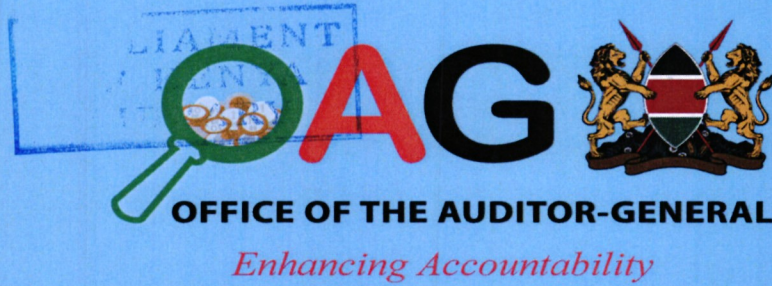


REPUBLIC OF KENYA



**REPORT**

THE NATIONAL ASSEMBLY	
OF	
DATE: 13 APR 2023	THURSDAY
TABLED BY: LOM	<b>THE AUDITOR-GENERAL</b>
CLERK-AT THE TABLE: Joyce Lemerelle	

THE LEADER OF THE PARTY MAJORITY (Hon. Kimani Ichung'u)

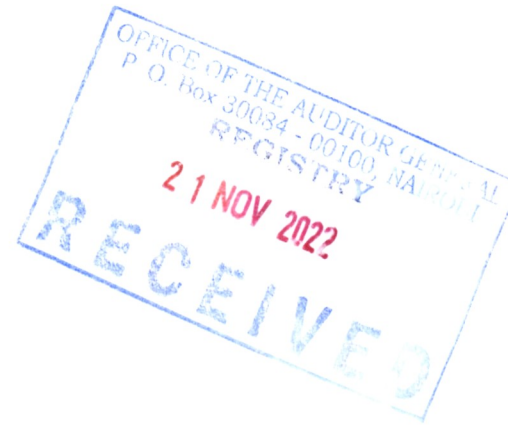
**ON**

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

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

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





**PROMOTION OF YOUTH EMPLOYMENT AND VOCATIONAL TRAINING IN  
KENYA (TVET I PROJECT)**

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

**PROJECT LOAN NUMBER: BMZ No: 2016 67 211 & BMZ No. 2016 65 298  
PROJECT GRANT REFERENCE NUMBER: 1930 05 527**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL 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)**

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

### **1.1 Name and registered office**

#### **Name**

The name of the project is ‘Promotion of Youth Employment and Vocational Training in Kenya (TVET Phase I)’.

#### **Objective**

The key objective of the project is to equip Youth with relevant skills that support attainment of the big four agenda.

#### **Address**

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

The address of its registered office is:

Ministry of Education, State Department of Vocational and Technical Training,  
Jogoo House B 8<sup>th</sup> Floor  
P.O. Box 9583-00200  
Nairobi, Kenya

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

Telephone: (254) 722492972

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

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

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

### **1.2 Project Information**

Project Start Date:	The project start date is 21.02.2020
Project End Date:	The project end date is 31.12.2023
Project Manager:	The project manager is Ms. Lina Ayako
Project Sponsor:	The project sponsor is GoK and KfW Development Bank (Germany)

### **1.3 Project Overview**

Line Ministry/State Department of the project	The project is under the supervision of the Ministry of Education, State Department of Vocational and Technical Training (SDVTT)
Project Reference number	Loan BMZ No. 2016 67 211 & BMZ No.2016 65 298 Grant Reference: 1930 05 527
Strategic goals of the project	The strategic goals of the project are as follows:  The challenges in the sector are well documented. They include low penetration due to inadequate facilities; capacity of trainers is not commensurate with the modern technology in the entire sector country wide. The consequences have been poor perception of TVET training, poor tools impacting on quality of training. The Government has put interventions in place including, capitation support, infrastructure support and supply of the State-of-the-Art equipment. This project will augment Governments efforts in all areas of deficiency.
Achievement of strategic goals	The project management aims to achieve the goals through the following means:  i) The project's economic and social benefit is to equip the youth with necessary skills, to address the challenges of youth unemployment emanating

	<p>from skills mismatch between the training and needs of the industry.</p> <p>ii) It will open a pathway to a demographic dividend for development that will improve Kenya’s competitiveness, raise household incomes, and ultimately reduce poverty.</p> <p>iii) Reduction in poverty will transform Kenya into “a newly-industrializing, middle income country providing a high quality of life to all its citizens in a clean and secure environment as envisioned in vision 2030.</p>
Other important background information of the project	<p>Phase I targets</p> <p>The project aims to construct, and equip (upgrade) 3 Institutions as Centres of Excellence.</p> <p>1.Kiambu Institute of Science and Technology (KIST)- Industrial Mechatronics,</p> <p>2.Nairobi Technical Training Institute – Automotive Mechatronics,</p> <p>3. Thika Technical Training Institute – Mechatronics.</p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <p>(i) To equip Youth with relevant skills that support attainment of the big four agenda</p> <p>(ii) Increase transition of youth from basic education into TVET and reduce unemployment</p> <p>(iii) Improve the quality and relevance of TVET for industry</p>
Project Components	<p>1: Infrastructure measures at supported TVET institutions</p> <p>2: Procurement of state-of-the-art equipment for training</p> <p>3: ICT measures at supported TVET institutions</p>

*Promotion of Youth Employment and Vocational Training in Kenya (TVET I Project)  
Annual Report and Financial Statements For the financial year ended 30 June, 2022*

	4: Scholarships 5: Implementation – TVET and private sector
Project activities and inputs	Indicators
i). Rehabilitation extension and/or construction of essential TVET buildings	% Construction and rehabilitation measures completed
ii) Procurement of tools in support of cooperative training	% of equipment installed
iii) Training of trainers on use and maintenance of equipment	No. of trainers trained
iv) Development and procurement of teaching, learning and assessment materials and tools	% of material developed
v) Provision of Scholarships	No of trainees benefiting from the scholarships.
Project duration	The project started on 21 <sup>st</sup> February 2020 and is expected to run until 31 December 2023

## Project Information and Overall Performance (Continued)

### 1.4 Bankers

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

### 1.5 Auditors

The project is audited by the:

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

### 1.6 Roles and Responsibilities

Names	Title designation	Key qualification	Responsibilities
Mr. Tom Mulati	Ag. Director Technical education	Master of Education	Project overall project Coordinator
Niras Africa Limited	Implementing Consultants	International Consultancy	Support Ministry of Education on implementation of all aspects of the project (designs, scholarships,

*Promotion of Youth Employment and Vocational Training in Kenya (TVET I Project)  
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			equipment etc)
Lina Ayako	Deputy Director Technical Education	Master of Education	Project Coordinator
Samuel Waweru	Deputy Director Technical Education	Master Arts – Information Communication Technology	Deputy project Coordinator
Eng. Elijah Abeka	Principal Director Technical Education	Bachelor of Science Engineering	Assistant Project Coordinator
Arc. Mwangi Kiragu	Senior Supt Architect	Master of Art Urban Management	in charge of liaison with the implementing consultants on architectural designs
Peter G. Kamau	Senior supt. Quantity surveyor	Bachelor of Science quantity Surveying	In charge of liaison with the implementing consultants on material quantities
Samuel Muka	Head Of Procurement	Bachelor of Art Commerce	Head of Supply Chain Management
Joseph Kiraita	Head of Accounts	Bachelor of Art Commerce Certified Public Accountant	Head of Accounting Unit
Anthony Masinde	Head of Finance	Master of Business Administration, Certified Public Accountant	Head of Finance Unit
Carolyne Nyambok	Principal Accountant	Master of Business Administration, Certified Public Accountant	Project Accountant
David Tande	Finance officer	Bachelor of Art Commerce Certified	Project Finance Officer

		Public Accountant	
Ali Bocha	Supply chain Management officer	Bachelor of Art Commerce	Project Supply Chain Officer

### 1.7 Funding summary

The Project is for duration of 4 years from 2020 to 2023 with an approved budget of Euros 22,737,947.00 equivalent to Kshs 2,773,120,000.00 as highlighted in the table below:

Below is the funding summary:

#### A. Source of Funds

Source of funds	Donor Commitment-		Amount received to date – (30 June 2022)		Undrawn balance to date	
	Donor currency Euros	KShs	Donor currency Euros	KShs	Donor currency Euro	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A)-(B)
<b>(i) Grant</b>						
KFW - Germany	2,000,000	243,920,000	340,386	41,513,548	1,659,613	202,406,452
<b>(ii) Loan</b>						
KFW - Germany	20,000,000	2,439,200,000	754,883	92,065,504	19,245,117	2,347,134,490
<b>(iii) Counterpart funds</b>						
Government of Kenya	737,947	90,000,000	242,480	29,572,929	495,467	60,427,071
<b>Total</b>	<b>22,737,947</b>	<b>2,773,120,000</b>	<b>1,337,749</b>	<b>163,151,981</b>	<b>21,400,198</b>	<b>2,609,968,019</b>

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 June, 2022)		Cumulative Amount paid to date – (30 June, 2022)	Unutilised balance to date (30 June, 2022)	
	Donor currency	Kshs		Donor currency	Kshs
	Euro			Euro	
	(A)	(A')	(B')	(A)-(B)	(A')-(B')
<b>(i) Grant</b>					
KFW - Germany	340,386	41,513,548	41,513,548	1,659,613	202,406,452
<b>(i) Loan</b>					
KFW - Germany	754,883	92,065,504	92,065,504	19,245,117	2,347,134,496
<b>(ii) Counterpart funds</b>					
Government of Kenya	242,480	29,572,929	29,572,929	495,467	60,427,071
<b>Total</b>	<b>1,337,749</b>	<b>163,151,981</b>	<b>163,151,981</b>	<b>21,400,198</b>	<b>2,609,968,019</b>

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

**1.7 Summary of Overall Project Performance:**

- i) Budget performance against actual amounts for current year and for cumulative to-date,
- ii) Physical progress based on outputs, outcomes, and impacts since project commencement,

The project has an implementing consultant as an output of the project milestone  
60 Students are enrolled in the institutions undertaking Cooperative training.

Procurement of process for works, equipment and tools is on going

Over 24 Industries participating in training

- iii) Comment on value-for-money achievements,
- iv) Indicate the absorption rate for each year since the commencement of the project.

List the implementation challenges and recommended way forward.

The challenges encountered include;

1. Lengthy procurement processes that undergo various approval processes
2. Low responsiveness to tenders
3. Extra effort needed to bring industry on board for training purposes

**1.8 Summary of Project Compliance:**

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

## **2. Statement of Performance against Project's Predetermined Objectives**

### **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 challenges in the sector are well documented. They include low penetration due to inadequate facilities; capacity of trainers is not commensurate with the modern technology in the entire sector country wide. The consequences have been poor perception of TVET training, poor tools impacting on quality of training. The Government has put interventions in place including, capitation support, infrastructure support and supply of the State-of-the-Art equipment. This project will augment Governments efforts in all areas of deficiency

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

- a) To equip Youth with relevant skills that support attainment of the big four agenda
- b) Increase transition of youth from basic education into TVET and reduce unemployment
- c) Improve the quality and relevance of TVET for the industry

### **1. Progress on attainment of Strategic development objectives**

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

Below we provide the progress on attaining the stated objectives:

<b>Project</b>	<b>Objective</b>	<b>Outcome</b>	<b>Indicator</b>	<b>Performance</b>
Promotion of Youth Employment and Vocational Training in Kenya (TVET I)	To equip Youth with relevant skills that support attainment of the big four agenda	Kenyan Youth who have successfully completed high-quality labour market –oriented TVET	% Construction and rehabilitation measures completed % of equipment installed No. of trainers trained % of material developed No of trainees benefiting from the scholarships.	In FY2021/2022 The implementation of the project had just started and the project was being put into form,

### **3.Environmental and Sustainability Reporting**

The project of Promotion of Youth Employment and Vocational Training in Kenya (TVET Phase I) exists to transform lives. This is our purpose; the driving force behind everything we do. It's what guides us to deliver our strategy. Below is a brief highlight of our activities that drive towards sustainability.

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

The top management especially the accounting officer should make reference to sustainable efforts, broad trends in political and macroeconomic affecting sustainability priorities, reference to international best practices and key achievements failure.

The sustainable efforts in place include building capacity of the institutions and industry to continue implementing the project. Efforts geared towards enhancing sustainability include development of policy that will guide dual training to enhance quality of training in TVET.

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

Outline clearly, environmental policy guiding the organisation, provide evidence of the policy. Outline successes, shortcomings, efforts to manage biodiversity, waste management policy and efforts to reduce environmental impact of the organisation's products.

The project is based on existing policies that guide environment management. The project will have minimum impact on environment since it will only involve building training infrastructure and training.

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

Give account of the policies guiding the hiring process and whether they take into account the gender ratio, whether they take in stakeholder engagements and how often they are improved. Explain efforts made in improving skills and managing careers, appraisal and reward systems. The organisation should also disclose their policy on safety and compliance with Occupational Safety and Health Act of 2007, (OSHA)

The project is being implemented in TVET training institutes. Employees involved in the project are those that are in existence. Consultants involved in the project are sourced

competitively through advertisements. The institutions comply with the Occupational Safety and Health Act of 2007, (OSHA). The Government policies in use guide on gender inclusivity, capacity building and performance management.

#### **4. Market place practices-**

The project has outlined its efforts to:

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

Project is at the initiation and procurement process is on-going. Suppliers will be managed as per the Public Procurement Act 2005 and the Financial Management Act 2015

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

The advertisement for tenders done is in line with the procurement laws of Kenya and the financiers' procurement rules and procedures. The advertisement is done through newspapers of larger circulation and through the Ministry and KfW websites. Individual institutions advertise for their programmes through the print and electronic media. There are also efforts to maintain ethical and responsible political environments' and anticorruption practices.

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

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

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

At initiation stage. Community engagements not yet in place.

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

The Principal Secretary for the State Department for Vocational and Technical Training in the Ministry of Education and the overall project coordinator for the project promotion of youth employment and vocational training are responsible for the preparation and presentation of the project's financial statements, which give a true and fair view of the state of affairs of the project for and as at the end of the financial year ended on June 30 2022. The responsibility includes;

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

The Principal Secretary for the State Department for Vocational and Technical Training in the Ministry of Education and the overall Project coordination for the project promotion of youth employment and vocational training accept responsibility for the Project financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting Policies in accordance with the international Public Sector Accounting Standards

The Principal Secretary for the State Department for Vocational and Technical Training in the Ministry of Education and the overall Project coordinator for the project promotion of youth employment and vocational training are of the opinion that the Financial statements

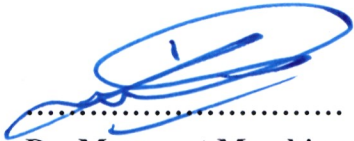
give a true and fair view of the state of the Project's transactions during the financial year ended 30 June 2022 and of the project's financial position as at that date.

The Principal Secretary for the State Department for Vocational and Technical Training in the Ministry of Education and the overall Project coordinator for the project promotion of youth employment and vocational training further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the project financial statements as well as the adequacy of the systems of internal financial control.

The Principal Secretary for the State Department for Vocational and Technical Training in the Ministry of Education and the overall Project coordinator for the project promotion of youth employment and vocational training confirm that the project has complied fully with applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year/period under audit were used for the eligible purposes for which they were intended and were properly accounted for.

**Approval of the Project financial statements**

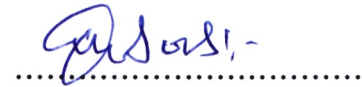
The Project financial statements were approved by the Principal Secretary for the Ministry of Education, State Department of Vocational and Technical Training and the Project Coordinator for the Promotion of Youth Employment and Vocational Training in Kenya signed them on 18 November, 2022.



.....  
**Dr. Margaret Mwakima**  
**Principal Secretary**



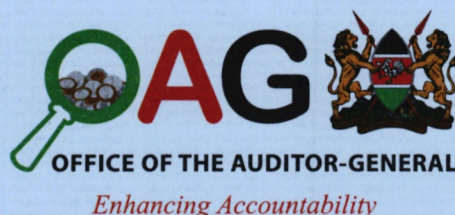
.....  
**Lina Ayako**  
**Project Coordinator**



.....  
**Carolyne Nyambok**  
**Project Accountant**  
**ICPAK Member No: 5875**

# REPUBLIC OF KENYA

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

## **REPORT OF THE AUDITOR-GENERAL ON PROMOTION OF YOUTH EMPLOYMENT AND VOCATIONAL TRAINING IN KENYA (TVET PHASE I) PROJECT LOAN REFERENCE: BMZ NO.2016 67 211 & BMZ NO.2016 65 298 AND PROJECT GRANT REFERENCE NO.1930 05 527 FOR THE YEAR ENDED 30 JUNE, 2022 - STATE DEPARTMENT FOR VOCATIONAL TRAINING 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 the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines, and manuals and whether public resources are applied in a prudent, efficient, economic, transparent, and accountable manner to ensure Government achieves value for money and that such Projects are applied for the 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.

## REPORT ON THE FINANCIAL STATEMENTS

### Opinion

I have audited the accompanying financial statements of Promotion of Youth Employment and Vocational Training in Kenya (Phase I) Project Loan Reference No.2016 67 211&BMZ No.2016 65 298 and Project Grant Reference No.1930 05 527 set out on pages 1 to 26, which comprise of the statement of financial assets as at 30 June, 2022, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Promotion of Youth Employment and Vocational Training in Kenya (TVET Phase I) Project Loan Reference: BMZ No.2016 67 211 & BMZ No.2016 65 298 and Project Grant Reference No.1930 05 527 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 Loan and Grant Financing Agreements No.2016 67 211 & BMZ No.2016 65 298 and 1930 05 527 respectively, between Kreditanstalt fur Wiederaufbau (KfW) and the Government of Kenya dated 21 February, 2020 and Public Finance Management Act, 2012.

### Basis for Opinion

The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Promotion of Youth Employment and Vocational Training in Kenya (Phase I) Project Loan Reference No.2016 67 211 & BMZ No.2016 65 298 and Project Grant Reference No.1930 05 527 Project Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### Emphasis of Matter

#### Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects a final budget and actual receipts on a comparable basis of Kshs.633,000,000 and Kshs.135,196,299 respectively, resulting in an underfunding of Kshs.497,803,701 (or 79%) of the budget. Similarly, the Project spent an amount of Kshs.135,196,299 against an approved budget of Kshs.633,000,000, resulting in an under-expenditure of Kshs.497,803,701 (or 79%) of the budget.

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

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*Report of the Auditor-General on Promotion of Youth Employment and Vocational Training in Kenya (TVET Phase I) Project Loan Reference: BMZ No.2016 67 211 & BMZ No.2016 65 298 and Project Grant Reference No.1930 05 527 for the year ended 30 June, 2022 - State Department for Vocational Training and Technical Training*

## **Key Audit Matters**

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

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

### **Conclusion**

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

### **Basis for Conclusion**

#### **1.0 Slow Pace of Project Implementation**

The Financing Agreement dated 21 February, 2020 indicated that Phase I of the Project had twelve (12) activities. The activities were meant to construct, equip and upgrade three (3) Institutions identified as Centres of Excellence through training of trainers on the use and maintenance of equipment, development, and procurement of teaching, learning and assessment materials and tools as well as provision of scholarships to disadvantaged youths. However, the project is at the third activity, an indication that nine (9) activities had not been implemented as of the time of the audit in October, 2022. Further, the Project has only fourteen (14) months remaining before the expiry of the three (3) year period casting doubt on the completion of the project.

In the circumstances, value for money may not be realized in the implementation of the project due to the slow implementation.

#### **2.0 Irregular Procurement and Payment for Consultancy Services**

As previously reported, the State Department requested assistance from the Development Partner in undertaking the procurement of a consultant on 22 August, 2017. The consultancy service contract was awarded at a contract sum of Kshs.446,041,869 on 9 September, 2020. However, this was done before the Project financier was identified.

The following anomalies were also noted: -

- i. A Tender Agent based in Germany was engaged on an unidentified date to undertake the evaluation on behalf of the State Department;
- ii. The terms of engagement of the Tender Agent including the contract, procurement process, appointment, remuneration if any, and the contractual obligations were not provided for audit review;

- iii. The engagement with KfW to assist in the procurement of the consultant was on 22 August, 2017 which was more than two years before the signing of the Financing Agreement on 21 February, 2020;
- iv. The notification of the award was made on 17 July, 2018 to the successful consultant based in Germany while the contract was signed on 9 September, 2020 which was more than two years after the notification of the award;
- v. The contract was signed between the State Department and a locally incorporated company that was not part of the bidding consortium and which was not the one notified of the award; and,
- vi. The payments were made to the local Company that did the invoicing even though they were not a party to the contract and there was no apparent contractual obligation.

In the circumstances, the Project Management and the State Department were in breach of the law on procurement and value for money has not been realised. Further, the payments made were irregular as the Company was not part of the consortium at bidding for the service.

### **3.0 Failure to Open and Maintain a Separate Project Bank Account**

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

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

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

## **REPORT ON THE 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.

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*Report of the Auditor-General on Promotion of Youth Employment and Vocational Training in Kenya (TVET Phase I) Project Loan Reference: BMZ No.2016 67 211 & BMZ No.2016 65 298 and Project Grant Reference No.1930 05 527 for the year ended 30 June, 2022 - State Department for Vocational Training and Technical Training*

## **Basis for Conclusion**

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

## **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**

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

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

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

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

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

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

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

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

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

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

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

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

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

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

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


- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from

fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to 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 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**

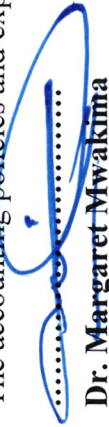
**Nairobi**

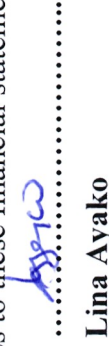
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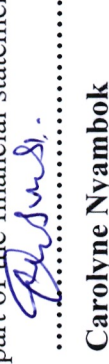
6. Statement Of Receipts and Payments for The Year Ended 30 June 2022.

Note	Receipts and payments controlled by the entity	2021-2022		Receipts and payments controlled by the entity	2020-2021		Cumulative to-date (From inception)
		Kshs.	Kshs.		Kshs.	Kshs.	
<b>Receipts</b>							
Transfer from Government entities	29,572,929	-	29,572,929	-	-	29,572,929	
Proceeds from domestic and foreign grants		31,513,548	31,513,548		10,000,000	41,513,548	
Loan from external development partners (KfW-Germany)		74,109,822	74,109,822		17,955,681	92,065,504	
<b>Total receipts</b>	<b>29,572,929</b>	<b>105,623,370</b>	<b>135,196,299</b>	<b>-</b>	<b>27,955,681</b>	<b>163,151,981</b>	
<b>Payments</b>							
Purchase of goods and services	24,673,629	-	24,673,629	-	-	24,673,629	
Acquisition of non-financial assets motor vehicle and consultancy	4,899,300	105,623,370	110,522,670	-	27,955,681	138,478,352	
<b>Total payments</b>	<b>29,572,929</b>	<b>105,623,370</b>	<b>135,196,299</b>	<b>-</b>	<b>27,955,681</b>	<b>163,151,981</b>	
<b>Surplus/ (deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	

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

  
Dr. Margaret Mwakima  
Principal Secretary

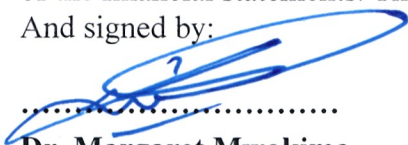
  
Lina Ayako  
Project Coordinator


  
Carolyne Nyambok  
Project Accountant  
ICPAK Member No: 5875


7. Statement of Financial Assets as at 30 June 2022

Description	Note	2021-2022	2020-2021
		Kshs	Kshs
<b>Financial Assets</b>			
<b>Cash And Cash Equivalents</b>			
Bank Balances	-	-	-
Cash Balances	-	-	-
Cash Equivalents (Short-Term Deposits)	-	-	-
<b>Total Cash and Cash Equivalents</b>		-	-
Imprests and Advances	-	-	-
<b>Total Financial Assets</b>		-	-
<b>Financial Liabilities</b>		-	-
Deposits and Retention Monies	-	-	-
<b>Net Assets</b>		-	-
<b>Represented By</b>		-	-
Fund Balance B/Fwd.	-	-	-
Prior Year Adjustments	-	-	-
Surplus/(Deficit) For the Year		-	-
<b>Net Financial Position</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 18 November, 2022  
And signed by:

  
.....  
**Dr. Margaret Mwakima**  
Principal Secretary

  
.....  
**Lina Ayako**  
Project Coordinator

  
.....  
**Carolyne Nyambok**  
Project Accountant  
ICPAK Member No: 5875

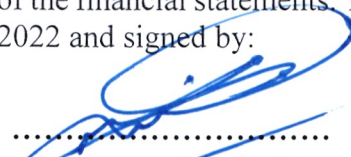
8. Statement of Cash flow for the Year Ended 30 June 2022

Description	Notes	2021-2022	2020-2021
		KShs	KShs
<b>Cashflow from operating activities</b>			
<b>Receipts</b>			
Transfer from government entities	1	29,572,929	-
Proceeds from domestic and foreign grants	2	31,513,548	10,000,000
<b>Total Receipts</b>		<b>61,086,477</b>	<b>10,000,000</b>
<b>Payments</b>			
Purchase of goods and services	4	(24,673,629)	-
Transfers to other government entities		-	-
<b>Total Payments</b>		<b>(24,673,629)</b>	<b>-</b>
<b>Adjustments during the year</b>			
Prior year adjustments		-	-
Decrease/(increase) in accounts receivable		-	-
Increase/(decrease) in accounts payable:		-	-
<b>Net cash flow from operating activities</b>		<b>36,412,848</b>	<b>10,000,000</b>
<b>Cashflow from investing activities</b>			
Acquisition of non-financial assets	5	(110,522,670)	(27,955,681)
<b>Net cash flows from investing activities</b>		<b>(110,522,670)</b>	<b>(27,955,681)</b>
<b>Cashflow from Financing activities</b>			
Proceeds from foreign borrowings	3	74,109,822	17,955,681
<b>Net cash flow from financing activities</b>		<b>74,109,822</b>	<b>17,955,681</b>
Net increase in cash and cash equivalents		-	-
<b>Cash and cash equivalent at beginning of the year</b>		<b>-</b>	<b>-</b>
<b>Cash and cash equivalent at end of the year</b>		<b>-</b>	<b>-</b>

*Promotion of Youth Employment and Vocational Training in Kenya (TVET I Project)*  
*Annual Report and Financial Statements For the financial year ended 30 June, 2022*

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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 18 November, 2022 and signed by:



.....  
**Dr. Margaret Mwakima**  
**Principal Secretary**



.....  
**Lina Ayako**  
**Project Coordinator**



.....  
**Carolyne Nyambok**  
**Project Accountant**  
**ICPAK Member No: 5875**

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

Receipts/Payments Item	Original Budget Kshs	Adjustments Kshs	Final Budget Kshs	Actual on Comparable Basis Kshs	Budget Utilization Difference Kshs	% of Utiliz ation
	a	b	c=a+b	d	e=c-d	f=d/c %
<b>Receipts</b>						
Transfer from Government entities	33,000,000	-	33,000,000	29,572,929	3,427,071	90%
Proceeds from domestic and foreign grants	70,000,000	-	70,000,000	31,513,548	38,486,452	45%
Proceeds from borrowings	530,000,000	-	530,000,000	74,109,822	455,890,178	14%
<b>Total Receipts</b>	<b>633,000,000</b>	<b>-</b>	<b>633,000,000</b>	<b>135,196,299</b>	<b>497,803,701</b>	
<b>Payments</b>						
Purchase of goods and services	28,000,000	-	28,000,000	24,673,629	3,326,371	88%
Non-financial assets motor vehicles	5,000,000	-	5,000,000	4,899,300	100,700	98%
Non-financial assets contracted professional services	60,000,000	-	60,000,000	51,513,548	8,486,452	86%
Non-financial assets - Remuneration	130,000,000	-	130,000,000	54,109,822	75,890,178	42%
Non-financial assets Small workshop tools	130,000,000	-	130,000,000	-	130,000,000	0%
Non-financial assets - buildings	280,000,000	-	280,000,000	-	280,000,000	0%
<b>Total Payments</b>	<b>633,000,000</b>	<b>-</b>	<b>633,000,000</b>	<b>135,196,299</b>	<b>497,803,701</b>	
<b>Surplus or Deficit</b>						

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

.....  


**Carolayne Nyambok**  
**Project Accountant**  
**ICPAK Member No: 5875**

.....  


**Lina Ayako**  
**Project Coordinator**

.....  


**Dr. Margaret Mwakima**  
**Principal Secretary**

## **10. Significant Accounting Policies**

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

### **10.1 Statement of compliance and basis of preparation**

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

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

### **10.2 Reporting entity**

The financial statements are for the Project “ Promotion of Youth Employment and Vocational Training in Kenya (TVET I)” under National Government of Kenya. The financial statements encompass the reporting entity as specified in the relevant legislation PFM Act 2012 .

### **10.3 Reporting currency**

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

### **10.4 Recognition of receipts**

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

#### **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.

**Significant Accounting Policies (Continued)**

**iii) Other receipts**

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

**a) Donations and grants**

Grants and donations shall be recognized in the books of accounts when cash is received. Cash is considered as received when a payment advice is received by the recipient 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.

**b) Proceeds from borrowing**

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

**c) Undrawn external assistance**

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

**d) Recognition of payments**

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

**i) Compensation of employees**

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

### **Significant Accounting Policies (Continued)**

#### **ii) Use of goods and services**

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

#### **iii) Interest on borrowing**

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

#### **iv) Repayment of borrowing (principal amount)**

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

#### **v) Acquisition of fixed assets**

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

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.

#### **e) In-kind donations**

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

**Significant Accounting Policies (Continued)**

**f) Cash and cash equivalents**

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

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

**g) Restriction on cash**

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

**h) Imprests and Advances**

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.

**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:

### **Significant Accounting Policies (Continued)**

- i) It is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; or
- ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

Annex 5 of this financial statement is a register of the contingent liabilities in the year.

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' 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.

### **Significant Accounting Policies (Continued)**

#### **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 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.

#### **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 parties' column in the statement of receipts and payments.

During the year, Kshs 74,109,822 being loan disbursements and Kshs 31,513,548 in form of Grants were received in form of direct payments from third parties (KFW – Germany).

#### **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 recognised in the statements of receipts and payments. The project contract has a specified exchange rate of 1 Euro being equivalent to Kshs. 121.96

**Significant Accounting Policies (Continued)**

**o) Comparative figures**

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

**p) Subsequent events**

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

**q) Prior period adjustments**

Material prior period errors shall be corrected retrospectively in the first set of financial statements authorized for issue after their discovery by: i. restating the comparative amounts for prior period(s) presented in which the error occurred; or ii. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

**11. Notes to the Financial Statements**

**1. Transfers From Government entities**

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

Description	KShs	KShs	Cumulative to-date (from inception)
	<b>2021-2022</b>	<b>2020-2021</b>	
<i>Counterpart funding through The National Treasury</i>			
Counterpart funds GoK	29,572,929	-	29,572,929
<b>Total</b>	<b>29,572,929</b>	<b>-</b>	<b>29,572,929</b>

Notes To The Financial Statements (Continued)

2. Proceeds From Domestic And Foreign Grants

During the 12 months to 30 June 2022, we received grants from donors as detailed in the table below:

Name of Donor	Date received	Amount received in donor currency	Grants received in cash	Grants received as direct payment*	Grants received in kind	Total amount in KShs	
						2021-2022	2020-2021
		USD	KShs	KShs	KShs	KShs	KShs
Grants Received from KFW – Germany	-	258,392	-	31,513,548	-	31,513,548	10,000,000
<b>Total</b>	-	<b>258,392</b>	-	<b>31,513,548</b>	-	<b>31,513,548</b>	<b>10,000,000</b>

**Notes To The Financial Statements (Continued)**

**3. Loan From External Development Partners**

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

Name of Donor	Date received	Amount in loan currency	Loans received in cash	Loans received as direct payment*	Total amount in KShs	
					2021-2022	2020-2021
KfW Development Bank	Various	607,657	-	74,109,822	74,109,822	17,955,681
<b>Total</b>	-	<b>607,657</b>	-	<b>74,109,822</b>	<b>74,109,822</b>	<b>17,955,681</b>

Notes To The Financial Statements (Continued)

4. Purchase Of Goods And Services

	2021/2022		2020/2021	Cumulative to-date
	Payments made by the Entity in Cash	Payments made by third parties		
	KShs	KShs	Total Payments KShs	KShs
Purchase of office furniture and general equipment	9,034,625	-	9,034,625	9,034,625
Domestic travel and subsistence	2,750,200	-	2,750,200	2,750,200
Office and general supplies and services	3,195,064	-	3,195,064	3,195,064
Training payments	4,693,900	-	4,693,900	4,693,900
Fuel Oil and Lubricants/Airline	4,999,840	-	4,999,840	4,999,840
<b>Total</b>	<b>24,673,629</b>	<b>-</b>	<b>24,673,629</b>	<b>24,673,629</b>

Notes To The Financial Statements (Continued)

5. Acquisition Of Non-Financial Assets

	Payments made by the Entity in Cash	Payments made by third parties	Total Payments	Total Payments	Cumulative to-date
	2021-2022	2020-2021	2021-2022	2020-2021	
	Kshs.	Kshs.	Kshs	Kshs	Kshs
Payment for consultancy services for youth empowerment	-	105,623,370	105,623,370	27,955,681	133,579,051
Purchase of vehicles & other transport equipment	4,899,300	-	4,899,300	-	4,899,300
<b>Total</b>	<b>4,899,300</b>	<b>105,623,370</b>	<b>110,522,670</b>	<b>27,955,681</b>	<b>138,478,351</b>

**12. Other Important Disclosures**

**1. External Assistance**

	<b>2021-2022</b>	<b>2020-2021</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
External assistance received as grants	31,513,548	10,000,000
External assistance received as loans	74,109,822	17,955,681
External assistance received in kind- as payment by third parties	-	-
<b>Total</b>	<b>105,623,370</b>	<b>27,955,681</b>

*a). External assistance relating loans and grants*

	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
External assistance received as loans	74,109,822	17,955,681
External assistance received as grants	31,513,548	10,000,000
<b>Total</b>	<b>105,623,370</b>	<b>27,955,681</b>

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**Other Important Disclosures (Continued)**

*b) Undrawn external assistance*

	<b>Purpose for which the undrawn external assistance may be used</b>	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
<b>Description</b>		<b>Kshs</b>	<b>Kshs</b>
Undrawn external assistance - loans	Youth empowerment	2,347,134,496	2,421,244,317
Undrawn external assistance - grants	TVET student scholarships	202,406,452	233,920,000
<b>Total</b>		<b>2,599,540,948</b>	<b>2,655,164,317</b>

*c) Classes of providers of external assistance*

	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
<b>Description</b>	<b>Kshs</b>	<b>Kshs</b>
Multilateral donors – KFW – Germany	105,623,370	27,955,681
<b>Total</b>	<b>105,623,370</b>	<b>27,955,681</b>

**Other Important Disclosures (Continued)**

*d Purpose and use of external assistance*

<b>Payments Made by Third Parties</b>	<b>FY 2021/2022</b>	<b>FY 2020/2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Use of goods and services– consultancy	105,623,370	27,955,681
<b>Total</b>	<b>105,623,370</b>	<b>27,955,681</b>

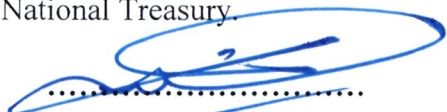
*(N/B the above Sub-Classification has been Adopted Based on the Purpose of the External Assistance and How the External Assistance Was Used).*

### 13. Progress on Follow up of Prior Year Auditor's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
KFW/TVET/GOK /2020-2021(29)	Report on Lawfulness and effectiveness in use of public resources	The procurement of the consultant-Niras Africa Limited was done by KFW to assist the State Department in the implementation of the project. The same is included in the Financing Agreement for Loan Ref: BMZ. No. 2016 67 211 & BMZ. 2016 65 298 and Grant Ref No. 1930 05 527	Not Resolved	

**Guidance Notes:**

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



Dr. Margaret Mwakima  
Principal Secretary



Lina Ayako  
Project Coordinator

14. Annexes

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

	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization	Comments on Variance (below 90% and over 100%)
	a	b	c=a-b	d=b/a %	
<b>Receipts</b>					
Transfer from Government entities	33,000,000	29,572,929	3,427,071	90%	
Proceeds from domestic and foreign grants	70,000,000	31,513,548	38,486,452	45%	Only the consultant implementing the project was paid due to slow procurement processes for contractors.
Proceeds from borrowings	530,000,000	74,109,822	455,890,178	14%	Only the consultant implementing the project was paid due to slow procurement processes for contractors.
<b>Total Receipts</b>	<b>633,000,000</b>	<b>135,196,299</b>	<b>497,803,701</b>	-	
<b>Payments</b>					
Purchase of goods and services	28,000,000	24,673,629	3,326,371	88%	Some office equipment and furniture and fittings had not been purchased by the end of the year
Acquisition of non-financial assets	605,000,000	110,522,670	494,477,330	18%	Only the consultant implementing the project was paid due to slow procurement processes for contractors.
<b>Total payments</b>	<b>633,000,000</b>	<b>135,196,299</b>	<b>497,803,701</b>		

**Annex 2 – Summary of Fixed Assets Register**

<b>FIXED ASSETS REGISTER FOR 2021 – 2022</b>					
<b>ITEM DESCRIPTION</b>	<b>DATE OF PURCHASE</b>	<b>SERIAL NO.</b>	<b>QTY</b>	<b>UNIT PRICE</b>	<b>TOTAL VALUE</b>
	<b>(YEAR)</b>			<b>KSH (.00)</b>	<b>KSH (.00)</b>
Microwave	6/4/2022		2	19,000	38,000
Desktop computers APS	13/4/22	HP ALL IN ONE S.no 8CC1253Q80 8CC123Q8C	2	182,500	365,000
Laptop computers APS	13/4/22	HP Sno CND20904M1 HP Sno CND20904XR HP Sno CND202153Q HP Sno CND20213DF HP Sno CND21008L4	5	199,950	999,750
Laptop computers APS	13/4/2022	HP ENVY 360. SNo. CND14239FQ HP ENVY 360 Sno. CND142377I HP ENVY 360 Sno. CND14238P7 HP ENVY 360 Sno. CND1428P7C HP ENVY 360 Sno. CND141F1WZ	5	199,000	990,000

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Executive chair/visitor chair	23/5/2022		3	17,250	51,750
Printer	24/5/2022		2	109,616	219,232
Executive Desk	24/5/2022		5	98,000	490,000
Executive chair/visitor chair	24/5/2022		5	43,800	219,000
Executive chair/visitor chair	29/5/2022		5	44,000	220,000
Executive chair/visitor chair	29/5/2022		8	18,000	144,000
Orthopedic chair	29/5/2022		3	160,000	480,000
Fire proof cabinet	29/5/2022		5	200,000	1,000,000
Executive desk	29/5/2022		5	99,000	495,000
Four drawer steel cabinet	30/5/2022		5	42,300	211,500
Book shelves	30/5/2022		3	43,800	131,400
Water dispenser	30/5/2022		3	19,000	57,000
Photocopier	31/5/2022		2	490,000	980,000
Printer	10/6/2022		3	111,000	333,000
Desktop computers APS	14/6/22		3	185,000	555,000
Motor Vehicle (Isuzu Double cab P/Up) Chassis No. ACVDSCJRXXK4092588 Engine No. 4JK1-TC	17/5/2022	Serial No. 4JK1WW8308  REG. NO. GK B 639Z	1	4,899,300	4,899,300

## **15. Glossary**

- i) MED- Masters in Education
- ii) MA-ICT- Masters of Arts, Information and Communication Technology.
- iii) BSC-Bachelor of Science
- iv) BA- Bachelors of Arts
- v) CPA (K)- Certified Public Accountant, Kenya
- vi) MBA- Masters of Business Administration
- vii) N/A- Not Applicable
- viii) MA- Masters of Arts
- ix) PFM-Public Finance Management Act
- x) AIE- Authority of Incur Expenditure
- xi) MDAs-Ministries, Departments and Agencies