



Enhancing Accountability

THE NATIONAL ASSEMBLY

DATE: 09 MAR 2023

REPORT

TABLED BY: Hon. Naomi Wago, MP (Deputy Majority Whip)

CLERK-AT-THE: OF Joyce Hemetelle

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, 2022**

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

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2022

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



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

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

Table of Contents

1. PROJECT INFORMATION AND OVERALL PERFORMANCE	iii
2. STATEMENT OF PERFORMANCE AGAINST PROJECT'S PREDETERMINED OBJECTIVES.....	ix
3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING	xii
2. STATEMENT OF PROJECT MANAGEMENT RESPONSIBILITIES	xvi
3. STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE, 2022.....	1
4. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2022.....	2
5. STATEMENT OF CASHFLOW FOR THE PERIOD 30 JUNE 2022	3
6. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS	4
7. SIGNIFICANT ACCOUNTING POLICIES	5
8. NOTES TO THE FINANCIAL STATEMENTS	11
9. OTHER IMPORTANT DISCLOSURES	16
10. PRIOR YEAR AUDITOR-GENERAL'S RECOMMENDATIONS.....	17

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

Website: www.kisumupoly.ac.ke

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

1.2 Project information

Project Start Date:	The project start date is 01/01/2020
Project End Date:	The project end date is 31/12/2024
Project Manager:	The project manager is Catherine Kelonye
Project Sponsor:	The project sponsor is 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>

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

Achievement of strategic goals	<p>The project management aims to achieve the goals through the following means:</p> <ul style="list-style-type: none"> (i) Strengthening governance and management. (ii) Institutionalizing industry links. (iii) Developing market relevant competency-based training programs. (iv) Training of TVET managers and teachers. (v) Upgrading key training facilities and equipment. (vi) Outreach and support for non-project national TVET institutes.
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"> (i) Governance and Management Enhancement (ii) Skills Training and Transfer
Project duration	<p>The project started on 1st January, 2020 and is expected to run until 31st 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
 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

1.7 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		Undrawn balance to date	
			(30 TH June, 2022)		(30 TH June, 2022)	
	<i>Donor currency (EUR)</i>	<i>KShs</i>	<i>Donor currency (EUR)</i>	<i>KShs</i>	<i>Donor currency (EUR)</i>	<i>KShs</i>
	<i>(A)</i>	<i>(A')</i>	<i>(B)</i>	<i>(B')</i>	<i>(A)-(B)</i>	<i>(A')-(B')</i>
1.Loan						
IDA Loan	9,280,000	1,080,000,000	2,715,517	315,000,000	6,564,483	765,000,000
Total	9,280,000	1,080,000,000	2,715,517	315,000,000	6,564,483	765,000,000

PROJECT INFORMATION AND OVERALL PERFORMANCE (Continued)

B. Application of Funds

Application of funds	Amount Received to date 30 th June, 2022		Cumulative amount paid to date (30 th June, 2022)		Unutilized balance to date (30 th June, 2022)	
	<i>Donor currency (EUR)</i>	<i>KShs</i>	<i>Donor currency (EUR)</i>	<i>KShs</i>	<i>Donor currency ((EUR)</i>	<i>KShs</i>
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
1.Loan						
IDA Loan	2,715,517	315,000,000	2,304,598	274,390,015	410,919	40,609,985
Total	2,715,517	315,000,000	2,304,598	274,390,015	410,919	40,609,985

Exchange rate 1 Euro = Ksh 116

1.8 Summary of Overall Project Performance:

- The Budget performance against actual amounts received during the year is 84.5%.
- There has been improved performance since the inception of the project. Trainings of staff, construction work of the flagship institute has commenced and equipment bid documents have been uploaded on the World Bank portal approval.
- Quality of services and goods purchased met the expectations of the users. Procurement processes were done within the prescribed laws.
- Absorption for the year 2019/2020 was 8.83% which was due to COVID -19 and amount was received in third quarter of the year. For F/Y 2020/2021 absorption was 77%

1.9 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) 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

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

Project	Objective	Outcome	Indicator	Performance
	1. To strengthen governance and management	Project Implementation Unit (PIU) established and operationalized Improved Leadership Capacity Operational Policies and Procedures	% of PIU position filled and operational No of Managers attending capacity building sessions No of New or revised policies made	All 7 positions in the PIU were filled and secretariat operationalized. More than 60 Management staff have undergone various short courses in various institutions. 5 Bench-marking visits Ten reviewed and approved.
	2. Institutionalizing industry linkages	Strategic relationship with industry players and stakeholders established	Memorandum of Agreement (MOUs) signed with industries and partner institutions	12 MOUs with clear obligations were signed with industry and partner organizations
	3. To develop and approve Industry Responsive and 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	Seven long term programs and six short term occupational standards developed.
	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'	8 trainers attached to industries (Rivartex Spinknit, Thika Cloth Mill & Sunflag) 4 trainers exchanged in Ethiopia and Tanzania

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

	5. To upgrading key training facilities and equipment	Effective learning infrastructure in use.	% completion of Planned construction works. % delivery and installation of learning equipment	Construction contract signed and is now 20% work done. Bid tender documents for learning equipment have been uploaded in STEP world bank portal for “no objection”
	6. To outreaching and support for non-project national (NPN) TVET	8 non-project national TVETS engaged	No of non-project national TVETS engaged. No of activities conducted with non-project national TVET	In FY 2021/2022 international skills competition conducted where 8 NPN TVET participated Sensitization workshop for intellectual property was also conducted.

3. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

The Kisumu National Polytechnic exists to transform lives through Industry Responsive and competency based Training and Research. This is our purpose; the driving force behind everything we do. It is what guides us to deliver our strategy, which is founded on five critical success factors in the TKNP strategic Plan: Trainee Achievement, Access and articulation, Research and Innovation, Resource management, Quality Assurance, and excellent Industry and stakeholder relations. Below is a brief highlight of our achievements in each TKNP strategic Change Objective

I. To enhance access, flexibility, and responsiveness to quality TVET training to meet the changing training needs of the trainees and the community.

Based on the Current TVET policy, TKNP is developing and implementing market driven competency based programmes that are responsive to community needs and workforce demands. Over thirteen long term competency-based courses and eight short term courses have been launched.

In collaboration with TVETA and CDACC, 95% of trainers have been trained on development and delivery of these curricula except for new trainers who joined in the second half of the year. The Polytechnic is also in the process of expansion of learning opportunities for electronic access to instructional delivery. Trainee satisfaction is also being improved with the provision of trainee services in course registration, financial aid, and academic advisory. The key challenges experienced is the inadequate number of trainers compared to the number of trainees. However, there has been over 11% increase in number of employees.

II. Provide the necessary human, financial, physical, and technological resources to position TKNP as a Centre of excellence

The Initiatives to be employed under this include strengthen staff capacity by exposing them to various training and workshops, improving work environment, expanding existing ICT infrastructure to address e-learning requirements, enhancing physical and technological infrastructure, facilitate regional integration initiatives, complying and conforming to relevant ISO standards, developing Corporate Social Responsibility (CSR) policy.

III. Foster partnerships with the local and global communities to promote quality in Research, innovations development and strategic partnerships.

The Kisumu National Polytechnic endeavours to promote and develop innovations capacity, culture and advocacy of its staff and trainees. This is done by holding internal and participating in external trade fairs, competitions, shows and conferences. In the FY 2021/2022, TKNP held the fourth international multi-disciplinary conference and second national skills competition. This activity attracted industry stakeholders, National Polytechnics, Technical Vocational Colleges, Vocational Training Centres, Research institutions and Universities. The polytechnic signed more than twelve memoranda of agreements with stakeholders. The polytechnic staff

also attended more than four institutional and professional conferences held by other TVET institutions and professional bodies.

2. Environmental performance

The Kisumu National Polytechnic is guided by the 'Environmental stewardship Policy' which is based on the Environmental Management and Coordination Act (EMCA) amended 2015 and the National Constitution. TKNP is committed to running its business in a responsible, environmentally sound and sustainable manner. The polytechnic undertook two environment social impact assessments for two of the new projects, the output being the Environmental and Social Management Plan (ESMP), which was approved by NEMA, the regulatory authority. The plan stipulates the measures to be undertaken to environmental sustainability and is incorporated in contract agreement. Over three thousand trees and grass were planted in the campus as part of the greening strategy and erosion control. A green corner is in the process of being established. The institution has moved away from use of firewood to Liquid Petroleum Gas (LPG) which emits less carbon and therefore more efficient. The landscape of the institution has been landscaped for not only aesthetic value but also to purify the air and control erosion. All new building designs take consideration of airflow, natural lighting and rainwater harvesting.

3. Employee welfare

The Kisumu National Polytechnic appreciates that Human Capital is the foundation of our 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 61% male and 39 % 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 at The Kisumu National Polytechnic. It addresses the skills gap, skills growth and general career development. In view of this the Polytechnic has

also greatly invested in capacity building of its employees with both academic and non-academic staff totalling 145 to attending various seminars, workshops and trainings.

Market place practices-

Responsible competition practice:-

The Kisumu National Polytechnic strives to develop a competitive, sustainable supply chain with an emphasis on maintaining or improving the competitive market. The polytechnic prefers open tendering process and use of standard procurement documents which embed ethical requirements.

TKNP maintains a professional and collaborative relationship with its suppliers. This is done through making prompt payments and the suppliers are assisted in obtaining credit from various financial institutions at their request.

TKNP ensures that all sectors of the community are given a fair chance to participate in its supply chain. During the financial year under review, sensitization workshop on available procurement opportunities was held where persons with disability, women and youth attended. More than 50% of the procurement budget was awarded to this special group.

TKNP believes that it is its duty to market its products, services and brands in a responsible and transparent manner. In practice the polytechnic comply with international principles. This includes but are not limited to:

- Advertising must be truthful and shall not include misleading facts or statements.
- Marketing must not exploit the inexperience or credulity of young people.
- Parents (and other legal guardians) must not be undermined.

As part of good product steward, TKNP ensures that all the goods and services offered are of reasonable quality. This is achieved by taking all products through a rigorous quality assurance system of the polytechnic.

Corporate Social Responsibility / Community Engagements

Corporate Social responsibility (CSR) is a global practice employed by organisations to integrate, social, economic and environmental concerns into their value, culture, decision making, strategy and operations in a transparent and accountable manner. CSR enables organisations to establish best commercial practice as well as improve society. This helps improve institutional reputation and operational efficiency and reduce risk exposure while encouraging loyalty.

In reference to our mission statement, TKNP is committed to maintain the highest standards of CSR in its operations in order to safeguard the interests of all stakeholders. This ensures accountability of council and management hence builds public trust in the institution.

Our institution initiates and supports community investments and educational programs. Its volunteering and philanthropy is driven through in an internal team called the Governing Council. The council is tasked with identifying organizations, volunteer events and day of service activities, donations and philanthropic funding candidates to support, and organizing all of these activities is part of an internal community effort inside the institution in order to provide greater focus for all.

Through these programs (internal and external) we proactively improve our community and promote a culture of responsibility and giving across our institution. TKNP volunteer events throughout community but also hosts events on behalf of other organizations.

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

During the financial year 2021/2022 TKNP was able to conduct two main activities as outlined below:

- Visiting Agape children's home in Kibuye
- Mentoring and disability outreach in Joyland special school



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 30th June, 2022. This responsibility includes: (i) Maintaining adequate financial management arrangement and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Project; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Project; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The 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 30th June 2022, 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 30.6.22, 2022 and signed by them.



Chief Principal
Catherine K. Kelonye



Project Coordinator
Asaka Nyangara



Project Accountant
Monica Mmbasu
ICPAK Member No. 23510

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON EAST AFRICA SKILLS TRANSFORMATION AND REGIONAL INTEGRATION PROJECT (EASTRIP) GRANT/CREDIT NO.IDA 6334-KE FOR THE YEAR ENDED 30 JUNE, 2022 - KISUMU NATIONAL POLYTECHNIC

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, gazetted notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment, and the internal controls developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

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 set out on pages 1 to 17, which comprise of the statement of financial assets as at 30 June, 2022,

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, 2022 - Kisumu National Polytechnic

and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of East Africa Skills Transformation and Regional Integration Project (EASTRIP) as at 30 June, 2022, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis Basis) and comply with the Public Finance Management Act, 2012 and 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.

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.

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 Matter

Budgetary Control and Performance

Section 1.2 of the financial statements on project information and overall performance indicates that the Project duration is five (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, 2022, the Project had received EUR 2,715,517 equivalent to Kshs.315,000,000 or 29% of total budgeted funds, with lapsed project duration of 30 months or 50% of the project timeline. Further, out of the total amount received as at 30 June, 2022 of Kshs.315,000,000, only Kshs.274,390,015 had been spent on project activities representing 25.4% of the donor project commitment amount of Kshs.1,080,000,000 and an 87% absorption rate of the received funds.

This is an indication of delay in project implementation and Management has not explained interventions that have been put in place for recovery of the lost time.

Further, the statement of comparison of budget and actual amounts reflects nil actual receipts against budgeted amount of Kshs.509,122,906 resulting to underfunding of the same amount. 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 representing a 69% under-absorption. Although, the Management has attributed the underfunding and under absorption to the effects of COVID-19 pandemic mitigation measures, it is an indication that the goals and objectives of the Project may not have been achieved.

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 the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Responsibilities of Management and those Charged with Governance

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

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as to sustain its 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 the Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal 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


03 November, 2022


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

3. **STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED 30 JUNE, 2022**

		FY 2021/2022	FY 2020/2021	FY 2019/2020	Cumulative to date
	Note	Receipts and payments controlled by the entity	Receipts and payments controlled by the entity	Receipts and payments controlled by the entity	
		Kshs	Kshs	Kshs	Kshs
RECEIPTS					
World Bank Receipts	1		115,000,000	200,000,000	315,000,000
TOTAL RECEIPTS			115,000,000	200,000,000	315,000,000
PAYMENTS					
Purchase of goods and services	2	88,198,751	89,549,031	6,361,543	184,109,325
Acquisition of Non-financial Assets	3	78,314,171	561,400	11,405,120	90,280,691
TOTAL PAYMENTS		(166,512,922)	90,110,431	17,766,663	274,390,016
(DEFICIT) SURPLUS		(166,512,922)	24,889,569	182,233,337	40,609,984


Chief Principal
 Catherine K. Kelonye


Project Coordinator
 Asaka Nyangara


Project Accountant
 Monica Mmbasu
 ICPAK Member No.23510

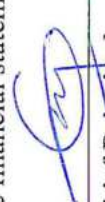
East Africa Skills for Transformation and Regional Integration Project (EASTRIP)
Annual Report and Financial Statements
For the year ended 30 June 2022

4. STATEMENT OF FINANCIAL ASSETS AS AT 30 JUNE 2022

	Note	FY 2021/2022 Kshs	FY 2020/2021 Kshs
FINANCIAL ASSETS			
Cash and Cash Equivalents			
Bank Balances	4.1	48,441,401	207,122,906
Cash Balances	4.2	-	-
Total Cash and Cash equivalents		48,441,401	207,122,906
TOTAL FINANCIAL ASSETS		48,441,401	207,122,906
FINANCIAL LIABILITIES			
Payables – Retention	5	(7,831,417)	-
NET ASSETS		40,609,984	207,122,906
REPRESENTED BY			
Fund balance b/fwd.	6	207,122,906	182,233,337
Surplus / (deficit) for the year		(166,512,922)	24,889,569
NET FINANCIAL POSITION		40,609,984	207,122,906

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

The financial statements were approved on 30/9/2022 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, 2022


5. STATEMENT OF CASHFLOW FOR THE PERIOD 30 JUNE 2022

	Note	2021 - 2022	2020- 2021
		Kshs	Kshs
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from operating activities			
World Bank Receipts	1	-	115,000,000
Payments for operating activities			
Purchase of goods and services	2	(88,198,751)	(89,549,031)
Adjustments during the year			
Prior year adjustments			
Decrease/Increase in accounts receivables		-	
Increase/decrease in accounts payables			
Net cash flow from operating activities		(88,198,751)	25,450,969
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of Non-financial Assets	3	(70,482,754)	(561,400)
Net cash flows from Investing Activities		(70,482,754)	(561,400)
CASHFLOW FROM BORROWING ACTIVITIES			
Proceeds from Foreign Borrowings			
Net Cash flow from Financing activities			
NET INCREASE IN CASH AND CASH EQUIVALENT		(158,681,505)	24,889,569
Cash and Cash equivalent at the Beginning of the Year		207,122,906	182,233,337
Cash and Cash equivalent at the End of the Year		48,441,401	207,122,906

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, 2022

6. STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNTS

Consolidated	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Utilization Variance	% of Utilization
	A	B	C=A+B	D	E=C-D	F=D/C%
Receipts						
Balance B/F				207,122,906		
World Bank Receipts	300,000,000	209,122,906	509,122,906		509,122,906	-
Total Receipts	300,000,000	209,122,906	509,122,906	207,122,906	509,122,906	
Payments						
Operational secretariat	14,270,000	16,840,130	31,110,130	30,928,018	182,112	97%
Benchmarking	3,000,000	3,432,655	6,432,655	189,000	6,243,655	3%
Workshops and Seminars	3,350,000	24,910,054	28,260,054	4,401,231	23,858,824	18%
Institutionalizing Industry Linkages	8,800,000	14,860,206	23,660,206	14,159,112	9,501,094	60%
Competency based Training	26,900,000	6,144,565	33,044,565	15,165,553	17,879,012	46%
Training of school managers and trainers	21,500,000	32,500,000	54,000,000	10,269,820	43,730,180	19%
Upgrading key training facilities and equipment	217,010,000	99,288,296	316,298,296	76,569,722	239,728,574	24%
Outreach and Support to TVETs	5,170,000	11,147,000	16,317,000	6,999,050	9,317,950	43%
Total Payments	300,000,000	209,122,906	509,122,906	158,681,506	350,441,401	31%

Note: The balance brought forward of KES.209, 122,906 represents unutilized funds from the financial year 2020/2021 and was rolled over to the financial year under review (2021/2022)

The variance in under-absorption on benchmarking, workshops, seminars, 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.
Note: The balance brought forward of KES.207, 122,906 represents unutilized funds from the financial year 2020/2021 and was rolled over to the financial year under review (2021/2022)

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


Chief Principal
 Catherine K. Kelonye


Project Coordinator
 Dr. Asaka Nyangara


Project Accountant
 Monica Mmbasu
 ICPAK Member No.23510

7. SIGNIFICANT ACCOUNTING POLICIES

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

7.1 Basis of Preparation

7.2 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.

7.3 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.

7.3.1 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.

7.4 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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2022.

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.

8. NOTES TO THE FINANCIAL STATEMENTS

1. RECEIPTS

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

	2021/22	2020/21	2019/20
		KShs	KShs
<i>Counterpart funding through Ministry</i>			
Total	-	-	-
<i>Grants Received from Bilateral Donors (Foreign Governments)</i>			
World Bank	-	115,000,000	200,000,000
Total	-	115,000,000	200,000,000

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. PURCHASE OF GOODS AND SERVICES

	FY 2021/2022	FY 2020/2021	FY 2019/2020	Cumulative to March 31, 2022
	Payments made by the Entity in Cash KShs	Payments made by the Entity in Cash KShs	Payments made by the Entity in Cash KShs	Payments made by the Entity in Cash KShs
Operational secretariat/strengthening Governance	30,928,018	10,437,857	5,166,443	46,532,318
Bench marking	189,000	2,372,245	1,195,100	3,756,345
Workshops and Seminars	4,401,231	13,688,996	-	18,090,227
Institutionalizing Industry Linkages	14,159,112	7,729,794	-	21,888,906
Competency based Training	15,165,553	22,855,435	-	38,020,988
Training of school managers and trainers	10,269,820	-	-	10,269,820
Upgrading key training facilities and equipment	6,086,967	29,731,704	-	35,818,671
Outreach and Support to TVETs	6,999,050	2,733,000	-	9,732,050
TOTAL	88,198,751	89,549,031	6,361,543	184,109,325

NOTES TO THE FINANCIAL STATEMENTS (Continued)

3. ACQUISITION OF NON-FINANCIAL ASSETS

	2021/2022	2020/2021	Payments made by third parties	2019/2020	Cumulative to-date
	Payments made by the Entity in Cash Kshs	Payments made by the Entity in Cash Kshs	Kshs	Total Payments Kshs	Kshs
Purchase of vehicles & other transport equipment	0	-	0	5,119,900	5,119,900
Purchase of office furniture & general equipment		561,400	0	6,285,220	6,846,620
Building (Work in Progress)	78,314,171				78,314,171
Total	78,314,171	561,400	0	11,405,120	90,280,691

4. CASH AND CASH EQUIVALENTS

	2021/2022	2020/2021	2019/2020
	Kshs	Kshs	Kshs
Bank accounts (Note 4.1) as at June 2022	48,441,401	207,122,906	182,113,627
Cash in hand	-	-	119,710
Total	48,441,401	207,122,906	182,233,337

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 be

4.1 Bank Accounts

Project Bank Accounts

	2021/22	2020/21
	KShs	KShs
<u>Foreign Currency Accounts</u>	-	-
Central Bank of Kenya [A/c No.....]	-	-
Kenya Commercial Bank [A/c No.....]	-	-
Co-operative Bank of Kenya [A/c No.....]	-	-
Others (<i>specify</i>)	-	-
Total Foreign Currency balances	-	-
<u>Local Currency Accounts</u>	-	-
Kenya Commercial Bank [A/c No 1266955216]	48,441,401	207,122,906
Total local currency balances	48,441,401	207,122,906
Total bank account balances	48,441,401	207,122,906

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

Special Deposit Accounts

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

4.2 Cash in Hand

	2021/22	2020/21	2019/20
	Kshs	Kshs	Kshs
The Kisumu National Polytechnic	-	-	119,710
Total cash balances	-	-	119,710

5. Deposits and Retention Monies

	2021/22	2020/21
	KShs	KShs
Certificate No.1	4,494,264	-
Certificate No.2	3,337,153	-
Total	7,831,417	-

6. FUND BALANCE BROUGHT FORWARD

	2021/2022	2020/2021	2019/2020
	KShs	KShs	KShs
Bank accounts	48,441,401	207,122,906	182,113,627
Cash in hand	0	0	119,710
Cash equivalents (short-term deposits)	0	0	-
Outstanding imprest and advances	0	0	-
Total	48,441,401	207,122,906	182,233,337

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

9. OTHER IMPORTANT DISCLOSURES

1. EXTERNAL ASSISTANCE

	FY 2021/2022	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs	Kshs
External assistance received as grants	-	-	-
External assistance received as loans	-	115,000,000.00	200,000,000
Total	-	115,000,000.00	200,000,000

a). External assistance relating loans and grants

	FY 2021/2022	FY 2020/2021	FY 2019/2020
Description	Kshs	Kshs	Kshs
External assistance received as loans	-	115,000,000	200,000,000
External assistance received as grants	-	-	-
Total	-	115,000,000	200,000,000

10. 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	There was budget under-absorption of 70% for the Project.	COVID-19 slowed down the activities of the project.	Resolved (Absorption for the FY ended 30 th June 2022 was 84.6%.
1.2	The Work plan for the FY 2020/2021 was approved 2months after the close of the year and the Budget was not approved by the National Project Steering Committee.	There was a delay in the constitution of National Steering Committee by the Ministry.	Resolved(Work Plan and approved)

ANNEX 1 – SUMMARY OF FIXED ASSETS REGISTER

Asset class		Purchases /Additions in the Year	Disposals in the Year	
	Opening Cost	(KShs)	(KShs)	Closing Cost
	(KShs)	2021/2022	2021/2022	(KShs)
	2020/2021			2021/2022
	(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	-	78,314,171	-	78,314,171
Total	11,966,520	78,314,171	-	90,280,691