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REPORT

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THE AUDITOR-GENERAL

ON

MUGUMANGO VOCATIONAL 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



MUGUMANGO VOCATIONAL TRAINING CENTRE

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30TH JUNE 2025

**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

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



P. O. BOX 10-60406

KATHWANA

Date: 20th August 2025

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

RE: MUGUMANGO 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 Mugumango Vocational Training Centre Report and Financial Statements for the year ended 30th 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
MVTC	Mugumango Vocational Training Centre
P.C.E.A	Presbyterian Church of east Africa
NITA	National Industrial Training Authority
TVETA	Technical and Vocational Education and Training Authority
NGO	Non- Governmental Organisation
PWDS	Person with Disabilities
KCB	Kenya Commercial Bank
R.M.I	Repair Maintenance and Improvements

2. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

P.C.E.A Mugumango Vocational Training Center is domiciled in Tharaka Nithi County under the County Department for Education. Registered and Licensed by The Technical and Vocational Education and Training Authority (TVETA) Registration Number: Tveta/Public/Vtc/0118/2019. Renewal Date: 17th Oct 2024, Expiry Date: 17th Oct 2029.

(b) Principal Activities

1. Providing hands- on, competency-based training in various trades to equip trainees with practical skills
2. Delivering approved curricula aligned with industry standards and national guidelines
3. Preparing Trainees for National Examinations administered by bodies like NITA
4. Engaging with local industries to facilitate job placement for trainees.
5. Participating in community development initiatives and offering outreach programs to promote vocational education.

Principal mission

To offer holistic, inclusive and market-driven vocational Training grounded in Christian values-empowering youth including persons with disabilities, with practical skills, digital competence and live value that promote dignity, productivity, and a drug –free future.

Institution mission: to provide technical knowledge and equip trainees with Technical skills in order to produce men and women of great dignity and integrity.

Vision: to be a centre of excellence in Technical fields.

Core objectives:

- To equip trainees with practical skills
- To promote digital literacy
- To nurture Christian values and moral integrity
- To support inclusive educational for all
- To combat drug and substance abuse
- To partner with stakeholders for sustainable development

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(c) Key Management

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

SN.	Name	Position
1.	Monicah N. Maingi	Manager / Principal
2.	Frolence Muthoni	Deputy manager
3.	Felister Muyia	Dean of Students
4.	Cyprian Mwathi	Head of Departments
5.	Fridah Mukami	Accounting Clerk

(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.	Junius Peter Gitonga	Chairman BOM
2.	Monicah N Maingi	Manager / Principal
3.	Queesbeth Kajuju	Treasurer / Bursar
4.	Timothy Kinyua	Vice chairman

(e) Fiduciary Oversight Arrangements

- Audit and risk committee activities.
 1. Junius Peter Gitonga
 2. Jeremy Kinyua Njeru
 3. Monicah N. Maingi
- Finance and operations committee activities.
 1. Queensbeth Kajuju
 2. Junius Peter Gitonga
 3. Monicah N. Maingi
- Academic committee activities
 1. Timothy Nyaga
 2. Martin Mwandiki
 3. Monicah N. Maingi
- Development partner oversight activities
 1. Junius Peter Gitonga
 2. Jeremy Muguna Gatea
 3. Monicah N. Maingi

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(f) Entity Headquarters

P.O. Box 225- 60401 Chogoria
Mugumango Vocational Training Centre
Jiakanyinga Market
Katharaka- Jiakanyinga Road
Tharaka Nithi, Kenya

(g) Entity Contacts

TELEPHONE: (254) 728168795 / 704254399
E-MAIL: mugumangovtc@gmail.com

(h) Entity Bankers

KCB
P.O Box 225 Chogoria
Chogoria Branch

KCB
P.O Box 225 Chogoria
Chogoria Branch

(i) Independent Auditors

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







(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 - 60406
KATHWANA






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3. THE BOARD OF MANAGEMENT

<i>Member</i>	<i>Details</i>
	Name: Junius Peter Gitonga D.O.B: 01/01/1946 Qualification: Degree of Bachelor Of Science Experience: 50 years Executive
	Name: Jeremy Kinyua Njeru Dob: 5/2/1961 Qualification: Diploma in Education Experience: 20 years Independent
	Name: Alex Mucheeri D.O.B: 6/6/1989 Qualification: Bachelor of Human Resource Experience: 6 years Independent
	Name: Queensbeth Kajuju D.O.B: 31/12/1969 Qualification: Masters Degree in Leadership Management Experience: 15 years Executive
	Name: Timothy Nyaga D.O.B: 01/01/1966 Qualification: Master in Business Administration Experience: 35 years Executive
	Name: Lizbeth Gatiria Mbae D.O.B: 05/12/1959 Qualification: Degree in Business Management Experience: 44 years Independent





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	<p>Name: Rose Nduta Karinga D.O.B: 01/01/1972 Qualification: Degree Experience: 25 years Independent</p>
	<p>Name: Jeremy Muguna Gatea D.O.B: 13/03/1984 Qualification: Bachelor Degree of Art Theory Experience: 10 Years Independent</p>
	<p>Name: Alex Muriuki Munyua D.O.B: 19/12/1966 Qualification: Degree in Administration Experience: 35 years Independent</p>
	<p>Name: Martin Mwandiki Njeru D.O.B: 01/01/1980 Qualification: Grade 3 Mason Experience: 7 years Independent</p>
	<p>Name: Monicah N Maingi D.O.B: 5/7/1976 Qualification: Diploma in Management Experience: 24 years Executive</p>

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4. KEY MANAGEMENT TEAM

	<i>Member/ Director</i>	<i>Details</i>
1.	 Name: Monicah N. Maingi	Oversee daily operations of the school, manage records, trainee file, and supervise staff, students' affairs and curriculum training, budgeting and resource management, stock orders engagement and strategic planning Qualification: Diploma in Management
2.	 Name: Frolence Muthoni	Academic leadership, students discipline and welfare, staff management, school administration and policy implementation. Qualification: Grade 2 in garment making
3.	 Name: Cyprian Mwathi Nyaga	Academic oversight, staff management, student affairs and communication and coordination. Qualification: Diploma in building technology
4.	 Name: Fridah Mukami	Technical support, educational technology integration, data management and security and innovation and development. Qualification: Diploma in ICT

5. CHAIRMAN'S STATEMENT

Introduction

Mugumango Vocational Training Centre is a continuous ongoing Institution. The year 2024 saw development in various areas. Together with development there were also challenges, however in spite of these we are determined to push on and develop the institution to aerator light of development to prepare the young people for practical future levels.

Academic Progreess

During the year in question 2024/2025, it had good performance of our students in academic area. The good performance was possible due to assistance from stakeholders. The stakeholders included:

- (i) County Government of Tharaka Nithi.
- (ii) Kenya Commercial Bank Foundation
- (iii) NITA which registered out institution as an examination centre and easing travelling of our students especially the PWDS.

The trainee performed well, out of 72 candidates they all passed their exams. These accomplishments reflect the dedication of our instructors and especially the manager and the hard work of our trainees.

Holistic Development

Beyond the academics we have continued to foster an environment that promote holistic development of every trainee.

The extracurricular programs in sports and clubs have flourished with trainee achieving recognition at local levels. The sponsorship of Presbyterian Church of east Africa (P.C.E.A) helps the trainees to develop spiritually.

Infrastructure and Facilities

The Board of management under guidance of County Government of Tharaka Nithi has guided in improvement of infrastructure facilities which included

- (i) Building of a male trainee's dormitory to accommodate over 80 students.
- (ii) Building of the Administration block which helped the manager and staff to move from a timber building to a permanent block.

These developments are part of our strategic plan to ensure our facilities support modern and inclusive learning environment.

After completion of Boys Dormitory, Meru National polytechnic helped by donating 80 beds which helped a lot in easing congestion in the dormitories.

Staff and Leadership

Our dedicated team of staff are the backbone of our school. We have invested in continuous professional development and are proud of the collaborative culture that has grown within our school community.

I extend my deepest appreciation to our leadership team for their strategic direction and commitment to excellence.

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Community and Values

Mugumango Vocational Training Centre remains a community rooted in strong values. We have strengthened partnership with parents and broader community. Initiatives like fundraise in JULY helped to raise funds for infrastructure development.

Every December P.C.E.A Men have a program of initiating young Boys to manhood in this institution which helps to strengthen co-operation between school, community and the church. P.C.E.A church sponsors the school in spiritual matters by visiting the school and interacting with trainees. These interactions help the school to be part of the community.

Looking Ahead

As we look to the future we remain committed to continuous improvement. Our priorities for coming year include

- (i) Construction of a girls Trainee Dormitory
- (ii) Day sanitation block
- (iii) Construction of workshops
- (iv) Fencing of the compound
- (v) Increase enrolment from current 160 to 250

In conclusion, I thank all the stakeholders who have been involved in the development of this institution.

These include:

- (i) County government of Tharaka Nithi
- (ii) Trainees, instructors and community
- (iii) Kenya commercial bank foundation
- (iv) National government administration through the chief of Mugumango location
- (v) NITA for making institution an exam centre
- (vi) Meru National Polytechnic

Together we will continue to build our school that inspires and empowers future generations

Sign: _____



Junius Peter Gitonga

Chairman, BOM

Date. 10th July 2025

6. REPORT OF THE PRINCIPAL/MANAGER

Mugumango Vocational Training Center was established way back in 1984 by Central Mwimbi women's guild with the aim of empowering young mothers and youth's in order to reduce idleness, reduce early marriages, create job opportunities and reduce usage of drug among the youths.

Vision: To be a centre of excellence in the Technical Fields

Mission Statement: To provide Technical Knowledge and Equip Trainees with knowledge in order to produce men and women of great Dignity and Integrity.

Programmes Offered

1. Hairdressing and Beauty Therapy
2. Masonry/ Building construction
3. Plumbing
4. Welding
5. Fashion design and Garment making
6. Carpentry and joinery
7. Motor vehicle Mechanic
8. Computer packages
9. Electrical wireman
10. Knitting

Major Partnerships /Donors

1. Meru National Polytechnic
2. KCB Bank foundation

Achievements Made (July 2024 – 2025 June

- County Government constructed a Morden Administration block
- Constructed a Bio-digester through the community partnership
- Constructed semi-permanent staff quarter
- Constructed semi-permanent Toilets
- Our school become NITA EXAM CENTER and 84 Trainees did Exam
- Internet connectivity installed

Challenges

- The school was confirmed as a PWD centre
- Lack of spacious Girls Dormitory and Ablution block to suit PWDs.
- The Institution ground and rooms are not friendly to PWD's.
- Some of the PWDs are epileptic hence the school incur a lot to cater and take them to the Hospital
- We need a specialist to care for the PWDs
- Not able to feed them because nobody pays their school fee's
- Currently we have 38 PWD's.
- Lack government Employed staff's hence the wage bill is too high

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- Poor fees payment
- Inadequate workshop and modern tools and Equipment
- Need a modern kitchen and a dining Hall
- Require an alternative lighting system because in case of a black out trainees are not able to learn.

As the school we have sent a proposal to the county Government of Tharaka Nithi requesting for the construction of the Girls Dormitory, Ablution block and renovate all the pavements.

As a manager I have learnt that there are many youths who are differently enabled in our county and it's my able prayer that the county may consider constructing a home for many who are challenged in one way or the other.

Financial Statement FY 2024/2025

- Income- school fees
- Donations- The school had a fund raiser and collected ksh 300,000(three hundred thousand Kenya shilling's) and constructed a Biodigestor for the staff's Toilet.
- The County Government of Tharaka Nithi through the Chief officer we received a Land Rover for training motor vehicle Mechanic
- Received an office Table from county Government of Tharaka Nithi
- Received 80 bed's, mattresses and Blankets from Meru National Youth Polytechnic
- Received mattress from Chogoria Boy's

Expenditure

- ❖ Salaries
- ❖ Utilities
- ❖ Training materials
- ❖ Equipment's
- ❖ R.M.I
- ❖ Meals and lunches
- ❖ Co- curricular activities
- ❖ Tuition
- ❖ Administrative cost

A. Future Outlook In The Next 12 Years

- ✓ Become a centre of Excellent in our county and behold
- ✓ Increase enrolment from 100 to 250 Trainees
- ✓ Beautify the school to look good

Goals And Plans For July 2025-June 2026

- Provide quality and relevant Training that meets industry demands
- Seek donor support for PWD inclusion. Write proposals to potential donors to fund special education tools and caregiver support
- Start trainees' follow-up system for job placement, entrepreneurship success or further training

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- Bi- annual staff review meetings to evaluate training effectiveness, trainees' satisfaction and progress towards goals
- Ensure Trainees have practical skills that guarantee employability
- Disability- friendly modifications, upgrade the ramps, special toilets and better accommodate trainees with disabilities
- Launch flexible learning programs for working youth or those with family responsibilities by starting evening or weakened classes
- Start drug awareness and youth empowerment forums
- Host graduation ceremony to celebrate trainees' achievements with the community, county officials and stakeholder's

Plans

- Partner with industries to offer internships and real- world projects.
- Train and motivate Instructors to use modern teaching methods.
- Increase enrolment each year
- Reduce dropout rates and support trainees' success
- Launch aggressive marketing campaigns i.e. posters, social media, churches and Barraza's
- Create mentorship and counselling program for Trainees

B. Infrastructure And Facilities

- Provide a safe and modern and inclusive learning environment by installing internet and digital e-learning. Upgrade workshops, sanitation facilities for girls and make the school more accessible for persons with disabilities (PWDs)

C. Partnership &Community Engagement

- Build a network around the school
- Make the school a trusted centre for community development

Plans

- Host community events, graduation ceremonies and open days
- Create alumni network
- Collaborate with local churches, industries and county government

D. Financial Sustainability

Shall ensure the school can run independently

Plans

- ❖ Seek donors and especially for PWD support
- ❖ Start small income generating projects i.e. Tailoring, welding etc.
- ❖ Apply for government and NGO grants.

E. Marketing and Visibility

Make the school known locally and beyond

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Plans

- Regularly update the school website
- Share **trainees'** success stories and event on social media
- Partner with radio to talk about the school

Sign. 
Monicah N. Maingi
Manager

Mugumango VTC

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7. STATEMENT OF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES

Mugumango vocational training centre (MVTC) has 3 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: Infrastructure and resource optimization

Pillar /theme/ issue 3: Access and equity

Mugumango vocational training centre (MVTC) develops its annual work plans based on the above 3 pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Mugumango vocational training centre (MVTC) achieved its performance targets set for the FY 2024/25 period for its 3 strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Quality Of Teaching and Learning	Ensure high standards in curriculum delivery, teaching methods and learning resources	Use of updated training materials and technology	Monitor and evaluate learner performance and training outcomes	Learner pass rate increased from 72% to 80%year on year
Infrastructure and resource optimization	Provide Safe, modern and well-equipped training facilities	ICT integration in training delivery	Establish ICT infrastructure to Support blended and online learning	ICT infrastructure upgraded
Access and Equity	Improve access to vocational training for disadvantaged and marginalized groups	Number of learners with disabilities supported	Translate learning materials into multiple local languages	Training materials were translated into local languages to enhance inclusivity

8. CORPORATE GOVERNANCE STATEMENT

At Mugumango vocational training centre (MVTC), we are committed to upholding the highest standards of corporate governance. Our governance practices are designed to promote accountability, transparency, integrity and the effective oversight of institutional operations. This statement outlines our approach and commitment to good governance in accordance with relevant laws, policies and best practices.

1. Existence of a Board Charter.

Mugumango Vocational Training Centre operates under a comprehensive Board Charter that outlines the mandate, structure, roles and responsibilities of the Board. The charter serves as a guiding document that ensures clarity in governance and promotes effective decisions-making. It is reviewed periodically to align with evolving governance requirements and institutional needs.

2. Appointment and Removal of Board Members

The appointment and removal of Board members follow a structured and transparent process anchored in our institutional constitution and relevant regulations. Appointments are based on merit, experience and alignment with the strategic goals of the Centre. Members may be removed through a formal process in cases of misconduct, non – performance, or conflict of interest, subject to due process and governance protocols.

3. Succession Planning

Mugumango vocational training centre has in place a formal succession plan to ensure continuity in leadership. The plan identifies critical roles and potential successors, and incorporates mentoring and professional development. It also provides for emergency succession in the event of sudden or unexpected vacancies.

4. Roles and Functions of the Board.

The board provides strategic direction, ensures financial sustainability, oversees risk management and evaluates the performance of the Centre's leadership. It is responsible for policy formulation, monitoring institutional performance and ensuring compliance with legal and ethical standards.

5. Board Meeting and Attendance

In the FY 2024-25, the board convened four ordinary meeting and two special meetings. Board members are required to attend a minimum of 75% of meetings annually. Attendance records are maintained and the average attendance rate in FY 2024-25 was 92% indicating a high level of commitment.

6. Conflict of Interest

All board members are required to disclose any real or perceived conflicts of interest at the beginning of each meeting. Mugumango Vocational Training Centre has a conflict of interest policy that guides how such matters are managed to protect the integrity of board decisions. Members abstain from discussions or decisions where conflicts exist.

7. Induction and Training

New Board members undergo a structured induction program to familiarize them with the Centre's operations, governance framework and their responsibilities. Continuous training is provided through workshops, seminars and conferences to enhance governance effectiveness.

8. Board and Member Performance.

Mugumango vocational training centre conducts annual evaluations of the Board's collective performance as well as individual member contributions. These assessments inform improvement strategies and personal development plans, ensuring the Board remains dynamic and results – driven.

9. Board Remuneration.

Board members receive a modest sitting allowance and reimbursement for expenses incurred during official duties. Remuneration is reviewed periodically to ensure fairness and alignment with the Centre's financial position and public service guidelines.

10. Ethics and Conduct

The board subscribes to a strict code of ethics that promotes professionalism, accountability and integrity. Members are expected to uphold the highest ethical standards in all dealings, both within and outside the institution.

11. Governance Audit

Mugumango Vocational Training Centre undergoes an independent governance audit every two years to assess compliance with governance principles, identify gaps and recommend improvements. The most recent audit, conducted in 2023, confirmed compliance with governance best practices and highlighted areas for enhancement, which are currently being implemented.

This corporate governance statements reflects our dedication to ethical leadership and accountability, fostering an environment that support excellence in Vocational Training Centre growth.

9. MANAGEMENT DISCUSSION AND ANALYSIS

Mugumango 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
- Establishment of partnership with local industries and stakeholders
- Accreditation as a Testing Trade Centre
- Installation of Electricity

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.

- Lack of drinkable water with over reliance on rain water.
- Shortage of government employed trainers straining financial resources
- Poor payment of school fees
- Limited washroom infrastructure

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.

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 Mugumango 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 Institution.

The Board of Management are responsible for the preparation and presentation of the institution's 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 institution's 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 Mugumango 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 Mugumango VTC, which have been relied upon in the preparation of the Mugumango 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 Mugumango 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

Mugumango VTC financial statements were approved by the Board on 14th July 2025 and signed on its behalf by:



Junius Peter Gitonga



Monicah N. Maingi

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MUGUMANGO VOCATIONAL TRAINING CENTRE FOR THE YEAR ENDED 30 JUNE, 2025

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 Mugumango 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 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 effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of Mugumango 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 Education and Training Act, 2013, and the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Unconfirmed Ownership and Value of Fixed Assets

The statement of financial position reflects nil non-current assets balance. However, the land, buildings and furniture's and fittings and other assets have not been surveyed, valued and included in the fixed asset register and the annual report and financial statements.

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

2. Unsupported County Government Transfers and Student Fees

The statement of financial performance reflects transfers from County Government amount of Kshs.1,800,000 and fees from students Kshs.1,355,910 as disclosed in Notes 6 and 7 respectively to the financial statements. Review of the transfers from the County Government revealed that the capitation of Kshs.1,800,000 was not supported by the beneficiary list. Further, fees from students Kshs.1,355,910 were not supported by fee structure, receipt duplicates for all fee payments and fee registers to show the fee payment history and the balances at the end of the year.

In the circumstances, the accuracy and completeness of the transfers from County Government and fees from students amounts of Kshs.1,800,000 and Kshs.1,355,910 respectively could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Mugumango 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.3,400,000 and Ksh.2,012,530 respectively, resulting to an under-funding of Kshs.1,387,470 or 41% of the budget. However, the Institution spent Kshs.2,026,067 against actual receipts of Kshs.2,012,530 resulting to an over-utilization of Kshs.13,537 of the actual revenue.

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

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 report in the year under review.

Other Information

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

In connection with my audit on the 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 THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on

Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Unregistered and unlicensed trainers

Review of employee's personal files showed that among 9 trainers at the Vocational Training Centres all of them had no license and registration documents from the board and as a result their suitability to offer the services to the institution could not be confirmed. This contravened Section 23(1) of Technical and Vocational Education and Training Act, 2013 states that any person who intends to become a trainer in an institution shall apply for licensing and registration by the Board in accordance with the provisions of this Act.

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

2. Non-Compliance with Law on Ethnic Diversity

Review of payroll records revealed that out of the total of thirteen (13) employees, all of them were from the dominant community in the County. In addition, the recruitment during the year failed to remedy the ethnic disparity contrary to Section 7(2) of the National Cohesion and Integration Act, 2008, which stipulates that no public establishment should employ more than one-third of its staff from the same ethnic community.

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

3. 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 20th day of the subsequent month and also file monthly returns.

In the circumstances, Management was in breach of the 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.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the effect of the matters 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

1. Lack of Lack of Internal Audit reports

Review of records and processes revealed that the entity did not have operational internal audit function and internal audit committee as no internal audit reports, internal audit committee minutes and risk assessment reports related to the entity were provided for audit review for the period under review.

In the circumstances, the financial and operational risks may have remained unidentified hence no mitigation mechanism in place.

2. Irregular Composition of Board of Management

During the year under review, the Institution had constituted a board of eleven (11) members contrary to the requirements of Section 1(1) of the Second schedule to the Technical and Vocational Education and Training Act, 2013 which states that the Board of Governors of a public institution shall consist of not less than seven and not more than nine members appointed by the Cabinet Secretary.

In the circumstances, the Board may not discharge its mandate effectively.

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 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 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 Mugumango Vocational Training Centre 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

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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	1,800,000
Total Revenue from non-exchange transactions		1,800,000
Revenue from Exchange transactions		
Fees from students	7	1,355,910
Total Revenue		3,155,910
Expenses		
Use of Goods and Services	8	2,566,807
Employee costs	9	627,800
Total Expenses		3,194,607
Net surplus/(deficit) for the year		(38,697)

Mugumango Vocational Training Centre financial Statements were approved on 14th July 2025 and signed by:



Junius Peter Gitonga
Board Chairman



Monicah N. Maingi
Manager



CPA Judith Muthoni
Chief Accountant
ICPAK No. 21856

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

Description	Notes	FY 2024/2025
		Ksh
Assets		
Current Assets		
Cash and Cash Equivalents	10	522
Current Portion Of Receivables from Exchange Transactions	11	1,143,380
Total Current Assets		1,143,902
Total Non-Current Assets		0
Total Assets		1,143,902
Liabilities		
Current Liabilities		
Trade and other payables from exchange transactions	12	1,168,540
Total Liabilities		1,168,540
Net Assets		(24,638)
Represented By:		
Accumulated Surplus		(24,638)
Total Net Assets		(24,638)

Mugumango Vocational Training Centre financial Statements were approved on **14th July 2025** and signed by:



Junius Peter Gitonga
Board Chairman



Monicah N. Maingi
Manager



CPA Judith Muthoni
Chief Accountant
ICPAK No. 21856

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

Description	Accumulated Surplus	Capital	Total
		Grants/Fund	
At July 1, 2023			
Revaluation gain			
Surplus/(deficit) for the year			
Capital grants received during the year			
At June 30, 2024			
At July 1, 2024	14,059		14,059
Surplus/(deficit) for the year	(38,697)		(38,697)
Capital grants received during the year			0
At June 30, 2025	(24,638)	0	(24,638)

MUGUMANGO VTC**Annual Report and Financial Statements for the year ended 30th June 2025****17. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30th JUNE 2025**

	FY 2024/2025	
	Note	Ksh
Cash flows from operating activities		
Receipts		
Transfers from County Government	6	1,800,000
Fees from students	7	212,530
Total Receipts		2,012,530
Payments		
Use of goods and services	8	1,598,267
Employee costs	9	427,800
Total Payments		2,026,067
Net Cash Flows from operating activities		(13,537)
Net cash flows used in investing activities		0
Net cash flows used in financing activities		0
Net Increase/(Decrease) in Cash and Cash equivalents		(13,537)
Cash & Cash equivalents at the beginning (1 st July 2024)	10	14,059
Cash & Cash equivalents at the end. (30 th June 2025)	10	522

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

Description	Original budget	Adjustments	Final	Actual on comparable basis	Performance difference	Utilization Difference
	Kshs		Kshs			Kshs
	A	B	C=A+B	D	E=C-D	F=D/C%
Budget carryovers from the previous year	-					
Receipts						
Transfers from County Government	1,800,000		1,800,000	1,800,000	0	100%
Fees from students	1,600,000		1,600,000	212,530	1,387,470	13%
Total Receipts	3,400,000		3,400,000	2,012,530	1,387,470	59%
Payments						
Use of Goods and Services	2,600,000		2,600,000	1,598,267	1,001,733	61%
Employee costs	650,000		650,000	427,800	222,200	66%
Repairs and maintenance	150,000		150,000	0	150,000	0%
Expenditure	3,400,000	0	3,400,000	2,026,067	1,373,933	60%
Capital Expenditure payments	0	0	0	0	0	
Total Expenditure	3,400,000	0	3,400,000	2,026,067	1,373,933	60%
Surplus	0	0	0	-13,537		

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19. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Mugumango 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: Leases	<i>Applicable 1st 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 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:
	The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
<p>IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations</p>	<p><i>Applicable 1st January 2025</i> The Standard requires, 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: 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><i>Applicable 1st January 2025</i> 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><i>Applicable 1st January 2025</i> The objective of this standard was to improve measurement guidance across IPSAS by: <ul style="list-style-type: none"> Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. Clarifying transaction costs guidance to enhance consistency across IPSAS. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement, and measurement related disclosures. The standard also introduces a public sector specific measurement bases called the current operational value.</p>
<p>IPSAS 47: Revenue</p>	<p><i>Applicable 1st January 2026</i> 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</p>

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Standard	Effective date and impact:
	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: Transfer Expenses	<i>Applicable 1st January 2026</i> 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: Retirement Benefit Plans	<i>Applicable 1st January 2026</i> 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.

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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:

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- 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

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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.

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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.

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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:

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- 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

Mugumango 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

Mugumango 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.

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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

Mugumango 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

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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	1,800,000
Total Government Grants and Subsidies	1,800,000

7. Fees from Students

Description	FY 2024/2025
	Ksh
Tuition Fees	1,355,910
Total Fees from students	1,355,910

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8. Use of Goods and Services

Description	FY 2024/2025 Ksh
Teaching and learning materials	1,236,540
Electricity	90,000
Water	170,000
Catering, conferences, and delegations	962,000
Travelling and accommodation	105,000
Bank charges	3,267
Total good and services	2,566,807

9. Employee Cost

Description	FY 2024/2025 Ksh
Salaries and wages	627,800
Employee Costs	627,800

10. Cash and Cash Equivalent

Description	FY 2024/2025 Ksh
Current Account Capitation Account	191
Operations Account	331
Total Cash and Cash Equivalents	522

11. Current Receivables From Exchange Transactions

Description	FY 2024/2025 Ksh
Current Receivables	
Student Debtors	1,143,380
Total Current Receivables	1,143,380

12. Trade and Other Payables from Exchange Transactions

Description	FY 2024/2025 Ksh
Teaching and learning materials	476,540
Electricity	30,000
Water	160,000
Catering, conferences, and delegations	272,000
Travelling and accommodation	30,000
Salaries and wages	200,000
Total Trade and Other Payables	1,168,540

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.

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:

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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

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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 Mugumango 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.