Project-Phase II (Loan No.2100150033295) for the year ended 30 June, 2022 - State Department for Vocational and Technical Training

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Support to Technical and Vocational Education and Training for Relevant Skills Development Project-Phase II (Loan No.2100150033295) set out on pages 1 to 24, which comprise of the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Support to Technical and Vocational Education and Training for Relevant Skills Development Project-Phase II (Loan No.2100150033295) as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and complies with the Loan Financing Agreement No.2100150033295 between the African Development Fund and the Government of Kenya dated 21 August, 2021 and 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 Support to Technical and Vocational Education and Training for Relevant Skills Development Project-Phase II (Loan No.2100150033295) Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final budget and actual receipts on a comparable basis of Kshs.848,500,000 and Kshs.790,803,552 respectively, resulting to an underfunding of Kshs.57,696,448 (or 7%) of the budget. Similarly, the Project spent an amount of Kshs.790,803,552 against an approved budget of Kshs.848,500,000, resulting to an under-expenditure of Kshs.57,696,448 (or 7%) of the budget.

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

Key Audit Matters

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

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

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

Basis for Conclusion

1.0 Delay in Completion of Training Institutes

The statement of receipts and payments reflects acquisition of non-financial assets amount of Kshs.541,222,628 as disclosed in Note 4 to the financial statements. The amount includes Kshs.426,222,628 in respect of overhaul, refurbishment of construction, and civil works for training institutions for contracts engaged in the year 2016/2017 whose performance bonds had expired. Review of these projects revealed that construction works in four (4) Institutions with a combined contract cost of Kshs.798,608,059 and payments of Kshs.629,578,884 had not been completed. The Project is scheduled to come to an end on 30 December, 2022 by which time the projects will be incomplete and not put to the intended use.

In the circumstances, value for money has not been realised.

2.0 Delay in Supply, Delivery, Installation, Commissioning, Learning and Training Assistive Devices and Equipment

The Project Management entered into a contract for supply, delivery, installation, and commissioning of learning and training in the use of assistive devices and equipment to four (4) Special Technical Training Institutes at a contract sum of Kshs.119,989,397 in August, 2017. However, the Project Management did not provide for audit documents confirming receipt of the assistive devices and equipment by the Institutes.

In the circumstances, it was not possible to confirm whether value for money was achieved in the procurement.

3.0 Failure to Open and Maintain a Separate Project Bank Account

The Project Management did not maintain a specific project bank account as funds received were credited to the Ministry's development bank account instead of a separate project account. It was therefore not possible to trace the receipts to the cash book and in the bank statement. This is contrary to Regulation 76(1) of the Public Finance Management (National Government) Regulations, 2015 which provides for the purpose of disbursement of project funds, there shall be opened and maintained a project account for every project at the Central Bank of Kenya unless it is exempted by the Cabinet Secretary, in writing, into which all funds shall be kept and such an account shall be known by the name of the project for which it is opened and each project shall maintain only one bank account.

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

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

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

Basis for Conclusion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit;

- ii. In my opinion, adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

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

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

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to sustain its services.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures, as I consider necessary in the circumstances.

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

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


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

06 December, 2022

Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022

6. Statement of Receipts and Payments for The Year Ended 30 June 2022.

	Note	2021-2022		2020-2021		Total	Cumulative to-date (From inception)
		Receipts and payments controlled by the project	Payments made by third parties	Receipts and payment controlled by the project	Payments made by third parties		
Receipts		Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
Transfer from Government entities	1	131,970,816	-	200,401,337	-	200,401,337	799,109,200
Loan from AfDB	2		658,832,736		813,322,891	813,322,891	4,487,734,029
Total Receipts		131,970,816	658,832,736	200,401,337	813,322,891	1,013,724,228	5,286,843,229
Payments							
Purchase of goods and services	3	96,970,816	132,610,108	122,263,373	32,019,552	154,282,925	1,098,054,998
Acquisition of non-financial assets	4	15,000,000	526,222,628	4,842,600	781,303,339	786,145,939	4,000,410,750
Other grants and transfers /payments	5	20,000,000	-	73,295,364	-	73,295,364	188,377,481

**Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022**

	Receipts and payments controlled by the project	Payments made by third parties	Total	Receipts and payment controlled by the project	Payments made by third parties	Total	Cumulative to-date (From inception)
Total payments	131,970,816	658,832,736	790,803,552	200,401,337	813,322,891	1,013,724,228	5,286,843,229
Surplus/ (deficit)	-	-	-	-	-	-	-

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


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Dr. Margaret Mwakima
Principal Secretary


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John Tuwei
Project Coordinator


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Carolyn Nyambok
Project Accountant
ICPAK Member No:5875


(IPSAS 1.3.24 requires an project to separately disclose third party payments separately on the statement of receipts and payments.

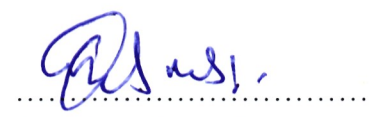
These are payments made by development partners directly on behalf of the project. In recognising these transactions, the receipts must be equal to the payments made and therefore there is no surplus or deficit.)

7. Statement of Financial Assets as at 30 June 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
Financial Assets			
Cash And Cash Equivalents			
Bank Balances		-	-
Cash Balances		-	-
Cash Equivalents (Short-Term Deposits)		-	-
Total Cash and Cash Equivalents		-	-
Imprests and Advances		-	-
Total Financial Assets		-	-
Financial Liabilities			
Deposits and Retention Monies		-	-
Net Assets		-	-
Represented By			
Fund Balance B/Fwd.		-	-
Prior Year Adjustments		-	-
Surplus/(Deficit) For the Year		-	-
Net Financial Position		-	-


.....
Dr. Margaret Mwakima
Principal Secretary


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John Tuwei
Project Coordinator


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Carolyn Nyambok
Project Accountant
ICPAK Member No:5875

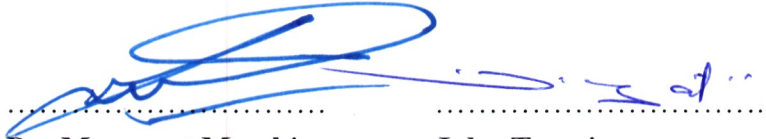
Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022

8. Statement of Cash flow for the Year Ended 30 June 2022

Description	Notes	2021-2022	2020-2021
		KShs	KShs
Cashflow from operating activities			
Receipts			
Transfer from government entities	1	131,970,816	200,401,337
Total Receipts		131,970,816	200,401,337
Payments			
Purchase of goods and services	3	(229,580,924)	(154,282,925)
Other grants and transfers (GOK)	5	(20,000,000)	(73,295,364)
Total Payments		(117,610,108)	(27,176,952)
Adjustments during the year			
Prior year adjustments	-	-	-
Decrease/(increase) in accounts receivable	-	-	-
Increase/(decrease) in accounts payable:	-	-	-
Net cash flow from operating activities		(117,610,108)	(27,176,952)
Cashflow from investing activities			
Acquisition of Assets	4	(541,222,628)	(786,145,939)
Net cash flows from investing activities		(541,222,628)	(786,145,939)
Cashflow from Financing activities			
Proceeds from foreign borrowings	2	658,832,736	813,322,891
Net cash flow from financing activities		658,832,736	813,322,891
Net increase in cash and cash equivalents		-	-
Cash and cash equivalent at beginning of the year	-	-	-
Cash and cash equivalent at end of the year	-	-	-

**Support to Technical Vocational Education and Training for Relevant Skills Development
Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022**

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The project financial statements were approved on 18 November, 2022 and signed by:



Dr. Margaret Mwakima
Principal Secretary

John Tuwei
Project Coordinator



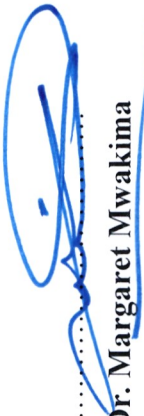


Carolyn Nyambok
Project Accountant
ICPAK Member No:5875

**Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022**

9. Statement of Comparison of Budget and Actual Amounts for the Year Ended 30 June 2022

	Final Budget Kshs	Actual on Comparable Basis Kshs	Budget Utilization Difference Kshs	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	e=a-b	d=b/a %	
Receipts					
Transfer from Government entities- GoK	148,500,000	131,970,816	16,529,184	89%	
Proceeds from borrowings- AfDB Bank	700,000,000	658,832,736	41,167,264	95%	
Total Receipts	848,500,000	790,803,552	57,696,448	-	
Payments					
Purchase of goods and services	263,500,000	229,580,924	33,919,076	87%	
Acquisition of non-financial assets	565,000,000	541,222,628	23,777,372	96%	
Other grants and transfers	20,000,000	20,000,000	0	100%	
Total payments	848,500,000	790,803,552	57,696,448		

The budget was majorly absorbed since the project was supposed to end in December 2021 as per the financing agreement, however due to the incomplete status of most constructions; the bank gave a no cost extension to 31 December 2022 to complete and handover the buildings. The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements and are set out from page 7 to page 13 of this report. The project financial statements were approved on 18 November, 2022 and signed by:

 Dr. Margaret Mwakima Principal Secretary	 Carolyne Nyambok Project Accountant ICPAK Member No:5875
 John Tuwei Project Coordinator	

10. Significant Accounting Policies

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

10.1 Statement of compliance and basis of preparation

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

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

10.2 Reporting project

The financial statements are for the Project AfDB phase II under National Government of Kenya. The financial statements encompass the reporting project as specified in the relevant legislation Public Finance Management Act 2012 .

10.3 Reporting currency

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

10.4 Recognition of receipts

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

Significant Accounting Policies (Continued)

i) Transfers from the Exchequer

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

ii) External Assistance

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

iii) Other receipts

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

a) Donations and grants

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

b) Proceeds from borrowing

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

c) Undrawn external assistance

These are loans and grants at reporting date as specified in a binding agreement and relate to funding for the Project currently under development where conditions have been satisfied or their ongoing satisfaction is highly likely and the project is anticipated to

Significant Accounting Policies (Continued)

continue to completion. An analysis of the Project's undrawn external assistance is shown in the funding summary

d) Recognition of payments

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

i) Compensation of employees

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

ii) Use of goods and services

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

iii) Interest on borrowing

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

iv) Repayment of borrowing (principal amount)

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

v) Acquisition of fixed assets

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

Significant Accounting Policies (Continued)

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

e) In-kind donations

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

f) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

g) Restriction on cash

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

Significant Accounting Policies (Continued)

h) Imprests and Advances

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

i)Contingent Liabilities

A contingent liability is:

- a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the project;
- or

A present obligation that arises from past events but is not recognised because:

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or

ii) The amount of the obligation cannot be measured with sufficient reliability. Some of contingent liabilities may arise from: litigation in progress, guarantees, indemnities. Letters of comfort/ support, insurance, Public Private Partnerships,

The 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.

j) 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

Significant Accounting Policies (Continued)

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.

k) Pending bills

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

l) Budget

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

m) Third party payments

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

Significant Accounting Policies (Continued)

and are disclosed in the payment to third parties' column in the statement of receipts and payments. During the year, Kshs. 658,832,736 being loan disbursements were received in form of direct payments from third parties.

n) Exchange rate differences

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

o) Comparative figures

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

p) Subsequent events

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the year ended 30 June, 2022.

q) Prior period adjustments

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by:

- i. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

*Support to Technical Vocational Education and Training for Relevant Skills Development
Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022*

11. Notes to the Financial Statements

1. Transfers from Government entities

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

Description	KShs	KShs	Cumulative to-date (from inception)
	2021-2022	2020-2021	
<i>Counterpart funding through Ministry The National Treasury</i>			
Counterpart funds Quarter 1	32,992,704	-	-
Counterpart funds Quarter 2	32,992,704	-	-
Counterpart funds Quarter 3	32,992,704	-	-
Counterpart funds Quarter 4	32,992,704	200,401,337	799,109,200
Total	131,970,816	200,401,337	799,109,200

Notes To The Financial Statements (Continued)

2. Loan From External Development Partners

During the 12 months to 30 June 2022, we received funding from development partners in form of loans negotiated by the National Treasury donors as detailed in the table below:

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
					2021-2022	2020-2021
AFDB	Various	-	-	658,832,736	658,832,736	813,322,891
Total				658,832,736	658,832,736	813,322,891

Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022

Notes To The Financial Statements (Continued)

3. Purchase Of Goods And Services

	2021/2022		2020/2021		Cumulative to-date
	Payments made by the Project in Cash	Payments made by third parties	Total Payments	Total Payments	
	Kshs	Kshs	Kshs	Kshs	Kshs
Utilities, supplies and services	-	-	-	-	188,100
Domestic travel and subsistence	18,499,940	-	18,499,940	39,337,411	107,228,955
Printing, advertising, and information supplies	-	-	-	-	531,000
Fuel Oil and Lubricants/Airline	9,999,825	-	9,999,825	9,933,190	25,855,468
Purchase of goods and services Training payments/Consultancy	51,177,475	132,610,108	183,787,583	82,627,106	785,097,106
Hospitality supplies and services	-	-	-	5,557,500	11,575,910
Purchase of office furniture and general equipment	7,351,544	-	7,351,544	16,827,718	27,072,862
Transport Costs and charges (freight, loading and unloading, clearing and shipping charges)	9,942,032	-	9,942,032	-	9,942,032
Office and general supplies and services	-	-	-	-	5,738,200
Other operating payments	-	-	-	-	123,709,051
Routine maintenance – vehicles and other transport equipment	-	-	-	-	1,116,314
Total	96,970,816	132,610,108	229,580,924	154,282,925	1,098,054,998

*Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022*

Notes To The Financial Statements (Continued)

5. Other Grants And Transfers And Payments

	Payments made by the Project in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	2021-2022	2020-2021	Kshs	Kshs	Kshs
Other grants transfers and payments	20,000,000	-	20,000,000	73,295,364	188,377,481
Total	20,000,000	-	20,000,000	73,295,364	188,377,481

NB: This was a Government of Kenya counterpart grant transfer to North Rift Technical Training Institute

Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022

Other Important Disclosures

1. External Assistance

Description	2021-2022		2020-2021	
	Kshs		Kshs	
External assistance received as loans AfDB Bank	658,832,736		813,322,891	
Total	658,832,736		813,322,891	

Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022

Other Important Disclosures (Continued)

a) Undrawn external assistance

	Purpose for which the undrawn external assistance may be used	2021/2022	2020/2021
Description		Kshs	Kshs
Undrawn external assistance – loans	To increase access and equity, improve quality and relevance of TVET education and training in Kenya	882,265,972	1,541,098,708
Undrawn external assistance – grants		-	-
Total		882,265,972	1,541,098,708

Support to Technical Vocational Education and Training for Relevant Skills Development Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022

Other Important Disclosures (Continued)

b) Purpose and use of external assistance

Payments Made by Third Parties	2021/2022	2020/2021
	Kshs	Kshs
Use of goods and Services (Consultancy)	132,610,108	32,019,552
Acquisition of Assets/Non-Financial Assets	526,222,628	781,303,339
Total	658,832,736	813,322,891

c. External Assistance paid by Third Parties on behalf of the Project by Source

This relates to external assistance paid directly by third parties to settle obligations on behalf of the project.

	FY 2021/2022	FY 2020/2021
Description	Kshs	Kshs
Multilateral donors – AfDB Bank	658,832,736	813,322,891
Total	658,832,736	813,322,891


*Support to Technical Vocational Education and Training for Relevant Skills Development
Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022*

12. Progress on Follow up of Prior Year Auditor’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)
	NIL			

Guidance Notes:

1. Use the same reference numbers as contained in the external audit report;
2. Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
3. Before approving the report, discuss the timeframe with the appointed Focal Point persons within your project responsible for implementation of each issue;
4. Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.



.....
Dr Margaret Mwakima

Principal Secretary



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John Tuwei

Project Coordinator

**Project (GoK/AfDB TVET Project-Phase II)
Annual Report and Financial Statements For the financial year ended 30 June, 2022**

13. Annexes

Annex1 - Variance Explanations - Comparative Budget and Actual Amounts for 2021-2022

	Final Budget Kshs	Actual on Comparable Basis Kshs	Budget Utilization Difference Kshs	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
Receipts					
Transfer from Government entities- GoK	148,500,000	131,970,816	16,529,184	89%	
Proceeds from borrowings- AfDB Bank	700,000,000	658,832,736	41,167,264	95%	
Total Receipts	848,500,000	790,803,552	57,696,448	-	
Payments					
Purchase of goods and services	263,500,000	229,580,924	33,919,076	87%	
Acquisition of non-financial assets	565,000,000	541,222,628	23,777,372	96%	
Other grants and transfers	20,000,000	20,000,000	0	100%	
Total payments	848,500,000	790,803,552	57,696,448		

Notes:

- i. The Consultant supervising the construction works under this project (Dama Services Ltd.) did not submit any invoice during the period under review thus occasioning the under absorption under both the receipts from Government of Kenya and Purchase of goods and services expenditure.

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Annex 2 -Summary of Fixed Assets Register

Asset class	Opening Cost (KShs) 2020/2021	Donations in form of assets (KShs) 2021/2022	*Purchases/ Additions in the Year (KShs) 2021/2022	**Disposals in the Year (KShs) 2021/2022	Transfers in/(out) Kshs 2021/2022	Closing Cost (KShs) 2021/2022
	(a)	(b)	(c)	(d)	(d)	(e)= (a)+ (b)+ c)- (d)+(-)d
Assets - transport Equipment, Furniture and fittings, ICT equipment	56,303,410	-	16,530,260	-	-	72,833,670
Total	56,303,410	-	16,530,260	-	-	72,833,670

Notes

** Purchases/Additions in the year reconciled to the amount in Statement of Receipts and Payments*

14. Glossary of Terms

1. AfDB - African Development Bank
2. GoK - Government of Kenya
3. CDACC - Curriculum Development, Assessment and Certification Council
4. TVETA - Technical and Vocational Education and Training Authority
5. TVET – MIS - Technical Vocational Education and Training – Management Information System
6. TTI - Technical Training Institute
7. TTIBD - Technical Training Institute for Blind and Deaf
8. ICT - Information Communication Technology
9. SN TVET - Special Needs Technical Vocational Education and Training
10. CBET - Competency Based Education and Training
11. MSE - Medium and Small Enterprises
12. OSHA - Occupational Safety and Health Act
13. FY - Financial Year
14. ESS - Environmental Social Safeguards
15. EMCA - Environmental Management and Co-ordination Act
16. PFM - Public Finance Management
17. KNQA - Kenya National Qualification Authority
18. PSASB - Public Sector Accounting Standards Board
19. IPSAS - International Public Sector Accounting Standards
20. USD - United States Dollars
21. MDAs - Ministries, Departments and Agencies
22. TTID - Technical Training Institute for the Deaf