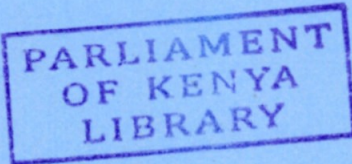


REPUBLIC OF KENYA



*Enhancing Accountability*

# REPORT



OF

THE AUDITOR-GENERAL

ON

EAPC KARUGUARU VOCATIONAL AND  
TRAINING CENTRE

FOR THE YEAR ENDED  
30 JUNE, 2025

THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 08 APR 2026	DAY: Wed
TABLED BY:	Hon. Samuel Chepkong'o
CLERK-AT THE-TABLE:	Mado

11

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**E.A.P.C. KARUGUARU VOCATIONAL TRAINING CENTRE**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30<sup>TH</sup> JUNE 2025**

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

**COUNTY GOVERNMENT OF THARAKA NITHI**  
**COUNTY TREASURY**



**Telephone: 1513**

**Email: [treasury@tharakanithi.go.ke](mailto:treasury@tharakanithi.go.ke)**

**REF: TNC/FIN/CRH/Vol. I/02**

**P. O. BOX 10-60406**

**KATHWANA**

**Date: 12<sup>th</sup> August 2025**

The Auditor General  
Embu Hub  
P.O. Box 113 – 60400  
**EMBU**

**RE: E.A.P.C KARUNGUARU VOCATIONAL TRAINING CENTRE**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS FY 2024/25**

In accordance to Public Financial Management Act 2012, Section 166 (1), we hereby submit E.A.P.C Karunguaru Vocational Training Centre Report and Financial Statements for the year ended 30<sup>th</sup> June, 2025

Please find enclosed report for your necessary action.

Thank you

Lawrence K. Ileri Rweria

**CECM- Finance, Economic Planning and Revenue Mobilization**

cc

- The Clerk, County Assembly of Tharaka Nithi
- The Director General, Accounting Services and Quality Assurance
- The Commission on Revenue Allocation
- Office of the Controller of Budget

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**1. ACRONYMS, ABBREVIATIONS, AND DEFINITIONS OF KEY TERMS**

E.A.P.C. KVT	East Africa Pentecostal Church Karugaru Vocational Training Centre
TVET	Technical and Vocational Education and Training
BOM	Board of Management
MoE	Ministry of Education
TTI	Technical Training Institute
VTC	Vocational Training Centre
FY	Financial Year
GOK	Government of Kenya
KRA	Kenya Revenue Authority
TSC	Teachers Service Commission
KNEC	Kenya National Examinations Council
BOM	Board of Management
NITA	National Industrial Training Authority
PPE	Property, Plant and Equipment
P&L	Profit and Loss Account
IFRS	International Financial Reporting Standards
CapEx	Capital Expenditure
OpEx	Operational Expenditure
CoC	Code of Conduct
CSR	Corporate Social Responsibility
ESG	Environmental, Social, and Governance
KPIs	Key Performance Indicators

## 2. KEY ENTITY INFORMATION AND MANAGEMENT

### (a) Background information

E.A.P.C Karuguaru Vocational Centre was established on 15/05/2015 through east Africa Pentecostal church in Kenya and the community within the area. The institution is located in Gaunga Ward, Tharaka North subcounty in Tharaka Nithi County on L.R NO. THARAKA NITHI/GATUNGA/1475. It was later registered under the County Department of technical Education and Vocational Training. (TVET) Act no 29 of 2013 as per certificate of registration number TVETA/PUBLIC/VTC/0009/2024 and is domiciled in Kenya

E.A.P.C Karuguaru Vocational Centre serves as a critical training hub for youth and adult learners in the region, offering both technical and artisan courses. The college is structured into the following departments:

- Building and Masonry
- Dress making and tailoring
- Hairdressing and beauty

### (b) Principal Activities

The principal mandate of E.A.P.C Karuguaru Vocational Centre is to provide accessible, quality, and practical vocational training that promotes self-reliance, innovation, and employability. The Centre plays a key role in aligning its curriculum with industry demands and county development priorities.

#### **Vision:**

To be a leading centre of excellence in technical and vocational education for sustainable development.

#### **Mission:**

To empower learners with relevant technical skills, knowledge, and attitudes through quality training, innovation, and partnerships.

#### **Core Objectives:**

- To equip trainees with market-driven and practical skills.
- To foster innovation and entrepreneurship among graduates.
- To promote community development through outreach and extension services.
- To maintain high standards of training in compliance with national and global best practices.

**(c) Key Management**

The entity's day-to-day management is under the following key organs:

SN.	Name	Position
1.	Philip Musyoka kariuki	Manager / Principal
2.	Damas murithi	Treasurer
4.	Samuel Mugambi	Head of Departments
4	Faith Karea	Accounting Clerk

**(d) Fiduciary Management**

Key fiduciary officers with direct oversight during the financial year ending 30th June 2025:

SN.	Name	Designation
1.	Abraham Mugambi Magwanthi	Chairman BOM
2.	Philip Musyoka Kariuki	Manager / Principal
3.	Damas Muriithi	Treasurer

**(e) Fiduciary Oversight Arrangements**

E.A.P.C Karuguaru VTC upholds strong fiduciary practices through the following committees:

- **Audit and Risk Committee:** Reviews internal controls, risk assessments, and audit reports.
- **Finance and Operations Committee:** Oversees budgeting, procurement, and financial performance.
- **Academic Committee:** Reviews training programs, exam integrity, and curriculum development.
- **Development Committee:** Monitors donor-funded projects, infrastructure upgrades, and partnerships.

**(f) Entity Headquarters**

Address:

P.O. Box 103-60406, Gatunga,  
Karuguaru Village, Gatunga Ward  
Tharaka Nithi County, KENYA

**(g) Entity Contacts**

Telephone: (254) 717069483

**(h) Entity Bankers**

Co-operative Bank of Kenya  
P.O. Box 100, Marimanti branch

Transnation Sacco  
P.O. Box 15-60400 chuka

**(i) Independent Auditors**





Auditor-General  
Office of Auditor General  
Anniversary Towers, Institute Way  
P.O. Box 30084  
GPO 00100  
Nairobi, Kenya

**(j) Principal Legal Adviser**



The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112  
City Square 00200  
Nairobi, Kenya

The County Attorney  
County Government of Tharaka Nithi  
P.O. Box 10 - 60400  
**KATHWANA**

3. THE BOARD OF MANAGEMENT

Member/ Director	Details
 <p>Chairman Abraham Mugambi Magwanthi</p>	<p>He holds a Bachelor of Arts (Economics and Mathematics), diploma in banking and finance currently works with KCB bank as a manager</p>
 <p>Vice Chair Jane Kawira Ichiabi</p>	<p>She holds a diploma in social works and community development</p>
 <p>Treasurer Damas Mwithi Kaimba</p>	<p>He holds a certificate in building and construction</p>
 <p>Secretary Philip Musyoka Kariuki</p>	<p>He holds a certificate in instructors training from KTC and motor vehicle mechanic Grade I</p>

**4. KEY MANAGEMENT TEAM**

S/No.	Member/ Director	Details
1.	 Philip Musyoka Kariuki	He is the manager and the principal of the institution
2.	Samuel Mugambi	Head of all departments and the general checker of all vocational faculties
3.	 Faith Karea	In charge of the institution's book of accounts and the day-to-day operation of the institution's accounting activities

## **5. CHAIRMAN'S STATEMENT**

It gives me great pleasure, on behalf of the Board of Management, to present the Annual Report and Financial Statements for E.A.P.C Karugaru Vocational Centre for the year ending 30th June 2025. This report encapsulates our collective achievements, challenges, and strategic direction during the 2024/2025 financial year. As a vocational training institution rooted in community values and driven by excellence, our focus remained steadfast on transforming the centre into a hub for technical skill development, innovation, and socio-economic empowerment.

### **Strategic Highlights**

During the year under review, we made significant strides in aligning our operations and programs with our long-term vision. The following milestones were achieved:

- Infrastructure Development:
  - Renovation of the administration block, enhancing office space functionality and service delivery.
- Enrollment Growth:
  - A 25% increase in student enrollment, with notable uptakes in dressmaking and tailoring, and building and masonry.
  - This growth reflects improved awareness and confidence in the quality of our training programs.
- Environmental conservation:
  - Successful tree planting and a working nursery bed to enhance a quality environment and general environmental conservation
- Technical Equipment Upgrades:
  - Through support from the County Government of Tharaka Nithi, the Ministry of Education, and development partners, we procured up-to-date tools and equipment for the dressmaking and building construction departments.
  - These resources have elevated the standard of practical instruction and increased student confidence and performance.

### **Partnership and Collaboration**

The success of the institution continues to be driven by meaningful partnerships. We wish to acknowledge the active involvement and generous support from:

- The County Government of Tharaka Nithi
- The State Department for Vocational and Technical Training
- Local and international development partners
- The local community, who continue to entrust us with the training of their youth

These partnerships have made it possible for the Centre to expand its reach, enhance its training quality, and improve operational efficiency.

### **Challenges Faced**

While we celebrate our achievements, we also acknowledge the challenges that hindered optimal performance during the year. Key among them were:

- **Delayed Capitation Disbursements:**
  - Interruptions in the timely release of government funding impacted budget execution and slowed down the implementation of some programs.
- **Inadequate Hostel Capacity:**
  - The surge in student numbers led to overcrowding, especially during intensive training periods. This affected the comfort and well-being of some students.
- **Shortage of Trainers:**
  - There remains an urgent need for qualified trainers, especially in high-demand courses such as carpentry and masonry, to match student demand and curriculum scope.

### **The Way Forward**

In response to the above challenges and in pursuit of our strategic objectives, the Board has laid out the following priorities for the upcoming financial year:

- **Workshop Expansion:**
  - Construction of additional workshop spaces for hands-on training, especially in technical courses.
- **Curriculum Diversification:**
  - Introduction of modern and market-relevant courses, including mechatronics, agritech, and renewable energy systems.
- **Community-Based Outreach Programs:**
  - Scaling up training programs targeting rural youth and women to enhance self-reliance and local economic development.
- **Capacity Building:**
  - Recruitment of qualified trainers and continuous professional development for existing staff to maintain high teaching standards.

### **Appreciation**

On behalf of the Board of Management, I express my heartfelt gratitude to:

- The Principal, for his leadership and unwavering commitment
- The teaching and non-teaching staff, for their resilience and dedication
- Our students, for their discipline and pursuit of excellence
- The community, for its continued trust and support
- The County Government, Ministry of Education, and partners, for their collaboration and resource support

Together, we have laid a firm foundation for growth and transformation.

**Commitment to Excellence**

As we look ahead, we reaffirm our commitment to positioning E.A.P.C Karugaru Vocational Training Centre as a model institution for vocational excellence, not only in Tharaka Nithi County but across Kenya. We remain focused on innovation, inclusivity, and quality training that prepares our youth for meaningful careers and nation-building.

**Signed:**



.....  
Abraham Mugambi Magwanthi  
Chairman, Board of Management

**Date: 16<sup>th</sup> July 2025**

## **6. REPORT OF THE PRINCIPAL/MANAGER**

It is with great honor and satisfaction that I present this report on the operations and performance of E.A.P.C Karugaru Vocational Centre for the financial year ended 30th June 2025. This year has marked a significant phase in our journey, defined by growth in enrollment, expansion of infrastructure, enriched academic delivery, and increased community impact.

Our commitment to quality vocational education remains unwavering, and I take pride in the progress we have collectively achieved through the dedication of our staff, support from the Board of Management, and strong partnerships with stakeholders.

### **Academic Progress**

The 2024/2025 academic year witnessed a 25% increase in student intake, bringing the total to 40 active trainees across all six departments. This growth is a testament to the Centre's reputation as a trusted provider of hands-on, competency-based training.

The most popular and high-performing courses during the year were:

- ✓ Hairdressing and beauty therapy
- ✓ Agribusiness
- ✓ Dress making and tailoring

These programs continued to attract interest due to their market relevance and strong employment potential.

Further, our instructors benefited from targeted Continuous Professional Development (CPD) programs in Competency-Based Curriculum (CBC) implementation and digital learning methodologies. These initiatives, coordinated in partnership with TVETA and county trainers, have significantly elevated teaching quality and learner engagement.

### **Infrastructure Development**

In line with our 3-year strategic infrastructure plan, we completed the following key projects:

Renovation of four old classrooms, transforming them into modern, learner-friendly spaces.

Establishing a tree nursery and planting trees

These infrastructural improvements have not only created a conducive environment for learning but have also positioned the Centre as a model institution in the region.

### **Financial Management**

Our financial performance for the year was commendable. The institution achieved a 93% budget absorption rate, demonstrating prudent and timely utilization of resources.

- Over KES 400,000 was received in both development and recurrent grants, supporting our operations and development agenda.
- We maintained strict financial discipline, ensuring that no major supplier payments or statutory obligations were carried forward into the next fiscal year.
- The institution's internal controls were strengthened, and all audits during the year received clean reports.

### **Challenges Encountered**

Despite our many successes, several challenges affected operations and service delivery: Limited staff capacity, particularly in the Masonry and dressmaking departments, which restricted our ability to scale high-demand courses.

Delayed release of government capitation funds, which hampered consistent planning and forced adjustments to the academic calendar.

Inadequate library space and limited access to updated reference materials, which hindered research and independent learning.

Lack of power supply, which hinders the establishment of prior courses in the institution, which are in high demand in the modern-day world, like arc welding, plumbing, tailoring, hairdressing, and beauty, etc

Lack of government instructors to help in the provision of high-end training  
Lack of water supply in the institution makes it hard to run the institution's activities and various departments

Lack of hostel facilities, which hinders getting students who reside far away from the institution  
Poor infrastructural facilities that limit schools' competence in giving quality training

We are actively exploring solutions to these issues through budget reallocations, stakeholder engagement, and phased infrastructure investment.

### **Future Outlook**

Looking forward, our focus will remain on innovation, inclusivity, and institutional growth. Our priority areas include:

Construction of additional hostel facilities, with priority given to female student accommodation, to promote gender inclusivity and safety.

Digitization of admission and examination systems, enabling efficient data management, transparency, and easier access for students and guardians.

Acquisition of a 20-seater school van to support field training, especially in agriculture, construction, and electrical installation

To fence the institution and have more infrastructure for the school

These initiatives align with our broader objective to transform E.A.P.C. Karugaru Vocational Centre into a Centre of Excellence in vocational and technical training.

**EAPC Karugaru VTC**  
**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025**

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**Appreciation**

I take this opportunity to sincerely thank:


The Board of Management, led by our Chairman, Mr. Abraham Mugambi Magwanthi, for their vision and guidance

The County Government, the Ministry of Education, and our development partners for continued support

Our dedicated teaching and non-teaching staff, whose commitment to duty is the bedrock of our success

Parents, guardians, and community members for entrusting us with their children's futures

Together, we have built strong foundations. Let us remain focused and united in our mission to equip learners with skills for life and work, thereby contributing meaningfully to the transformation of our country and the country at large.

  
**Signed:**

.....  
**Philip Musyoka Kariuki**

**Principal / Manager**

**Date: 16<sup>th</sup> July 2025**

## 7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

E.A.P.C Karuguru Vocational Centre implemented its operations based on three strategic pillars outlined in its 2022–2026 Strategic Plan. These pillars guided the Centre's priorities in line with national education objectives and Tharaka Nithi County development goals.

The institution developed its 2024/2025 Annual Work Plan based on the pillars below. The Board assessed performance against these objectives quarterly and monitored output and outcome indicators.

### Strategic Pillar 1: Skills Development and Training Excellence

Objective	Key Performance Indicators (KPIs)	Activities	Achievements
Improve the quality and relevance of vocational training programs	Number of classrooms/workshops built or rehabilitated; % of equipment upgraded	<ul style="list-style-type: none"> <li>- Reviewed and updated training curricula</li> <li>- Enrolled 40 trainees</li> <li>- Conducted internal and NITA assessments</li> </ul>	<ul style="list-style-type: none"> <li>- Enrolment increased by 25%</li> <li>- 88% pass rate in final exams</li> </ul>

### Strategic Pillar 2: Infrastructure and Resource Development

Objective	Key Performance Indicators (KPIs)	Activities	Achievements
Enhance the learning environment and training equipment	Number of classrooms/workshops built or rehabilitated; % of equipment upgraded	<ul style="list-style-type: none"> <li>- Renovated 4 classrooms</li> <li>- Installed solar power backup</li> <li>- Procured electrical tools</li> </ul>	<ul style="list-style-type: none"> <li>- 2 new practical rooms are operational</li> <li>- Reduced power outage disruptions by 80%</li> <li>- 100% usage of new tools in training</li> </ul>

### Strategic Pillar 3: Institutional Governance and Community Engagement

Objective	Key Performance Indicators (KPIs)	Activities	Achievements
Promote inclusive governance and community partnerships	Board meeting attendance; Community outreach sessions held	<ul style="list-style-type: none"> <li>- Held 6 Board meetings</li> <li>- Launched 3 weekend outreach programs</li> <li>- Signed MoU with 1 local NGO</li> </ul>	<ul style="list-style-type: none"> <li>- 100% Board attendance rate</li> <li>- 85 beneficiaries in community skills programs</li> <li>- Donated plumbing kits to top students</li> </ul>

**Performance Contracting & Monitoring**

The institution's performance indicators were tracked via quarterly performance review meetings, and progress was reported to the County Department of Education. These results informed resource allocation and strategic adjustments. Departmental heads submitted monthly updates aligned with the Performance Contract targets.

## **8. CORPORATE GOVERNANCE STATEMENT**

E.A.P.C Karugaru Vocational Training Centre is committed to upholding the highest standards of corporate governance, ensuring accountability, transparency, and integrity in all its operations. The institution recognizes that good governance enhances public trust and strengthens service delivery in the technical and vocational education sector.

### **1. Board Structure and Appointment Process**

The Board of Management (BoM) is constituted by the TVET Act and guidelines provided by the County Department of Education. Board members are appointed based on merit, qualifications, and experience in relevant fields, including education, finance, governance, and community leadership. The selection process emphasizes diversity, gender equity, and stakeholder representation. The BoM is composed of 9 members, including the Chairperson, the Principal (as Secretary), and representatives from the local community, industry, and faith-based organizations. Board members serve renewable three-year terms.

### **2. Roles and Responsibilities of the Board**

The primary responsibilities of the Board include:

- i. Providing strategic direction and policy oversight.
- ii. Approving the institution's annual budget and work plan.
- iii. Overseeing performance, resource utilization, and risk management.
- iv. Monitoring institutional compliance with relevant legal and regulatory frameworks.
- v. Ensuring prudent financial stewardship and internal controls.
- vi. Supporting resource mobilization and partnerships.

### **3. Board Charter and Governance Code**

The institution operates under a formal Board Charter, which outlines:

- i. Duties and code of conduct for members.
- ii. Frequency of meetings and reporting structure.
- iii. Ethical guidelines and conflict-of-interest declarations.

This charter is aligned with the Mwongozo Code of Governance for State Corporations and is reviewed annually.

### **4. Board Meetings and Attendance**

In the FY 2024/2025, the Board held six (6) ordinary meetings and two (2) special sessions. The average attendance rate was 97%. Members demonstrated strong engagement, and meeting minutes are duly recorded and archived.

<b>Member</b>	<b>Position</b>	<b>Meetings Attended (8)</b>
Abraham Mugambi Magwanthi	Chairman	8
Philip Musyoka Kariuki	Secretary/Principal	8
Damas Muriithi	Treasurer	7
Lucy Kawira	Member	8
Mercy Karegi	Member	7
Abraham Mutuma Njagi	Member	7
Agarine Mwendu	Gov Rep	1
Martin Muthuri Mugambi	DYTO	1
Jane kawira	vice chair	8

### **5. Succession Planning and Induction**

Newly appointed board members undergo an orientation process to familiarize themselves with their roles, the institution's strategic direction, governance policies, and fiduciary responsibilities. The BoM maintains a clear succession plan to ensure continuity of leadership and institutional memory.

### **6. Board Remuneration and Evaluation**

Board members receive honoraria and sitting allowances under the SRC guidelines and County Government policy. An annual self-assessment and peer review process is conducted to evaluate the effectiveness and efficiency of the Board.

### **7. Ethics and Conflict of Interest**

All members are required to declare potential conflicts of interest at the start of each meeting. The Board enforces strict adherence to ethical conduct and transparency in decision-making. No incidences of conflict of interest were recorded during the year under review.

### **8. Governance Audit**

The institution initiated a governance audit in June 2025 as per the guidelines from the Public Sector Accounting Standards Board (PSASB). Preliminary findings indicate a high compliance rate with governance principles, pending final audit validation.

E.A.P.C Karuguaru Vocational Centre remains committed to continuous improvement in governance and institutional accountability. The Board acknowledges the support of all stakeholders in enhancing a culture of responsible leadership and performance-driven management.

## 9. STATEMENT OF DISCUSSION AND ANALYSIS

### **Achievements –**

During the year, the institution has made some positive achievements. In the training the institution has managed to register trainees for NITA exams have completed their course. Still on training the institution has managed to connect trainees with some experts in the various fields like building technology, fashion design so that trainees can get some attachments during the holidays.

### **Developments/ training**

The institution has done improvements of training tools and equipment where by enough training materials have been supplied through the help of the capitation from the county government. More on training the trainees have been equipped with communication and entrepreneurship skills so as to cope with the outside environment during working. Also, the institution has managed to improve the training environment for trainees by finishing some of the classrooms and training areas.

On trainees the management has tried to maintain training throughout the year and more so one trainer for some fashion design has been posted in the institution from the county government so as this also enhanced training in this department.

### **Challenges:**

On financial matters the institution has struggled with very low finances since most trainees are not able to raise the little fee required. The institution also struggles to generate some income through farming but this proves to be difficult since it depends on metered water which is very expensive to pay the bills. The only finance that keeps the institution running is the capitation from the county government which helps in repairing, maintaining, purchasing of training materials. Feeding the training and financing the B.O.M employees becomes difficulty.

The institution faced high drop out of trainees during the year where by a number of them did not register for the final exam whereby they claimed it was too expensive for them.

The other challenge which seems to be affecting the institution is lack of power but was later resolved, since electricity was connected to the institution later in 2024 and so some courses which required power so many trainees had started to decline.

The institution management together with the area administration agreed to market the institution and create a positive attitude and the courses being offered there. This was to be done through public gatherings and advertising.

## **10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING STATEMENT**

At EAPC Karugaru VTC, we recognize our responsibility to operate in an environmentally and socially responsible manner. Our Environmental and Sustainability Reporting Statement outlines our commitment to reducing our environmental footprint, enhancing resource efficiency, and fostering sustainable practices across all areas of our business operations.

### **Commitment to Sustainability**

We are committed to integrating sustainability into our core business strategy and decision-making processes. This commitment reflects our belief that long-term success depends on the health and stability of our environment, our communities, and our economy.

We publish annual sustainability reports that provide stakeholders with a comprehensive overview of our progress, goals, and challenges. These reports are independently reviewed where applicable and include measurable targets and performance metrics.

### **Continuous Improvement**

Sustainability is a journey. We engage with employees, customers, suppliers, and community partners to improve our environmental practices continuously. We invest in research, innovation, and training to ensure our operations contribute positively to a sustainable future.

### **Employee welfare**

The VTC policy on employee welfare is guided by the Project manual as outlined by the Directorate of Occupational Safety and Health Services (DOSHS). Through DOSHS the CCU carried out a risk assessment and all contractors are required to obtain a workplace registration certificate in addition to insurance cover for the workers.

### **Community Engagements**

The VTC has ensured that stakeholder engagements are appropriate, effective, meaningful and meet the expected objectives. Community engagement activities are preceded by an analysis of the proposed project, its context, and potential impacts, who the relevant stakeholders are, and followed by genuine consideration of stakeholders' views and concerns in decisions related to project planning design, and implementation. Stakeholder consultation was implemented through a systematic approach, and the process should start as early as possible in the project cycle. The timing of consultation events and how they were coordinated with various project milestones were carefully mapped out, so delays or inadequate consultation do not turn into bottlenecks

## **11. REPORT OF THE BOARD OF MANAGEMENT**

The Board members submit their report together with the audited financial statements for the year ended June 30, 2025, which show the state of the VTC affairs.

### **Principal activities**

The principal activities of the entity are offer technical skills training

### **Results**

The results of the entity for the year ended June 30, 2025 are set out on page 1-5

### **Board of Management**

The members of the Board who served during the year are shown on page V. During the year no director retired/ resigned

### **Auditors**

The Auditor General is responsible for the statutory audit of the *entity* in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



**Secretary of the Board**

**Date: 13<sup>th</sup> August 2025**

**12. STATEMENT OF BOARD OF MANAGEMENT RESPONSIBILITIES**

Section 164 of the Public Finance Management Act, 2012 and require the Board of Management to prepare financial statements in respect of that public entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Board of Management are also required to ensure that the *entity* keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Board of Management are also responsible for safeguarding the assets of the entity.

The Board of Management are responsible for the preparation and presentation of the EAPC Karugaru VTC financial statements, which give a true and fair view of the state of affairs of the *entity* for and as at the end of the financial year ended on June 30, 2025. This responsibility includes: (i) maintaining adequate financial management arrangements 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 entity, (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud, (iv) safeguarding the assets of the EAPC Karugaru VTC, (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

The Board of Management accept responsibility for the EAPC Karugaru VTC financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012. The Board of Management are of the opinion that the EAPC Karugaru VTC financial statements give a true and fair view of the state of EAPC Karugaru VTC transactions during the financial year ended June 30, 2025, and of the EAPC KARUGUARU i VTC financial position as at that date. The Board of Management further confirm the completeness of the accounting records maintained for the EAPC Karugaru VTC which have been relied upon in the preparation of the EAPC Karugaru VTC financial statements as well as the adequacy of the systems of internal financial control.

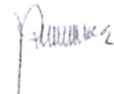
In preparing the financial statements, the Principal/Manager has assessed the EAPC Karugaru VTC ability to continue as a going concern. Nothing has come to the attention of the Board of Management to indicate that the VTC will not remain a going concern for at least the next twelve months from the date of this statement.

**Approval of the financial statements**

The EAPC Karugaru VTC financial statements were approved by the Board on 13<sup>th</sup> August 2025 and signed on its behalf by



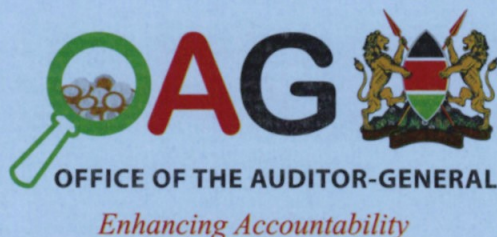
**Chairman of the Board**



**Principal / Manager**

# REPUBLIC OF KENYA

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HEADQUARTERS  
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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON EAPC KARUGUARU VOCATIONAL AND TRAINING CENTRE FOR THE YEAR ENDED 30 JUNE, 2025**

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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; and,
- C. Report on Effectiveness of Internal Control, 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 control developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

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**

#### **Qualified Opinion**

I have audited the accompanying financial statements of EAPC Karuguaru Vocational Training Centre set out on pages 1 to 21, which comprise of the statement of financial

position as at 30 June, 2025, and the statement of financial performance, statement of changes in net assets, 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of EAPC Karuguaru Vocational Training Centre as at 30 June, 2025, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Technical and Vocational Training Act 2013 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Undisclosed Non-Current Assets**

The statement of financial position reflects Nil total non-current assets balance. However, the land on which the Centre sits, has not been surveyed and valued. In addition, other assets like buildings, furniture and fittings have also not been valued and disclosed in the financial statements.

In the circumstances, the accuracy and completeness of Nil total non-current assets balance could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the EAPC Karuguaru Vocational Training Centre Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

### **Emphasis of Matter**

#### **Budgetary Control and Performance**

The statement of budgeted versus actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.950,000 and Kshs.662,000 respectively, resulting to an under-funding of Kshs.288,000 or 30 % of the budget. However, the Institution spent Kshs.628,320 against actual receipts of Kshs.662,000, resulting to an under-utilization of Kshs.33,680 or 5% of actual receipts.

The under-funding and under-utilization affected the planned activities and may have impacted negatively on service delivery to the students.

My opinion is not modified in respect of this matter.

### **Key Audit Matters**

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

### **Other Information**

The Management is responsible for the Other Information set out on page i to xx which comprise of Key Vocational Training Centre Information and Management, Governance Statement, forward by the Principal, Statement of Performance against Vocational Training Centre Predetermined Objectives, Corporate Social Responsibility Statement/ Sustainability Reporting, Management Discussion and Analysis and Statement of Management. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Vocational Training Centre's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

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

### **Conclusion**

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

### **Basis of conclusion**

#### **1. Lack of a Procurement Plan**

The statement of financial performance reflects an amount of Kshs.1,922,050 and Kshs.1,681,375 in respect of total receipts and payments respectively. However, during the year Management did not prepare an annual procurement plan as part of the annual budget preparation process. This was contrary to Regulation 40 of the Public Procurement and Asset Disposal Regulations, 2020 which states that 'a procuring entity prepare a procurement plan for each financial year as part of the annual budget preparation process'.

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

## **2. Non-Compliance with the Public Procurement Capacity Building Levy Order, 2023**

Review of records revealed that the Centre did not comply with the provisions of paragraph 3(1) of the Public Procurement Capacity Building Levy, Order 2023 which states that there shall be paid a levy by a supplier on all procurement contracts signed between the supplier and a procuring entity, at the rate of zero point zero three per centum (0.03%) of the value of the signed contract, exclusive of applicable taxes. In addition, Public Procurement Regulatory Authority (PPRA) circular No. 01/2024 dated 30 August, 2024 which requires procurement entities to remit the levy to the Authority through the e-Citizen payment platform by the 20<sup>th</sup> day of the subsequent month and also file monthly returns.

In the circumstances, Management was in breach of law.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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 comply 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.

### **THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015 and 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 of conclusion**

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

#### **Responsibilities of the Management and the Board of Management**

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

In preparing the financial statements, Management is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention 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 comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Management is responsible for overseeing the Centre'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**

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. 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 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 conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not 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 addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.

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

**Nairobi**

**03 December, 2025**

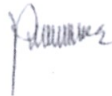
## 14. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2025

	NOTE	FY 2024/2025
		Ksh
<b>Revenue from non-exchange transactions</b>		
Transfers from the County Government	1	400,000
<b>Total Revenue from non-exchange transactions</b>		<b>400,000</b>
<b>Revenue from Exchange transactions</b>		
Fees from students	2	262,000
<b>Total Revenue</b>		<b>662,000</b>
<b>Expenses</b>		
Use of goods and services	3	476,300
Employee costs	5	152,020
<b>Total Expenses</b>		<b>628,320</b>
<b>Net surplus/(deficit) for the year</b>		<b>33,680</b>

EAPC Karuguaru VTC Financial Statements were approved on 13<sup>th</sup> August 2025 and signed by:



Chairman of the Board



Principal / Manager



CPA Judith Muthoni  
Chief Accountant  
ICPAK No. 21856

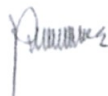
15. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>th</sup> JUNE 2025

Description	Notes	FY2024/2025
		Kshs
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	6	33,830
<b>Total Current Assets</b>		<b>33,830</b>
<b>Total Non-Current Assets</b>		<b>0</b>
<b>Total Assets</b>		<b>33,830</b>
<b>Total Current Liabilities</b>		<b>0</b>
<b>Total Liabilities</b>		<b>0</b>
<b>Net Assets</b>		<b>33,830</b>
<b>Represented By:</b>		
Accumulated Surplus/Deficit		33,830
<b>Total Net Assets</b>		<b>33,830</b>

EAPC Karuguaru VTC Financial Statements were approved on 13<sup>th</sup> August 2025 and signed by:



**Chairman of the Board**



**Principal / Manager**



CPA Judith Muthoni

**Chief Accountant**

**ICPAK No. 21856**

**16. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2025**

Description	Accumulated Surplus	Capital	Total
		Grants/Fund	
<b>At July 1, 2024</b>			
Revaluation gain			
Surplus/(deficit) for the year			
Capital grants received during the year			
<b>At June 30, 2025</b>			
<b>At July 1, 2024</b>	<b>150</b>		<b>150</b>
Surplus/(deficit) for the year	33,680		33,680
Capital grants received during the year			0
<b>At June 30, 2025</b>	<b>33,830</b>	<b>0</b>	<b>33,830</b>

## 17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2025

Description		FY 2024/2025
	Note	Kshs
<b>Cash flows from operating activities</b>		
<b>Receipts</b>		
Transfers from County Government	1	400,000
Fees from students	2	262,000
<b>Total Receipts</b>		<b>662,000</b>
<b>Payments</b>		
Use of goods and services	3	476,300
Employee costs	5	152,020
<b>Total Payments</b>		<b>628,320</b>
<b>Net Cash Flows from operating activities</b>		<b>33,680</b>
<b>Net cash flows used in investing activities</b>		<b>0</b>
<b>Net Increase/(Decrease) in Cash and Cash equivalents</b>		<b>33,680</b>
Cash & Cash equivalents at the beginning (1 <sup>st</sup> July 2024)	6	150
Cash & Cash equivalents at the end. (30 <sup>th</sup> June 2025)	6	<b>33,830</b>

EAPC Karuguaru VTC

Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025

18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR YEAR ENDED 30<sup>th</sup> JUNE 2025

Description	Original budget	Adjustments	Final	Actual on comparable basis	Performance difference	Utilization Difference
			Budget			
	Kshs	Kshs	Kshs	Kshs	Kshs	%
	A	B	C=A+B	D	E=C-D	F=D/C%
<b>Receipts</b>						
Transfers from County Government	500,000	100,000	600,000	400,000	200,000	67%
Fees from students	300,000	50,000	350,000	262,000	88,000	75%
<b>Total Receipts</b>	<b>800,000</b>	<b>150,000</b>	<b>950,000</b>	<b>662,000</b>	<b>288,000</b>	<b>70%</b>
<b>Payments</b>						
Use of goods and services	350,000	150,000	500,000	476,300	23,700	95%
Employee costs	200,000	30,000	230,000	152,020	77,980	66%
<b>Expenditure</b>	<b>550,000</b>		<b>550,000</b>	<b>628,320</b>	<b>(78,320)</b>	<b>114%</b>
Capital Expenditure payments	300,000		300,000		300,000	0%
<b>Total Expenditure</b>	<b>850,000</b>		<b>850,000</b>		<b>850,000</b>	<b>0%</b>
<b>Surplus</b>	<b>-50,000</b>		<b>-50,000</b>		<b>(50,000)</b>	<b>0%</b>

## 19. NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

EAPC Karuguaru VTC is established by and derives its authority and accountability from TVETS Act, 2013. The entity is wholly owned by the County Government of Tharaka Nithi

### 2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the VTC accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *entity*. The values are rounded off to the nearest shilling. The financial statements have been prepared in accordance with the PFM Act, the TVET Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

### 3. Adoption of New and Revised Standards

- i. **New and amended standards and interpretations in issue and effective in the year ended 30 June 2025.**

There are no new standards and interpretations issued in the Financial Year.

- ii. **New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025.**

Standard	Effective date and impact:
IPSAS 43: Leases	<i>Applicable 1<sup>st</sup> January 2025</i>  The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial

Standard	Effective date and impact:
	<p>statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
<p>IPSAS 45: Property Plant and Equipment</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g. valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46: Measurement</p>	<p><b><i>Applicable 1<sup>st</sup> January 2025</i></b></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p>

Standard	Effective date and impact:
	<ul style="list-style-type: none"> <li>i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used.</li> <li>ii. Clarifying transaction costs guidance to enhance consistency across IPSAS.</li> <li>iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement, and measurement related disclosures.</li> </ul> <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47: Revenue	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48: Transfer Expenses	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49: Retirement Benefit Plans	<p><i>Applicable 1<sup>st</sup> January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>

#### **4. Summary of Significant Accounting Policies**

##### **a) Revenue recognition**

##### **i) Revenue from non-exchange transactions**

##### **Transfers from other government entities**

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

##### **ii) Revenue from exchange transactions**

##### **Rendering of services**

The entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

##### **Sale of goods**

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the entity.

##### **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

### **Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

### **b) Budget information**

The original budget for FY 2024/2025 was approved by the Board on 15<sup>th</sup> June 2024. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of **Kshs. 400,000** on the FY 2024/2025 budget following the Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget

### **c) Taxes**

#### ***Current income tax***

The entity is exempt from paying taxes

#### ***Sales tax/ Value Added Tax***

Expenses and assets are recognized net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- When receivables and payables are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

### **d) Investment property**

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time

that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

**e) Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**f) Leases**

Finance leases are leases that transfer substantially the entire risks and benefits incidental to ownership of the leased item to the Entity. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Entity also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Entity will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Entity. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

**g) Intangible assets**

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

**h) Research and development costs**

The Entity expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Entity can demonstrate:

- The technical feasibility of completing the asset so that the asset will be available for use or sale.
- Its intention to complete and its ability to use or sell the asset.
- How the asset will generate future economic benefits or service potential
- The availability of resources to complete the asset.
- The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

**i) Financial instruments**

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

*Financial assets*

**Classification**

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

**Subsequent measurement**

Based on the business model and the cash flow characteristics, the entity classifies its financial Assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

**Amortized cost**

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

**Fair value through net assets/ equity**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

### **Fair value through surplus or deficit**

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

### **Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

### **Impairment**

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL)

### ***Financial liabilities***

#### ***Classification***

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

#### **j) Inventories**

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method.
- Finished goods and work in progress: cost of direct materials and labour and a proportion of manufacturing overheads based on the normal operating capacity, but excluding borrowing costs.

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After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the *Entity*.

**k) Provisions**

Provisions are recognized when the *Entity* has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the *Entity* expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

***Contingent liabilities***

Uthaini VTC 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.

***Contingent assets***

EAPC Karugaru VTC 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.

**l) Social Benefits**

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the

same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

**m) Service concession arrangements**

EAPC Karugaru VTC analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the *Entity* recognizes that asset when, and only when, it controls or regulates the services. The operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the *Entity* also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

**n) 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 various commercial banks at the end of the financial year.

**o) Comparative figures**

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation. This been the first set of financial statements there was no comparative figures.

**p) Subsequent events**

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

**5. Significant Judgments and Sources of Estimation Uncertainty**

The preparation of the *Entity's* financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in

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outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

**Estimates and assumptions.**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

**Useful lives and residual values**

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the *Entity*.
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes.
- The nature of the processes in which the asset is deployed.
- Availability of funding to replace the asset.
- Changes in the market in relation to the asset

**6. Transfer from the County Government**

Description	FY 2024/2024
	Kshs
Capitation Grants	400,000
<b>Total Government Grants and Subsidies</b>	<b>400,000</b>

**7. Fees from Student**

Description	FY 2024/2025
	Ksh
Tuition Fees	262,000
<b>Total Fees from students</b>	<b>262,000</b>

8. Use of Goods and Services

Description	FY 2024/2025 Ksh
Teaching and Learning Materials	374,600
Printing and stationeries	13,000
Travelling and Accomodation	8,600
Boarding Facilities	48,980
BOM Allowances	28,000
Bank Charges	3,120
<b>Total Amount</b>	<b>476,300</b>

9. Employee Cost

Description	FY 2024/2025 Ksh
Salaries and wages	152,020
<b>Employee Costs</b>	<b>152,020</b>

10. Cash and Cash Equivalent

	2024/2025 Ksh
Current Account	33,830
<b>Total Cash and Cash Equivalents</b>	<b>33,830</b>

11. Financial Risk Management

The entity's activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The company's overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The company does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

(i) Credit risk

The entity has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments.

Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the company's management based on prior experience and their assessment of the current economic environment.

The carrying amount of financial assets recorded in the financial statements representing the entity's maximum exposure to credit risk without taking account of the value of any collateral obtained is made up as follows:

The customers under the fully performing category are paying their debts as they continue trading. The credit risk associated with these receivables is minimal and the allowance for uncollectible amounts that the company has recognised in the financial statements is considered adequate to cover any potentially irrecoverable amounts.

The board of directors sets the company's credit policies and objectives and lays down parameters within which the various aspects of credit risk management are operated.

**(ii) Liquidity risk management**

Ultimate responsibility for liquidity risk management rests with the entity's directors, who have built an appropriate liquidity risk management framework for the management of the entity's short, medium and long-term funding and liquidity management requirements. The entity manages liquidity risk through continuous monitoring of forecasts and actual cash flows.

The table below represents cash flows payable by the company under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

**(iii) Market risk**

The entity has put in place an internal audit function to assist it in assessing the risk faced by the entity on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls.

Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and foreign exchange rates which will affect the entity's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market

risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee.

The entity's Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies.

There has been no change to the entity's exposure to market risks or the manner in which it manages and measures the risk.

**a) Interest rate risk**

Interest rate risk is the risk that the entity's financial condition may be adversely affected as a result of changes in interest rate levels. The company's interest rate risk arises from bank deposits. This exposes the company to cash flow interest rate risk. The interest rate risk exposure arises mainly from interest rate movements on the company's deposits.

***Management of interest rate risk***

To manage the interest rate risk, management has endeavoured to bank with institutions that offer favourable interest rates.

**iv) Capital Risk Management**

The objective of the entity's capital risk management is to safeguard the entity's ability to continue as a going concern. The entity capital structure comprises of the following funds:

**12. Related Party Balances**

**Nature of related party relationships**

Entities and other parties related to the entity include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

**13. County Government of Tharaka Nithi**

The County Government of Tharaka Nithi is the principal shareholder of EAPC Karuguaru VTC. The County Government of Tharaka Nithi has provided full guarantees to all long-term lenders of the entity, both domestic and external. Other related parties include:

- i) The County Government.
- ii) The Parent Department.
- iii) Board of Management;
- iv) Key management

**14. Events After the Reporting Period**

There were no material adjusting and non-adjusting events after the reporting period.

**15. Currency**

The financial statements are presented in Kenya Shilling (Ksh) and the values are rounded off to the nearest shilling.