

Enhancing Accountability



REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 23 FEB 2021

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TUESDAY

TABLED
BY:

LOM

CLERK-AT

Moses Lemura

PARLIAMENT
OF KENYA
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THE AUDITOR-GENERAL

ON

**EAST AFRICA SKILLS FOR
TRANSFORMATION AND REGIONAL
INTEGRATION PROJECT (EASTRIP)
IDA LOAN CREDIT NO.6334-KE
MINISTRY OF EDUCATION**

**FOR NINE (9) MONTHS PERIOD ENDED
30 JUNE, 2020**

**STATE DEPARTMENT FOR VOCATIONAL
AND TECHNICAL TRAINING**



Project Name: East Africa Skills for Transformation and Regional Integration Project (EASTRIP)

**Implementing Entity: Ministry of Education
(State Department for Vocational and Technical Training)**

PROJECT GRANT/CREDIT NUMBER: 6334-KE

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE NINE MONTHS PERIOD ENDED
30 JUNE, 2020**

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

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1. PROJECT INFORMATION AND OVERALL PERFORMANCE

1.1 Name and registered office

Name:

The project's official name is **East Africa Skills for Transformation and Regional Integration Project (EASTRIP)**

Objective:

The key objective of the project is **to develop specific Regional Skill Centers of Excellence based in Kenya and the region to train high-end Skilled Human resource to support the Northern Corridor Integrated projects initiative.**

Address:

The project headquarters offices are

Ministry of Education

(State Department for Vocational and Technical Training)

The address of its registered office is:

P.o Box 9583 00200

Nairobi, Kenya

The project also has offices/branches as follows:

- Kisumu National Polytechnic
- Kenya Coast National Polytechnic
- Meru National Polytechnic
- KenGen GTC
- KIHBT
- To include their contact

Contacts: The following are the project contacts

Head Office

Telephone: (254) 0203318581

E-mail: psvtt2018@gmail.com

Website: www.education.go.ke

Kisumu National Polytechnic

Telephone: (254) 723446773

E-mail: info@kisumupoly.ac.ke

Website: www.kisumupoly.ac.ke

Meru National Polytechnic

Telephone: (254) 793937581

E-mail: info@merunationalpoytechnic.ac.ke

Website: www.merunationalpoytechnic.ac.ke

Kenya Coast National Polytechnic

Telephone: (254) 712725554

E-mail: info@kenyacoastpoly.ac.ke

Website: www.kenyacoastpoly.ac.ke

**Kenya Institute of highways
 and building technology**
 Telephone: (254) 020650291
 E-mail: principal@kihbt.ac.ke
 Website: www.kihbt.ac.ke

**KenGen Geothermal Training
 Institute**
 Telephone: (254) 712725554
 E-mail: info@kenyacoastpoly.ac.ke
 Website: www.kenyacoastpoly.ac.ke

1.2 Project Information

Project Start Date:	The project start date is 16/09/2019
Project End Date:	The project end date is 31/12/2023
Project Manager:	The project manager is Mr Nelson Gitau
Project Sponsor:	The project sponsor is World Bank (IDA)

1.3 Project Overview

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Education (State Department for Vocational and Technical Training) .
Project number	P163399
Strategic goals of the project	The strategic goals of the project is to improve TVET programmes in the following skill areas and improve TVET policy environment for Regional Intergration: (i) Textile & Garment Making (ii) Marine Transport; Port Logistics (iii) Building Technology (iv) Geothermal/Oil/Gas (v) Highways Technology
Achievement of strategic goals	The project management aims to achieve the goals through the following means (components): (i) Strengthen Selected Regional Flagship TVET Institutes (ii) Creating National TVET Policy Environment (iii) Enhancing Regional Collaboration in TVET and Project Coordination
Other important background information of the	On October, 2 2017 the World Bank acknowledged Kenya Government's request of IDA funding of US\$60 million in support of a proposed "Skills Project".

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project	<p>World Bank management cleared the proposed project concept note on September 22, 2017.</p> <p>The World Bank approved the project on 30th October 2018.</p> <p>The financing agreement was signed on 18th December 2018.</p> <p>Funds were disbursed to the Central Bank on 31st January 2020.</p> <p>Project's name was agreed upon as the "East Africa Skills for Transformation and Regional Integration Project, (EASTRIP)</p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> - Creation of Regional Centres of skill development - Involvement of Industry and Private sector in training and skills development - Bridging the inadequacy of financing in TVET - To address the lack of evidence to market analysis in TVET policy - Provide a learning and knowledge sharing platform. - Address the Fragmented TVET systems - To address the Regional Integration Agenda <p>The project also supports the development of highly specialized TVET programs at Diploma and Degree Levels for training of Technicians and Technologists and also capacity building of TVET faculty, as well as developing industry recognized short-term training which main target are the regional priority sectors in:</p> <ul style="list-style-type: none"> ➤ Infrastructure ➤ Transport, ➤ Energy, ➤ Manufacturing ➤ ICT.
Project duration	<p>The project started on 16th September 2019 and is expected to run until 31st December 2023. However, the project was granted one closure year up to 31st December 2024</p>

1.4 Bankers

The following are the bankers for the current year:

Kenya Commercial Bank, Kipande Branch

Kenyatta Avenue, Loita Street.

P.O Box 30012-00100

Nairobi.

A/c No: 1271486458

1.5 Auditors

The project is audited by:

The Office of the Auditor General, Kenya
 Anniversary Towers, University Way
 P.O Box 30084-0100
 Nairobi.

1.6 Roles and Responsibilities

List the different people who will be working on the project. This list would include the project manager and all the key stakeholders who will be involved with the project. Also, record their role, their positions, and their contact information.

Names	Title designation	Key qualification	Responsibilities
Mr. Nelson Chege Gitau	National Coordinator	Masters	To co-ordinate the entire project Implementation in all RFTIs including line Ministries. Supervision of the Project Implementation. Giving periodic briefs as may be required by the World Bank and other stakeholders
Mr. Archer Arina	Deputy National Coordinator	Master	Ensure that the project operates within the approved workplan, timelines and programmes.
Ms. Perpetual Mwangi	Liaison Officer	Degree	To ensure adherence to health, safety , gender balance and social safeguards
Ms.Diana Nekesa	Procurement Officer	Procurement	To procure goods and services as per WB rules and PPDA 2015
Mr.Philip Olulo	Project Accountant	CPA(K)	To carry out accounting services for the project To prepare financial reports
Mr. Benson Gicheru	Finance Officer	CPA(K)	To prepare budgets for the project and monitor financial implementation.

1.7 Funding summary

The Project is for duration of 5 years from 2019 to 2023 with an approved budget of US\$ 60,000,000 (EUR 51.5 Million) equivalent to KShs 6 Billion as highlighted in the table below:

Below is the funding summary:

Source of funds	Donor Commitment-		Amount received to date – (30 06 2020)		Undrawn balance to date (30 06 2020)	
	<i>Euros</i>	<i>KShs</i>	<i>Euros</i>	<i>KShs</i>	<i>Donor currency</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
(i) Loan						
International Development Bank (IDA)	51,500,000	6,000,000,000	6,220,000	691,467,926	45,280,000	5,308,502,074
Total	51,500,000	6,000,000,000	6,220,000	691,467,926	45,280,000	5,308,502,074

1.8 Summary of Overall Project Performance:

Budget performance against actual amounts for current year and for cumulative to-date.

The World Bank disbursed Kshs 1,127,391,203 (Euros: 10,140,845) to the Designated Accounts at the Central Bank of Kenya.

The Ministry of Education disbursed Ksh. 200 Million to each of the National Polytechnics implementing the project namely Kisumu National Polytechnic, Meru national Polytechnic and Kenya cost National Polytechnic giving a total disbursement of Kshs 600, Million.

Kshs 91,497,926 was allocated to cater for the activities of the National Component as provided for in the project guidelines.

Physical progress based on outputs, outcomes and impacts since project commencement.

Progress at the National Component

- Legal Opinion on the Project was issued by AG on 15-07-2019
- The Project was declared effective by the WB Board on 16/09/2019
- National Project Coordinating Unit (NPCU) at the Ministry established
- Opening Project designated accounts at the Central Bank of Kenya done
- Inclusion of the Project Budget in the National Budget of FY 2020/2021 done
- Opening of Commercial Bank Account by RFTIs
- Disbursement of funds to all the Centers done
- Evaluation of Bids for MoE vehicles currently being undertaken
- Development of TORs for the two Consultancies approved by WB done

Progress at the Branches (Centers) level

The following are some Procurement activities cleared by the Bank for implementation by the Centres:

- Procurement of project vehicles
- Consultancy services for preparation of designs, drawings, BQs and supervision of construction works
- Consultancy services to capacity build the Industrial Liaison Office
- Consultancy Services for preparation of equipment specifications and conducting inspection tests
- Consultancy services to conduct Environmental Impact Assessment (EIA) and establish social safeguards
- Consultancy services for review of the Strategic Plans
- Consultancy services for preparation of the flagship Centre sustainability plan

Comment on value-for-money achievements

The project is in its initial stages of implementation as per the approved work plans, the project will be effectively implemented which will culminate into empowering trainees from the TVET Institutions with technical and entrepreneurial skills that will help in job creation, self-employment and at the same time produce competent graduates who are market ready upon graduation. These will facilitate achievement of regional development through close border skills transfer and achievement of the United Nations Sustainable Development Goals (SDGs), Kenya Vision 2030, Big '4' Agenda and Africa's Agenda 2063 item 4.

Absorption rate for each year since the commencement of the project.

The project started in the financial year 2019/2020 and funds were received from the World Bank in January 2020.

The approved budget for the financial year was Kshs 629,000,000 with an expenditure of kshs 618,456,446 representing an absorption rate of 89.37 % for the financial year 2019/2020.

The implementation challenges and recommended way forward.

The challenges faced so far are:

- i. Coordination of the RFTIs which are domiciled in different Ministries
- ii. Late disbursement of the funds for the period FY 2019/2020
- iii. Efficient reporting and adherence to World Bank timelines, rules and guidelines by the RFTIs due to late procurement approvals.
- iv. Implementation of Project Activities due to Social Distancing and lock down due to COVID -19 Pandemic and fulfillment of Health Protocols.

The recommended way forward is:

- i. The accounting officers in the implementing State Departments to form a caucus for the project in order to enhance co-ordination.
- ii. Development of further measures of implementation that don't contravene the COVID-19 restrictions.
- iii. Fast tracking of activities

Summary of Project Compliance:

The project is in its initial stage of Implementation and has so far not faced any non-compliance challenges. The project has so far obtained no objections for all its eligible expenditure program (EEP). A risk mitigation strategy is also being developed as a safeguard for any risks.

2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETRMINED 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

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Accounting Standards Board includes a statement of the national government entity's performance against predetermined objectives.

The key development objectives of the project's 2019-2020 plans were to:

- a) Establishment of the National Project Coordinating Unit (NPCU) at the Ministry.
- b) Opening Project designated accounts at the Central Bank of Kenya
- c) Inclusion of the Project Budget in the National Budget of FY 2020/2021
- d) Opening of Commercial Bank Account by RFTIs
- e) Disbursement of funds to all the Centers.
- f) Operationalization of the project office
- g) Training of Project Teams
- h) Development of TORs for Consultancies

Progress on attainment of Strategic development objectives

For purposes of implementing and cascading the above development objectives to specific sectors, all the development objectives were made specific, measurable, achievable, realistic and time-bound (SMART) and converted into development outcomes. Attendant indicators were identified for reasons of tracking progress and performance measurement: the progress on attaining the stated objectives is stated a table in the next page:

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Project	Objective	Outcome	Indicator	Performance
EASTRIP National Component	1. Establishment of the National Project Coordinating Unit (NPCU) at the Ministry.	NPCU	Appointment letters	100%
	2. Opening Project designated accounts at the Central Bank of Kenya	Functional Designated Account	Bank account	100%
	3. Inclusion of the Project Budget in the National Budget of 2020/2021	EASTRIP budget in Ministry Vote	EASTRIP Vote	100%
	4. Opening of Commercial Bank Account by RFTIs	Functional Commercial Bank Accounts	6 Bank Accounts	100%
	5. Disbursement of funds to all the Centres	Accessible funds for implementation	Disbursement records	100%
	6. Operationalization of the project office	Functional EASTRIP office	Working tools and space	80%
	7. Training of Project Teams	Trained staff on WB systems	Training Report	0% Due to COVID-19 Restrictions.
	8. Development of TORs for Consultancies	2 TOR for procurement of consultancies	7 TORs	350%

3. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

The Ministry of Education overall goal is to increase access to education and training for all learners; improve quality and relevance of education; reduce inequality as well as leverage on knowledge and skills in Science, Technology and Innovation.

The Ministry envisions to be “a globally competitive education, training, research and innovation for sustainable development”.

The State Department of Vocational and Technical Training (VTT), which is mandated to implement the **East Africa Skills for Transformation and Regional Integration Project (EASTRIP)** was established in the year 2015 and ratified through the Executive Order No. 1 of 2016.

The State Department derives its mandate from Article 53 of the Constitution of Kenya 2010, the Technical and Vocational Education and Training Act, 2013 and the Executive Order No. 1/2016 of May 2016

The State Department has a major responsibility of ensuring availability of middle level work force that will be needed to drive the economy towards the attainment of the Vision 2030.

The success of the Vision 2030 is hinged in the sheer numbers, skills and quality of its work force. This addresses the constitutional requirement articulated in Article 55 (a-c) regarding access to relevant education and training, employment and participation in national development by the youth and in Article 53 1(b) regarding provision of free and compulsory basic education.

The **EASTRIP** project development objective (PDO) is to increase the access and improve the quality of TVET programs in selected regional flagship TVET institutes and to support regional integration in Eastern Africa Region.

The Project will support the Ministry to improve quality of skills by: a) financing identification of specific skills and qualifications that the TVET institute will focus on; (b) understanding the capacity gaps in the TVET institute in terms of faculty, curriculum, provision of training facilities, and governance and management; (c) rallying the institutional and National support for improving infrastructural facilities in the flagship TVET institutes.

The project will also support to bridge the gap between the education and training and Industry requirements by creating a strong industrial linkage where a symbiotic relationship will exist between the industry and training providers.

Effective implementation of the Project’s objectives therefore will culminate into empowering trainees from our TVET Institutions with technical and entrepreneurship skills that will cultivate self-employment, job creation, produce competent graduates who are market-ready upon graduation and facilitate the achievement of regional development envisaged in the Big “4” agenda, the Africa Agenda 2063 and the United Nations Sustainable Development Goals (SDGs). This is expected to create income streams for majority of youth in the Country and the entire Eastern Africa region.

4. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES

The *Principal Secretary* for the Ministry of Education State Department for Vocational and Technical Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) 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 June 30, 2020. This responsibility includes:

- (i) maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period;

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(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 Ministry of Education State Department for Vocational and Technical Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) 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* for the Ministry of Education State Department for Vocational and Technical Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) 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 June 30, 2020, and of the Project's financial position as at that date.

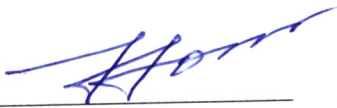
The *Principal Secretary* for the Ministry of Education State Department for Vocational and Technical Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) further confirm the completeness of the accounting records maintained 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 Ministry of Education State Department for Vocational and Technical Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) 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.

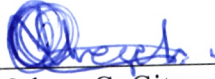
East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
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Approval of the Project financial statements

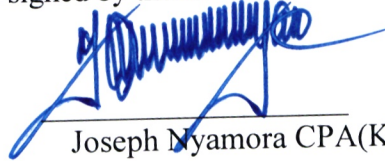
The Project financial statements were approved by the *Principal Secretary* for the Ministry of Education State Department for Vocational and Technical Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) on 21/07/2020 2020 and signed by them.



Julius Jwan, PhD
Principal Secretary



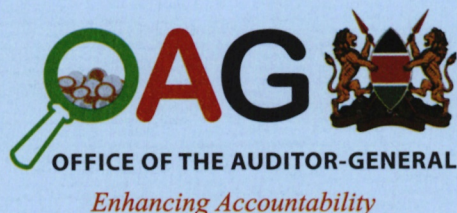
Nelson C. Gitau
Project Coordinator



Joseph Nyamora CPA(K) No: 7770
Project Accountant:

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
E-mail: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



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

REPORT OF THE AUDITOR-GENERAL ON EAST AFRICA SKILLS FOR TRANSFORMATION AND REGIONAL INTEGRATION PROJECT (EASTRIP) IDA LOAN CREDIT NO.6334-KE FOR NINE (9) MONTHS PERIOD ENDED 30 JUNE, 2020 – MINISTRY OF EDUCATION - STATE DEPARTMENT FOR VOCATIONAL AND TECHNICAL TRAINING.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of East Africa Skills Transformation and Regional Integration Project set out on pages 1 to 22, which comprise of the statement of financial assets as at 30 June, 2020, statement of receipts and payments, statement of cash flows and the statement of comparative budget and actual amounts for the period 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 East Africa Skills for Transformation and Regional Integration Project (EASTRIP) as at 30 June, 2020 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and comply with the Financing Agreement No. 6334-KE between the International Development Association and the Republic of Kenya dated 18 December, 2018 and the Public Finance Management Act, 2012.

In addition, the special account statement presents fairly, transactions for the year and the ending balance has been reconciled with the books of account.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of East Africa Skills Transformation and Regional Integration Project (EASTRIP) Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial

Report of the Auditor-General on East Africa Skills for Transformation and Regional Integration Project (No. KE-6334) for nine (9) months period ended 30 June, 2020 – Ministry of Education – State Department for Vocational Training

statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion

Key Audit Matters

Key audit matters are those matters that, in my professional 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.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, 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 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 control, 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 the International Development Association, based on the audit procedures performed, except for the matters under Other Matter section of my report, 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 control, 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 sustainability of services and using the applicable basis of accounting unless the 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 financial reporting process, reviewing the effectiveness of how the Project's 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 overall governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to

those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the 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 continue 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 continue 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 control that are identified during the audit.

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

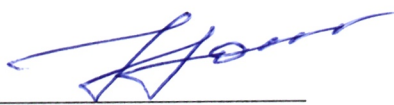
23 December, 2020


East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
Reports and Financial Statements
For the nine months period ended 30 June, 2020

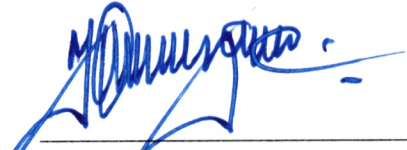
6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE NINE MONTHS PERIOD ENDED JUNE, 2020

STATEMENT OF RECEIPTS AND PAYMENTS						
	Note	2019/20		2018/19		Cumulative to Date
		Receipts and payments controlled by the entity	Receipts and Payments made by third parties	Receipts and payments controlled by the entity	Payments made by third parties	
		Kshs	Kshs	Kshs	Kshs	Kshs
RECEIPTS						
Loan from External Development Partners	9.3	691,497,926	-	-	-	691,497,926
TOTAL REVENUES		691,497,926	-	-	-	691,497,926
PAYMENTS						
Use of goods and services	9.4	19,141,616	-	-	-	19,141,616
Transfers to Other Government Entities	9.5	600,000,000	-	-	-	600,000,000
TOTAL PAYMENTS		619,141,616	-	-	-	619,141,616
SURPLUS/DEFICIT		72,356,310	-	-	-	72,356,310

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


 Julius Jwan, PhD
 Principal Secretary


 Nelson C. Gitau
 Project Coordinator


 Joseph Nyamora
 ICPAK No: 7770
 Project Accountant

East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
Reports and Financial Statements
For the nine months period ended 30 June, 2020

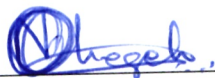
7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2020

STATEMENT OF FINANCIAL ASSETS			
	Note	2019/20	2018/19
		Kshs	Kshs
Bank Balances	9.6	71,945,910	-
Total Cash and Cash equivalents		71,945,910	-
Outstanding Imprests & Advances	9.7	410,400	-
TOTAL FINANCIAL ASSETS		72,356,310	-
Fund balance b/fwd		-	-
Surplus / (deficit) for the year		72,356,310	-
NET FINANCIAL POSITION		72,356,310	-

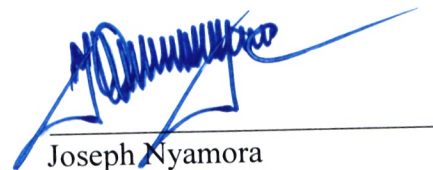
The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on _____ 2020 and signed by:



Julius Jwan, PhD
Principal Secretary



Nelson C. Gitau
Project Coordinator



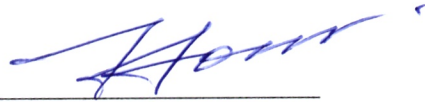
Joseph Nyamora
ICPAK No: 7770
Project Accountant

East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
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STATEMENT OF CASHFLOW FOR THE NINE MONTHS PERIOD ENDED 30 JUNE, 2020

STATEMENT OF CASH FLOW			
	Note	2019-20 Kshs	2018- 2019 Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts for operating income			
Loan from External Development Partners	9.3	691,497,926	
		691,497,926	-
Payments for operating expenses			
Use of goods and services	9.4 -	19,141,616	-
Transfers to Other Government Entities	9.5 -	600,000,000	-
	-	619,141,616	-
Adjusted for:			
Change in Imprests & Advances	9.6-	410,400	-
Net cashflow from operating activities		71,945,910	-
CASHFLOW FROM BORROWING ACTIVITIES			
Borrowings		-	-
Net cash flow from financing activities		-	-
NET INCREASE IN CASH AND CASH EQUIVALENT		71,945,910	-
Cash and cash equivalent at BEGINNING of the year		-	-
Cash and cash equivalent at END of the year		71,945,910	-

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The entity financial statements were approved on _____ 2020 and signed by:


 Julius Jwan, PhD
 Principal Secretary

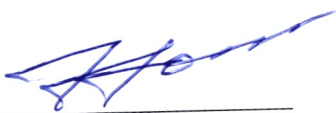

 Nelson C. Gitau
 Project Coordinator

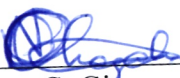

 Joseph Nyamora
 ICPAK No: 7770
 Project Accountant:

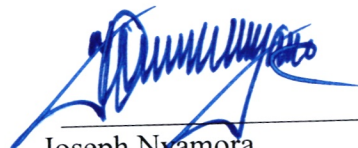
8. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE NINE MONTHS PERIOD ENDED 30 JUNE, 2020

Consolidated	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
Receipts/Payments Item						
Receipts						
Loan from External Development Partners	700,000,000	- 8,502,074	691,497,926	691,497,926	-	100%
Total Receipts	700,000,000	- 8,502,074	691,497,926	691,497,926	-	100%
Payments						
Use of goods and services	91,497,926		91,497,926	19,141,616	72,356,310	21%
Transfers to Other Government Entities	600,000,000		600,000,000	600,000,000	-	100%
Total Payments	691,497,926	-	691,497,926	619,141,616	72,356,310	90%

Note: The significant budget utilisation/performance differences in the last column are explained in **Annex 1** to these financial statements.


Julius Jwan, PhD
Principal Secretary


Nelson C. Gitau
Project Coordinator


Joseph Nyamora
ICPAK No:7770
Project Accountant

9. NOTES TO THE FINANCIAL STATEMENTS

9.1. Basis of Preparation

9.1.1. 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.

9.1.2. Reporting entity

The financial statements are for the East Africa Skills for Transformation and Regional Integration Project (**EASTRIP**) under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

9.1.3. Reporting currency

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

9.2. Significant Accounting Policies

a) 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.

• 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 entity.

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the 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.

Undrawn external assistance

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

• Other receipts

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

b) Recognition of payments

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

• Compensation of employees

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

• 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.

• Interest on borrowing

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.

- **Acquisition of fixed assets**

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

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

c) 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.

d) Cash and cash equivalents

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

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)

e) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year 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.

f) Contingent Liabilities

A contingent liability is:

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

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

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

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

g) Contingent Assets

The Entity 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 Entity 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.

h) 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' items to provide a sense of the overall net cash position of the Project at the end of the year. 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.

i) Budget

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

j) Third party payments

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

During the year there were no disbursements in form of direct payments from third parties.

k) 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 recognised in the statements of receipts and payments.

l) 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.

m) 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 June 30, 2020.

n) Errors

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.

9.3 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
					2019/20	2018/19
		EUR	KShs	KShs	KShs	KShs
Loans Received from Bilateral Donors (Foreign Governments)						
International Development Bank (IDA)	31ST January 2020	6,220,000	691,497,926		691,497,926	N/A
Total		6,220,000	691,497,926	-	691,497,926	-

9.4 USE OF GOODS AND SERVICES

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to- date	Cumulative Prior Year
			2019/20	2019/20		
	KShs	KShs	KShs	KShs	KShs	KShs
Utilities, supplies and services			-		-	
Communication, supplies and services	900,000		900,000		900,000	
Domestic travel and subsistence	3,277,500		3,277,500		3,277,500	

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Printing, advertising and information supplies & services	830,000		830,000		830,000	
Training expenses	366,000		366,000		366,000	
Bank Charges	14,170		14,170		14,170	
Office and general supplies and services	11,751,360		11,751,360		11,751,360	
Refined Fuels and Lubricants	2,002,586		2,002,586		2,002,586	
Total	<u>19,141,616</u>	=	<u>19,141,616</u>	=	<u>19,141,616</u>	=

9.5 TRANSFER TO OTHER GOVERNMENT ENTITIES

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments		Cumulative to-date	Cumulative Prior Year
			2019/20	2019/20		
	KShs	KShs	KShs	KShs	KShs	KShs
Transfers to National Government entities						
Kisumu N.P.	200,000,000	-	200,000,000	-	200,000,000	-
Meru N. P.	200,000,000		200,000,000		200,000,000	
Kenya Coast N.P.	200,000,000		200,000,000		200,000,000	
	<u>600,000,000</u>	=	<u>600,000,000</u>	=	<u>600,000,000</u>	=
TOTAL	<u>600,000,000</u>	=	<u>600,000,000</u>	=	<u>600,000,000</u>	=

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
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9.6 CASH AND CASH EQUIVALENT C/FWD

CASH AND CASH EQUIVALENTS C/FWD	2019/20	2018/19
	KShs	KShs
Bank accounts (Note 4B)	71,945,910	-
Outstanding imprests and advances (Note 4C)	410400	-
Total	<u>72,356,310</u>	<u>-</u>

<u>Local Currency Accounts</u> Note 4B		
Kenya Commercial Bank [A/c No: 1271486458]	71,945,910	
Total local currency balances	<u>71,945,910</u>	<u>0</u>
Total bank account balances	<u>71945,910</u>	<u>-</u>

Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as at 30th June 2019 are not included in the Statement of Financial Assets since they are below the line items and are yet to be drawn into the Exchequer Account as a voted provision.

Below is the Special Deposit Account (SDA) movement schedule which shows the flow of funds that were voted in the year. These funds have been reported as loans/grants received in the year under the Statement of Receipts and Payments.

Special Deposit Accounts Movement Schedule

	2019/20	2018/19
	KShs	KShs
(i) A/C DA EASTRIP [A/c No 1000429399]		
Opening balance	0	0
Total amount deposited in the account	1,127,391,203	0
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>691,497,926</u>	0
Closing balance	<u>435,893,277</u>	0
(ii) A/c Name [A/c No.....]		
Opening balance (as per the SDA reconciliation)	0	0

East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
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Total amount deposited in the account	1,127,391,203	0
Total amount withdrawn (as per Statement of Receipts & Payments)	<u>691,497,926</u>	0
Closing balance	<u>435,893,277</u>	0

**9.7 Outstanding
Imprests and
Advances**

	<i>Name of Officer or Institution</i>	<i>Amount Taken</i>	<i>Due Date of Surrender</i>	<i>Amount Surrendered</i>	<i>Balance 2020</i>	<i>Balance 2019</i>
		<i>Kshs</i>		<i>Kshs</i>	<i>Kshs</i>	<i>Kshs</i>
				<i>b</i>	<i>c=a-b</i>	
1	John Tuwei	42,000	15/6/2020	0	42,000	
2	Archer Arina	112,000	15/6/2020	70,000	42,000	
3	Perpetuah Njeru	152,600	15/6/2020	119,000	33,600	
4	Joseph Rotich	117,200	15/6/2020		117,200	
5	David Maiyo	87,800	15/6/2020	-	87,800	
6	Bernard Opiyo	87,800	15/6/2020	-	87,800	
	Total	599,400		189,000	410,400	-

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ANNEX 1 - VARIANCE EXPLANATIONS - COMPARATIVE BUDGET AND ACTUAL AMOUNTS

	Final Budget	Actual on Comparable Basis	Utilisation Variance	% of Utilisation	Comments on Variance
	c=a+b	d	e=c-d	f=d/c %	
Receipts					
Loan from External Development Partners	691,497,926	691,497,926	-	100%	
Total Receipts	691,497,926	691,497,926	-		
Payments					
Use of goods and services	91,497,926	19,141,616	72,356,310	21%	
Transfers to Other Government Entities	600,000,000	600,000,000	-	100%	
Total Payments	691,497,926	619,141,616	72,356,310		

NOTE

Reason for variance on use of goods and services include:

- (i) Late disbursement of funds. The project received funding in March 2020 instead of July 2019; a delay of 9 months.
- (ii) Covid 19 Pandemic restrictions caused delays in processes of: procurement, meetings and traveling thus slowing down implementation of activities.

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

9.8 Basis of Preparation

9.8.1 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.

9.8.2 Reporting entity

The financial statements are for the East Africa Skills for Transformation and Regional Integration Project (**EASTRIP**) under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

9.8.3 Reporting currency

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

9.9 Significant Accounting Policies

o) 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.

• 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 entity.

• External Assistance

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donations and grants

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

Proceeds from borrowing

Borrowing includes Treasury bill, treasury bonds, corporate bonds, sovereign bonds and external loans acquired by the 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.

Undrawn external assistance

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

• Other receipts

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

p) Recognition of payments

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

• Compensation of employees

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

• 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.

• Interest on borrowing

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

SIGNIFICANT ACCOUNTING POLICIES (Continued)

- **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.

- **Acquisition of fixed assets**

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

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

q) 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.

r) Cash and cash equivalents

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

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)

s) Accounts receivable

For the purposes of these financial statements, imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year 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.

t) Contingent Liabilities

A contingent liability is:

- c) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- d) A present obligation that arises from past events but is not recognised because:
 - (iii) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
 - (iv) 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 Entity does not recognize a contingent liability but discloses details of any contingencies in the notes to the financial statements unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Section 89 (2) (i) of the PFM Act requires the National Government to report on the payments made, or losses incurred, by the county government to meet contingent liabilities as a result of loans during the financial year, including payments made in respect of loan write-offs or waiver of interest on loans

u) Contingent Assets

The Entity 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 Entity 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.

v) 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' items to provide a sense of the overall net cash position of the Project at the end of the year. 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.

w) Budget

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

A high-level assessment of the Project's actual performance against the comparable budget for the financial year/period under review has been included in an annex to these financial statements.

x) Third party payments

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

During the year there were no disbursements in form of direct payments from third parties.

y) 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 recognised in the statements of receipts and payments.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

z) 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.

aa) 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 June 30, 20XX.

bb) Errors

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.

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
Reports and Financial Statements
For the nine months period ended 30 June, 2020*

NOTES TO THE FINANCIAL STATEMENTS (Continued)

9.10 LOAN FROM EXTERNAL DEVELOPMENT PARTNERS

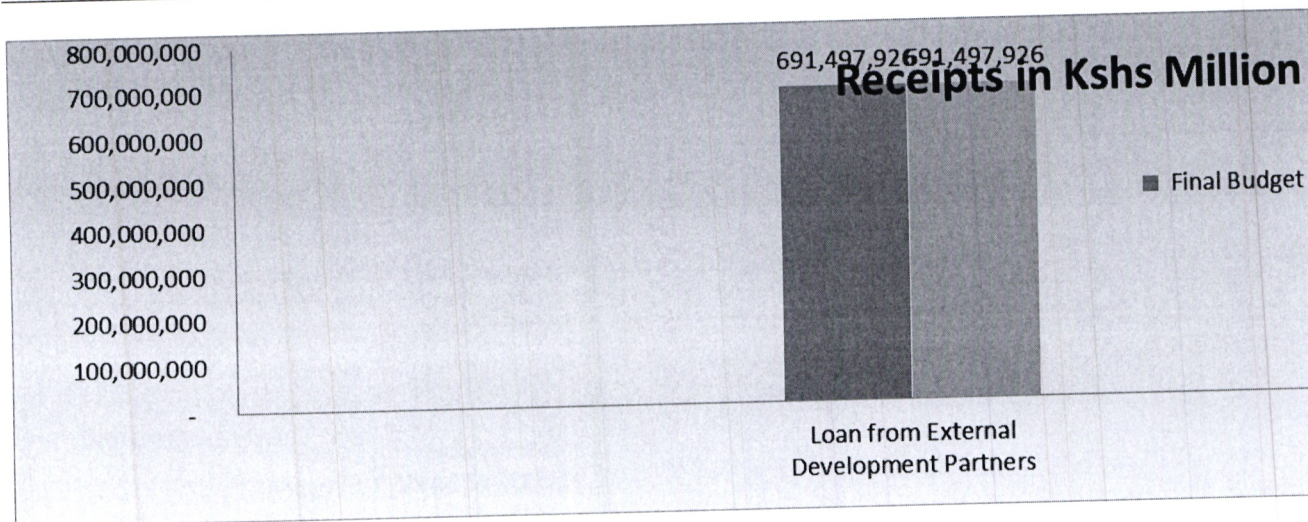
During the 12 months to 30 June 2020 we received funding from development partners in form of loan negotiated by the National Treasury donors as detailed in the table below:

Source of funds	Donor Commitment-		Amount received to date – (30 th June, 2020)		Undrawn balance to date (30 th June, 2020)	
	<i>Donor currency EUR</i>	<i>KShs</i>	<i>Donor currency (EUR)</i>	<i>KShs</i>	<i>Donor 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>
LOAN SUMMARY						
IDA Loan	51,500,000	6,000,000,000	6,220,000	691,497,926	45,280,000	5,308,502,074
Total Loans	51,500,000	6,000,000,000	6,220,000	691,497,926	45,280,000	5,308,502,074
Total Funding Summary	51,500,000	6,000,000,000	6,220,000	691,497,926	45,280,000	5,308,502,074

GRAPHICAL INTERPRETATION OF FINANCIAL STATEMENTS

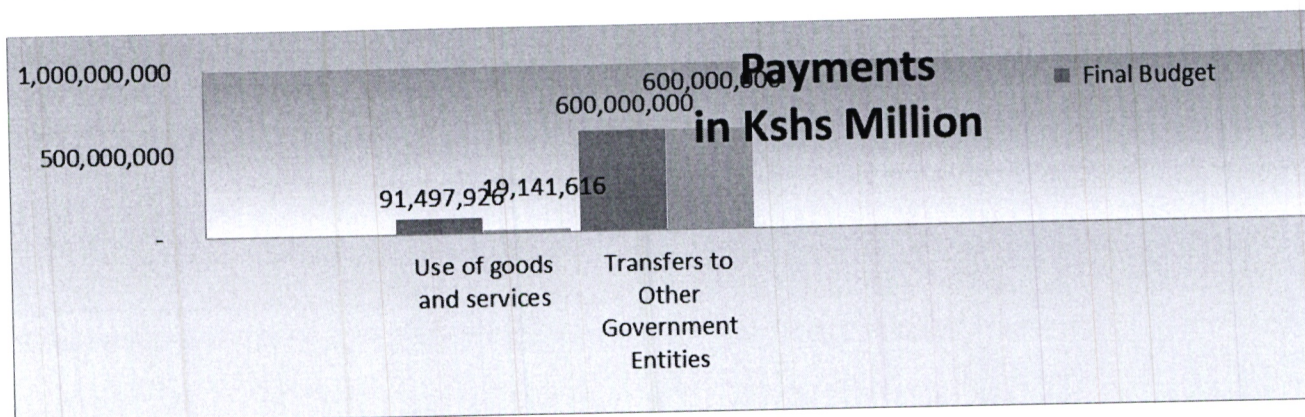
	Final Budget	Actual on Comparable Basis
RECEIPTS		
Loan from External Development Partners	691,497,926	691,497,926
Total Receipts	691,497,926	691,497,926

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GRAPHICAL INTERPRETATION OF FINANCIAL STATEMENTS (Continued)

RECEIPTS	Final Budget	Actual on Comparable Basis
Use of goods and services	91,497,926	19,141,616
Transfers to Other Government Entities	600,000,000	600,000,000
Total Payments	691,497,926	619,141,616



East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
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APPENDICES

- i. Signed confirmations from beneficiaries in Transfers to Other Government Entities
- ii. Bank Reconciliations
- iii. Cash Count Certificate
- iv. Special Deposit Account(s) reconciliation statement(s)

