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**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

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

**MINISTRY OF EDUCATION-  
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**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

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

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

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
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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 Centres 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 Geothermal Training Centre (GTC)
- Kenya Institute of Highways and Building Technology (KIHBT)

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

**Head Office**

Telephone: (254) 0203318581  
E-mail: [psvtt2018@gmail.com](mailto:psvtt2018@gmail.com)  
Website: [www.education.go.ke](http://www.education.go.ke)

**Kisumu National Polytechnic**

Telephone: (254) 723446773  
E-mail: [info@kisumupoly.ac.ke](mailto:info@kisumupoly.ac.ke)  
Website: [www.kisumupoly.ac.ke](http://www.kisumupoly.ac.ke)

**Meru National Polytechnic**

Telephone: (254) 793937581  
E-mail: [info@merunationalpoytechnic.ac.ke](mailto:info@merunationalpoytechnic.ac.ke)  
Website: [www.merunationalpoytechnic.ac.ke](http://www.merunationalpoytechnic.ac.ke)

**Kenya Coast National Polytechnic**

Telephone: (254) 712725554  
E-mail: [info@kenyacoastpoly.ac.ke](mailto:info@kenyacoastpoly.ac.ke)  
Website: [www.kenyacoastpoly.ac.ke](http://www.kenyacoastpoly.ac.ke)

**Kenya Institute of Highways  
and Building Technology**

Telephone: (254) 020650291  
E-mail: [principal@kihbt.ac.ke](mailto:principal@kihbt.ac.ke)  
Website: [www.kihbt.ac.ke](http://www.kihbt.ac.ke)

**KenGen Geothermal Training  
Institute**

Telephone: (254) 712725554  
E-mail: [info@kenyacoastpoly.ac.ke](mailto:info@kenyacoastpoly.ac.ke)  
Website: [www.kenyacoastpoly.ac.ke](http://www.kenyacoastpoly.ac.ke)

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## 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 <b>Mr. Nelson Gitau</b>
Project Sponsor:	The Project Sponsor is <b>World Bank (IDA)</b>

## 1.3 Project Overview

Line Ministry/State Department of the project	The Project is under the supervision of the <b>Ministry of Education State Department for Vocational and Technical Training</b>
Project number	<b>P163399</b>
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 Integration: <ul style="list-style-type: none"> <li>(i) Textile &amp; Garment Making</li> <li>(ii) Marine Transport; Port Logistics</li> <li>(iii) Building Technology</li> <li>(iv) Geothermal/Oil/Gas</li> <li>(v) Highways Technology</li> </ul>
Achievement of strategic goals	The Project management aims to achieve the goals through the following means (components): <ul style="list-style-type: none"> <li>(i) Strengthen Selected Regional Flagship TVET Institutes</li> <li>(ii) Creating National TVET Policy Environment</li> <li>(iii) Enhancing Regional Collaboration in TVET and Project Coordination</li> </ul>
Other important background information of the project	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".  World Bank management cleared the proposed project concept note on September 22, 2017. The World Bank approved the Project on 30 <sup>th</sup> October 2018. The financing agreement was signed on 18 <sup>th</sup> December 2018. Funds were disbursed to the Central Bank on 31 <sup>st</sup> January 2020. Project's name was agreed upon as the "East Africa Skills for Transformation and Regional Integration Project (EASTRIP)"

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<p>Current situation that the project was formed to intervene</p>	<p>The Project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>- Creation of Regional Centres of skill development</li> <li>- Involvement of Industry and Private sector in training and skills development</li> <li>- Bridging the inadequacy of financing in TVET</li> <li>- To address the lack of evidence to market analysis in TVET Policy</li> <li>- Provide a learning and knowledge sharing platform.</li> <li>- Address the Fragmented TVET systems</li> <li>- To address the Regional Integration Agenda</li> </ul> <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 targets are the regional priority sectors in:</p> <ul style="list-style-type: none"> <li>➤ Infrastructure</li> <li>➤ Transport,</li> <li>➤ Energy,</li> <li>➤ Manufacturing</li> <li>➤ ICT.</li> </ul>
<p>Project duration</p>	<p>The Project started on <b>16<sup>th</sup> September 2019</b> and is expected to run until <b>31<sup>st</sup> December 2023</b>. However the project was granted one closure year up to <b>31<sup>st</sup> December 2024</b></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

- Central Bank of Kenya

P.O. Box 60000-00200

Nairobi

A/c No. 1000429399

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## **1.5 Auditors**

The Project is audited by:

Auditor-General  
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.

<b>Names</b>	<b>Title designation</b>	<b>Key qualification</b>	<b>Responsibilities</b>
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.
Ms. Lucy W. Gakuanyi	Office Administrator	Secretarial	<ul style="list-style-type: none"> <li>• Being a point of contact for a range of staff and external stakeholders</li> <li>• Taking notes and minutes in meetings</li> <li>• Scheduling meetings and appointments</li> </ul>

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**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 2022)		Undrawn balance to date (30 06 2022)	
	<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>
<b>(i) Loan</b>						
International Development Bank (IDA)	51,500,000	6,000,000,000	10,140,845	1,134,845,827	41,359,155	4,865,154,173
<b>Total</b>	<b>51,500,000</b>	<b>6,000,000,000</b>	<b>10,140,845</b>	<b>1,134,845,827</b>	<b>41,359,155</b>	<b>4,865,154,173</b>

<b>B. Application of funds</b>					
Application of funds	Amount received to date- (30th June 2022)		Cumulative amount paid to date-(30th June 2022)	Unutilised balance to date (30th June 2022)	
	<b>Euros</b>	<b>kshs</b>		<b>Euros</b>	<b>Kshs</b>
<b>(i) Loan</b>					
International Development Bank (IDA)	10,140,845	1,134,845,827	1,123,382,518	-	11,463,309
<b>Total</b>	<b>10,140,845</b>	<b>1,134,845,827</b>	<b>1,123,382,518</b>	<b>-</b>	<b>11,463,309</b>

**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 1,134,845,827 (Euros: 10,140,845) to the Designated Accounts at the Central Bank of Kenya.

The Ministry of Education disbursed Kshs. 115 Million to each of the National Polytechnics implementing the project namely Kisumu National Polytechnic, Meru National Polytechnic and Kenya Coast National Polytechnic giving a total disbursement of Kshs 345 Million.

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Kshs 98,347,901 was allocated to cater for the activities of the National Component as provided for in the project guidelines.

In the F/Y 2021-2022 there was no disbursement to the RFTIs since they had not utilised the amount that they received in June 2021. In The NCPU budget of kshs. 150,000,000, Kshs. 87,107,119 representing 58%.

**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 2020/2021/2022 done
- Opening of Commercial Bank Account by RFTIs
- Formation and Inauguration of the Project National Steering Committee (NSC)
- Additional Disbursement of Kshs. 345m to kshs.600m of the funds to each of three RFTIs (Kisumu; Meru & Kenya Coast) done
- Procured two vehicles to be used by the NPCU at the Ministry HQs done
- Development of TORs for seven Consultancies done/ two approved by WB
- Development of a TVET Financing Policy & Strategy
- Development/ Review of nine (9) Occupational Standards and Packaged Curricula done
- Conducted M& E in all the five RFTIs
- Procured a Consultant to carry out Business Plans for the RFTIs
- Trained Internal Quality Assurance Officers of all National Polytechnics
- Capacity Building of all VTT officers involved in the Project Implementation

**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 preparation of the flagship Centre sustainability plan
- Approval of Environmental and Social Impact Assessment Reports
- All the RFTIs have commenced construction works

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**Comment on value-for-money achievements**

- ✓ The Project has progresses in implementation as per the approved work plans and Strategic Investment Plans.
- ✓ Effective 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 2019/2020 financial year was Kshs 691,000,000 with an expenditure of Kshs 619,141,616 representing an absorption rate of 89.37%.

The approved budget for the 2020/2021 financial year was Kshs 450,000,000 with an expenditure of Kshs 417,133,783 representing an absorption rate of 92%.

The approved budget for the 2021/2022 financial year was Kshs 700,000,000 with an expenditure of Kshs 87,107,119 representing an absorption rate of 58% of the MOE-NPCU budget of kshs. 150,000,000, but 12% of the entire budget due to non-transfer of funds to the RFTIs as a result of non-absorption of previous disbursement.

**The implementation challenges and recommended way forward.**

**The challenges faced so far are:**

- ✓ Delay in declaration of Project effectiveness and Disbursement of Project Funds

The signing of Financing Agreement was 18th December, 2018 but the Project was declared effective on 16th September, 2019 (10 Months later). Further, the EASTRIP funds from the World Bank were availed to Ministry's designated accounts on 20th February, 2020 (five (5) Months after being declared effective due to budgetary constraints). In essence the Project lost Twelve (12) Months meant for the implementation of FY2018/2019 and three (3) Months of FY2019/2020 Project activities.

- ✓ Covid-19 Pandemic related lock down and travel restrictions

On 15th March, 2020, the Government of Kenya closed all learning institutions and directed that all public and private sector workers operate from home. Travel restrictions were later imposed in the Country to prevent non-residents from entry. Kenyan Nationals and residents were required to self-quarantine for a minimum of fourteen (14) days. On 22nd March, 2020, the Kenyan government introduced additional measures and directives to reduce the spread of coronavirus in the country. These measures included a suspension of all international flights effective 25th March, 2020. Further, all public gatherings were restricted to not more than fifteen (15) persons

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and a curfew imposed on 25th March, 2020. On 25th April, 2020, an additional twenty-one (21) days curfew was further imposed. On Monday, 4th October, 2020, a phased re-opening of schools was affected.

Due to the pandemic and related lock down and restrictions, a number of project activities in the Strategic and Investment Plans (SIPs) and work plans of the key implementers of the project which required physical attendance could not be carried out. Online connections for some activities faced challenges due to lack of equipment, connectivity and capacity. Some Disbursement Linked Indicators (DLIs) could not be achieved due to interstate restrictions and lockdowns. On assessment, the lost Project time Covid-19 related issues were estimated to be six (6 months).

- ✓ Unmatched Disbursement Linked Indicators (DLIs) with Project Progress and Funds disbursement

The establishment of infrastructural facilities in the project is a determinant in the achievement of some DLIs (e.g. enrollment of students in long-term programs). However, Infrastructural development results in high absorption of funds. The available reimbursed funds based on achieved DLIs cannot adequately support establishment of physical facilities and other planned project activities. It has been observed that once construction works starts, the available project funds are used for payment of Infrastructural contracts. Disbursements based on DLIs achievement are insufficient in financing contractual commitments. This has therefore affected achievement of the DLIs that are dependent on the completion of the infrastructural facilities.

High inflation leading to High cost of construction materials

Due to the high inflation in the past two (2) years of the Project, contractors and suppliers are facing challenges in honoring their commitments. The cost of construction materials has gone up leading to contractors submitting very high variation requests. Some contractors are threatening to abandon the Project altogether unless there are provisions for variations to caution them against the unforeseen inflation and significant increase in prices of goods and services. Discussions to resolve the impasse are causing delays resulting in further time loss for the project.

- ✓ Delays in Disbursement of Funds after Verification of DLIs achievement

The project Independent Verification Agency (IVA) conducts verification of the Disbursement Linked Indicators (DLIs) in the Month of September (2 months after the end of a Financial Year). However, the verification report is released almost six (6) months later. The delays in releasing the Verification report results in late disbursement of funds which affects the implementation flow of project activities.

- ✓ Limited Access to the funds of the already achieved DLIs

Currently the key implementers of the Project are allowed to access funds as per the EEP (Eligible Expenditure Programme) which is far much below their Verified achievement by Independent Verification Agency (IVA). Due to the limited funding as per EEP, the project work plans have to be reviewed from time to time and approval sought to give priority to critical items that can be accommodated by the available funds.

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**The recommended way forward is:**

- i. Availing more funds to the RFTIs to carry construction works.
- ii. Discuss with World Bank with a view of making Construction a Disbursement Linked Indicator to be able to access more funds
- iii. Extending Project period by eighteen (18) Months
- iv. Fast tracking pending activities

**1.9 Summary of Project Compliance:**

- ✓ The Project is in its mid-term stage of Implementation and has so far not faced any non-compliance challenges.
- ✓ The Project has so far obtained no objections for its entire eligible expenditure program (EEP).
- ✓ The Project has been audited by the Office of the Auditor General (OAG) since inception
- ✓ Every Centre has developed a risk mitigation framework to safeguard any risks.

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## **2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES**

### **Introduction**

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

### **The key development objectives of the project's 2021/2022 plan were to:**

- a) Inclusion of the Project Budget in the National Budget of FY 2022/2023
- b) Finalize the TVET Financing Policy
- c) Finalize the TVET Financing Strategy
- d) Formation and Inauguration of the National Steering Committee (NSC)
- e) Development/ Review of nine Occupational Standards(OS) and Package Corresponding Curricula
- f) Training of Project Teams and Key Staff of the State Department
- g) Development of Training Materials for Internal Quality Assurance Trainers
- h) Training of Internal Quality Assurance Trainers
- i) Participating in the World Skills Competition in Swakodmond, Namibia
- j) Monitoring of implementation of IQA system in the RFTIs and National Polytechnics

### **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 in the table in the next page:

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<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
EASTRIP National Component	1. Inclusion of the Project Budget in the National Budget of FY 2022/2023	➤ EASTRIP budget in Ministry Vote	✓ EASTRIP Vote	100%
	2. Finalize the TVET Financing Policy	➤ TVET Financing Policy	✓ TVET Financing Policy ✓ Guidelines for implementation of Capitation ✓ Guidelines for Income Generating Units	100%
	3. Finalize the TVET Financing Strategy	➤ TVET Financing Strategy	✓ TVET Financing Strategy	80%
	4. Inauguration of the National Steering Committee (NSC)	➤ Operationalized NSC	✓ Letters of appointment; ✓ Approval of Inauguration; ✓ Attendance sheets; ✓ Minutes of the NSC Meeting	100%
	5. Development/ Review of nine Occupational Standards(OS) and Package Corresponding Curricula	➤ Occupational Standards(OS) and Package Corresponding Curricula	✓ Nine (9) OS & Curricula; ✓ Approval of the activities	100%
	6. Training of Project Teams			

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	and Key Staff of the State Department			
	7. Development of Training Materials for Internal Quality Assurance Trainers	<ul style="list-style-type: none"> <li>➤ A pool of trained officers</li> </ul>	<ul style="list-style-type: none"> <li>✓ Approval of the training</li> <li>✓ Minutes of the MHRAC</li> <li>✓ Copies of Certificates of the trainees</li> </ul>	100%
	8. Training of Internal Quality Assurance Trainers	<ul style="list-style-type: none"> <li>➤ Training Materials for Internal Quality Assurance Officers</li> <li>➤ A pool of trained IQA Officers</li> <li>➤ Trophies &amp; Certificates Obtained</li> </ul>	<ul style="list-style-type: none"> <li>✓ Training Manuals</li> <li>✓ IQA Assessment Tool</li> <li>✓ Approval of the activity; Attendance lists; Invitation letters;</li> <li>✓ Approval of the activity; Attendance lists; Invitation letters</li> </ul>	100% 100%
	9)Participating in the World skills Competition in Swakodmond, Namibia	<ul style="list-style-type: none"> <li>➤ Number of operational IQA Depts established</li> </ul>	<ul style="list-style-type: none"> <li>✓ Approval of the activity; Attendance lists;</li> </ul>	100%
	10)Monitoring of implementation of IQA system in the RFTIs and National Polytechnics	<ul style="list-style-type: none"> <li>➤ Business Plans for each RFTI</li> </ul>	<ul style="list-style-type: none"> <li>✓ Inception Report; Draft Situational Analysis</li> </ul>	100%
	11)Procurement of a Consultant to develop Business Plans for RFTIs			

### **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.

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**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, 2021. 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* 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, 2022, and of the Project's financial position as at that date.

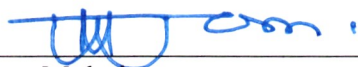
The *Principal Secretary* for the Ministry of Education State Department for Vocational and Technical Training and the *National Project Coordinator* for East Africa Skills for Transformation and Regional Integration Project (EASTRIP) further confirm the completeness of the accounting records maintained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

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

**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 16<sup>th</sup> November 2022 and signed by them.



Tom Mulati  
For: Principal Secretary



Nelson C. Gitau  
Project Coordinator

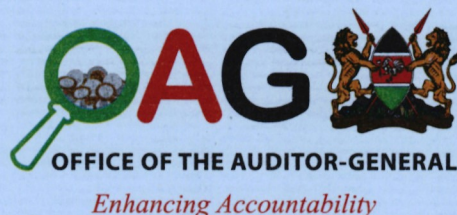


Joseph Kiraita CPA(K) No: 3644  
Project Accountant:

***East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
Annual Reports and Financial Statements for the year ended 30 June, 2022***

# 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 THE YEAR ENDED 30 JUNE, 2022 - MINISTRY OF EDUCATION - STATE DEPARTMENT FOR VOCATIONAL AND TECHNICAL TRAINING**

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### 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 funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

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*Report of the Auditor-General on East Africa Skills for Transformation and Regional Integration Project (EASTRIP) IDA Loan Credit No. 6334-KE for the year ended 30 June, 2022 - 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 for Transformation and Regional Integration Project (EASTRIP) set out on pages 1 to 18, which comprise 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 East Africa Skills for Transformation and Regional Integration Project (EASTRIP) 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 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.

### Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the East Africa Skills for 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 statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of Matter

#### Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final expenditure budget and actual on comparable basis of Kshs.700,000,000 and Kshs.87,107,119 resulting in an under expenditure of Kshs.612,892,881 (or 88%) of the budget.

The 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. I have determined that there are no other key audit matters to communicate in my report.

---

*Report of the Auditor-General on East Africa Skills for Transformation and Regional Integration Project (EASTRIP) IDA Loan Credit No. 6334-KE for the year ended 30 June, 2022 - Ministry of Education - State Department for Vocational and Technical Training*

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required in section 229(6) of the Constitution, based on the audit procedures performed, 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**

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

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

### **Conclusion**

As required in section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the basis for conclusion on effectiveness of internal controls, risk management and Governance section of my report, based on the audit procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis of Conclusion**

#### **Failure to Tag Assets**

The summary of the fixed assets register reflects fixed assets valued at Kshs.30,632,223 as disclosed in Annex 2. Included in this balance is Kshs.6,315,200 and Kshs.11,065,423 in respect to office equipment furniture and fittings, and ICT equipment, software and other ICT assets respectively. Verification of the assets revealed that the assets had not been tagged or serialized for ease of identification and Management.

In the circumstances, the security and custody of the assets may not be assured raising the likelihood of misuse, theft and loss.

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 International Development Association, based on the audit procedures performed, 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 governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue to sustain services, disclosing, as applicable, matters related to 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 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 going concern 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 as a going concern or 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 as a going concern or 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**

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
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**6. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE 2022**

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 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
<b>RECEIPTS</b>						
Loan from External Development Partners	1	-	-	443,347,901	443,347,901	1,134,845,827
<b>TOTAL REVENUES</b>					<b>443,347,901</b>	<b>1,134,845,827</b>
<b>PAYMENTS</b>						
Purchase of Goods and Services	2	87,107,119	-	58,882,183	58,882,183	165,130,918
Acquisition of Non-financial Assets	3	-	-	13,251,600	13,251,600	13,251,600
Transfers to Other Government Entities	4	-	-	345,000,000	345,000,000	945,000,000
<b>TOTAL PAYMENTS</b>		<b>87,107,119</b>	<b>-</b>	<b>417,133,783</b>	<b>417,133,783</b>	<b>1,123,382,518</b>
<b>SURPLUS/DEFICIT</b>		<b>-</b>	<b>-</b>	<b>26,214,118</b>	<b>26,214,118</b>	<b>11,463,309</b>

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

  
Tom Mulati

For: Principal Secretary

  
Nelson C. Gitau

Project Coordinator

  
Joseph Kiraita CPA(K) No: 3644

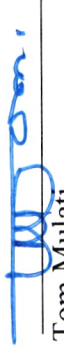
Project Accountant

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)*  
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**7. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2022**  
**EAST AFRICA SKILLS FOR TRANSFORMATION AND REGIONAL INTERGRATION PROJECT**  
**(EASTRIP)**  
**FINANCIAL REPORT FOR THE PERIOD ENDING 30 JUNE 2022**

<b>STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2022</b>			
	<b>Note</b>	<b>2021-2022</b>	<b>2020-2021</b>
		<b>Kshs</b>	<b>Kshs</b>
Bank Balances	5B	11,064,211	98,160,028
<b>Total Cash and Cash equivalents</b>		<b>11,064,211</b>	<b>98,160,028</b>
Outstanding Imprests & Advances		-	-
<b>TOTAL FINANCIAL ASSETS</b>		<b>11,064,211</b>	<b>98,160,028</b>
<b>Represented By</b>			
Fund balance b/fwd	5a	98,160,028	71,945,910
Prior Year adjustments		11,302	
Surplus / (deficit) for the year		- 87,107,119	26,214,118
Payables		-	-
<b>NET FINANCIAL POSITION</b>		<b>11,064,211</b>	<b>98,160,028</b>

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements. The financial statements were approved on 16th November 2022 and signed by:

  
 Tom Mulati  
 For: Principal Secretary

  
 Nelson C. Gitau  
 Project Coordinator


  
 Joseph Kiraita CPA(K) No: 3644  
 Project Accountant:

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
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**8. STATEMENT OF CASHFLOWS FOR THE PERIOD ENDED 30 JUNE 2022**

STATEMENT OF CASH FLOW			
	Note	2021/2022 Kshs	2020/2021 Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Receipts for operating income</b>			
Loan from External Development Partners	1	-	443,347,901
		-	<b>443,347,901</b>
<b>Payments for operating expenses</b>			
Use of goods and services	2	87,107,119	58,882,183
Acquisition of Non-financial Assets	3	-	13,251,600
Transfers to Other Government Entities	4	-	345,000,000
Total Payments		<b>87,107,119</b>	<b>417,133,783</b>
<b>Adjustments during the year</b>			
Prior year adjustments		11,302	
Change in Imprests & Advances		-	-
<b>Net cashflow from operating activities</b>		<b>87,095,817</b>	<b>26,214,118</b>
<b>CASHFLOW FROM FINANCING ACTIVITIES</b>			
Borrowings		-	-
<b>Net cash flow from financing activities</b>		<b>-</b>	<b>-</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENT</b>		<b>87,095,817</b>	<b>26,214,118</b>
<b>Cash and cash equivalent at BEGINNING of the year</b>		<b>98,160,028</b>	<b>71,945,910</b>
<b>Cash and cash equivalent at END of the year</b>		<b>11,064,211</b>	<b>98,160,028</b>

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 16<sup>th</sup> NOV, 2022 and signed by:

  
Tom Mulati  
For: Principal Secretary

  
Nelson C. Gitau  
Project Coordinator


  
Joseph Kiraita CPA(K) No: 3644  
Project Accountant:


*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
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**9. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022**

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022						
Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilisation Difference	% of Utilisation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Loan from External Development Partners	1,050,000,000	- 350,000,000	700,000,000	-	700,000,000	0%
<b>Total Receipts</b>	<b>1,050,000,000</b>	<b>- 350,000,000</b>	<b>700,000,000</b>	<b>-</b>	<b>700,000,000</b>	<b>0%</b>
<b>Payments</b>						
Use of goods and services	150,000,000		150,000,000	87,107,119	62,892,881	58%
Transfers to Other Government Entities	900,000,000	- 350,000,000	550,000,000	-	550,000,000	0%
<b>Total Payments</b>	<b>1,050,000,000</b>	<b>- 350,000,000</b>	<b>700,000,000</b>	<b>87,107,119</b>	<b>612,892,881</b>	<b>12%</b>
<b>Surplus or Deficit</b>				<b>- 87,107,119</b>	<b>87,107,119</b>	

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

  
Tom Mulati  
For: Principal Secretary

  
Nelson C. Gitau  
Project Coordinator

  
Joseph Kiraita CPA(K) No: 3644  
Project Accountant:

## **10. SIGNIFICANT ACCOUNTING POLICIES**

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

### **10.1 Basis of Preparation**

### **10.2 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.

### **10.3 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 .

#### **10.3.1 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.

### **10.4 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.

##### **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 entity.

##### **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.

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
Annual Reports and Financial Statements for the year ended 30 June, 2022*

**b) 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.

**c) 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.

**d) Undrawn external assistance**

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

**e) Recognition of payments**

The Project recognises all payments when the event occurs, and the related cash has 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

***East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
Annual Reports and Financial Statements for the year ended 30 June, 2022***

...iably established, a contra transaction is recorded as receipt and as a payment.

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

**f) In-kind donations**

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

**g) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized 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<sup>0</sup>

**h) Accounts receivable**

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 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.

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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

**j) 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.

**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' 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.

**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 MDAs but receive budgeted funds as transfers and account for them separately. These transfers are recognized 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.

**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 and are disclosed in the payment to third party's column in the statement of receipts and payments.

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

**...GNIFICANT ACCOUNTING POLICIES (Continued)**

**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) 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.

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**11. NOTES TO THE FINANCIAL STATEMENTS**

1 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	
					2021/2022	2020/2021
<b>WORLD BANK</b>		EUR	KShs	KShs	KShs	KShs
<b>Loans Received from Bilateral Donors (Foreign Governments)</b>						
International Development Bank (IDA)			-	-	-	443,347,901
<b>Total</b>			-	-	-	<b>443,347,901</b>

2 PURCHASE OF GOODS AND SERVICES						
	2021/2022			2020/2021		Cumulative to-date
	Payments made in Cash	Payments made by third parties	Total Payments	Total Payments		
	KShs	KShs	KShs	KShs		
Telephone, telex and mobile phone services	1,000,000	-	1,000,000	457,000		1,457,000
Communication, supplies and services	4,000,430	-	4,000,430	1,018,560		5,918,990
Domestic travel and subsistence	20,575,759	-	20,575,759	4,028,900		27,882,159
Foreign travel and subsistence	5,843,872	-	5,843,872	1,745,606		7,589,478
Printing, advertisement and information supplies & services	-	-	-	1,344,386		2,174,386
Maintenance of Motor vehicle	1,162,691	-	1,162,691	125,997		1,288,688
Training expenses	11,246,984	-	11,246,984	18,286,593		29,899,577
Hire of Facilities and Equipment	3,153,100	-	3,153,100	-		3,153,100
Boards Committees, Conferences and Seminars	2,770,500	-	2,770,500	-		2,770,500
Bank Charges	179,445	-	179,445	124,856		318,471
Office and general supplies and services	2,644,907	-	2,644,907	1,701,500		16,097,767
Purchase of Computers, printers and other IT Equipment	4,531,644	-	4,531,644	-		4,531,644
Other operating expenses	-	-	-	-		-
Refined Fuels and Lubricants	3,000,000	-	3,000,000	2,499,982		7,502,568
Contracted professional services	26,997,788	-	26,997,788	27,548,803		54,546,591
<b>Total</b>	<b>87,107,119</b>	<b>-</b>	<b>87,107,119</b>	<b>58,882,183</b>		<b>165,130,918</b>

3 ACQUISITION OF NON-FINANCIAL ASSETS						
	Payments made in Cash	Payments made by third parties	Total payments	Total payments		Cumulative to-date
	2021-2022			2020-2021		
	KShs	KShs	KShs	KShs		
Purchase of Motor Vehicles	-	-	-	13,251,600		13,251,600
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13,251,600</b>		<b>13,251,600</b>

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TRANSFER TO OTHER GOVERNMENT ENTITIES					
	Payments made in Cash	Payments made by third parties	Total Payments	Total Payment	Cumulative to-date
	2021-2022			2020-2021	
	KShs	KShs	KShs	KShs	KShs
<b>Transfers to National Government entities</b>					
Kisumu N.P.	-	-	-	115,000,000	315,000,000
Meru N. P.	-	-	-	115,000,000	315,000,000
Kenya Coast N.P.	-	-	-	115,000,000	315,000,000
	-	-	-	<b>345,000,000</b>	<b>945,000,000</b>
<b>TOTAL</b>	-	-	-	<b>345,000,000</b>	<b>945,000,000</b>

5a	<b>CASH AND CASH EQUIVALENTS</b>	2021/2022	FY 2020-2021
		KShs	KShs
		Bank accounts (Note 5B)	11,064,211
		-	
	<b>Total</b>	<b>11,064,211</b>	<b>98,160,028</b>

5b	<b>Local Currency Accounts Note 5B</b>	2021/2022	FY 2020-2021
		KShs	KShs
	Kenya Commercial Bank [A/c No: 1271486458]	11,064,211	98,160,028
	<b>Total local currency balances</b>	<b>11,064,211</b>	<b>98,160,028</b>
	<b>Total bank account balances</b>	<b>11,064,211</b>	<b>98,160,028</b>

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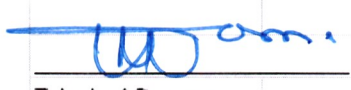
**6 SPECIAL DEPOSIT ACCOUNT MOVEMENT**

	<b>2021/2022</b>	<b>2020/2021</b>
	<b>KShs</b>	<b>KShs</b>
<b>(i) A/C DA EASTRIP (A/c No. 1000429399)</b>		
Opening Balance	70,485,502	513,833,403
Total amount deposited in the account	-	-
Total amount Withdrawn	-	443,347,901
<b>Closing Balance</b>	<b>70,485,502</b>	<b>70,485,502</b>
<b>(ii) A/c Name</b>		
Opening Balance(as per the SDA reconciliation)	70,485,502	513,833,403
Total Amount deposited in the account	-	-
Total Amount withdrawn	-	443,347,901
<b>Closing Balance</b>	<b>70,485,502</b>	<b>70,485,502</b>

12. PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS

PROGRESS ON FOLLOW UP OF PRIOR YEAR AUDITOR'S RECOMMENDATIONS.

Reference No. of the external audit Report	Issue /Observation from Auditor	Management Comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
None	None	Not Applicable	Not Applicable	Not Applicable

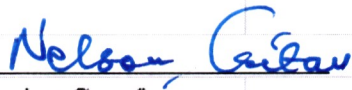


Principal Secretary

Tom MvLA-TI

16/11/2022

Date



Project Coordinator



Date

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**13. GLOSSARY-**

**TVET-Technical & Vocational Education and Training**

**ICT -Information Communication Technology**

**IDA - International Development Association**

**FY - Financial year**

**RFTIs-Regional Flagship Training Institutions**

**M&E –Monitoring and Evaluation**

**BQs -Bill of Quantity**

**IQA -Internal Quality Assurance**

**PFM Act,2012 –Public Financial Management Act, 2012**

**PSASB – Public Sector Accounting Standards Board**

**MDAs –Ministries, Department, Agencies**

**AIE -Authority to Incur Expenditure**

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**14. ANNEXES**

**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 %	
<b>Receipts</b>					
Loan from External Development Partners	700,000,000	-	700,000,000	0%	
<b>Total Receipts</b>	<b>700,000,000</b>	<b>-</b>	<b>700,000,000</b>		
<b>Payments</b>					
Use of goods and services	150,000,000	87,107,119	62,892,881	58%	
Transfers to Other Government Entities	550,000,000	-	550,000,000	0%	
<b>Total Payments</b>	<b>700,000,000</b>	<b>87,107,119</b>	<b>612,892,881</b>		

**NOTE**

**Reason for variance include:**

(i) The Project could not request for more fund as it still had balance from the previous financial year which was received in June 2021 towards the end of the financial year and remained unutilized. This also applied to the Regional Flagship TVET Institutions.

(ii) The low utilisation was caused by processes involved in acquisition of consultancies.

**ANNEX 2 – SUMMARY OF FIXED ASSET REGISTER**

Asset class	Opening Cost (KShs) 2021/22	*Purchases/Additions in the Year (KShs) 2021/22	**Disposals in the Year (KShs) 2021/22	Closing Cost (KShs) 2022
	(a)	(b)	(c)	(d)= (a)+ (b)-(c)
Land				-
Buildings and structures				-
Transport equipment	13,251,600	-		13,251,600
Office equipment, furniture and fittings	5,804,000	511,200		6,315,200
ICT Equipment, Software and Other ICT Assets	5,433,730	5,631,693		11,065,423
Other Machinery and Equipment				-
Heritage and cultural assets				-
Intangible assets				-
<b>Total</b>	<b>24,489,330</b>	<b>6,142,893</b>	<b>-</b>	<b>30,632,223</b>

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**Office Equipments**

2 4drawer fire proof safes	511,200.00
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**ICT Equipment**

2 Color printer	394,000.00
3 shredders	553,500.00
2 scanners	171,000.00
2 printers	1,037,931.03
10 UPS	62,117.67
2 Digital cameras	109,736.00
10 IPADS	1,825,000.00
9 Laptops	1,352,592.00
Smart digital TV	125,816.00
	<b>5,631,692.70</b>

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**Annex 3**

**TRIAL BALANCE AS AT 30TH JUNE 2022**

<b>ITEM</b>	<b>DEBIT</b>	<b>CREDIT</b>
Balance b/f		98,160,028.00
Receipt		11,302.00
Telephone, telex and mobile phone services	1,000,000.00	
Communication, supplies and services	4,000,430.00	
Domestic travel and subsistence	20,575,759.00	
Foreign travel and subsistence	5,843,872.00	
Maintenance of Motor vehicle	1,162,690.55	
Hirer of Facilities and Equipment	3,153,100.00	
Training expenses	11,246,983.80	
Bank Charges	179,445.00	
Office and general supplies and services	2,644,906.50	
Refined Fuels and Lubricants	3,000,000.00	
Contracted professional services	26,997,788.00	
Boards Committees, Conferences and Seminars	2,770,500.00	
Purchase of Computers, printers and other IT Equipment	4,531,644.00	
Balance c/d	11,064,211.15	
	<b>98,171,330.00</b>	<b>98,171,330.00</b>

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**15. OTHER SUPPORTING DOCUMENTS**

- i. Bank Reconciliations
- ii. Cash Count Certificate
- iii. GoK IFMIS Trial Balance
- iv. Special Deposit Account Reconciliation Statement (page 12).