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<b>REPORT</b>	
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OF	Hon. Naomi Wago, mp Deputy majority whip
TABLED BY:	miriam modo
CLERK AT THE TABLE:	

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE, 2023**

**KISUMU NATIONAL POLYTECHNIC**



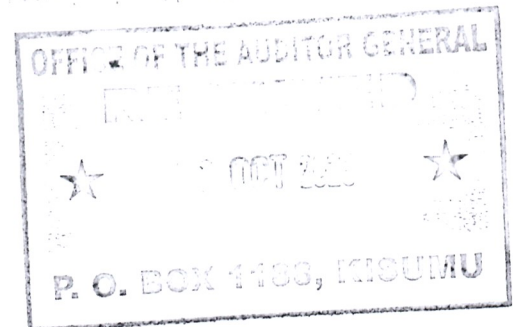


**EASTRIP**  
Skills for Transformation & Regional Integration

**Project Name:** EAST AFRICA SKILLS FOR TRANSFORMATION AND REGIONAL INTEGRATION PROJECT (EASTRIP)

**Implementing Entity:** THE KISUMU NATIONAL POLYTECHNIC

**PROJECT GRANT/CREDIT NUMBER:** 6334-KE



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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2023**

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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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**East Africa Skills for Transformation and Regional Integration Project (EASTRIP)**  
**Reports and Financial Statements**  
**For the year ended 30 June, 2023**

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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 increase the access and improve the quality of TVET programs in selected Regional Flagship TVET Institutes and to support regional integration in East Africa.

**Address:** The project headquarters office is in Kisumu County, Kenya.  
The address of its registered office is P. O. Box 143 – 40100 Kisumu

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

Telephone: (+254) 723 446 773.

E-mail: [info@kisumupoly.ac.ke](mailto:info@kisumupoly.ac.ke)

Website: [www.kisumupoly.ac.ke](http://www.kisumupoly.ac.ke)

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.2 Project information**

Project Start Date:	1 <sup>st</sup> January 2020
Project End Date:	31 <sup>st</sup> December 2024
Project Manager:	Catherine Kelonye (The Chief Principal The Kisumu National Polytechnic)
Project Sponsor:	World Bank

**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
Project number	6334-KE
Strategic goals of the project	<p>The strategic goals of the project are as follows:</p> <p>(a) Students enrolled in selected Regional Flagship TVET Institutes and their partner institutions (non-project TVET institutes) in the country and across the region</p> <p>(b) Employers and targeted industries who will have access to a skilled workforce matched with their needs and standards.</p> <p>(c) Faculty and staff from the selected Regional Flagship TVET Institute whose academic, technical, management, and pedagogical skills will be upgraded and who will function in an improved teaching environment with upgraded facilities and can exchange knowledge and staff with other EASTRIP flagship TVET institutes and countries.</p> <p>(d) Students, faculty, and staff in non-project TVET institutes partnering with the selected flagship TVET institutes who will benefit from knowledge sharing in good TVET management, program development, and instructional practices and from sharing of standards, curriculum, and training facilities</p> <p>(e) Public and private TVET institutes within the East Africa region that will have access to a network of specialized trainers, a framework of core curricular competencies, quality assurance standards, and state-of-the-art facilities for up-to-date training of the workforce in priority sectors in the region.</p>

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Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> <li>Strengthening governance and management.</li> <li>Institutionalizing industry links.</li> <li>Developing market relevant competency-based training programs.</li> <li>Training of TVET managers and teachers.</li> <li>Upgrading key training facilities and equipment.</li> <li>Outreach and support for non-project national TVET institutes.</li> </ul>
Other important background information of the project	<p>By improving the capacity of flagship TVET institutes and expanding the pool of qualified skilled labour in the growing economic sectors, the project will contribute to the high-level objectives of poverty alleviation and economic growth for the participating countries and for the East Africa region. It will also promote regional integration through supporting the regional corridor and sector markets, developing common standards and qualifications, and promoting mobility of students, faculty, and graduates. It is fully aligned with (a) the World Bank’s twin goals of “ending extreme poverty and boosting shared prosperity in a sustainable manner” and (b) the World Bank’s Africa Strategy: to strengthen competitiveness and employment through the production of quality high-skilled human resources in priority growth sectors. The project is also part of the Africa Region’s new Regional Integration Strategy, which emphasizes rebalancing support for ‘hard’ and ‘soft’ infrastructure, addressing barriers to integration in identified priority areas and accelerating private sector leveraging. EASTRIP is aligned with the Country Partnership Frameworks for Ethiopia, Tanzania and Kenya and directly supports strategic focus related to enhancing productivity and accelerating equitable and sustainable growth, boosting human capital and social inclusion, and modernizing and improving efficiency of public institutions.</p>
Current situation that the project was formed to intervene	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> <li>Governance and Management Enhancement</li> <li>Skills Training and Transfer</li> </ul>
Project duration	<p>The project started on 1<sup>st</sup> January, 2020 and is expected to run until 31<sup>st</sup> December, 2024</p>

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**1.4 Bankers**

The following are the bankers for the current year:

- (i) Kenya Commercial Bank Limited.  
Kisumu Branch

**East Africa Skills for Transformation and Regional Integration Project (EASTRIP)**  
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Oginga Odinga Street

AC. NO: 1266955216

### 1.5 Auditors

Office of the Auditor General

P O. BOX 30084-00100 Nairobi

### 1.6 Roles and Responsibilities

The project management team and their responsibilities are as follows: -

Names	Title designation	Key qualification	Responsibilities
Catherine Kelonye	Project Manager	MEd Curriculum & Instruction	Overall Management
Charles Nyangara	Project Coordinator	PHD (Strategic Planning)	Overall management and supervision Long range strategic planning, Decision making
Beatrice Abura	Deputy Project Coordinator	MA Commercial Industrial Art and Design (Textile Design)	Technical Coordination
Linda Ayuku	Deputy Principal - Academics/ Gender and Environment Focal Person	B Tech Electrical Engineering	Coordination of Gender and Environmental Issues
Milton Omollo	Supply Chain Focal Person	MSc-LSCM (Logistics and Supply chain Management)	Supply Chain Management
Thomas O. Nyang'or	Monitoring and Evaluation Focal person	Certified M&E. Dip. Technical Education.	M&E coordination
Evans Onyango	Industry and strategic partnership Focal person	MSc (Information Technology ,Security & Audit)	Coordination of industry and strategic partners
Monica Mmbasu	Project Accountant	Bcom, CPA (K)	Project bookkeeping and accounting
Salim Ramadhan	Industry Advisory Board (IAB) Chairperson	Textile Technology	Chairing IAB Meetings and activities



*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
Annual Report and Financial Statements  
For the year ended 30 June 2023*

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**Funding summary**

The Project is for duration of five years from 2020 to 2024 with an approved budget of EUR € 9,280,000 (use donor currency) equivalent to Kshs. 1,080,000,000 as highlighted in the table below:

Below is the funding summary:

**A. Source of Funds**

Source of funds	Donor Commitment		Amount received to date(30th June 2023)		Undrawn Fund balance to date( 30th June 2023)	
	Donor currency (EUR)	KShs	Donor currency (EUR)	KShs	Donor currency ((EUR)	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
I.Loan						
IDA Loan	9,280,000	1,080,000,000	4,377,191	507,754,172.25	4,933,154	572,245,827
<b>Total</b>	<b>9,280,000</b>	<b>1,080,000,000</b>	<b>4,377,191</b>	<b>507,754,172.25</b>	<b>4,933,154</b>	<b>572,245,827</b>

Note:

*The Donor commitment, Amount received to date and the Fund undrawn balance are based on Spot Exchange rate of 1 Euro = Ksh 116 that was used during Grant Agreement*

**PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)**

**B. Application of Funds**

Applic ation of funds	Amount Received to date(30th June 2023)		Cumulative amount paid to date (30th June 2023)		Unutilized balance to date(30th June 2023)	
	Donor currency (EUR)	KShs	Donor currency (EUR)	KShs	Donor currency (EUR)	KShs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
1.Loan						
IDA Loan	4,377,191.14	507,754,172.25	4,189,931.71	486,032,078.28	187,259.43	21,722,094
<b>Total</b>	<b>4,377,191.14</b>	<b>507,754,172.25</b>	<b>4,189,931.71</b>	<b>486,032,078.28</b>	<b>187,259.43</b>	<b>21,722,094</b>

Exchange rate 1 Euro = Ksh 116

**1.7 Summary of Overall Project Performance:**

- The Budget performance against actual amounts received during the FY 2022/2023 is 85%.
- Physical progress of results since the inception of the project include: Over 1200 trainees have enrolled for both long term courses and short term courses in priority courses including over 50 trainees who were from the regional eastern Africa countries; 120 staff, have been trained on various management and technical courses; 7 have attended industrial attachment and 7 exchange visits Tanzania and Ethiopia; 23 Memorandum of Agreements have been signed with national and international partners; Construction work of the flagship institute reached 70% completion; and teaching, learning and production equipment of are awaiting shipment and delivery.
- The key Implementation challenges include slow disbursement rates.

**1.8 Summary of Project Compliance:**

The Project complied with all the laws and regulations as required. We have not had any cases of noncompliance in the year under review.

## **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 Project Development Objective (PDO) are;

- to increase the access and improve the quality of TVET programs in selected Regional Flagship TVET Institutes
- To support regional integration in East Africa.

The project supports the development of highly specialized TVET programs as well as industry-recognized short-term certificate level training. It will train technicians and provide training of teachers/trainers at the certificate, diploma and degree levels, targeting regional priority sectors in textile technology value chain. The PDO will be achieved through complementary interventions at three different levels, including institutes, national, and regional levels.

### **Progress on attainment of project 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). Attendant indicators and targets were identified for easy tracking of progress and performance measurement: Below we provide the achievements during the FY 2022/2023.

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Objective	Outcome	Indicator	Performance
1. To strengthen governance and management	Improved Leadership and Management Capacity	No of Managers attending capacity building sessions	More than 30 Management staff have undergone various short courses in various institutions.
	Operational Policies and Procedures developed/reviewed	No of New or revised policies made	10 policies and guidelines reviewed and approved.
2. Institutionalizing industry linkages	Strengthened relationship with industry players and stakeholders established	Memorandum of Agreement (MOUs) signed with industries and partner institutions	13 MOUs with clear obligations were signed with industry and partner organizations
		No of IAB meetings held	2 IAB Meetings Held
3. To develop and implement industry responsive competency-based programmes	Increased number both short- and long-term industry responsive and competency-based programmes developed, accredited and implemented	Number of demand-driven programs developed and accredited.	7 long term programs and 2 short term occupational standards developed.
		No of CBET courses launched	
4. To train school managers and teachers	Efficient and Effective School Managers and teachers	Number of teaching staff in RFTITT who attended industrial attachment and staff exchange in other countries for at least 1 month	0 staff attended Industrial attachment.
			3 trainers exchanged in Tanzania
5. To upgrading key training facilities and equipment	Effective learning infrastructure in use.	% completion of Planned construction works.	Construction of RFTITT at over 70% completion.
		% delivery and installation of learning and production equipment	Equipment Bid awarded and goods awaiting shipment. 0% delivered
6. To outreaching and support for non-project national (NPN) TVET	non-project national TVETS engaged and mentored	No of non-project national (NPN) TVET Institutions engaged.	8 NPN TVET participated in international skills competition.
			14 NPN TVET staff trained in sewing Machine Maintenance

### **3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING**

The main objective of the EASTRIP is to provide middle and high level technical workforce to support the development of textile and clothing industry. The specific objectives are: Develop long term Competency Based training programmes in Textile and Clothing Technology; Develop short term Competency Based Skills training programmes in Clothing and Textile Technology; and Enhance regional Integration through provision of scholarships to East African students.

The project is likely to be sustainable beyond the project duration due to several interventions built at the institute and national levels. At the institute level, each Regional Flagship TVET Institute has developed a Strategic Investment Plan(SIP) (a robust implementation plan, including annual implementation plan with budget and responsible parties, and specific time schedule; Procurement Plan; and staff development plan) with technical assistance from experts in partner institutes. As part of the SIP, flagship TVET institutes have developed a set of core training programs benchmarked with international or industry standards. These core programs will help build a brand and create a snowball effect to attract students and investments. Further, SIPs include a plan for income generation, which will increase an institute's ability to strategize income generation, and eventually, enable an institute to become more financially sustainable by increasing self-income. SIPs are building on core mandates of these institutes. Moreover, the project is providing capacity development not only for the technical team but also for the management team in the institutes to strengthen project management ability at the institution level. This will bring more sustainability to project management and implementation even after the project closes.

Each Regional Flagship TVET Institute also strengthens the partnership with industry and brings more industrial support for TVET (for example, sharing equipment and technology, providing industry instructors, more training of students in the enterprise). With the project's support, TVET institutes will be models, and the project will enable governments to get more results from their spending on TVET. Furthermore, partnership with development partners cannot be overlooked because it continues to help strengthen the TVET system in countries and the project complements the existing efforts. Creating partnerships and synergy could help sustain the TVET institutes after the project closes. Furthermore, in the coming years, a huge demand for skilled workers from industry is expected in priority projects in the region and TVET institutes continue to contribute to supplying good quality graduates even after the project ends.

At the national level, the project will provide capacity building for the national TVET system, Specifically in (a) strengthening the national quality assurance system, (b) capacity building for TVET policy, planning, and research, (c) supporting regional integration (enabling cross-country enrollment at flagship TVET institutes), and (d) project management and M&E. This helps countries strategize, plan, implement, and monitor activities in the TVET subsector.

Capacity building permeates the project design and emphasizes the key principles of the World Bank’s Regional Approach to promote Sustainable Capacity Building Outcomes in Africa: (a) sustainability, (b) Leveraging partnerships including both industry and institutional partners, (c) sector oriented and providing technical solutions that are critical to the core functions of TVET institutes such as program development based on industry standards, and finally (d) using the project to create a learning and networking platform at the national and regional levels to strengthen the advocacy for TVET.

## **2. Environmental performance**

The Kisumu National Polytechnic is committed to environmental sustainability. It has therefore taken a proactive approach to addressing environmental challenges that aligns with broader global and national sustainability goals. The polytechnic is guided by its Environmental and Waste Management Policy which is anchored on the ‘Environmental Management and Coordination Act (EMCA). 2015 and the Constitution of Kenya 2010. During the Financial year 2022 – 2023. The polytechnic Safeguard Focal Person and Project director were taken through a World Bank training on environmental and social safeguards. This safeguard team has been keen to ensure that activities in the Environmental and Social Management Plan (ESMP) issues within are done.

To improve biodiversity & green spaces in the polytechnic by planting 2000 trees as seen in the picture provided below.



### **3. Employee welfare**

EASTRIP utilizes The Kisumu National Polytechnic Human Resources Policies to manage the Project staff. The policies appreciate that human capital as the foundation of success and that it is vital in the optimisation of other resources for maximum productivity. TKNP is an equal opportunity employer and is committed in acquiring and retaining staff with the right talent and skills to effectively and efficiently perform their duties to achieve the Polytechnic's vision, mission and strategic objectives. The recruitment, selection, terms and conditions of employment and retention strategies of staff is done competitively through an open and transparent process as per the Kenya Constitution, 2010, Employment Act, 2007, Labour Relations Act, Occupation Safety and Health Act, and TKNP Human Resource Policies and Procedures Manual.

The policy also provides for affirmative action such as gender, age, persons living with disabilities, regional balancing of national values and principles of governance as espoused in Chapter Ten of the Constitution and all potential employees are expected to comply with Chapter Six of the Constitution. The polytechnic has embraced gender equity and has developed a policy for administration and made deliberate efforts to meet the 1/3 gender legal requirement which stands at 50% male and 50 % female.

Employee performance is evaluated through the staff performance appraisal process that provides feedback, reviews progress, reward, develop and inform on employee job fit depending on the skill set possessed.

The polytechnic has developed career progression guidelines which defines recruitment, retention, development, training and promotion on the basis of merit, competence and ability; and eventual improvement of service delivery by the project. It addresses the skills gap, skills growth and general career development. In view of this the project has also greatly invested in capacity building of all the 4 employees attending various seminars, workshops and trainings.

#### **Market place practices-**

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

EASTRIP employs a competitive, sustainable supply chain methods with an emphasis on maintaining or improving the competitive market. Maintaining good business practices and treating suppliers responsibly are essential aspects of ethical and sustainable project management. EASTRIP achieved this by honouring contracts and using respecting payment practices which included:

1. Establishing clear and fair contracts with suppliers which outline all terms and conditions, including pricing, delivery schedules, quality standards, payment terms, and dispute resolution mechanisms.
2. Adhering to agreed-upon payment schedules and terms. Suppliers were paid promptly for goods and services rendered as per the contract.
3. Fair and consistent treatment to all suppliers, regardless of their size or importance to the project.

##### **a) Responsible ethical practices**

EASTRIP has developed and is implementing a comprehensive code of ethics and conduct that outlines expected behavior and standards for all project stakeholders, including employees, contractors, and partners. The Management:

- Developed a code of ethics with clear guidelines on anti-corruption practices, conflicts of interest, and responsible political involvement.
- Establish anti-corruption policies that explicitly prohibit bribery, kickbacks, extortion, and other corrupt practices.
- Communicates these policies to all stakeholders and require them to acknowledge their understanding and commitment to compliance.
- Offers guidance on how to recognize and report potential violations of ethical and anti-corruption standards and operate a Grievance Redress and Mechanism (GRM)
- Conducts thorough due diligence on potential partners, suppliers, and contractors to assess their ethical standards and commitment to anti-corruption principles.

**b) Regulatory impact assessment**

The project appreciates that safeguarding citizen and stakeholder rights in supply chain management is crucial for maintaining ethical and sustainable business practices. The following are the key steps and strategies that EASTRIP is implementing to ensure the protection of these rights:

- EASTRIP upholds international labor standards and regulations, such as those set forth by the International Labour Organization (ILO). Implement fair employment practices, including the prohibition of child labor, forced labor, and discrimination.
- Whistleblower Protection: Implement mechanisms that allow workers and stakeholders to report any violations or concerns related to ethics, human rights, or environmental practices without fear of retaliation.
- Community Engagement: Engage with local communities and stakeholders in areas where your supply chain operates. Understand their concerns and needs, and involve them in decision-making processes when appropriate.
- Stakeholder Dialogue: Establish regular communication channels with stakeholders, including NGOs, advocacy groups, and local communities. Seek their input and feedback on supply chain practices and sustainability initiatives.



## **2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES**

The Kisumu National Polytechnic Management is 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 period ended 30<sup>th</sup> June, 2023. 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 Kisumu National Polytechnic Management 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 Kisumu National Polytechnic Management 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 period ended 30<sup>th</sup> June 2023, and of the Project's financial position as at that date. The Kisumu National Polytechnic Management 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 Kisumu National Polytechnic Management 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 period 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, Kisumu National Polytechnic and the Project Coordinator for EASTRIP Project on 20<sup>th</sup> June, 2023 and signed by them.

  
\_\_\_\_\_

**Chief Principal**  
Catherine K. Kelonye

  
\_\_\_\_\_

**Project Coordinator**  
Asaka Nyangara

  
\_\_\_\_\_

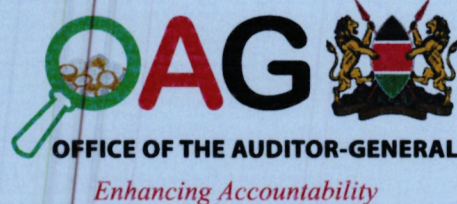
**Project Accountant**  
Monica Mmbasu

ICPAK Member No. 23510



# REPUBLIC OF KENYA

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Anniversary Towers  
Monrovia Street  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON EAST AFRICA SKILLS TRANSFORMATION AND REGIONAL INTEGRATION PROJECT (EASTRIP) GRANT/CREDIT NO. IDA 6334-KE FOR THE YEAR ENDED 30 JUNE, 2023 - KISUMU NATIONAL POLYTECHNIC**

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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 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 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 East Africa Skills Transformation and Regional Integration Project (EASTRIP) Grant/Credit No. IDA 6334-KE Kisumu

National Polytechnic set out on pages 1 to 20, which comprise of the statement of financial assets as at 30 June, 2023, and the statement of receipts and payments, statement of cash flows and statement of comparative 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 Transformation and Regional Integration Project (EASTRIP) as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis Basis) and comply with the terms of the Financing Agreement Grant/Credit No. IDA 6334-KE dated 18 December, 2018 between the International Development Association and the Republic of Kenya and the Performance Financing Agreement between the Government of the Republic of Kenya and Kisumu National Polytechnic dated 14 June, 2019 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 EASTRIP Kisumu National Polytechnic 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**

Section 1 of the financial statements on project information and overall performance shows that the Project duration is 5 years or 60 months from 2020 to 2024, with a donor commitment of EUR 9,280,000 equivalent to Kshs.1,080,000,000. As at 30 June, 2023, the Project had received EUR 4,377,191, equivalent to Kshs.507,754,172 or 47% of total budgeted funds, with lapsed Project duration of forty-two (42) months which is an indication that the project is behind schedule.

### **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.

### **Other Matters**

#### **1. Budgetary Control and Performance**

The statement of comparative budget and actual amounts reflects Kshs.192,754,172 actual receipts against budgeted amount of Kshs.200,000,000 resulting to underfunding

of Kshs.7,245,828. Similarly, the statement reflects actual payments of Kshs.219,473,479 against budgeted amount of Kshs.248,441,403 resulting to under expenditure of Kshs.28,967,924 or 12% of the budget.

In addition, the Management had budgeted to spend an amount of Kshs.250,000,000 on purchase of learning testing and production which was later revised to Kshs.6,000,000 through a budgetary adjustment. However, the Management appear not to have undertaken any of the planned activities as the actual expenditure for the year is reported as Nil. The under-absorption was attributed to undisbursed funds for the activities as the funds that were available had been reserved for the ongoing construction work because the contract had been signed and commitment had been made.

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

## **2. Undisbursed Funds**

According to the information in the funding summary at Section A on page vi of the financial statements shows that the Project received to date EUR 4,377,191 or Kshs.507,754,172.25 while records from the State Department of Vocational Training reflects amount qualified to the Project amounting to EUR 6,441,263.76 or Kshs.747,186,596.16 (exchange rate 116) as at 30 June, 2023, resulting to a variance of EUR 2,064,072.76 or Kshs.239,432,440.16 however, no supporting evidence or explanation was provided for failure to disburse the funds to the Project by the State Department.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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

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

### **Conclusion**

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

## **Basis for Conclusion**

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

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

As required by International Development Association and the Project Grant/Credit Number IDA-6334-KE, 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 East Africa Skills Transformation and Regional Integration Project (EASTRIP), so far as appears from the examination of those records; and
- iii. The Project's financial statements are in agreement with the accounting records and returns.

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

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as 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 overall governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Project to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Project to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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

  
 CPA Nancy Gathungu, CBS  
**AUDITOR-GENERAL**

**Nairobi**


**31 October, 2023**





*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
Reports and Financial Statements  
For the year ended 30 June, 2023*

**3. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE, 2023**

	Receipts and payments controlled by the entity in FY Ended 30th June 2023	Receipts and payments controlled by the entity in FY Ended 30th June 2022	Receipts and payments controlled by the entity by FY 2020/2021	Receipts and payments controlled by the entity in FY 2019/2020	Cumulative to date
	Kshs	Kshs	Kshs	Kshs	Kshs
<b>RECEIPTS</b>					
World Bank Receipts	192,754,172	-	115,000,000	200,000,000	507,754,172
<b>TOTAL RECEIPTS</b>	<b>192,754,172</b>	<b>-</b>	<b>115,000,000</b>	<b>200,000,000</b>	<b>507,754,172</b>
<b>PAYMENTS</b>					
Purchase of goods and services	41,010,464	88,198,751	89,549,031	6,361,542.80	225,119,789
Acquisition of Non-financial Assets					
<b>TOTAL PAYMENTS</b>	<b>178,463,015</b>	<b>78,314,171</b>	<b>561,400</b>	<b>11,405,120</b>	<b>268,743,706</b>
<b>(DEFICIT)/SURPLUS</b>	<b>219,473,479</b>	<b>166,512,922</b>	<b>90,110,431</b>	<b>17,766,663</b>	<b>493,863,495</b>
	<b>(26,719,307)</b>	<b>(166,512,922)</b>	<b>24,889,569</b>	<b>182,233,337</b>	<b>13,890,677</b>

  
**Chief Principal**  
Catherine K. Kelonye

  
**Project Coordinator**  
Asaka Nyangara

  
**Project Accountant**  
Monica Mmbasu


ICPAK Member No.23510

**Annual Report and Financial Statements  
For the year ended 30 June 2023**

**STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2023**

	Note	FY Ended 30th June 2023	FY Ended 30th June 2022	FY Ended 30th June FY 2021
		Kshs	Kshs	Kshs
<b>FINANCIAL ASSETS</b>				
Cash and Cash Equivalents				119,710
Bank Balances	4	21,722,094	48,441,101	182,113,627
<b>Total Cash and Cash equivalents</b>		<b>21,722,094</b>	<b>48,441,101</b>	<b>182,233,337</b>
<b>FINANCIAL LIABILITIES</b>				
Deposits and Retention Monies		-	(7,831,417)	
<b>NET ASSETS</b>		<b>21,722,094</b>	<b>40,609,684</b>	<b>207,122,906</b>
<b>REPRESENTED BY</b>				
Fund balance b/fwd.	6	48,441,401	207,122,906	182,233,337
Surplus / (deficit) for the year		(26,719,307)	(166,512,922)	24,889,569
<b>NET FINANCIAL POSITION</b>		<b>21,722,094</b>	<b>40,609,984</b>	<b>207,122,906</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 28<sup>th</sup> July 2023 and signed by:



**Chief Principal**

Catherine K. Kelonye



**Project Coordinator**

Asaka Nyangara



**Project Accountant**

Monica Mmbasu,  
ICPAK Member No. 23510

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
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**4. STATEMENT OF CASHFLOW FOR THE YEAR ENDED 30 JUNE 2023**

Details	Not e	Current FY Ended 30th June 2023	Comparative for FY Ended 30th June 2022	Comparative for FY Ended 30th June 2021
			Kshs	Kshs
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Receipts from operating activities</b>				
World Bank Disbursement	1	192,754,172	0	115,000,000
<b>Payments for Operating Activities</b>				
Purchase of goods and services	2	41,010,464	88,198,751	89,549,031
<b>Net cash flow from operating activities</b>		<b>151,743,708</b>	<b>(88,198,751)</b>	<b>25,450,969</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			-	-
Acquisition of Non-financial Assets	3	(178,463,015)	(70,482,754)	(561,400)
<b>Net cash flows from Investing Activities</b>		<b>(178,463,015)</b>	<b>(70,482,754)</b>	<b>(561,400)</b>
<b>Net Increase in Cash and Cash Equivalent</b>		<b>(26,719,307)</b>	<b>(158,681,505)</b>	<b>24,889,569</b>
Cash and Cash equivalent at the beginning of the year		48,441,401	207,122,906	182,233,337
<b>Cash and Cash equivalent as at the end of the Period.</b>		<b>21,722,094</b>	<b>48,441,401</b>	<b>207,122,906</b>

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

  
\_\_\_\_\_  
**Chief Principal**

Catherine K. Kelonye

  
\_\_\_\_\_  
**Project Coordinator**

Asaka Nyangara

  
\_\_\_\_\_  
**Project Accountant**

Monica Mmbasu

ICPAK Member No.23510

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)*  
*Reports and Financial Statements*  
*For the year ended 30 June, 2023*

**5. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2023**

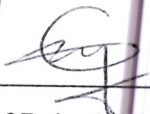
Details	Original Budget FY 2022/2023	Adjustments	Final Budget FY 2022/2023	Actual on Comparable Accumulative Basis FY 2022/2023	Utilization Variance	% of Utilization
	A	b	c=a+b	d	e=c-d	g=d/c
	Kshs	Kshs	Kshs	Kshs	Kshs	
<b>Receipts</b>	<b>672,261,529</b>	<b>(472,261,529)</b>	<b>200,000,000</b>	<b>192,754,172</b>	<b>7,245,828</b>	<b>96%</b>
Retained Earnings	-	48,441,403	48,441,403	48,441,403	-	
Total Receipts	672,261,529	(423,820,126)	248,441,403	241,195,575	7,245,828	96%
<b>Expenses</b>						
1.1 Operational secretariat	18,770,337	(5,670,337)	13,100,000	4,781,600	8,318,400	37%
1.2 Bench marking	16,682,741	(5,682,741)	11,000,000	10,483,008	516,992	95%
1.3 Workshops and Seminars	21,191,224	(15,191,224)	6,000,000	4,506,729	1,493,271	75%
2.0 Institutionalizing Industry Linkages	12,089,797	(3,048,394)	9,041,403	8,058,012	983,391	89%
3.0 Competency based Training	6,257,405	(2,257,405)	4,000,000	3,181,951	818,049	80%
4.0 Training of school managers and trainers	21,115,090	(14,815,090)	6,300,000	5,618,769	681,231	89%
5.1 Purchase of Learning testing and production.	250,000,000	(244,000,000)	6,000,000	-	6,000,000	0%
5.2 Facilities Construction	320,000,000	(135,000,000)	185,000,000	178,463,015	6,536,985	96%
6.0 Outreach and Support to non-project	6,154,935	1,845,065	8,000,000	4,380,395	3,619,605	55%
<b>Total Expenses</b>	<b>672,261,529</b>	<b>(423,820,126)</b>	<b>248,441,403</b>	<b>219,473,479</b>	<b>28,967,924</b>	<b>85%</b>

***East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
Annual Report and Financial Statements  
For the year ended 30 June 2023***

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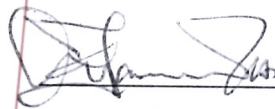
*Note: The balance brought forward of KES. 48,441,403 represents unutilized funds from the financial year 2021/2022 and was rolled over to the financial year under review (2022/2023)*

*The variance in under-absorption on operational costs, workshops and seminars, competency based training of school managers and trainers and outreach and support to TVETs were due to undisbursed funds and the funds that were available were reserved for the ongoing construction work because the contract had been signed and commitment had been made. The procurement process for purchase of equipment was initiated within the financial year but delivery is expected in the next financial year when the payments shall be made.*



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**Chief Principal**  
Catherine K. Kelonye



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**Project Coordinator**  
Dr. Asaka Nyangara



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**Project Accountant**  
Monica Mmbasu  
ICPAK Member No.23510

## **6. SIGNIFICANT ACCOUNTING POLICIES**

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

### **6.1 Basis of Preparation**

#### **6.2 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 reinventions.

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.

### **6.3 Reporting entity**

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

#### **6.3.1 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.

## **6.4 Significant Accounting Policies**

### **1. Recognition of receipts**

The Project recognizes 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 to 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 recognised in the financial statements the time associated cash is received.

**2. 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.

**3. 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.

**4. 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

**5. 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.



## **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **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.

## **6. 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.

## **7. Cash and cash equivalents**

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

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

#### **8. Restriction on cash**

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

### **SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **9. 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.

#### **10. 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.

11. Some of contingent liabilities may arise from: litigation in progress, guarantees, and 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

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.

## **12. 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.

## **13. 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.

#### **14. 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.

#### **15. 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.

#### **16. 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.

**17. Subsequent events**

There have been no events subsequent to the financial year/period end with a significant impact on the financial statements for the period ended June 30, 2023

**18. Errors**

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

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)*  
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*For the year ended 30 June 2023*

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**7. NOTES TO THE FINANCIAL STATEMENTS**

**1. RECEIPTS FROM THE GOVERNMENT ENTITIES**

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

Details	Current FY Ended 30th June 2023	Comparative for FY Ended 30th June 2022	Comparative for FY Ended 30th June 2021	Comparative for FY Ended 30th June 2020	Cummulative from 2019 to Date (30th June 2023)
	KShs	KShs	KShs	KShs	KShs
Grants Received from Bilateral Donors (Foreign Governments)					
World Bank Receipts through the Ministry	192,754,172	-	115,000,000	200,000,000	507,754,172
<b>Grand Total</b>	<b>192,754,172</b>	<b>-</b>	<b>115,000,000</b>	<b>200,000,000</b>	<b>507,754,172</b>

*East Africa Skills for Transformation and Regional Integration Project (EASTRIP)  
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For the year ended June 30, 2021*

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**2. PURCHASE OF GOODS AND SERVICES**

Details	Payments made by the Entity in Cash in FY Ended 30th June 2023	Payments made by the Entity in Cash FY ended 30th June 2022	Payments made by the Entity in Cash FY ended 30th June 2021	Payments made by the Entity in Cash FY ended 30th June 2020	Cumulative to date (30th June 2023)
	Kshs	Kshs	Kshs	Kshs	
Operational secretariat/strengthening Governance	4,781,600	30,928,018	10,437,857	5,166,443	51,313,918.62
Benchmarking	10,483,008	189,000	2372245	1,195,100	14,239,353
Workshops and Seminars	4,506,729	4,401,231	13,688,996		22,596,956.01
Institutionalizing Industry Linkages	8,058,012	14,159,112	7,729,794		29,946,917.73
Competency based Training	3,181,951	15,165,553	22,855,435		41,202,939
Training of school managers and trainers	5,618,769	10,269,820	0		15,888,588.84
Support to Non Project TVET Institutions	4,380,395	6,999,050	2,733,000		14,112,445
Upgrading key training facilities and Consultancy services	-	6,086,967	29731704		35,818,671
<b>Totals</b>	<b>41,010,464</b>	<b>88,198,751</b>	<b>89,549,031</b>	<b>6,361,543</b>	<b>225,119,789</b>

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**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**3. ACQUISITION OF NON-FINANCIAL ASSETS**

Details	Receipts and Payments Controlled by the Entity in the FY Ended 30th June 2023	Receipts and Payments Controlled by the Entity in the FY Ended 30th June 2022	Receipts and Payments Controlled by the Entity in the FY ended 30th June 2021	Receipts and Payments Controlled by the Entity in the FY ended 30th June 2020	Cumulative to date (30th June 2023)
	Kshs	Kshs	Kshs	Kshs	Kshs
Purchase of vehicles & other transport equipment		-		5,119,900	5,119,900
Purchase of office furniture & general equipment		-	561,400	6,285,220	6,846,620
upgrading key training facilities	178,463,015	78,314,171		-	256,777,185.57
<b>Totals</b>	<b>178,463,015</b>	<b>70,482,754</b>	<b>561,400</b>	<b>11,405,120</b>	<b>260,912,289</b>



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**4. Bank Balances**

	FY Ended 30th June 2023	FY Ended 30th June 2022
	KShs	KShs
Kenya Commercial Bank [A/c No 1266955216 ]	21,722,094	48,441,401
Total local currency balances		-
<b>Total bank account balances</b>	<b>21,722,094</b>	<b>48,441,401</b>

The project has one project account spread within the project implementation area and no foreign currency designated accounts managed by the National Treasury as listed below.

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**4. Bank Accounts**

	FY Ended 30th June 2023	FY Ended 30th June 2022
	KShs	KShs
<b>Foreign Currency Accounts</b>		-
Kenya Commercial Bank [A/c No 1266955216 ]	21,722,094	48,441,401
Total local currency balances		-
<b>Total bank account balances</b>	<b>21,722,094</b>	<b>48,441,401</b>

**Special Deposit Accounts**

The project does not maintain a special deposit account. It receives its funding through the Ministry of Education

**5. Deposits and Retention Monies**

	FY Ended 30th June 2023	FY Ended 30th June 2022
Retention monies	23,993,308	7,831,417
<b>Totals</b>	<b>23,993,308</b>	<b>7,831,417</b>

*Note: The balance of this retention is held at ABSA bank under TKNP projects retention account.*

**6. FUND BALANCE BROUGHT FORWARD**

Details	FY Ended 30th June 2023	FY Ended 30th June 2022	FY Ended 30th June 2021
	KShs	KShs	KShs
Bank accounts	21,722,094	48,441,401	207,122,906
Cash equivalents (short-term deposits)	-	-	-
<b>Total</b>	<b>21,722,094</b>	<b>48,441,401</b>	<b>207,122,906</b>

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**8. OTHER IMPORTANT DISCLOSURES**

**1. EXTERNAL ASSISTANCE**

	FY 2022/2023	FY 2021/2022	FY 2020/2021	FY 2019/2020
Description	Ksh	Kshs	Kshs	Kshs
External assistance received as grants		-	-	-
External assistance received as loans	192,754,172	-	115,000,000	200,000,000
<b>Total</b>	<b>192,754,172</b>	<b>-</b>	<b>115,000,000</b>	<b>200,000,000</b>

**9. PRIOR YEAR AUDITOR-GENERAL'S RECOMMENDATIONS**

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)
1.1	This was an Indication of delay in project implementation and Management had not explained interventions that were put in place to recover the lost time.	The project achievement delays were due to the prevailing COVID-19 that occasioned a worldwide lockdown on movement and activities. This was however fast tracked after COVID 19.	Resolved (Currently the institution has achieved the deliverables and has embarked on completion of construction and acquisition of Equipment
1.2	Further, the statement of comparison of budget and actual amounts reflects nil actual receipts against budgeted amount of Kshs.509,122,906 resulting to a 100% underfunding. Similarly, the statement reflects an actual expenditure of Kshs.158,681,506 against budgeted amount of Kshs.509,122,906 resulting to under expenditure of Kshs.350,441,401 or 69% of the budget. Although, the Management attributes the underfunding and under absorption to the effects of COVID-19 pandemic, it is an indication that the goals and objectives of the Project may not have been achieved.	The statement of comparative budget and actual amounts reflects nil actual receipts against budgeted amount because the institution had not spent the advance payment of Kshs 200 Million granted at the beginning of the project.	Resolved, the achievements of the Disbursement Linked Results had not been verified to enable the institution receive disbursements for implementation.

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**ANNEX 1 – SUMMARY OF FIXED ASSETS REGISTER**

Details	Opening Cost	Purchases /Additions in the Year	Disposals in the Year	Closing Cost
	2021/2022	2022/2023		2022/2023
	(KShs)	(KShs)	(KShs)	(KShs)
	(a)	(b)	(c)	(d)= (a)+ (b)- (c)
Transport equipment	5,119,900			5,119,900
ICT Equipment, Software and Other ICT Assets	5,319,460			5,319,460
Office equipment, furniture and fittings	1,527,160	-		1,527,160
Work in progress( Building)	78,314,171	161,618,908	-	239,933,079
<b>Total</b>	<b>90,280,691</b>	<b>161,618,907</b>	<b>0</b>	<b>251,899,598</b>

