

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

PARLIAMENT
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OF

THE AUDITOR-GENERAL

ON

**KARICHU VOCATIONAL TRAINING
CENTRE**

FOR THE YEAR ENDED	
30 JUNE, 2025	
THE NATIONAL ASSEMBLY PAPERS LADD	
DATE:	05 MAR 2026 DAY: Thursday
TABLED BY:	Hon Owen Baya mp Deputy leader of Majority Party
CLERK-AT-TABLE:	A. Shibuka



KARICHU 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)

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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
VET	Vocational Education Training
MVT	Motor Vehicle Technology

2. Key Entity Information and Management**(a) Background information**

The Karichu Vocational Training Centre was incorporated/ established under the TVET Act on 2020. The entity is domiciled in Kenya. The Vocational Training Centre is under the County Department for Education.

The Vocational Training Centre is located in Karichu Location, Mutuati Sub County in Meru County. The construction of Karichu Vocational Training Centre, started in 2006 financed by Igembe North constituency CDF. The institution opened its doors to trainees in January 2014. However, it was closed down at the end 2014 due to low trainee enrolment and lack of finances. In the year 2018, the county government of Meru took over the management and funding of the institution. The institution opened its doors for the second time to potential trainees in May 2018 and started offering Grade III course.

Principal Activities

The principal activity for Karichu Vocational Training Centre is to train competent youths in practical skills for gainful employment and self-reliance in order to meet the ever evolving needs in their societies.

Vision: To be a centre of excellence in providing quality training for self-reliance

Mission: to develop competent, dependable, innovative and creative human resource that suits dynamic technological trends for sustainable development

(b) Key Management

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

- Board of Management, etc.
- Accounting Officer/ Principal/Manager
- Management...;

(c) 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.	Designation	Name
1.	Manager	Mr Stephen Munya
2.	Assistant Manager Academics	Mr Evans Irungu

Key Entity Information and Management (Continued)

(d) Entity Headquarters

Karichu VTC Headquarters

P.O. Box 586-60600
Stage Kwa Njilu/ A 'Kiongo Mkt Road
MAUA, KENYA

(e) Entity Contacts

Telephone: (254) 720848197
E-mail: karripoly@gmail.com

(f) Entity Bankers

Co-operative Bank of Kenya LTD
Maua Branch
P.O. Box, 48231-00100
Nairobi, Kenya

KCB Bank Kenya LTD
Maua Branch
P.O. Box 48400-00100
Nairobi, Kenya

(g) 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)

(h) Principal Legal Adviser

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





County Attorney
P.O Box 109-60200
Meru, Kenya

3. The Board of Management



Member	Details
<p>1.  Name: Alexander Mutia Profession: Teacher Academic: Bsc Arts (Education)</p>	<p>Date of Birth: 1971 Qualification: Bsc Arts (Education) Work Experience: 25 Position in BoG: Chairperson BoG</p>
<p>2.  Name: Hellen Kanana Mauta Profession: ECDE Teacher Academic: Diploma in Education</p>	<p>Date of Birth: 1973 Qualification: Diploma in Education Work Experience: 15 Position in BoG: Vice Chairperson BoG</p>
<p>3.  Name: Easter Mwende Profession: Accountant Academic: CPA</p>	<p>Date of Birth: 1990 Qualification: CPA Work Experience: 5 Position in BoG: Member</p>
<p>4.  Name: Elias Ndereva Profession: Mechanic Academic: Certificate in Mechanic</p>	<p>Date of Birth: 1998 Qualification: Mechanic Work Experience: 6 Position in BoG: Member of BoG Executive committee</p>

Karichu Vocational Training Centre



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

 <p>5. Name: Nicholas Mungathia Profession: Marketer Academic: Diploma in Marketing</p>	<p>Date of Birth: 1996 Qualification: Diploma in Marketing Work Experience: 7 Position in BoG: BoG Member</p>
 <p>6. Name: Peter Miriti Profession: Teacher Academic: Bsc Arts (Education)</p>	<p>Date of Birth: 1978 Qualification: Bsc Arts (Education) Work Experience: 18 Position in BoG: BoG Member</p>
 <p>7. Name: Jane Kathure Profession: Teacher Academic: P1 Teacher</p>	<p>Date of Birth: 1988 Qualification: P1 Teacher Work Experience: 10 Position in BoG: BoG Member</p>
 <p>8. Name: Elsie Kageni Profession: Social Worker Academic: KCSE</p>	<p>Date of Birth: 1973 Qualification: KCSE Work Experience: 20 Position in BoG: BoG Member</p>

Karichu Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2025

<p>9.  Name: Pamela Robert Profession: Farmer Academic: KCSE</p>	<p>Date of Birth: 1995 Qualification: KCSE Work Experience: 10 Position in BoG: BoG Member</p>
<p> Name: Stephen Munya Profession: ICT Trainer Academic: Bsc IT, Diploma in Technical Ed</p>	<p>Date of Birth: 1981 Qualification: Bsc IT Work Experience: 9 Position in BoG: BoG Secretary ICS Membership: No</p>

4. Key Management Team

<i>S N</i>	<i>Member/ Director</i>	<i>Details</i>
1.	<p><i>Manager</i></p>  <p>Name: Stephen Munya Profession: ICT Trainer Academic: Bsc IT, DIP in Technical Ed</p>	<ul style="list-style-type: none"> • <i>AIE Holder</i> • <i>Administration</i> • <i>Budgeting</i> • <i>BoG Secretary</i> • <i>Training</i>
2.	<p><i>Deputy Manager</i></p>  <p>Name: Evans Irungu Profession: Fashion & Design Trainer Academic: Diploma in Fashion & Design, DIP in Technical Ed</p>	<ul style="list-style-type: none"> • Supervise and coordinate implementation of the curriculum • Chair Tendering Committee • Discipline Master • Training

5. Chairman's Statement

It is with great honour to present the annual report and financial statement of Karichu Vocational Training Centre for the year ended on June 30th 2025. The demand for TVET course as continually rose year in year out, thus obligating our institution to introduce new courses to satisfy the community needs. The major objective of the Karichu Vocational Training Centre BoG is to ensure its main courses are market driven, affordable and meet the training needs of the trainees.

During the financial year 2024-2025 period, various achievements were realized, these are;

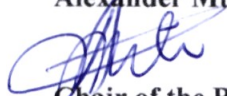
- Introduction of Motor vehicle technology course
- Construction of shade for motor vehicle training
- Enhanced institution marketing by bringing on board the local clergy community
- Participated in Meru National Show to showcase trainees' skills in Fashion and Design and Hairdressing and beauty therapy courses

During the year under review the institution received conditional grant capitation from the county government of Meru. This funding has enabled the VTC to acquire equipment and tools plus learning and instructional materials that will ensure trainees get quality training.

Besides, the institution received bursaries from both Ward and CDF Kitty County. The bursaries have greatly helped in the retention of trainees in the institution.

Also, the board is satisfied with efforts of the institution day to day management in ensuring prudent utilization of the available resources and compliance with various government regulations. Finally, I thank all the institution stakeholders for their support as we gear toward realizing greater successes for the institution.

Alexander Mutia



Chair of the Board of Governors

Karichu VTC

6. Report of the Principal/Manager

Present herein is the annual report and financial statement of Karichu Vocational Training Centre for the year ended June 30th 2025.

Non-Financial Information

A) Courses Offered

During the financial year under review the VTC had 5 courses namely

- Hairdressing and Beauty Therapy
- Fashion and Design
- Motor Vehicle Technology
- Electrical Wiring and Installations
- Computer Studies

B) Student Population

The VTC admits both the class eight and form four leavers and those who have dropped basic education institutions for various reasons. By the end of financial year 2024/2025, the institution had a population of 63 trainees. The number of trainees is expected to rise considerably in the 2025/2026 financial year. This will be achieved through

- Marketing of the courses on offer across the entire A/Kiongo ward and the neighbouring wards
- Introduction of welding course to attract more male trainees
- Strengthening our collaboration with local administrators and the clergy community

c) Achievements

In the financial year 2024/2025, the VTC made the following achievements


- Introduction of Motor Vehicle Technology course, the course was started at the beginning of the year 2025 and so far it has attracted 25 trainees. This is a plus in our endeavour to boost trainee enrolment.
- Construction of motor vehicle shade which majorly is used by trainees during their practical lessons
- Procurement of motor vehicle engine and gearbox to aid in training of MVT course
- Participation in Meru National Show where trainees showcased their skills in hairdressing and beauty plus fashion and design courses.

Karichu Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2025

The VTC has experienced many challenges during the financial year under review which are beyond its scope. These challenges include,

- Trainee dropout due to lack of school fees
- Lack of finances to run the institution effectively due to trainees' huge fee balances
- Low enrolment as a result of the CBE education system which is geared to 100% transition rate, thus encroaching on our targeted catchment group
- Lack of financial resources to aggressively market the VTC
- Lack of playing field for trainees and uneven and rocky VTC'S compound

That said, I greatly appreciate the county government of Meru for their support, by giving capitation and bursaries to our trainees which has gone a long way in easing fees payment for their parents. Also, I appreciate the BOG members for their invaluable input in running of the VTC and their individual efforts in trying to boost the VTC's trainee's enrolment numbers. What is more, I appreciate other VTC stakeholders, the clergy community and the entire A/Kiongo local administration for their unwavering support to the VTC anytime we have needed them in our trainees' recruitment efforts.

Stephen Munya

AG Manager
Karichu VTC

7. Statement of Performance against Predetermined Objectives

A review of Karichu VTC performance for 2024/2025 financial Section 164 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the County government entity's performance against predetermined objectives.

Karichu VTC has 6 strategic objectives within its Strategic Plan for the FY 2021- FY 2026. These strategic objectives are as follows:

1. Increase (Enrolment) and retaining the number of trainees to at least 150 trainees and curbing the rate of attrition (dropout) to spur completion rate to 80%. How-by creating a friendly learning environment.
2. Build sufficient learning infrastructure progressively to accommodate the anticipated growth of trainee enrolment (at least two class per course)
3. Introduce new programmes and revamp existing ones to ensure quality and competent graduates (new Programs-Welding, Electrical, Carpentry, Mechanical & Driving, masonry and a functional ICT department)
4. Fencing the entire school compound (using concrete posts and chain link) to ensure enough security for the institution property and trainees well in the school
5. Levelling the institution's play ground to give trainees an opportunity to engage in various sporting activities
6. Establishing income generating activities (Seed nursery, Dairy cow farming, vegetables farming, welding, fashion design)

Karichu VTC develops its annual work plans based on the above 6 pillars. Assessment of the Board's performance against its annual work plan is done on a yearly basis. The VTC achieved its performance targets set for the FY 2024/2025 as indicated in the diagram below:

Strategic Pillar	Objective	Key Performance Indicators	Activities	Achievements
Objective	Introduce new programmes and revamp existing programmes to ensure quality and competent graduates	-Increased numbers of trainees -Increased numbers of quality training equipment -Motor Vehicle instructor	-Invest in tools and equipment for training. -Hire qualified motor vehicle trainer -Motor Vehicle training shade construction	-MVT trainer hired -Motor Vehicle tools and equipment acquired MVT shade built

8. Corporate Governance Statement

The TVET mandates in Kenya are espoused in the TVET act 2013. TVET institutions run by BoG with the responsibility offering the required leadership for developing various plans and strategies that contribute to a sustainable execution of its mandate.

The BoG members are appointed by CECM in charge of Vocational Education Training in the county government after they are nominated by a panel that consists of;

- Vocational Education and Training Officer (Chairperson)
- Vocational Training Centre manager (secretary)
- Area Member of County Assembly (MCA)
- Vocational Training Centre Religious Entity. In case the VTC has no Religious Entity, then a representative of the Sub -County Education Board (SCEB)
- Local administration

The nomination panel ensure that the following basic requirements for Board of management membership:

- Minimum academic qualification of KCSE/KCE level (secondary education)
- Must be persons of integrity and committed to serve the community on voluntary basis.
- At least one third of the nominees are women

The composition of boards of management members is as follows:

- Two (2) persons nominated by the Religious Entity/SCEB affiliated with the Vocational Training Centre.
- Two (2) persons representing the community in which the VTC is situated.
- Two (2) youths; one MALE and FEMALE.
- One (1) person representing people with special needs.
- One (1) person representing the jua kali or industry and commerce sector.
- One (1) person representing special interests.
- Three persons (3) co-opted to the Board during the first BOG's meeting. These members will be drawn from the parents' instructors Association (PIA).
- Vocational Education and Training Officer as an ex-officio Board member.
- The VTC manager who is the secretary to the board.

The total composition of board members is 12 people. No single gender should constitute more than two thirds of the total number. The Vocational Education and Training Officer is an automatic ex- officio member of board.

RULES OF ENGAGEMENT

- The term of office for the board is three (3) years and is eligible for re-appointment for one more term.
- The board hold not less than three (3) ordinary meetings each year. The quorum at any meeting shall be two thirds (2/3). Questions before the Board shall be decided by the votes of the majority members present and voting.
- The chairperson may convene a special meeting of the full board at any time and may do so at the request of the Vocational Education and Training Officer.
- The board may invite government officers or other persons when need arises. Such persons will attend as ex-officio/in attendance without any voting powers.
- In the absence of the chairperson, the vice-chairperson acts as the chairperson for that particular meeting only.
- Any member who is absent without apologies for three (3) consecutive meetings of the board is required to resign or is deemed to have ceased from being a board member.
- Any vacancy occasioned by the resignation or death of a board member is filled by the entity responsible for his/her nomination and will hold office for the remaining term.

THE FUNCTIONS OF THE BOARD OF GOVERNORS

- The functions of the Board of Governors of Vocational Training Centre shall be;-
- Promote the best interests of the Institution and ensure its development,
- Promote quality education and training for all trainees in accordance with the set standards,
- (C) Develop a strategic plan for the institution,
- Provide proper and adequate physical facilities for the institution,
- Create an enabling environment for the institution's manager/principal, instructors and other staff of the institution in the performance of their professional duties,
- Manage all affairs of the Institution in the accordance with the laid down procedures,
- Advise the Department on the staffing needs of the institution,
- Make recommendations for appointment of instructors at the institution,
- Recruit, employ and remunerate such number of instructors as may be required by the Institution subject to the provisions of the law,
- (I) In consultation with the Quality Assurance and Standards Officers, ensure effective curriculum implementation and delivery,
- Ensure the trainees are presented for examination and assessments,

Karichu Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2025

- Prepare annual estimates of revenues and expenditure for the institution and incur expenditure on behalf of the institution,
- (L) Receive, on behalf of the institution: - Fees, grants, subscriptions, donations or other monies and to make payments to the Institution or other bodies or persons in accordance to the relevant law,
- (m) Mobilize resources for the purposes of the institution subject to the provisions of the Public Financial Management Act, 2012, and any other relevant laws,
- (n) Enter into association with other local or International training institutions in the interests of the institution with the approval of the relevant authority,
- (o) Continuously monitor instructors in terms of curriculum implementation and delivery conduct of examinations and assessments in the institution,
- (p) Adopt a code of conduct for the staff and trainees, determines cases of discipline and make reports to the Department of Education and Technology,
- (q) Prepare a comprehensive annual report on all areas of its mandate including education, training and research services and submit the same to the Department,
- (r) Provide for the welfare and safety of the staff and trainees at the Institution,
- (s) Facilitate and ensure the provision of guidance and counselling to all trainees,
- (t) Encourage the community, parents, trainees, staffs and other stakeholders to render voluntary services to the Institutions,
- (u) Upon request, approve the use of the Institutional facilities for educational, training and research programmes not conducted by the institution either for free or on hire.
- (v) Recruit, employ and remunerate such number of non-teaching staff as may be required by the institution in accordance with the Employment Act, and
- (w) Perform any other function to facilitate the implementation of its functions under these guidelines or any other written law.
- Number of board meetings held and the attendance to those meetings by the members:

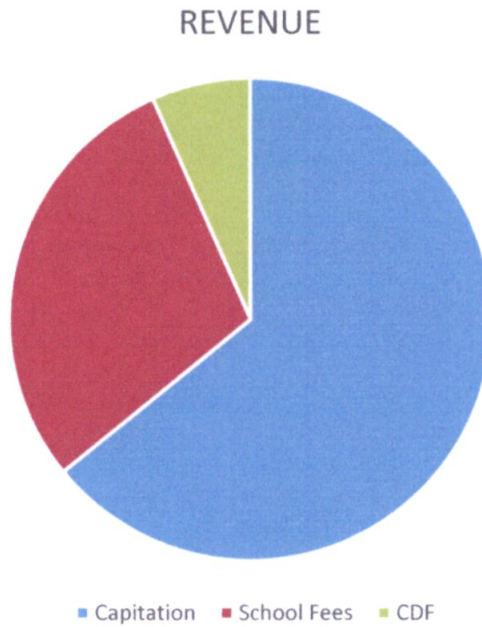
No of meetings	Date of the BOM meetings	No of members present
1	20 th Sept 2024	10
2	20 th Dec 2024	10

- The board is entrusted by the community to be the main decision maker on all management matters pertaining the institution

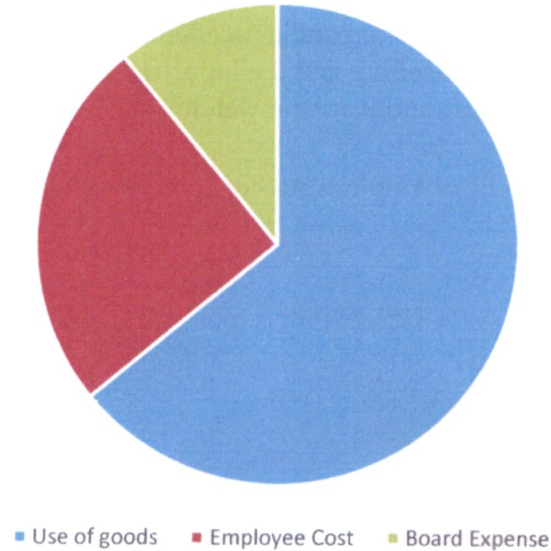
9. Management Discussion and Analysis

The VTC BoG has been quite supportive to the management and it has performed its oversight role in whole. The management team is constituted with the Manager being the team leader and deputy Manager who handles academics and the hairdressing instructor who handles guidance and counselling and the industrial liaison. The VTC has non-academic staffs that include the cook and the watchman.

The day to day of the running of the institution are analysed as follows;



EXPENDITURE



10. Environmental and Sustainability Reporting Statement

i. Sustainability strategy and profile

Karichu Vocational Training Centre is basic technical training institution under the directorate of Vocational Education Training in Meru county government and regulated by TVET ACT 2013. In its effort to train skilled manpower that aligns with the demands of the job market, the VTC has endeavoured to comply with the TVET guidelines and policies. The VTC has identified the potential of the host community as the drive to the realization of its growth. Hence the VTC has continually involved the local community through the sensitization on the courses it offers and the support it gets from the meru county government in form of capitation and bursaries for enrolled trainees. What is more, the VTC has reached out to various stakeholders namely; the local administrators, the clergy community, and political leadership for support in its effort to improve and sustain trainees' enrolment going forward. Besides, the VTC has continuously endeavoured to introduce new courses with an aim of eliciting wider interest from potential trainees in the host community.

ii. Corporate Social Responsibility / Community Engagements

As part of engaging with the neighbouring community, the VTC offers free barbering services to the school going children. This gives the VTC's hairdressing trainees an opportunity to practice various barbering skills they have learned in real time. Besides, the VTC offers salon services to the local women folks. These services include hair treatment, hair blowing and plaiting.

Karichu Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2025

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 Karichu Vocational Training Centre's affairs.

Principal activities

The principal activity of the entity is to train competent youths in practical skills for gainful employment and self-reliance in order to meet the ever evolving needs in their societies.

Results

The results of the Karichu Vocational Training Centre for the year ended June 30 are set out on page

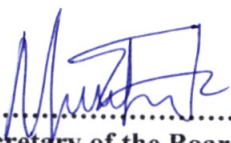
Board of Management

The members of the Board who served during the year are shown on page vi to viii

Auditors

The Auditor General is responsible for the statutory audit of the Karichu Vocational Training Centre 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: 2/12/2025

Karichu Vocational Training Centre
Annual Report and Financial Statements for the year ended 30th June 2025

12. Statement of Board of Management Responsibilities

Section 164 of the Public Finance Management Act, 2012 and *TVET'S Act 2013 section 26* require the Board of Management to prepare financial statements in respect of that Karichu Vocational Training Centre, which give a true and fair view of the state of affairs of the Karichu Vocational Training Centre at the end of the financial year/period and the operating results of the Karichu Vocational Training Centre for that year/period. The Board of Management are also required to ensure that the Karichu Vocational Training Centre keeps proper accounting records which disclose with reasonable accuracy the financial position of the Karichu Vocational Training Centre. The Board of Management are also responsible for safeguarding the assets of the Karichu Vocational Training Centre.


The Board of Management are responsible for the preparation and presentation of the Karichu Vocational Training Centre's financial statements, which give a true and fair view of the state of affairs of the Karichu Vocational Training Centre for and as at the end of the financial year (period) 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 Karichu Vocational Training Centre, (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 Karichu Vocational Training Centre, (v) selecting and applying appropriate accounting policies, and (vi) making accounting estimates that are reasonable in the circumstances.

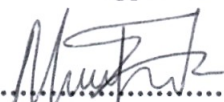
The Board of Management accept responsibility for the Karichu Vocational Training Centre's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and *TVET'S Act 2013 section 26*. The Board of Management are of the opinion that the Karichu Vocational Training Centre's financial statements give a true and fair view of the state of Karichu Vocational Training Centre's transactions during the financial year ended June 30, 2025, and of the Karichu Vocational Training Centre's financial position as at that date. The Board of Management further confirm the completeness of the accounting records maintained for the Karichu Vocational Training Centre which have been relied upon in the preparation of the Karichu Vocational Training Centre's financial statements as well as the adequacy of the systems of internal financial control.

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

Approval of the financial statements

The Karichu Vocational Training Centre's financial statements were approved by the Board on 29/8/2025 2025 and signed on its behalf by:

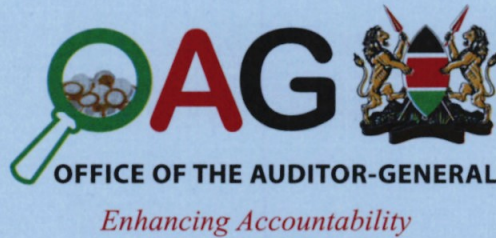

.....
Name Alexander Mutua
Chairperson of the Board


.....
Name Stephen Mungu
Principal/Manager

AG

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 KARICHU 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 the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on the Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on the 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 Karichu Vocational Training Centre set out on pages 1 to 29, which comprise of the statement of financial position as

at 30 June, 2025, statement of financial performance, the 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 Karichu 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. Unsupported Accounts Receivables

The statement of financial position reflects current portion of receivables from exchange transactions balance of Kshs.216,380. In addition, a detailed ageing analysis and supporting documents were not provided for audit review.

In the circumstances, the accuracy, completeness and recoverability of current portion of receivables from exchange transactions balance of Kshs.216,380 could not be confirmed.

2. Property, Plant and Equipment

The statement of financial position and as disclosed in Note 17 reflects balance of Kshs.164,216 in respect to property, plant and equipment. Further, Note 17 to the financial statements disclosed a nil balance in respect to land, building, machinery and library books. However, audit review revealed that the Training Centre has land of unknown value and size, while no efforts have been put in place to acquire land ownership documents and valuation reports. Further, no explanation was provided as to why the Institution failed to disclose and insure its property, plant and equipment. In addition, asset register was not provided for audit.

In the circumstances, the accuracy and completeness of property, plant and equipment balance of Kshs.164,216 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Karichu 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 comparison of budget and actual amounts reflects final receipts budget and actual on a comparable basis of Kshs.1,642,000 and Kshs.1,356,620 respectively, resulting to an under-funding of Kshs.285,380 or 17% of the budget. Similarly, the Institution spent an amount of Kshs.1,202,562. against actual receipts of Kshs1,356,620, resulting to an under-utilization of Kshs.154,058 or 11% 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 effect of the matters 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 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 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

the 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 for Conclusion

1. Expired Training License

Review of the Centre's training license number TVETA/PUBLIC/VTC/0043/202 issued on 23 January, 2020 revealed that the license expired on 22 January, 2025 and has not been renewed. Further, it was noted that the Training Centre was previously licensed to offer one (1) course in Tailoring and Dressmaking. However, enrollment registers revealed that the training Centre offers additional courses which are not approved namely; Hairdressing and Beauty Therapy, Fashion and Design, Motor Vehicle Technology, Electrical Wiring and Installations, Computer Studies.

In the circumstances, Management was in breach of issued Guidelines.

2. Failure to Budget for Climate Change and Financing

Review of the Centre annual budget and financial plans revealed that no provisions for climate change mitigation, adaptation programs, or climate financing initiatives were made. In addition, there was no evidence of planned allocation of funds for projects or activities that address climate risks, such as water source protection, energy-efficient operations, or climate resilience measures, despite the Company's operations being highly dependent on environmental sustainability. This contrary to The National Climate Change Act, 2016, which obligates public entities to mainstream climate change measures into their operational and development plans and to allocate adequate resources to address climate resilience and adaptation.

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 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 effect of the matters described in the Basis for Conclusion on the 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 Internal Audit Function and Audit Committee

During the year under review, the Institution had not constituted an audit committee and an internal audit unit as required by Regulation 166 (1) and (2) of the Public Finance Management (National Government), 2015 which states that, the internal audit unit of a County Government entity to assess effectiveness of the Polytechnic through an internal performance appraisal commenting on its effectiveness in the annual report to The County Treasury.

In the circumstances, the effectiveness of the risk management process and internal controls could not be confirmed

2. Cash Collection of Students Fees

The statement of financial performance and as disclosed in Note 8 to the financial statements reflects an amount of Kshs.613,000 in respect to revenue from exchange transactions - fees from students. Review of the cashbook and supporting ledgers revealed that an amount of Kshs.193,650 in respect of fees from students was received in cash. There was no evidence of banking of the cash received indicating that the cash was spent at source. No explanation was given as to why the fees paid in cash was not banked intact before use.

In the circumstances, the Centre's internal controls effectiveness could not be confirmed.

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 control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is responsible for assessing the Centre's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

The Board of Management is responsible for overseeing the Centre's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit


My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities

that govern them and that public resources are applied in an effective way. In addition, I consider the Centre'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

04 December, 2025

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14. Statement of Financial Performance For The Year Ended 30 June 2025


Description	Notes	FY 2024/2025
		Kshs
Revenue from non-exchange transactions		
Transfers from the County Government	6(b)	939,000.00
Transfers from National Government Entities	7	90,000.00
		1,029,000.00
Revenue from Exchange transactions		
Fees from students	8(b)	613,000.00
Revenue from Exchange transactions		613,000.00
Total Revenue		1,642,000.00
Expenses		
Use of goods and services	9	923,573
Employee costs	10(a)	285,880.00
Board Expenses	11	33,000.00
Depreciation and amortization expense	12	2,783
Total Expenses		1,245,236
Other Gains/(Losses)		-
Total Other Gains/(Losses)		-
Net surplus/(deficit) for the year		396,764

The Financial Statements set out on pages 1 to 5 were signed by:



Name *Alexander Mutia*
Chairman of Board

Date *2-12-2025*



Name *Margaret Jeter*
Accountant
ICPAK No *26118*

Date *2/12/2025*



Name *Stephen Muniya*
Principal/Manager


Date *2/12/2025*

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15. Statement of Financial Position As At 30th June 2025

Description	Notes	FY 2024/2025
		Kshs
Assets		
Current Assets		
Cash and cash equivalents	14	529,157.00
Current portion of receivables from exchange transactions	15	216,380.00
Receivables from non-exchange transactions	16	69,000.00
Total Current Assets		814,537.00
Non-Current Assets		
Property, plant, and equipment/ land and	17	164,216.00
Total Non-Current Assets		164,216.00
Total Assets (A)		978,753.00
Liabilities		
Current Liabilities		
Trade and other payables from exchange transactions	18	39,890.00
Total Current Liabilities		39,890.00
Non-Current Liabilities		
Total non-current liabilities		0
Total Liabilities (B)		39,890.00
Net Assets (A-B)		938,863.00
Represented By:		
Revaluation Reserves		0
Accumulated Surplus		938,863.00
Capital Fund		
Total Net Assets		938,863.00


The Financial Statements set out on pages 1 to 5 were signed by:


 Name Alexander Mutua
 Chairman of Board

Date 2-12-2025


 Name Margaret Njeri
 Accountant
 ICPAK No 26118

Date 2/12/2025


 Name Stephen Mungu
 Principal/Manager

Date 2/12/2025

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16. Statement of Changes in Net Assets For The Year Ended 30 June 2025

Description	Revaluation reserve	Accumulated Surplus	Capital Grants/Fund	Total
At July 1, 2024	0	542,099.00	0	542,099.00
Revaluation gain	0	-	-	
Surplus/(deficit) for the year		396,764.00	-	396,764.00
Capital grants received during the year	0	-	0	-
At June 30, 2025	0	938,863.00	-	938,863.00

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17. Statement of Cash Flows For The Year Ended 30 June 2025

Description		FY 2024/2025
	Note	Kshs
		BANK
Cash flows from operating activities		
Receipts		
Transfers from County Government	6(a)	870,000.00
Fees from students	8(a)	396,620.00
Transfers from National Government entities		90,000.00
Total Receipts		1,356,620.00
Payments		
Use of goods and services		923,573.00
Employee costs	10(b)	245,990.00
Board Expenses		33,000.00
Total Payments		1,202,563.00
Net Cash Flows from operating activities	18	154,057.00
Cash flows from investing activities		-
Purchase of property, plant, and equipment	13	167,000.00
Net cash flows used in investing activities		167,000.00
Cash flows from financing activities		-
Net cash flows used in financing activities		
Net Increase/(Decrease) in Cash and Cash equivalents		(12,943.00)
Cash & Cash equivalents at the beginning (1 st July)	20	542,099.00
Cash & Cash equivalents at the end. (30 th June)	20	529,157.00

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18. Statement of Comparison of Budget & Actual amounts For Year Ended 30 June 2025

Description	Original budget	Adjustments	Final Budget	Actual on comparable basis	Performance difference	Utilization Difference
	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	939,000	0	939,000	870,000	69,000	0.926517572
Transfers from National Government	90,000		90,000	90,000	-	
Fees from students	613,000	0	613,000	396,620	216,380	0.647014682
Total Receipts	1,642,000	0	1,642,000	1,356,620	285,380	0.816121134
Payments						
Use of goods and services	1,232,120	0	1,232,120	923,573	-	1
Employee costs	376,880	0	376,880	245,990	39,890	0.86046593
Board Expenses	33,000	0	33,000	33,000	-	1
Total Expenditure	1,642,000	0	1,642,000	1,202,562	39,890	0.967894145
Capital Expenditure payments		0				
Surplus		0		154,058	245,490	0.206939161

19. Notes to the Financial Statements

1. General Information

Karichu Vocational Training Centre is established by and derives its authority and accountability from State Corporation Act. The entity is wholly owned by the County Government of Meru and domiciled in Mutuati sub-county. The entity's principal activity is training.

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 judgment in the process of applying the Karichu Vocational Training accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 6 to 19. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of Karichu Vocational training. The values are rounded off to the nearest shilling. The financial statements have been prepared in accordance with the PFM Act, the TVET Act, state corporation 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 cashflows of an Entity. The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.
IPSAS 44:	<i>Applicable 1st January 2025</i>

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<p>Non- Current Assets Held for Sale and Discontinued Operations</p>	<p>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"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS. iii. 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 for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>

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<p>IPSAS 48: Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
<p>IPSAS 49: Retirement Benefit Plans</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.</p>
<p>IPSAS 50: Exploration For & Evaluation of Mineral Resources</p>	<p><i>Applicable 1st January 2027</i></p> <p>The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires:</p> <ul style="list-style-type: none"> i. Limited improvements to existing accounting practices for exploration and evaluation expenditures. ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26. iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

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 Karichu Vocational Training 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 *July 2024*. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of **xxx** on the FY 2024/2025 budget following the Board's approval. The Karichu'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. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of cash flows has been presented.

c) Taxes

Current income tax

The entity is exempt from paying taxes as per the *Income Act* Tax (470)

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 derecognition. 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) Biological Assets

The entity recognizes biological assets when it controls the assets due to past events, it is probable that future economic benefits associated with the asset will flow to the entity, and when the fair value or cost of the asset can be measured reliably. Biological assets are initially and subsequently measured at fair value less costs to sell, except where fair value cannot be reliably determined. In such cases, the asset is measured at its cost less accumulated depreciation and any accumulated impairment losses. Changes in fair value less costs to sell are recognized in surplus/deficit in the period in which they occur.

i) 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.

j) 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

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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 Karichu 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 cashflows 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 Karichu 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.

k) Inventories

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

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

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

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

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

l) 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

The Karichu 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

The Karichu 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 Karichu 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.

m) 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.

n) Nature and purpose of reserves

The Karichu creates and maintains reserves in terms of specific requirements.

o) Changes in accounting policies and estimates

The Karichu recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

P) Employee benefits

Retirement benefit plans

The Karichu provides retirement benefits for its employees and directors. Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year in which they become payable. Defined benefit plans are post-employment benefit plans other than defined-contribution plans. The defined benefit funds are actuarially valued tri-annually on the projected unit credit method basis. Deficits identified are recovered through lump sum payments or increased future contributions on proportional basis to all participating employers. The contributions and lump sum payments reduce the post-employment benefit obligation.

q) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. At each reporting date, foreign currency monetary items are translated using the closing rate. Non-monetary items measured in historical cost are translated using the exchange rate at the date of the transaction, and those measured at fair value are translated using the exchange rates at the date when the fair value was determined. Exchange differences arising from the settlement of monetary items or translation of monetary/non-monetary items at rates different from those at which they were initially reported are recognized in surplus or deficit in the period.

r) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment.

Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

S) Related parties

The Karichu Vocational Training regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Entity, or vice versa. Members of key management are regarded as related parties and comprise the directors, the Principal and senior managers.

t) Service concession arrangements

The Karichu Vocational 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, Karichu 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, Karichu also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

u) 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

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in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

v) Comparative figures

Where necessary comparative figures for the previous financial year have been amended or reconfigured to conform to the required changes in presentation.

W) 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 Karichu Vocational Training Centre 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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note xxx.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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6. (a) Transfers from the County Government

Description	FY 2024/2025
	Kshs
Unconditional Grants	
Capitation Grants	939,000.00
Total unconditional Grants	939,000.00
Conditional Grants amortised/ recognised in revenue	

(b) Transfers from County Government (Categorized)

Description	FY 2024/2025
	Kshs
Unconditional Grants	
Capitation Grants	870,000.00
Total unconditional Grants	870,000.00

7. Transfers from National Government entities

Description	FY 2024/2025
	Kshs
Transfer from Ministry Igembe North CDF	42,000.00
Transfer from Ministry Igembe North CDF	48,000.00
Total Transfers	90,000.00

8. (a) Fees from students

Description	FY 2024/2025
	Kshs
Students Fees	613,000.00
Total Fees from students	613,000.00

8(b). Fees from students

Description	FY 2024/2025
	Kshs
Tuition Fees	368,620.00
Registration Fees	28,000.00
Total Fees from students	396,620.00

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9. Use of Goods and Services

Description	FY 2024/2025
	Kshs
Teaching and learning materials	396,985
Electricity	9,423
Water	7,200
Bank Charges	1,255
Examination fees	30,000
Catering, conferences, and delegations	148,810
Travelling and accommodation	102,400
Printing and stationery	202,000
Telephone expenses	6,000
advertisement	7,500
Other (<i>transfer of funds to facilitate co-curriculum activities</i>)	12,000
Total good and services	923,573

10(a). Employee Costs

Description	FY 2024/2025
	Kshs
Salaries and wages	285,880.00
Employee Costs	285,880.00

10(b). Employee Costs

Description	FY 2024/2025
	Kshs
Salaries and wages	245,990.00
Employee Costs	245,990.00

11. Board Expenses

Description	FY 2024/2025
	Kshs
Other Allowances	33,000.00
Total	33,000.00

12. Depreciation and Amortization expense

Description	FY 2024/2025
	Kshs
Property, plant and equipment	2,783.00
Total depreciation & amortization Expense	2,783.00

13. Property Plant and Equipment

Description	FY 2024/2025
	Kshs
Property, Plant and Equipment	167,000.00
Total Gain On Sale of Assets	167,000.00

14. Cash and Cash Equivalents

Description	1-Jul-24	30-Jun-25
	Kshs	Kshs
Current Account	542,099.00	529,157
Total Cash and Cash Equivalents	542,099.00	529,157

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14 (a). Detailed Analysis of Cash and Cash Equivalents

Financial Institution	Account number	1-Jul-24	30-Jun-25
		Kshs	Kshs
a) Current Account			
KCB Bank-Grants	1259256855	441,465	418,827.00
KCB-Bank-Ward fund	1259256324	555.00	555.00
Co-operative Bank-operations	01139414960601	57,472.00	97,168
KCB Bank-Examination	1272817733	42,607.00	12,607.00
Sub- Total		542,099.00	529,157.00
Grand Total		542,099.00	529,157.00

15. Receivables from Exchange transactions

Description	FY 2024/2025
	Kshs
Current Receivables	
Student Debtors	216,380.00
Total Current Receivables	216,380.00

16. Receivables from Non Exchange transactions

Description	FY 2024/2025
	Kshs
Current Receivables	
Capital grants	69,000.00
Total Current Receivables	69,000.00

17. Property, Plant and Equipment

Cost	Furniture and fittings	Computers	Total
	Kshs	Kshs	Kshs
Depreciation Rate	20%	20%	
At 1 July 2024	-	-	-
Additions	80,000.00	87,000.00	167,000.00
At 30 th June 2025	80,000.00	87,000.00	167,000.00
Depreciation And Impairment			
At 1 July 2024	-	-	-
Depreciation	1,333.00	1,450.00	2,783.00
At 30 th Jun 2025	1,333.00	1,450.00	2,783.00
Net Book Values			
At 1 st July 2024	-	-	-
At 30 th Jun 2025	78,667.00	85,550.00	164,217.00

18. Trade and Other Payables from Exchange Transactions

Description	FY 2024/2025	
	Kshs	
salary payables	39,110.00	
Salary deductions	780.00	
Total Trade and Other Payables	39,890.00	
Ageing analysis:	Current FY	% of the Total
Under one year	39,890	100%
Total (to tie to totals above)	39,890	100%

19. Cash generated from operations.

	FY 2024/2025
	Kshs
Surplus/(Deficit) for the year	396,764.00
Adjusted for:	
Depreciation	2,783.00
Working Capital Adjustments	
Increase in Receivables	(285,380.00)
Increase in Payables	39,890.00
Increase in Payments received in advance	
Net Cash Flow from Operating Activities	154,057.00

6. Financial Risk Management

The Karichu Vocational Training 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 tvet does not hedge any risks and has in place policies to ensure that credit is only extended to customers with an established credit history.

The Karichu's financial risk management objectives and policies are detailed below:

(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:

Description	Total amount Kshs	Fully performing Kshs	Past due Kshs	Impaired Kshs
At 30 June 2025				
Receivables from exchange transactions	613,000	396,620	216,380	216,380
Receivables from non-exchange transactions	939,000	870,000	69,000	69,000
Total	1,552,000	1,226,620	285,380	285,380

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7. 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.

County Government of Meru

The County Government of Meru is the principal shareholder of Karichu Vocational Training Centre. The County Government of Meru 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;

The transactions and balances with related parties during the year are as

Description	FY 2024/2025
	Kshs
Transactions with Related Parties	
B) Purchases from related parties	
Purchases of electricity from kplc	9,423
Total	9,423
a) Grants /Transfers from the Government	
Grants from National Govt	90,000
Grants from County Government	870,000
Total	960,000
b) Key Management Compensation	
Board of Management emoluments	33,000
Total	33,000

8. Events After The Reporting Period

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

9. Currency

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

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20. Appendices

Appendix 1: Implementation Status of Auditor-General Recommendations

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor.

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)

Guidance Notes:

- (i) Use the same reference numbers as contained in the external audit report;
- (ii) Obtain the “Issue/Observation” and “management comments”, required above, from final external audit report that is signed by Management;
- (iii) Before approving the report, discuss the timeframe with the appointed Focal Point persons within your entity responsible for implementation of each issue;
- (iv) Indicate the status of “Resolved” or “Not Resolved” by the date of submitting this report to National Treasury.

.....
 Name *Stephen Munya*
 Principal/Manager
 Karichu Vocational Training Centre
 Date *2/12/2025*

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Appendix III- Inter-Entity Confirmation Letter


Name of transferring entity: County Government of Meru

Name of beneficiary entity: Karichu Vocational Training Centre

Confirmation of amounts received by [Insert name of beneficiary Entity] as at 30 th June (Current FY)					
Reference Number	Date Disbursed	Recurrent (A)	Development (B)	Total (C)=(A+B)	Remarks
MERUCOUNTY/KE/NAIROBI/KE/NAIR		375,000.00		375,000.00	Capitation
MERUCOUNTY/KE/NAIROBI/KE/NAIR		495,000.00		495,000.00	Capitation
Total		870,000.00		870,000.00	

I confirm that the amounts shown above are correct as of the date indicated.

Head of Accounts Department - Disbursing Entity:
 Name Douglas Kobia Sign  Date 2/12/2025

Head of Accounts Department - Beneficiary Entity:
 Name Stephen Mungya Sign  Date 2/12/2025

Appendix IV: Reporting of Climate Relevant Expenditures

Project Name	Project Description	Project Objectives	Project Activities					Source Of Funds	Implementing Partners
				Q1	Q2	Q3	Q4		

Appendix V: Reporting on Disaster Management Expenditure

Column I	Column II	Column III	Column IV	Column V	Column VI	Column VII
Programme	Sub-programme	Disaster Type	Category of disaster related Activity that require expenditure reporting (response/recovery/mitigation/preparedness)	Expenditure item	Amount (Kshs.)	Comments