

REPUBLIC OF KENYA



# REPORT

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OF KENYA  
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OF

THE AUDITOR-GENERAL

ON

NDUNGURI VOCATIONAL TRAINING  
CENTRE

FOR THE YEAR ENDED  
30 JUNE, 2025

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 08 APR 2026

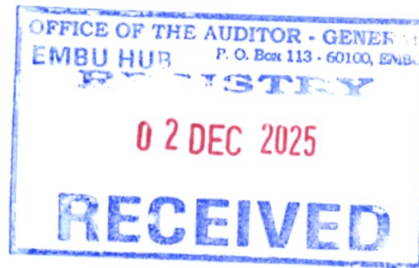
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BY:

Hon. Samuel Chepkwony

CLERK-AT  
THE-TABLE:

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**NDUNGURI 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



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REF: TNC/FIN/NVTC/Vol. I/01



P. O. BOX 10-60406

KATHWANA

Date: 20<sup>th</sup> August 2025

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

## **RE: NDUNGURI 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 Nduanguri 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 AND DEFINITION OF KEY TERMS

|       |  |
|-------|--|
| BOM   | Board of Management                                |
| ICPAK | Institute of Certified Public Accountants of Kenya |
| IPSAS | International Public Sector Accounting Standards   |
| PFM   | Public Finance Management                          |
| PSASB | Public Sector Accounting Standards Board           |
| VTC   | Vocational Training College                        |

**2. KEY ENTITY INFORMATION AND MANAGEMENT**

**(a) Background information**

Ndunguri Vocational Training Centre is located in Ganga Location, Maara Sub County, Tharaka Nithi county. It was started in the year 2008 by the Catholic Church development project. and later the institution was absorbed by the government and registered with the ministry of Youth Affairs and sports in the year 2009. The institution was registered by TVETA in the year 2018 under registration number **TVETA/PUBLIC/VTC/0058/2018**. The trainees take NITA exams at the end of the course.

The institution has one (1) government trainer employed by the county government and receiving support from different arms of government. The college is under the County Department for Education. The institution offers the following courses, metal, processing technology/welding, building technology, computer, hairdressing and beauty therapy.

**(b) Principal Activities**

The principal activity/mission/ mandate of the entity is to Impart hands on skills on trainees for self-employment

**VISION**

To be a centre of excellence in providing quality vocational, entrepreneurial and ICT training for self reliance in the county.

**MISSION**

To train and produce knowledgeable, skilled innovative and responsible manpower in the technical discipline to meet the changing needs of the industry and society

**CORE OBJECTIVES**

- To build skills and innovations that will help in reduction of unemployment
- To promote employment and self-employment
- To reduce youth unemployment
- To foster inclusion and empowerment
- To provide market-oriented skills training

**(c) Key Management**

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

| SN. | Name                  | Position                    |
|-----|-----------------------|-----------------------------|
| 1.  | Esther Kawira Gitonga | Manager / Principal         |
| 2.  | Hillary Njagi         | Head of department building |
| 3.  | Janice Kinya          | Head of department Beauty   |

**(d) Fiduciary Management**

The key management personnel who held office during the financial year ended 30th June 2025 and who had direct fiduciary responsibility were:

| SN. | Name                  | Designation         |
|-----|-----------------------|---------------------|
| 1.  | Jeremy Mbae Kirigia   | Chairman BOM        |
| 2.  | Esther Kawira Gitonga | Manager / Principal |
| 3.  | Juliet Kagendo Nyaga  | Treasurer / Bursar  |
| 4.  | Maurice Kinyua        | Member              |

**(e) Fiduciary Oversight Arrangements**Academic committee activities**Student Results:**

The committee may develop and implement policies to improve student academic results, including strategies to address academic gaps and support struggling trainees.

**Teaching and Learning Improvement:**

They focus on improving teaching and learning in the school, promoting effective teaching methods and strategies.

**Supporting Student Development:**

The committee may also focus on supporting trainees' overall academic development, including offering guidance and counseling, and providing resources for trainees to succeed.

Guidance and counselling activities

**Addressing Academic Challenges:** They provide support to trainees struggling with specific skills, helping them identify the root causes of their difficulties and develop appropriate solutions.

**Setting Goals:** Counselors assist trainees in setting realistic and achievable goals, providing guidance and support to help them achieve their objectives.

**Career Guidance:** Guidance professionals provide information about various career paths, job market trends, and higher education opportunities.

**Supporting Emotional Well-being** provide a safe and confidential space for trainees to discuss their emotional challenges, offering support and guidance to navigate difficult situations. **Building**

## Ndunguri VTC

### Annual Report and Financial Statements for the year ended 30th June 2025

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**Healthy Relationships:** They help trainees develop healthy relationships with peers, instructors, and other members of the school community.

**Developing Life Skills:** Counselors provide guidance on a range of life skills, including conflict resolution, decision-making, and problem-solving, empowering trainees to navigate challenges effectively.

**(f) Entity Headquarters**

P.O. Box 463-60401 – Chogoria  
Ndunguri VTC  
Ndunguri Market  
Tharaka Nithi, KENYA

**(g) Entity Contacts**

Telephone: (254) 723550412  
E-mail: [Ndungurivtc@gmail.com](mailto:Ndungurivtc@gmail.com)

**(h) Entity Bankers**

Co-operative Bank of Kenya  
P.O Box 5555 Chuka  
Chuka

KCB  
P.O Box 777 Meru  
Chogoria Branch

**(i) Independent Auditors**

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

*Key Entity Information and Management (Continued)*





(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**

**Ndunguri VTC**  
**Annual Report and Financial Statements**  
**For the year ended 30th June 2025**

**3. THE BOARD OF MANAGEMENT**

| Member/ Director  | Details   |
|---|---|
|  <p>Jeremy Mbae Kirigia<br/>Chairman</p>   | <p>Date of birth: 1<sup>st</sup> January 1955<br/>           Qualification: Diploma education<br/>           Work experience: 35 years</p>  |
|  <p>Juliet Kagendo<br/>Treasurer</p>   | <p>Date of birth: 28<sup>th</sup> July 1970<br/>           Qualification: KCSE<br/>           Work experience: 13 years</p>   |
|  <p>Morris Kinyua<br/>Member</p>  | <p>Date of birth: 11<sup>th</sup> April 1984<br/>           Qualification: Diploma in cooperative management<br/>           Work experience: 20 years</p>   |
|  <p>Esther Kawira Gitonga<br/>Secretary to the Board<br/>Diploma in technical education<br/>(Computer studies)</p> | <p>Date of birth: 11<sup>th</sup> April 1984<br/>           Qualification: Diploma in technical education<br/>(Computer studies)<br/>           Work experience: 13 years</p> <p>the secretary is not member of ICS as required under the Mwongozo code in addition to their other details.</p> |

**4. KEY MANAGEMENT TEAM**

| SN. | Member/ Director   | Details  |
|-----|--|--|
| 1.  | <br>Esther Kawira Gitonga<br>Secretary to the Board | BOM Secretry/Manager<br>Diploma in technical education<br>(Computer studies) |
| 2.  | <br>Janice Kinya Romano                             | Head of Department Beauty<br>Diploma in Hair Dressing and<br>Beauty therapy  |
| 3.  | <br>Hillary Njagi John                            | Head of Department Building<br>Certificate in masonry                        |

## 5. CHAIRMAN'S STATEMENT

It is my honour and privilege to represent the Chairman's statement for the year 2024-2025 on behalf on Board of Management. Our institution continues to serve as a beacon of excellence, nurturing minds, fostering innovation and shaping future employers.

The board remains committed to its roles providing strategic oversight and ensuring that the institution's vision and mission are accomplished. We are maintaining high standards of education and promoting continuous improvement

This statement outlines the progress, challenges and the way forward as we continue to pursue excellence in education. During the year we have been able to increase our enrolment from 50 to 57.

Some of the challenges that we have been facing during the year are inadequate funding, inadequate equipment, inadequacy of qualified trainers and low enrolment

The Board recommends that sensitization about the importance of VTC to be done widely, employment of more qualified instructors and timely disbursement of government funds.

Despite the challenges we have continued to pursue our mission of empowering youth and adults with hand on skills for meaningful employment and self-reliance. The board is also committed in promoting a culture of accountability and continuous improvement of the institution.

Sign.....

Jeremy Mbae Kirigia

Chairman, BOM

Date. 16<sup>th</sup> July 2025

## 6. REPORT OF THE PRINCIPAL/MANAGER

It is my honour and privilege to present the Manager's report for the year 2024-2025. This report outlines the general overview of the institution, progress, challenges and the way forward as we continue to pursue excellence in education.

Ndunguri Vocational Training Centre is located in Ganga Location, Maara Sub County, Tharaka Nithi County. It was started in the year 2008 by the Catholic Church development project. And later the institution was absorbed by the government and registered with the ministry of Youth Affairs and sports in the year 2009. The institution was registered by TVETA in the year 2018 under registration number TVETA/PUBLIC/VTC/0058/2018. The trainees take NITA exams at the end of the course.

The college is under the County Department for Education.

### VISION

To be a centre of excellence in providing quality vocational, entrepreneurial and ICT training for self-reliance in the county.

### MISSION

To train and produce knowledgeable, skilled innovative and responsible manpower in the technical discipline to meet the changing needs of the industry and society

### CORE OBJECTIVES.

- To promote employment and self-employment
- To reduce youth unemployment
- To foster inclusion and empowerment
- To provide market-oriented skills training

### MANDATE

To impact technical skills and entrepreneurship among youth.

### COURSES OFFERED

The institution offers the following courses

1. Metal Processing technology/Welding
2. Building Technology
3. Computer
4. Hairdressing and Beauty therapy.

We have an enrolment of 57. We have 3 teaching staff members and 2 support staff.

**EXAMS**

The institution offers end of course exams administered by NITA in April August and December

**ACHIEVEMENTS**

Increased number of exam candidates

Increased enrolment from 50 to 57 trainees.

**CHALLENGES**

**Inadequate funding-** Limited government funding hinders infrastructural development procurement of modern equipment and qualified trainers

We rely on student fees which is not sustainable

**Out-dated or inadequate equipment-**We lack up to date machinery and tools leading to a gap between what is taught and current industry practices.

**Limited curriculum relevance** -Curricula may not align with current labour market.

**Shortage of qualified trainers** -We have difficulty in attracting and retaining qualified trainers due to low pay and lack of professional development opportunities. Some trainers may lack industry experience

**Poor perception and low enrolment-** VTCS are often seen as the last resort for academically weak student contributing to social stigma and low self-esteem among trainees. This perception reduces enrolment and society support.


**Limited industry linkages-** Weak partnership with the private sector results in limited internship opportunities

**FINANCES**

The institution gets income from tuition fees and government capitation.

**WAY FORWARD**

- Increased public and private investment in VTC
- Promote awareness to change the negative perception of vocational education
- Support trainers with continuous professional development.
- Employment of more qualified instructors

  
Sign.....  
Esther Kawira Gitonga  
Manager

**7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES**

Ndunguri vocational training centre has 2 strategic pillars /issues/ themes and objectives within current Strategic Plan for the FY 2024/25- FY 2025/26. These strategic pillars are as follows:

Pillar/ theme/issue 1: Quality of Teaching and learning

Pillar /theme/ issue 2: Access and equity

Ndunguri vocational training centre develops its annual work plans based on the above 2 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. Ndunguri vocational training centre achieved its performance targets set for the FY 2024/25 period for its 2 strategic pillars, as indicated in the diagram below:

| Strategic Pillar                 | Objective   | Key Performance Indicators                       | Activities  | Achievements                        |
|----------------------------------|---|--|---|-------------------------------------|
| Quality of Teaching and Learning | Promote employability to reduce youth unemployment and offer market-oriented skill training | Use of updated training materials and technology | Monitor and evaluate learner performance and training outcomes      | Increased number of exam candidates |
| Access and Equity                | Foster Inclusion  | Promotion and creating awareness of TVETS        | Establish ICT infrastructure to Support blended and online learning | Increased student enrolment         |

## **8. CORPORATE GOVERNANCE STATEMENT**

### **Purpose of the board**

The purpose of the board is to provide strategic direction, oversee the management, ensure effective governance and performance of the institution is inline with its mission and goals.

### **Roles of the Board**

- Provide strategic leadership and direction
- Approve institution policies and budgets
- Monitor financial performance and ensure accountability.
- Oversee academic standards trainees and staff welfare
- Evaluate and support head of institution

### **Composition of the board**

The Board of Management is made up of 11 members which comprises of Manager, chairperson, representative of Chief officer department of Vocational training, representative of county governor, local administration representative, and six other persons elected basis on their knowledge in leadership and management, financial management, technology, industry, engineering and information communication technology.

### **Process of appointment of board**

The term of existing board expires after 3 years. The manager notifies the relevant authorities of the need to constitute another board.

Nomination of members is done by different groups i.e sponsoring body, local administration, county representative, member of county assembly representative and the manager.

The guidelines require board to have diverse mix of professional background such as education, law, engineering, ICT and finance.

Nominees are vetted for qualification, experience, integrity and relevance. Once approved they are issued with appointment letters.

### **Induction and training**

Newly elected members undergo inauguration where they elect the executive committee and they familiarize themselves with their roles and responsibilities.

**Process of removal**

A board member may be removed due to the following reasons Absenteeism, Conflict of interest, Criminal conviction, Corruption, mental incapacity.

A formal complaint if forwarded by the manager to the relevant authorities the complaint is reviewed by designated committee. the accused member is informed in writing and given a chance to respond, based on findings the committee prepares a report and a formal recommendation is send to the relevant authority. If the decision is to remove the member a removal letter is issued and the position is declared vacant for new appointment.

**Meetings**

- The board meets once per term and as per needed
- The quorum shall consist three quarter of the members
- Decisions shall be made by consensus or majority vote
- Minutes of meetings shall be documented and stored securely.

**Ethics and conduct**

The members shall

- Act in good faith and in the best interest of the institution
- Maintain confidentiality and avoid conflict of interest
- Uphold ethical and professional standards all the time

## **9. MANAGEMENT DISCUSSION AND ANALYSIS**

Ndunguri Vocational Training Centre the school has strengthened its commitment to empowering youth and adults with practical employable skills. Some of the key activities are;

- Expansion of our vocational training course
- Successful implementation of the community outreach programs targeting marginalised youth, women and person with disabilities to foster inclusion.
- Establishment of partnership with local industries.

### **Achievements**

We celebrate notable achievement like an increased number of exam candidates and student enrolment.

### **Challenges**

- Despite our successes, we continue to face several challenges that require attention.
- Limited funding and resource especially to expand infrastructures.
- Shortage of qualified trainers in some specialised areas, leading to increased work load for existing staff.
- Social economic barriers that prevent some potential learners.

### **Future Outlook**

Looking ahead we remain optimistic and forced on building a strengthen institution by seeking partnership with private sector stakeholders and NGO's, introducing new market for relevant courses and upgrading facilities and digital infrastructure.

## 10. ENVIRONMENTAL AND SUSTAINABILITY REPORTING STATEMENT

At Ndunguri 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.

### 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 started 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 Ndunguri VTC affairs.

**Principal activities**

The principal activity of the entity is training technical skills

**Results**

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

**Board of Management**

The members of the Board who served during the year are shown on page V. During the year 2024/25 no director retired/ resigned.

**Auditors**

The Auditor General is responsible for the statutory audit of the Ndunguri VTC 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: 14<sup>th</sup> July 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 County entity, which give a true and fair view of the state of affairs of the Ndunguri VTC at the end of the financial year and the operating results of the VTC for that year. The Board of Management are also required to ensure that the VTC keeps proper accounting records which disclose with reasonable accuracy the financial position of the VTC. The Board of Management are also responsible for safeguarding the assets of the Ndunguri VTC.

The Board of Management are responsible for the preparation and presentation of the Ndunguri VTC financial statements, which give a true and fair view of the state of affairs of the VTC 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 *entity*, (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 Ndunguri 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 Ndunguri VTC financial statements give a true and fair view of the state of VTC transactions during the financial year ended June 30, 2025, and of the VTC financial position as at that date. The Board of Management further confirm the completeness of the accounting records maintained for the Ndunguri VTC, which have been relied upon in the preparation of the Ndunguri 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 Ndunguri 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

Ndunguri VTC financial statements were approved by the Board on 14<sup>th</sup> August 2025 and signed on its behalf by:



.....  
Jeremy Mbae Kirigia  
Chairperson of the Board



.....  
Esther Kawira Gitonga  
Acting Manager

# REPUBLIC OF KENYA

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Email: info@oagkenya.go.ke  
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HEADQUARTERS  
Anniversary Towers  
Monrovia Street  
P.O Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON NDUNGURI VOCATIONAL 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 Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, 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 Ndunguri Vocational Training Centre set out on pages 1 to 20, which comprise of the statement of financial position as at 30 June, 2025, and the statement of 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 Ndunguri 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 with the Technical and Vocational Education Training Act, 2013 and the Public Finance Management Act, 2012.

### **Basis for Qualified Opinion**

#### **Undisclosed and Unsupported Property, Plant and Equipment Balances**

Review of the Financial Statements of Ndunguri Vocational Training Centre revealed that the entity did not disclose property, plant and equipment balance in the financial statements submitted for audit. No sufficient reason has been given for non-disclosure of the balances. Further, the Centre did not maintain a fixed assets register. In addition, the Centre did not have in place an assets policy to govern procurement, control and disposal of its assets.

In the circumstances, the Nil balance in respect to property, plant and equipment could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Ndunguri 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.2,000,000 and Kshs.1,922,050 respectively, resulting to an under-funding of Kshs.77,950 or 4% of the budget. However, the Institution spent an amount of Kshs.1,681,375 against actual receipts of Kshs.1,922,050, resulting to an under-utilization of Kshs.240,675 or 13% 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. Except for the effects of the matter described in the Basis for Qualified Opinion section, I have determined that there are no key audit matters to communicate in my report.

## **Other Information**

The Board of Management is responsible for the Other Information set out on page ii to xvii which comprise of Key Entity Information and Management, The Board of Management, Key Management Team, Chairman's Statement, Report of the Manager, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Board of Management, Statement of Directors Responsibilities, Statement of Performance Against Predetermined Objectives. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the 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 effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis 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 circumstance, 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 entered into contracts but no documentary evidence has been provided to confirm that the Entity complied with 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 the law.

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

#### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

#### **Basis for Conclusion**

##### **Lack of Internal Audit Function and Audit Committee**

Review of the documents provided for audit revealed that as at 30 June, 2025, the Vocational Centre had not established an internal audit committee. Management had also failed to rely on the Internal Audit Department of the county executive since no evidence was provided to show that the Ndunguri VTC had been audited by Internal Audit from the County Executive which is contrary to the law. An Audit Committee forms a key component in the governance process by providing an independent expert assessment of the organization's activities, quality of the risk management, financial reporting and reports to the top Management.

In the circumstances, the financial and operational risks may have remained unidentified hence no mitigation mechanism in place and it did not benefit from the oversight role and advice from the Audit Committee and the internal audit function.

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 Institution'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**

**02 December, 2025**


Ndunguri VTC

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


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

|   | Notes | FY 2024/2025     |
|---|-------|------------------|
|   |       | Ksh              |
| Revenue from non-exchange transactions              |       |                  |
| Transfers from the County Government                | 6     | 1,600,000        |
| Grants from Development partners                    | 7     | 195,250          |
| <b>Total Revenue from non-exchange transactions</b> |       | <b>1,795,250</b> |
| Revenue from Exchange transactions                  |       |                  |
| Fees from students                                  | 8     | 126,800          |
| <b>Total Revenue</b>                                |       | <b>1,922,050</b> |
| <b>Expenses</b>                                     |       |                  |
| Use of Goods and Services                           | 9     | 1,405,875        |
| Employee costs                                      | 10    | 50,000           |
| Repairs and maintenance                             | 11    | 225,500          |
| <b>Total Expenses</b>                               |       | <b>1,681,375</b> |
| <b>Net surplus/(deficit) for the year</b>           |       | <b>240,675</b>   |

Ndunguri Vocational Training Centre were approved on 14<sup>th</sup> July 2025 and signed by:

  
Jeremy Mbae Kirigia  
Chairman


  
Esther Kawira Gitonga  
Manager

  
CPA Judith Muthoni  
Chief Accountant  
ICPAK No. 21856


**NDUNGURI VTC**Annual Report and Financial Statements for the year ended 30<sup>th</sup> June 2025**15. STATEMENT OF FINANCIAL POSITION AS AT 30<sup>th</sup> JUNE 2025**

| Description                     | Notes | FY 2024/2025   |
|---------------------------------|-------|----------------|
|                                 |       | Ksh            |
| <b>Assets</b>                   |       |                |
| <b>Current Assets</b>           |       |                |
| Cash and cash equivalents       | 11    | 259,708        |
| <b>Total Current Assets</b>     |       | <b>259,708</b> |
| <b>Total Non-Current Assets</b> |       | <b>0</b>       |
| <b>Total Assets</b>             |       | <b>259,708</b> |
| <b>Liabilities</b>              |       |                |
| <b>Total Liabilities</b>        |       | <b>0</b>       |
| <b>Net Assets</b>               |       | <b>259,708</b> |
| <b>Represented By:</b>          |       |                |
| Accumulated Surplus             |       | 259,708        |
| <b>Total Net Assets</b>         |       | <b>259,708</b> |

Ndunguri Vocational Training Centre were approved on **14<sup>th</sup> July 2025** and signed by:

  
Jeremy Mbae Kirigia  
Chairman

  
Esther Kawira Gitonga  
Manager

  
CPA Judith Muthoni  
Chief Accountant  
ICPAK No. 21856

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

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| Description                             | At July 1, 2023     |         | At July 1, 2024 | At June 30, 2024               |   | At June 30, 2025 |
|---|---------------------|---------|-----------------|--------------------------------|---|------------------|
|   | Accumulated Surplus | Capital |                 | Surplus/(deficit) for the year | Capital grants received during the year |                  |
| Revaluation gain                        |                     |         |                 |                                |   |                  |
| Surplus/(deficit) for the year          |                     |         |                 |                                |   |                  |
| Capital grants received during the year |                     |         |                 |                                |   |                  |
| At June 30, 2024                        |                     |         |                 |                                |   |                  |
| At July 1, 2024                         |                     |         | 19,033          |                                |   | 19,033           |
| Surplus/(deficit) for the year          |                     |         |                 | 240,675                        |   | 240,675          |
| Capital grants received during the year |                     |         |                 |                                |   | 0                |
| At June 30, 2025                        |                     |         |                 |                                |   | 259,708          |
| Total                                   |                     |         |                 |                                |   | 0                |

17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30<sup>th</sup> JUNE 2025

|   | Note | FY 2024/2025     |
|---|------|------------------|
|   |      | Ksh              |
| <b>Cash flows from operating activities</b>                     |      |                  |
| <b>Receipts</b>   |      |                  |
| Transfers from County Government                                | 6    | 1,600,000        |
| Grants from donors and development partners                     | 7    | 195,250          |
| Fees from students  | 8    | 126,800          |
| <b>Total Receipts</b>   |      | <b>1,922,050</b> |
| <b>Payments</b>   |      |                  |
| Use of goods and services                                       | 9    | 1,405,875        |
| Employee costs  | 10   | 50,000           |
| Repairs and maintenance   | 11   | 225,500          |
| <b>Total Payments</b>   |      | <b>1,681,375</b> |
| <b>Net Cash Flows from operating activities</b>                 |      | <b>240,675</b>   |
| <b>Net cash flows used in investing activities</b>              |      | <b>0</b>         |
| <b>Net cash flows used in financing activities</b>              |      | <b>0</b>         |
| <b>Net Increase/(Decrease) in Cash and Cash equivalents</b>     |      | <b>240,675</b>   |
| Cash & Cash equivalents at the beginning (1 <sup>st</sup> July) | 12   | 19,033           |
| Cash & Cash equivalents at the end. (30 <sup>th</sup> June)     | 12   | <b>259,708</b>   |

18. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS FOR YEAR ENDED 30<sup>th</sup> JUNE 25

| Description                              | Original budget | Adjustments | Final     | Actual on comparable basis | Performance difference | Utilization |
|--|-----------------|-------------|-----------|----------------------------|------------------------|-------------|
|  | Kshs            |             | Kshs      |                            |                        | Budget      |
|  | A               | B           | C=A+B     | D                          | E=C-D                  | F=D/C%      |
| Budget carryovers from the previous year | -               |             |           |                            |                        |             |
| <b>Receipts</b>                          |                 |             |           |                            |                        |             |
| Transfers from County Government         | 1,600,000       |             | 1,600,000 | 1,600,000                  | 0                      | 100%        |
| Fees from students                       | 200,000         |             | 200,000   | 195,250                    | 4,750                  | 98%         |
| <b>Total Receipts</b>                    | 200,000         |             | 200,000   | 126,800                    | 73,200                 | 63%         |
| <b>Payments</b>                          | 2,000,000       |             | 2,000,000 | 1,922,050                  | 77,950                 | 96%         |
| Use of Goods and Services                |                 |             |           |                            |                        |             |
| Employee costs                           | 1,500,000       |             | 1,500,000 | 1,405,875                  | 94,125                 | 94%         |
| Repairs and maintenance                  | 150,000         |             | 150,000   | 50,000                     | 100,000                | 33%         |
| <b>Expenditure</b>                       | 350,000         |             | 350,000   | 225,500                    | 124,500                | 64%         |
| Capital Expenditure payments             | 2,000,000       | 0           | 2,000,000 | 1,681,375                  | 318,625                | 84%         |
| <b>Total Expenditure</b>                 | 0               | 0           | 0         | 0                          | 0                      |             |
| <b>Surplus</b>                           | 2,000,000       | 0           | 2,000,000 | 1,681,375                  | 318,625                | 84%         |

## 19. NOTES TO THE FINANCIAL STATEMENTS

## 1. General Information

Ndunguri VTC entity is established by and derives its authority and accountability. 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 *entity's* 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:<br>Leases | <i>Applicable 1<sup>st</sup> January 2025</i><br>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 statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Entity. |

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| Standard   | Effective date and impact:   |
|--|--|
| <p>IPSAS 44:<br/>Non- Current Assets Held for Sale and Discontinued Operations</p> | <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p> <p><i>Applicable 1<sup>st</sup> January 2025</i><br/>The Standard requires.<br/>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:<br/>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:<br/>Property Plant and Equipment</p>                                  | <p><i>Applicable 1<sup>st</sup> January 2025</i><br/>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:<br/>Measurement</p>   | <p><i>Applicable 1<sup>st</sup> January 2025</i><br/>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <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>  |

| Standard                                 | Effective date and impact:  |
|--|---|
| IPSAS 47:<br>Revenue                     | <i>Applicable 1<sup>st</sup> January 2026</i><br>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. |
| IPSAS 48:<br>Transfer<br>Expenses        | <i>Applicable 1<sup>st</sup> January 2026</i><br>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.   |
| IPSAS 49:<br>Retirement<br>Benefit Plans | <i>Applicable 1<sup>st</sup> January 2026</i><br>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.  |

#### 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 **xxx**. 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 as per schedule xxx of the xxx Act.

*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) are set out in *Note xx*.

*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.

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.

**Inventories (Continued)**

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*

Ndunguri 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*

Ndunguri 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**

Ndunguri 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 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 County Government

| Description                                  | FY 2024/2025     |
|--|------------------|
|  | Ksh              |
| Capitation Grants                            | 1,600,000        |
| <b>Total Government Grants and Subsidies</b> | <b>1,600,000</b> |

#### 7. Grants from Development Partners

| Description                                   | FY 2024/2025      |
|---|-------------------|
|   | Kshs              |
| KCB Foundation                                | 195,250.00        |
| <b>Total Grants from Development Partners</b> | <b>195,250.00</b> |

#### 8. Fees from Students

| Description                     | FY 2024/2025      |
|---------------------------------|-------------------|
|                                 | Ksh               |
| Tuition Fees                    | 126,800.00        |
| <b>Total Fees from students</b> | <b>126,800.00</b> |

#### 9. Use of Goods and Services

| Description                            | FY 2024/2025     |
|--|------------------|
|  | Ksh              |
| Teaching and learning materials        | 998,620          |
| Electricity                            | 35,000           |
| Catering, conferences, and delegations | 268,475          |
| Travelling and accommodation           | 10,000           |
| Printing and stationery                | 47,150           |
| Hire charges                           | 46,000           |
| Bank charges                           | 630              |
| <b>Total good and services</b>         | <b>1,405,875</b> |

**10. Employee Cost**

| Description           | FY 2024/2025<br>Ksh |
|-----------------------|---------------------|
| Salaries and wages    | 50,000              |
| <b>Employee Costs</b> | <b>50,000</b>       |

**11. Repairs and Maintenance**

| Description                            | FY 2024/2025<br>Ksh |
|--|---------------------|
| Current Account Capitation Account     | 225,988             |
| <b>Total Cash and Cash Equivalents</b> | <b>259,708</b>      |

**12. Cash and Cash Equivalent**

| Description                            | FY 2024/2025<br>Ksh |
|--|---------------------|
| Current Account Capitation Account     | 225,988             |
| Operations Account                     | 33,720              |
| <b>Total Cash and Cash Equivalents</b> | <b>259,708</b>      |

**13. 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.

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

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:

**14. 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.

**15. County Government of Tharaka Nithi**

The County Government of Tharaka Nithi is the principal shareholder of Ndunguri 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

**16. Events After The Reporting Period**

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

**17. Currency**

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