



REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 30 JUL 2019	DAY: <b>REPORT</b>
TABLED BY: MAJORITY LEADER	TUESDAY
BY: 	OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF  
NATIONAL YOUTH SERVICE MECHANICAL  
AND TRANSPORT FUND (MTF)

FOR THE YEAR ENDED  
30 JUNE 2018

STATE DEPARTMENT OF PUBLIC SERVICE,  
GENDER AND YOUTH AFFAIRS

# REPUBLIC OF KENYA

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## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL YOUTH SERVICE MECHANICAL AND TRANSPORT FUND (MTF) FOR THE YEAR ENDED 30 JUNE 2018 – STATE DEPARTMENT OF PUBLIC SERVICE, GENDER AND YOUTH AFFAIRS

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#### REPORT ON THE FINANCIAL STATEMENTS

##### Disclaimer of Opinion

I have audited the accompanying financial statements of the National Youth Service Mechanical and Transport Fund set out on pages 1 to 9, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

I do not express an opinion on the accompanying financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

##### Basis for Disclaimer of Opinion

###### 1. Late submission of financial statements

The financial statements ought to have been submitted not later than three (3) months after end of the financial year (as at 30<sup>th</sup> September) to the Auditor – General for audit but were submitted on 26<sup>th</sup> October, 2018 contrary to Section 81(4)(a) of the Public Finance Management Act, 2012.

###### 2.0 Accuracy and Completeness of Financial Statements

###### 2.1 Unsupported Financial Statements Adjustments

The financial statements submitted on 26<sup>th</sup> October 2018 was subsequently revised and a new set issued and submitted together with the responses to draft audit response received on 26<sup>th</sup> March 2019. However, various adjustments processed between the two sets of financial statements were not made available for audit review as tabulated below;

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*Report of the Auditor-General on National Youth Service Mechanical and Transport Fund Financial Statements for the year ended 30 June 2018 - State Department of Public Service, Gender and Youth Affairs*

<b>Account description</b>	<b>Balances as per 26 October 2018 Financial Statements (Kshs.)</b>	<b>Balances as per 8 April 2019 Financial Statements (Kshs.)</b>	<b>Difference (Kshs.)</b>
Hire of equipment	51,106,902	55,589,912	4,483,010
Personnel allowances	0	13,161,230	(13,161,230)
Maintenance expenses	98,150,456	0	98,150,456
Repairs of machines and vehicles	0	637,377	(637,377)
Office equipment	0	229,223	(229,223)
Administration	0	74,350	(74,350)
Receivables from NYS	1,361,855,934	1,334,105,603	27,750,331
Receivables from external operations	187,126,801	191,906,306	(4,779,505)
Plant and machinery	3,476,830,795	3,460,298,753	16,532,042
Clients deposits B/F	96,646	40,996	55,650
Embu County	3,329,750	8,896,520	(5,566,770)
Accumulated surplus/ Deficit	(898,982,396)	(797,289,882)	(101,692,514)

Under the circumstance, the accuracy and completeness of the financial statements as at 30 June 2018 could not be confirmed.

## **2.2 Unexplained and Unreconciled Errors and or Variances in the Statement of Financial Position**

The following errors were noted on the statement of financial position; -

- i) The total current assets on the statement of financial position casts to Kshs.2,176,796,855 while the figure reflected in the statement of financial position is Kshs.2,306,618,736 resulting to an unexplained variance of Kshs.129,831,881.
- ii) The total assets figure on the statement of financial position casts to Kshs.7,542,137,249 while the figure as per the statement of financial position is Kshs.7,671,763,130 resulting to unexplained variance of Kshs.129,831,881.
- iii) The total assets on the statement of financial position of Kshs.7,542,131,249 does not agree with total liabilities of Kshs.7,671,963,130 resulting in unexplained variance of Kshs.129,831,881.
- iv) The comparative figure on the statement of financial position does not balance as the net liabilities cast to Kshs.7,812,406,554 while the total assets cast to Kshs.7,806,515,544 resulting in unexplained variance of Kshs.5,891,000.

- v) The statement of cash flows reflect a balance of Kshs.348,440,699 in relation to net cash flows from operating activities which differs with the casted balance of Kshs.325,949,890 resulting in unreconciled variance of Kshs.22,490,809.
- vi) The comparative figure of Kshs.1,600,372 described increase/decrease in difference in the previous year has been omitted in the statement and hence the opening balance figure does not agree with the audited balance as at 30<sup>th</sup> June 2017.
- vii) The total casted figure for debit side of the trial balance of Kshs.8,863,649,035 does not agree with the reported figure of Kshs.8,724,297,618 resulting to unexplained variance of Kshs.139,351,417.
- viii) Cash and bank balance of Kshs.214,012,630 as per note 1 of the financial statements does not agree with the casted figure of Kshs.211,056,630 resulting to unexplained variance of Kshs.2,956,000.
- ix) As per note 3 of the financial statements the comparative non-current assets balance of Kshs.4,779,547,213 does not agree with the casted balance of Kshs.5,779,547,212 resulting to unexplained variance of Kshs.1,000,000,000.
- x) The fund balances for the year under review as per note 5 of the financial statements of Kshs.8,351,764,013 and Kshs.8,409,522,779 brought forward from 2016/2017 financial year do not agree with the casted balances of Kshs.8,434,951,013 and Kshs.1,137,522,779 respectively resulting to unexplained variance of Kshs.83,187,000 and Kshs.7,272,000,000.
- xi) As per note 7 of the financial statements, sundry creditors balance of Kshs.8,579,223 do not agree with the casted balance of Kshs.18,579,223 resulting to unexplained variance of Kshs.10,000,000.
- xii) As per note 9 of the financial statements, the comparative client's deposits of nil balance does not agree with the casted balance of Kshs.4,499,460 resulting to unexplained variance of Kshs.4,999,460.
- xiii) As per note 10 of the financial statements the comparative client's deposits (Kerra Marakwet) balance of Kshs.16,785,260 do not agree with the casted balance of Kshs.16,807,260 resulting to unexplained variance of Kshs.22,000.

As a result, the completeness and accuracy of the statement of financial position remains in doubt.

In view of the foregoing, it has not been possible to ascertain the accuracy and completeness of the financial statements as at 30 June 2018.

### **3 Cash and Cash Equivalents**

The cash and cash equivalents balance of Kshs.214,012,630 as at 30 June 2018 includes long outstanding reconciling items dating back to the year 2016 amounting to Kshs.2,202,585 in respect of Kenya Commercial Bank Current Account No.1128674548. No explanation has been provided for failure to clear the long outstanding items from the books.

As a result, the accuracy and completeness of cash and cash equivalents balance of Kshs.214,012,630 as at 30 June 2018 could not be confirmed.

### **4 Non-Current Assets**

The statement of financial position as at 30 June 2018 reflects total non-current assets balance of Kshs.5,365,334,394 which include an amount of Kshs.3,460,298,753 relating to plant and heavy machinery. However, the Fund's management has not valued the plant and heavy machinery for financial reporting purpose since inception. The total non-current assets balance of Kshs.5,365,334,394 as at 30 June, 2018 is not, therefore, fairly stated under the circumstances.

In addition, it was indicated in the report for 2015/2016 that, the non-current assets movement schedule under Note 3 and the statement of financial position reflected a net book value of Kshs.6,263,076,866.57 while the computed figure using appropriate rates showed a balance of Kshs.6,366,028,631.52. The resulting variance of Kshs.102,951,764.94 has not been analyzed or explained to date.

Further, and as previously reported in 2015/2016, the accumulated depreciation brought forward as at 1 July 2016 of Kshs.2,178,510,682 included unsupported adjustments of Kshs.3,662,814.25 relating to plant and heavy machinery and unaccounted for depreciation of Kshs.94,168,883. No documentation has been provided in support of these adjustments to date.

In view of the foregoing, the accuracy of non-current assets brought forward balance of Kshs.6,263,076,867 as at 1 July 2016, of Kshs.5,779,547,213 as at 30 June 2017 and the closing balance Kshs.5,365,334,394 as at 30 June 2018 cannot be confirmed.

### **5 Non-Current Liabilities Sundry Creditors Reclassification**

The statement of financial position reflects as at 30 June 2018 under non-current liabilities sundry creditors balance of Kshs.8,579,223. However, the balance was previously classified as a current liability. Further, no documentation has been provided to justify its reclassification to long term liability. In addition, the balance has been outstanding for over four years and there is no clear justification as to why the amounts have not been settled.

### **6 Costs of Operations**

The statement of financial performance reflects revenue amounting to Kshs.333,692,946 (2016/2017- Kshs.235,386,086) and total operating expenses of Kshs.588,276,178

(2016/2017 - Kshs.483,547,363) for the year ended 30 June 2018. However, the management of the Fund has only included depreciation and amortization expenses, bank charges and maintenance expense in the reported total operating expenses of Kshs.588,276,178 (2016/2017- Kshs.483,547,363) and excluded all other costs and expenses in relation to the operations of the Fund. These excluded costs and expenses include undetermined value of personnel emoluments, spares and other repairs – Kshs.126,163,421 (2016/2017 - Kshs.1,156,942,596) and fuel and lubricants- Kshs.892,123,498 (2016/2017 Kshs.776,524,309) all totaling to Kshs.1,018,286,919 (2016/2017- Kshs.1,933,466,905). These costs directly relate to the operation of the Fund and should have been matched to the revenue in order to arrive at the correct amount of loss for the period.

Consequently, the reported loss for the period of Kshs.254,583,232 (2016/2017 - Kshs.248,161,278) and the cumulative deficit of Kshs.898,982,396 as at 30 June 2018 are not fairly stated.

## **7 Non – Current Liabilities Sundry Creditors**

The statement of financial position reflects non-current sundry creditors balance of Kshs.8,579,223 as at 30 June 2018. However, the balance has been long outstanding for over five years and there is no clear justification as to why the amounts have not been settled.

In consequence, the long outstanding sundry creditors may attract penalties and or interest charges and risk of court suits.

## **8 Long Outstanding Unsupported Domestic and Commercial Debts**

### **8.1 Domestic Debts**

As disclosed under Note 4(a) to the financial statements, gross domestic debts of Kshs.1,334,105,603 (Kshs.429,523,206 for the year 2016/2017) as at 30 June 2018 includes balance brought forward of Kshs.299,503,490. The balance brought forward include unsupported Director General National Youth Service debt of Kshs.18,380,963.34 in respect of financial year 2013/2014 and an amount of Kshs.124,600,000 borrowed from the Fund's Account at Kenya Commercial Bank Moi Avenue by the Ministry of Devolution and Planning in the same financial year. Information available indicates that there was no documented policy or authority given to borrow from the Fund. During the year 2016/2017, an amount of Kshs.58,839,952 was repaid leaving a balance of Kshs.429,523,206. No proper justification has been provided for non-settlement of the balance of Kshs.635,899,313 (2016/2017 - Kshs.429,523,206) all totaling to Kshs.1,065,422,519 as at 30 June 2018.

### **8.2 Commercial Debts**

Disclosed under Note 4(b) to the financial statements are commercial debts totaling Kshs.187,126,801 made up of Tana Road Project debt of Kshs.173,326,190 and other

debts of Kshs.13,800,611 all being more than four years old. No provision for impairment has, however, been made against the long outstanding debts even though the recovery is clearly uncertain. Under the circumstances, the commercial debts balance of Kshs.187,126,801 as reported in the financial statements is not fairly stated.

Under the circumstances, the accuracy, completeness and recoverability of the domestic and commercial debts cannot be ascertained.

## **9 Hire of Equipment Income**

The financial statements for Mechanical and Transport Fund are prepared in accordance with International Public Sector Accounting Standards (IPSAS) accrual basis. The statement of financial performance reflects an income of Kshs.351,337,186. Included in this amount is Kshs.55,589,912 as income from hire of equipment and heavy machines. However, information presented for audit indicated that invoices amounting to Kshs.18,491,360 were for services delivered in the financial year 2016/2017 and the invoices raised in 2017/2018 financial year. This contradicts the matching concept under accrual basis of accounting and no explanation has been provided for the omission.

In the circumstances, the accuracy of hire of equipment revenue totaling Kshs.55,589,912 for the year ended 30 June 2018 could not be ascertained.

## **10 Hire of Small Vehicles/Lorries**

The statement of financial performance reflects an income of Kshs.351,337,186. Included in this is Kshs.265,727,084 as income from hire of small vehicles/ lorries. The following anomalies were observed in relation to this revenue;

- i) The amounts comprise of domestic hire and hire of small equipment. The schedule provided in support of domestic hire indicated that the income is a receivable from all the NYS Units which used Mechanical Transport Fund machinery and motor vehicles. However, no contract or service agreements were provided in support of the billed amounts or detailed basis of the billing.
- ii) The Mechanical and Transport Fund has been invoicing itself and as at 30<sup>th</sup> June 2018 the total outstanding debt was Kshs.146,339,884. The nature of services offered and billed have not been supported neither is it clear who is supposed to pay for the service rendered if any and it has not been explained why the self-consumed services have not been expensed rather than recognizing them as debt.
- iii) The total income on domestic hire amounting to Kshs.265,727,084 which is the total figure given on hire of small vehicles/lorries excluded an amount of Kshs.588,360.

Consequently, the accuracy and validity of revenue on hire of small vehicles/lorries balance of Kshs.265,727,084 for the year ended 30 June 2018 could not be ascertained.

### **11 Direct Procurement of Spares**

During the year under review, the fund procured spare parts of Kshs.355,279 through direct procurement contrary to the requirements of Section 91 of the Public Procurement and Assets Disposal Act, 2015. No explanation has been provided for the noncompliance.

### **12 Unauthorized Lending**

The NYS – Mechanical Transport Fund was established under Legal Notice No. 15 of 30<sup>th</sup> January 2011. The purpose of the Fund is to ensure sufficient funds needed for maintenance, repair and service of the Motor vehicles, plant and equipment is achieved. However, an amount of Kshs.1,114,827,220 was borrowed by the State Department for Public Service and Youth without appropriate authority. The State Department is yet to refund Kshs.635,899,313 to date and the amounts have not been reflected in the financial statements for the State Department for the year ended 30<sup>th</sup> June 2018.

In consequence, the assets of the NYS-MTF are understated casting doubt on the recoverability of the debt of Kshs.635,899,313 as at 30 June 2018.

### **13. Sustainability of Okoa Abiria Programme**

During the year under review, the Mechanical Transport Fund started Okoa Abiria Programme. The programme was to alleviate transport crisis in some high population density areas within the city during the peak periods by charging Kenya Shillings twenty (20) to the passengers using the service. The charge is standard.

However, the following was observed in relation to the programme:

- i) The programme had twenty seven (27) buses earmarked for its implementation.
- ii) As at the time of audit only nine (9) out of the twenty seven (27) buses were still operational while eighteen (18) had broken down and were grounded.
- iii) The programme was started without a budgetary provision to fund the maintenance of the buses and other operational costs.
- iv) The service was subsidized service but no subsidy funds have been received for the project.

Under the circumstances, the sustainability of the Okoa Abiria Programme is highly uncertain.

### **14. Fund Balance – Unsupported Adjustments**

As reported in the previous year, the fund balance of Kshs.8,450,439,839 as at 30 June 2018 comprise of various adjustments passed in the previous years all of which have not been supported to date as highlighted below:

<b>Year ended</b>	<b>Amount Kshs.</b>	<b>Description</b>
30 June 2014	39,807,203.75	Prior year adjustment error
30 June 2015	26,860,668.96	Prior year adjustment error
30 June 2016	6,951,553.18	Prior year adjustment error
30 June 2016	136,013,262	Changes in Net Book Value
30 June 2017	1,488,772	Prior year adjustment

Further, the balance includes an amount of Kshs.327,993,842 reflected as addition to the fund balance during the year 2016/2017 and Kshs.205,419,622 in respect of earlier years related to grants received from the State Department of Public Service and Youth in form of stocks. However, the amounts are not adjusted to reflect the stock consumption over the years or any impairment that may be necessitated by changes in fair value.

Under the circumstances, the accuracy and completeness of the Fund balance amount of Kshs.8,450,439,839 as at 30 June 2018 cannot be confirmed.

## **15. Inventory**

As previously reported, the statement of financial position reflects an inventory balance of Kshs.436,772,316 (2016/2017-Kshs.503,774,082) as at 30 June 2018. However, part of the stock balance relates to spares procured in year 2014/2015 financial year amounting to Kshs.175,780,240 which have had no movement or consumption during the year 2017/2018. This is a possible indicator of obsolescence of the stock but no provision for impairment has been made against the balance.

Consequently, the inventory balance of Kshs.436,772,316 as at 30 June 2018 is not fairly stated.

## **16. Unresolved prior year issues**

The following issues reported in the 30 June 2017 audit report remained unresolved as at 30 June 2018;

### **16.1 Costs of Operation**

Statement of financial performance reflects revenue amounting to Kshs.235,386,086 and total operating expenses of Kshs.483,547,363 for the year ended 30 June 2017. However, the management of the Fund has included depreciation and amortization expenses and bank charges only in the reported total operating expenses of Kshs.483,547,363 and excluded all other costs and expenses in relation to the operations of the Fund. These excluded costs and expenses include undetermined value of personnel emoluments, spares and other repairs- Kshs.1,156,942,596 and fuel and lubricants- Kshs.776,524,309 all totalling Kshs.1,933,466,905. These costs directly relate

to the operation of the Fund and should have been matched to the revenue in order to arrive at the loss for the period.

Consequently, the reported loss for the period of Kshs.248,161,278 and the cumulative deficit of Kshs.644,399,164 as at 30 June 2017 are not fairly stated.

## **16.2 Non-Current Assets**

The statement of financial position as at 30 June 2017 reflects total non-current assets balance of Kshs.5,779,547,213 which include an amount of Kshs.3,736,740,990 relating to plant and heavy machinery. However, the Fund's management has not valued the plant and heavy machinery for financial reporting purpose since inception. The total non-current assets balance of Kshs.5,779,547,213 as at 30 June, 2017 is not, therefore, fairly stated under the circumstances.

In addition, it was indicated in the report for 2015/2016 that, the non-current assets movement schedule under Note 3 and the statement of position reflected a net book value of Kshs.6,263,076,866.57 while the computed figure using appropriate rates showed a balance of Kshs.6,366,028,631.52. The resulting variance of Kshs.102,951,764.94 has to date not been analyzed or explained.

Further, and as previously reported in 2015/2016, the accumulated depreciation brought forward as 1 July 2016 of Kshs.2,178,510,682 included unsupported adjustments of Kshs.3,662,814.25 relating to plant and heavy machinery and unaccounted for depreciation of Kshs.94,168,883. No documentation has been provided in support of these movement to date.

Under the circumstances, the accuracy of non-current assets brought forward balance of Kshs.6,263,076,867 as at 1 July 2016 and the closing balance of Kshs.5,779,547,213 as at 30 June 2017 can not be confirmed.

## **16.3. Domestic Debts**

As disclosed under Note 4(a) to the financial statements, gross domestic debts of Kshs.429,523,206 includes balance brought forward of Kshs.299,503,490. The balance brought forward include unsupported Director General National Youth Service debt of Kshs.18,380,963.34 in respect of financial year 2013/2014 and an amount of Kshs.124,600,000 borrowed from the Fund's Account at Kenya Commercial Bank Moi Avenue by the Ministry of Devolution and Planning in the same financial year. Information available indicates that there was no documented policy or authority given to borrow from the Fund. During the year under review, an amount of Kshs.58,839,952 was repaid leaving a balance of Kshs.429,523,206. No proper justification has been provided for non-settlement of the outstanding balance of Kshs.429,523,206 as at 30 June 2017.

## **16.4. Commercial Debts**

Disclosed under Note 4(b) to the financial statements are commercial debts totalling Kshs.438,787,714 made up of Tana Road Project debt of Kshs.424,987,103 and other

debts of Kshs.13,800,611 all being more than three years old. No provision for impairment has, however, been made against the long outstanding debts even though the recovery is clearly uncertain. Under the circumstances, the commercial debts balance of Kshs.438,787,714 as reported in the financial statements is not fairly stated.

#### **16.5. Non-Current Liabilities Sundry Creditors**

The statement of financial position reflects as at 30 June 2017 under non-current liabilities sundry creditors balance of Kshs.8,579,223. The balance was previously classified as a current liability. No documentation has been provided to justify its reclassification to long term liability. In addition, the balance has been outstanding for over four years and there is no clear justification as to why the amounts have not been settled.

#### **16.6. Statement of Cash flows**

The statement of cash flows reflects under cash flows from operating activities what has been described as "increase/decrease in differences" figure of Kshs.1,600,372 and a comparative figure of Kshs.47,310,811. These figures have not been supported with any documentation. Consequently, the accuracy of the statement of cash flows cannot be confirmed.

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

#### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for [Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Disclaimer of Opinion] section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

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

#### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for [Conclusion of Internal Controls, Risk Management and Governance /Disclaimer of Opinion] section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

## **Responsibilities of Management and Those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (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 control.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern/ sustain services, disclosing, as applicable, matters related to going concern/ sustainability of services and using the applicable basis of accounting unless the management either intends to liquidate the or to cease operations, or have no realistic alternative but to do so.

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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 International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, the conclusion arrived in the report on compliance and Lawfulness and the con, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

I am independent of in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.



**FCPA Edward R. O. Ouko, CBS**  
**AUDITOR-GENERAL**

**Nairobi**

**16 May 2019**



**THE PRESIDENCY  
MINISTRY OF PUBLIC SERVICE, YOUTH  
&  
GENDER AFFAIRS  
STATE DEPARTMENT OF PUBLIC SERVICE  
&  
YOUTH  
NATIONAL YOUTH SERVICE  
MECHANICAL AND TRANSPORT FUND  
REVISED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2018**

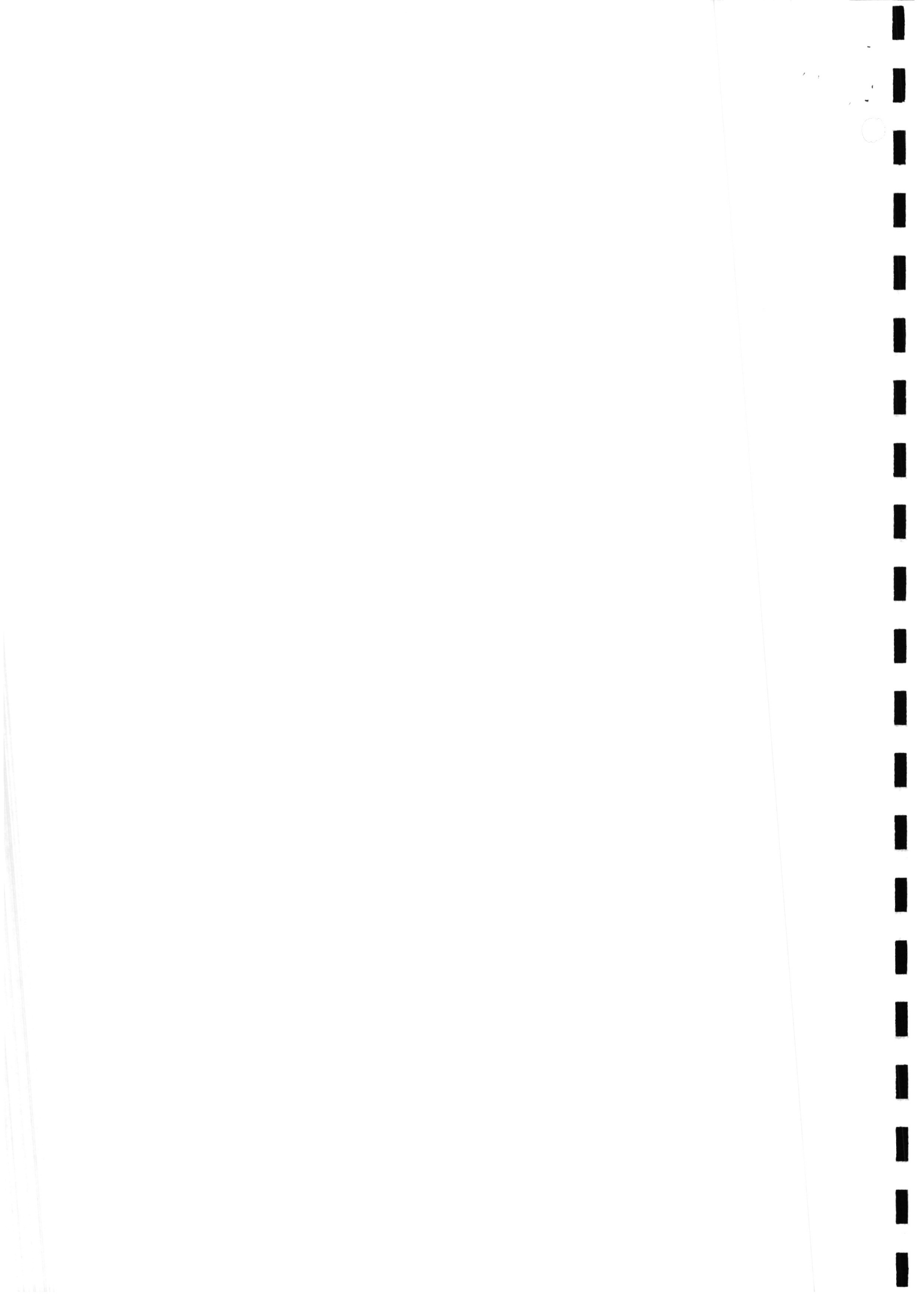


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# **NYS - MECHANICAL AND TRANSPORT FUND**

## **PART I: KEY ENTITY INFORMATION AND MANAGEMENT BACKGROUND**

National Youth Service, Mechanical and Transport Branch was established in August, 1965 located by then at Industrial Area Nairobi. The objective was to maintain transport equipment and machinery for efficient movement of service personnel, goods and services. With the strength capacity of earth moving and farm machinery, the Government engaged the Department on National Development projects.

The NYS –Mechanical and Transport Fund was established under legal notice No. 15 of 30<sup>th</sup> January, 2011. The objective and purpose of the fund is to provide enough funds required for maintenance and renewal of vehicles, plant and equipment for the operations and maintenance of effective, economical and efficient mechanical and transport services while training the Kenyan youth engaged in National projects. The fund became operational in the financial year 2011/2012 which put the department on legal framework for commercial undertaking on hire of earth moving equipment. The administrator of the fund was mandated by the legal notice to spearhead efficient and maximum operations of the fund through prudent management.

### **Mandate**

The mandate of Mechanical and Transport Branch is derived from NYS mandate, i.e. training young citizens to serve the Nation and the employment of its members in tasks of national importance and otherwise in the service of the Nation.

### **Principle Activities**

To provide mechanical, transport and plant services. These include provision of equipment for development and maintenance of Infrastructure and wide range of mechanical and technical services to both the public and private sector.

### **Vision**

To be an institution of excellence in mechanical repairs, maintenance and transport operations.

### **Mission**

To produce quality, efficient transport logistics, maintenance and project implementation.

### **Core values**

- Market competitiveness both within and without.
- Best practice for profit maximization.
- Honesty and accountability.
- Hard work, dedication and diligence.
- Customer care and satisfaction.

### **Strategic Objective**

- Provision of transport facilities for undertaking national projects and hire to other users.
- Providing training services to the youth.
- Generation of income for maintenance and renewal of machinery, plant and equipment.

### **Key Strategic Priorities**

Income generating projects, national projects and maintenance of earth moving machines while training the youth.



## **Key Management Team**

### **Designation**

Principal Secretary, State Department of Public Service & Youth

**Dr. F.O.Owino, PhD**

Director General NYS

**MATILDA Sakwa ,Ms.**

Director Finance NYS HQs

**Bernard Masiga**

Officer in Charge-MTB

**Maurice Mazera, HSC**

Head of Accounting Unit

**Elias K Macharia**

Accountant in Charge MTB

**Martin Mwangi**

Accountant II

**Theophilus Migosi**

Entity Headquarters  
Mechanical and Transport Branch  
National Youth Service Headquarters  
P.O. Box 59432-00200 Nairobi

### **Entity Contacts**

Telephone :(+254)8560319  
Email:nysmtbhire@gmail.com

### **Entity Bankers**

Kenya commercial Bank Ltd  
P.O. Box 30081-00100  
Kencom House

### **Bank Details**

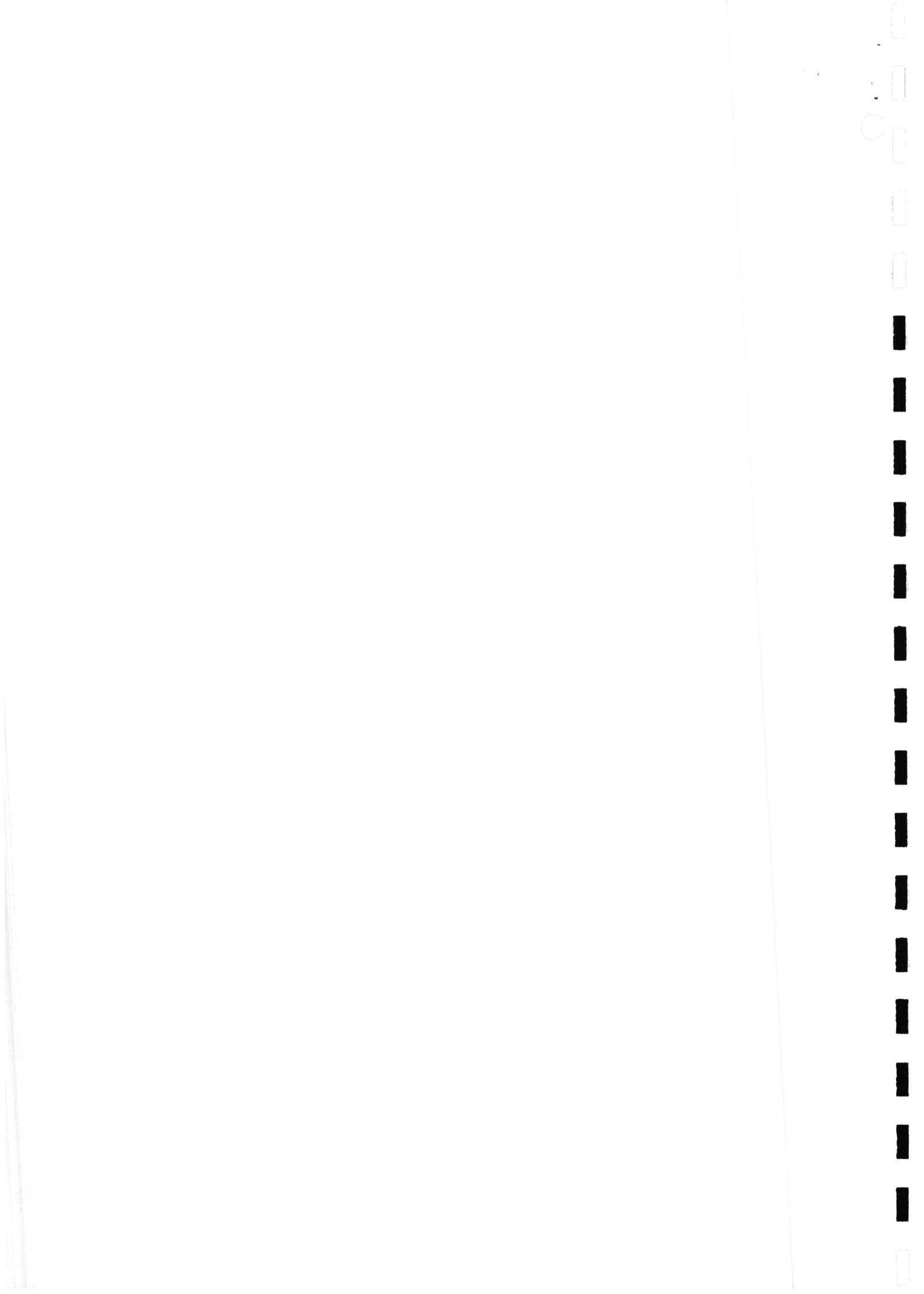
Account No.1128674548  
Account Name: NYS Mechanical Fund  
Account Type: Current

### **Independent Auditors**

Auditor General  
Kenya National Audit Office  
Anniversary Towers, University Way  
P.O. Box 30084  
Nairobi.

### **Principal Legal Advisor**

The Attorney General  
State Law Office  
Harambee Avenue  
P.O. Box 40112-00200  
Nairobi.



## **PART II: MANAGEMENT REPORT**

Since the establishment of MTF under Government Legal Notice No.15 of 30<sup>th</sup> January, 2011 and its operationalization in the financial year 2011/2012 the fund has made steady progress.

### **Achievements**

#### Commercial activities

- 1 Revenue collection from hire of buses, Lorries and trucks.
- 2 Inter-Agency operation at Boni forest.
- 3 KERRA Marakwet road project

#### Noncommercial activities

1. Slum upgrading/ interventions in 81 constituencies in at least 28 Counties in the country e.g. Kibera slums, Mathare slums, Mukuru Kayaba, Mwingi Central, Homabay, Baringo South, Mukurweni, Subukia, Imenti South, Lamu West, Bonchari among others.
2. Mathare demolition of unsafe buildings.

Achievements in previous years include completion of Konza ICT project perimeter fencing, desilting of Muoni dam, construction of Tseikuru airstrip, construction of rural roads under Kerra e.g. Mogotio and construction of perimeter fence for Lamu Port.

### **Acknowledgment**

We acknowledge the Government of the United State of America through United States Agencies for International Development (USAID) who granted the National Youth Service 3.5 million Dollars' worth of equipment's mostly road construction machinery, trucks, buses and supervisory vehicles that was used to initiate the Mechanical Transport Fund.

We also acknowledge the Government of the People's Republic of China which advanced the Fund a loan in form of vehicles in the recent past.

### **Challenges**

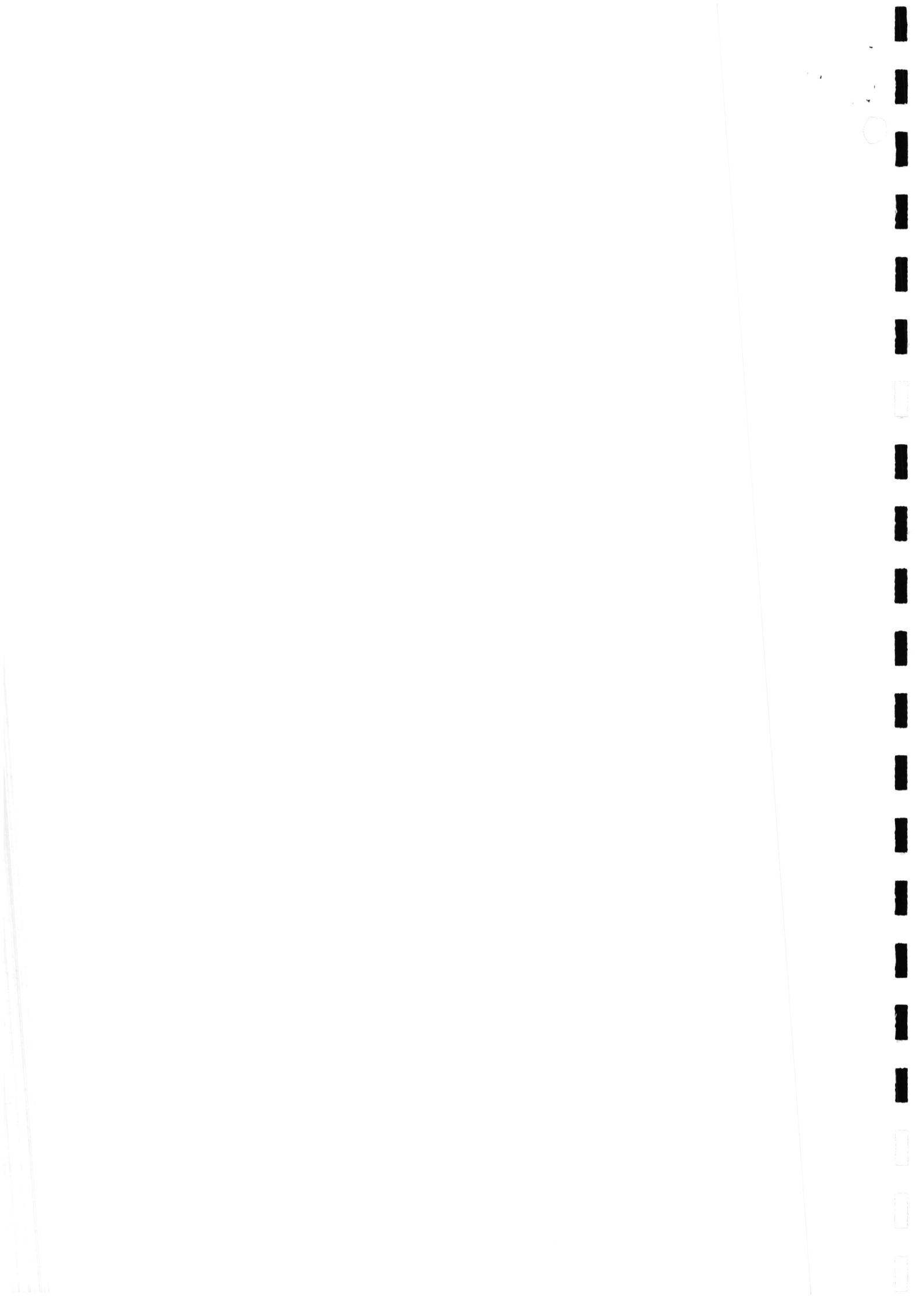
1. Undertaking Government Projects which do not generate income to the Fund e.g. slum upgrading, the recent Mathare demolition of unsafe buildings that was spear headed by Ministry of Works.
2. Frequent breakdowns due to ageing fleet.
3. Inadequate funding in respect of spares and repairs, the need for government funding arises as equipment is not generating the projected income.
4. Lack of local dealers of spare parts for most of Chinese machinery/ vehicles and therefore repair of the vehicles/ equipment take long to undertake.

### **Appreciation**

Despite the challenges faced, the success of NYS Mechanical and Transport fund is attributed to the tremendous support and guidance of the Accounting Officer State Department of Public Service and Youth, the expertise and hard work of the management team and staff of Mechanical and Transport Branch.



**MATILDA Sakwa ,Ms**  
**Ag. DIRECTOR GENERAL**  
**NATIONAL YOUTH SERVICE**



**The Accounting Officer/Receiver of Revenue /Administrator of a National Public Funds Report**


1. The fund managed to collect an amount of Kshs. **338,175,956.00** for the year ended 30<sup>th</sup> June 2018
- |     |                                 |             |                       |
|-----|---------------------------------|-------------|-----------------------|
| (a) | Hire of buses                   | Kshs.       | 16,858,960.00         |
| (b) | Hire of small vehicles/lorries  | Kshs        | 265,727,084.00        |
| (c) | Hire of equip. & heavy machines | Kshs        | 55,589,912.00         |
|     |                                 | <b>Kshs</b> | <b>338,175,956.00</b> |


This amount is an increase from the previous year's collection of Kshs 102,789,871 the increase in revenue was attributed to increase in hire activities due to availability of equipment and machines after down grading youth empowerment programmes

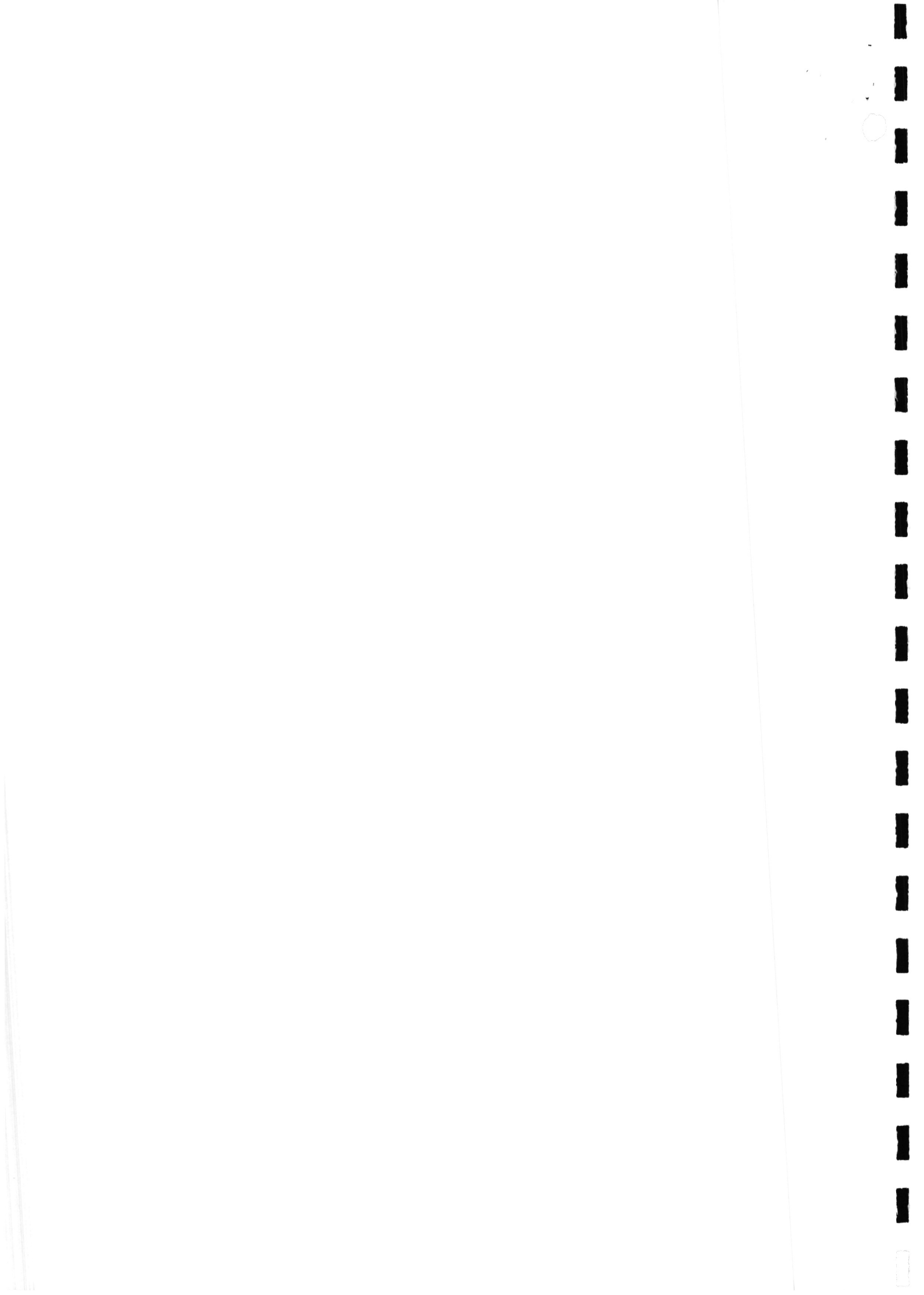
2. Milestones achieved on debt collection: -

- (a) The initial debt at the beginning of the financial year was Kshs. 429,523,206. The fund was able to collect domestic debt amounting to Kshs 251,660,913.in the period we accrued domestic debt amounting to Kshs. 266,315,444.00 and internal borrowing of 635,899,313.00 as at 30<sup>th</sup> June 2018.The management of the fund is in the process of collecting the outstanding debts.
- (b) The initial commercial debt (receivables from external operations) debt relating to Tana road basin project as at the start of the financial year 2017/2018 stood at 438,787,714.the fund was able to collect commercial debt amounting to 251,660,913.00 The management of the fund is processing is in of collecting the remaining amount vide two voucher , PV no 2617 and 2616

  
**DR. F.O.OWINO PhD**  
**ACCOUNTING OFFICER**  
**STATE DEPARTMENT OF PUBLIC SERVICE**

  
**Ag. MATILDA SAKWA, MS**  
**DIRECTOR GENERAL**  
**NATIONAL YOUTH SERVICE**

  
**MAURICE MAZERA, HSC**  
**OFFICER IN-CHARGE**  
**MECHANICAL AND TRANSPORT BRANCH**



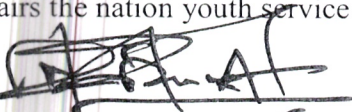
**STATEMENT REPORT OF THE ADMINISTRATOR OF MECHANICAL AND TRASPOT  
FUND (MTF)**

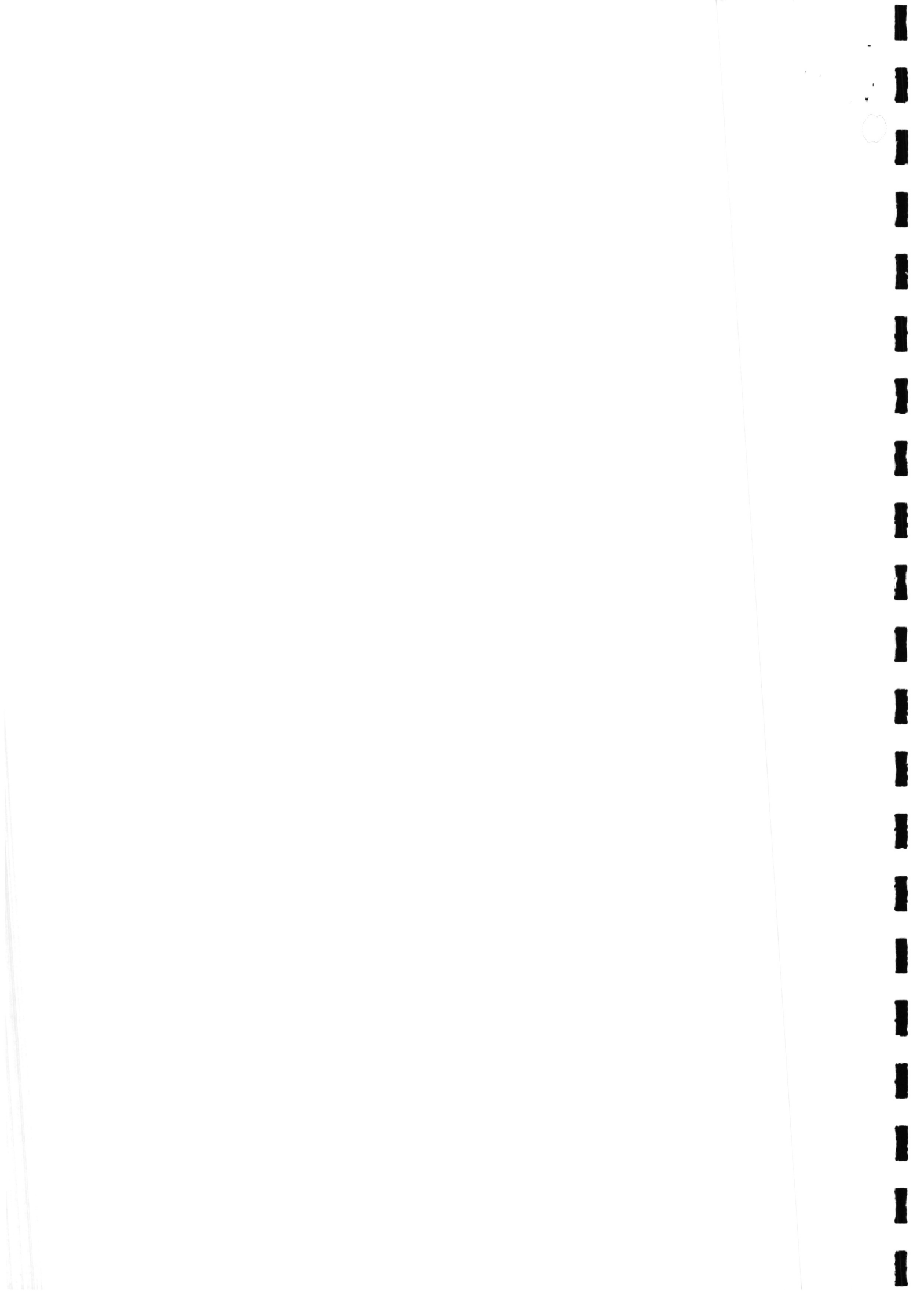
Section 4 of the public audit act, 2003 and section 81, 82, and 84 of public finance management act, 2012 requires the accounting officer, receiver of revenue and administrator of national public funds to prepare and sign accounts for each financial year relating to their areas of responsibilities within three months and transact them to the Auditor general for audit the responsibility of the administrator of mechanical and transport fund(MTF), including the responsibility for propriety and regularity of public finance , for keeping proper financial and accounting records, for safeguarding the assets within their responsibility and for ensuring fund entrusted to them are applied only for the purposes intended and approved by parliament , set out in public finance management act, 2012, various other laws, government financial regulation and procedure and treasury circular issued from time to time.

I accept responsibility for the maintenance of accounting records which may be relied upon in preparation of financial statement, as well as adequate system of internal control.

I further accept responsibility for the attached annual account records which have been prepared in conformity with treasury direction and appropriate government financial regulation and procedures.

I am of the opinion that the attached financial statement present fairly the financial state of affairs the nation youth service mechanical transport fund (MTF) as at 30<sup>th</sup> June, 2018

  
**DR. F.O.OWINO, PhD**  
**ACCOUNTING OFFICER**  
**STATE DEPARTMENT OF PUBLIC SERVICE**



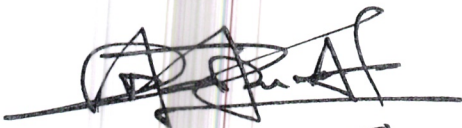
MINISTRY OF PUBLIC SERVICE YOUTH AND GENDER  
 NATIONAL YOUTH SERVICE  
 MECHANICAL AND TRANSPORT FUND  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDE 30TH JUNE 2018

STATEMENT OF FINANCIAL PERFORMANCE


	Note	2017-2018	Actual Audited
		SHS	2016-2017
INCOME			Shs
Hire of buses	2(a)	16,858,960.00	20,123,829
Hire of small vehicles/ lorries	2(b)	265,727,084.00	189,945,986
Hire of equipment & heavy machines	2(c)	55,589,912.00	25,316,271
personnel allowances	2(d)	13,161,230.00	
<b>TOTAL INCOME</b>		<b>351,337,186.00</b>	<b>235,386,086</b>
<b>OPERATING EXPENSES</b>			
<b>Fund Operating Expenses</b>			
Bank charges	14	14,944.00	17,709
Depreciation and amortization expense	3(b)	490,110,780.00	483,529,654
Repair of machines & vehicles		637,377.00	
Office equipment		229,223.00	
Administration		74,350.00	
Personnel allowance	3(d)	13,161,230.00	
<b>Total expenses</b>		<b>504,227,904.00</b>	<b>483,547,363</b>
<b>Other gains/(losses)</b>			
<b>NET LOSS FOR THE PERIOD</b>		<b>- 152,890,718.00 -</b>	<b>248,161,278</b>

Approval of Fund financial statements

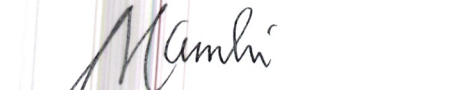
The Fund's financial statements were approved and signed by the Principal Secretary  
 (Accounting Officer) on..... 2018



Dr. F.O. OWINO, PhD  
 PRINCIPAL SECRETARY  
 STATE DEPT OF PUBLIC SERVICE AND YOUTH



MATHILDA SAKWA, MS  
 Ag.DIRECTOR GENERAL  
NATIONAL YOUTH SERVICE



MAURICE MAZERA, HSC  
 OFFICER IN-CHARGE  
MECHANICAL AND TRANSPORT BRANCH



MINISTRY OF PUBLIC SERVICE YOUTH AND GENDER

NATIONAL YOUTH SERVICE

MECHANICAL AND TRANSPORT FUND

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2018

STATEMENT OF FINANCIAL POSITION

Assets	Note	2017-2018 Shs	2016-2017 Shs
<b>Current assets</b>			
Cash and cash equivalents	1	214,012,630	654,883,329
Receivables from NYS units	4 (a)	1,334,105,603	429,523,206
Receivables from external operations b/f	4 (b)	191,906,306	438,787,714
Inventory (spares)		436,772,316	503,774,082
<b>Total Current Assets</b>		<b>2,306,628,736</b>	<b>2,026,968,331</b>
<b>Non-current assets</b>			
commercial Trucks	3(a)	1,731,523,178	1,938,846,229
Small vehicles	3(a)	173,512,463	103,959,993
plant and machinery	3(a)	3,460,298,753	3,736,740,990
<b>Total non-current assets</b>		<b>5,365,334,394</b>	<b>5,779,547,213</b>
<b>Total assets</b>		<b>7,671,963,130</b>	<b>7,806,515,544</b>
<b>Liabilities</b>			
<b>Prepayments</b>			
Client's deposit b/f	8	40,996	40,996
Ministry of Interior	9	-	3,788,000
KERRA -Marakwet road	10	16,785,260	18,877,060
Embu County	11	8,896,520	10,000,000
Kenya Airways	12	-	55,650
National Treasury	13a	-	9,000
Min of sports & Culture	13b	-	42,000
<b>Total current liabilities</b>		<b>25,722,776</b>	<b>32,812,706</b>
<b>Financed by</b>			
<b>Non-current liabilities</b>			
Sundry creditors B/F	7	8,579,223	14,470,223
Fund Balance	5	8,434,951,013	8,409,522,779
Accumulated surplus/(deficit)	6 -	797,289,882 -	644,399,164
<b>Total</b>		<b>7,646,240,354</b>	<b>7,779,593,838</b>
<b>Total net liabilities</b>		<b>7,671,963,130</b>	<b>7,812,406,544</b>

The Fund's financial statements were approved and signed by the Principal Secretary (Accounting Officer)

  
Dr. F.O. OWINO, PhD

PRINCIPAL SECRETARY

STATE DEPT OF PUBLIC SERVICE AND YOUTH

  
MAURICE MAZERA, HSC

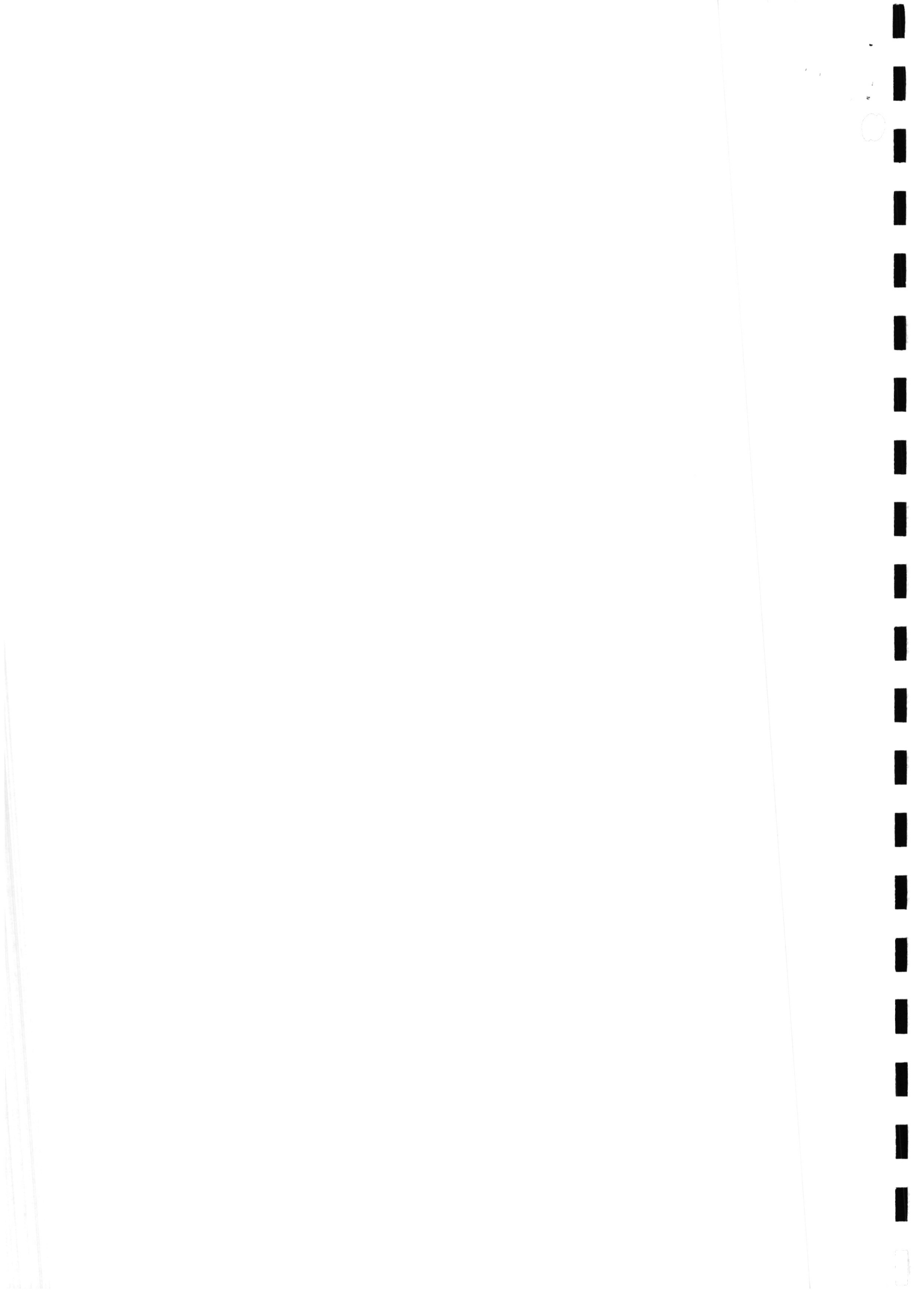
OFFICER IN-CHARGE

MECHANICAL AND TRANSPORT BRANCH

  
MATHILDA SAKWA, MS

Ag. DIRECTOR GENERAL

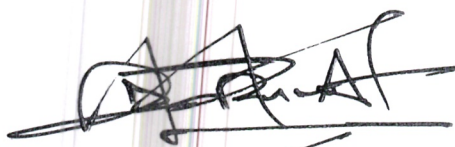
NATIONAL YOUTH SERVICE



MINISTRY OF PUBLIC SERVICE YOUTH AND GENDER  
 NATIONAL YOUTH SERVICE  
 MECHANICAL AND TRANSPORT FUND  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2018

STATEMENT OF CHANGES IN NET ASSETS


	<u>FUND BALANCE</u> Kshs.	<u>ACCUMULATED FUND</u> Kshs.	<u>TOTALS</u> Kshs.
<u>Balance as at 30th June 2016</u>	<u>8,080,040,165.00</u>	<u>-396,237,886</u>	<u>7,683,802,279</u>
Surplus (deficit) for the period	-	248,161,278	248,161,278
Additions during the year	327,993,842.00		327,993,842
Prior year adjustment error	1,488,772.00		1,488,772
<u>Balance as at 30th June, 2017</u>	<u>8,409,522,779.00</u>	<u>-644,399,164</u>	<u>7,765,123,615</u>
Surplus (deficit) for the period	-	222,293,041	222,293,041
Additions during the year	92,430,000.00		92,430,000
Prior year adjustment error	- 67,001,766.00		
<u>Balance as at 30th June, 2018</u>	<u>8,434,951,013</u>	<u>-866,692,205</u>	<u>7,635,260,574</u>



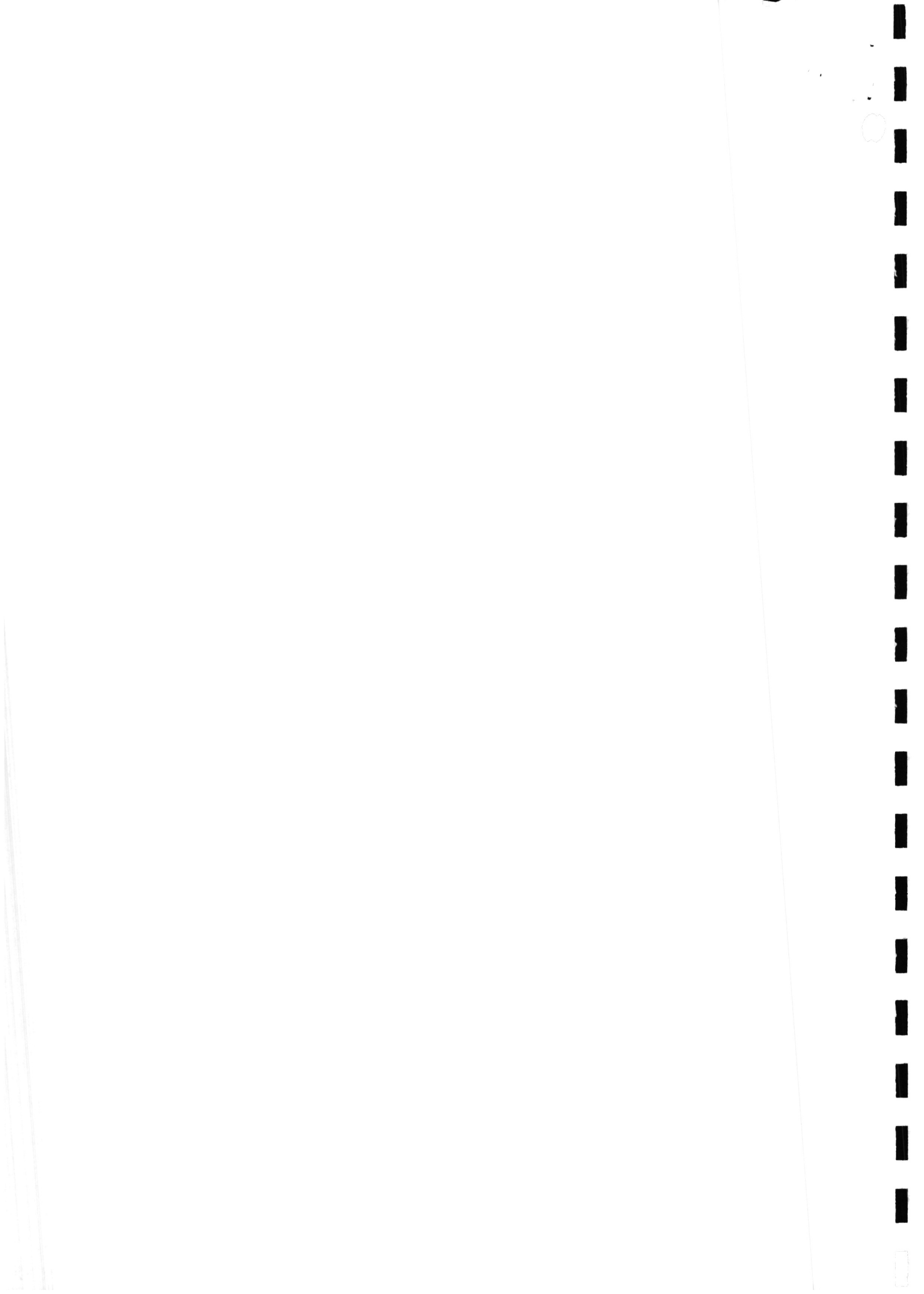
Dr.F.O.OWINO,PhD  
 PRINCIPAL SECRETARY  
STATE DEPARTMENT OF PUBLIC SERVICE AND YOUTH



MATILDA SAKWA  
 Ag.DIRECTOR GENERAL  
NATIONAL YOUTH SERVICE



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MINISTRY OF PUBLIC SERVICE YOUTH AND GENDER  
 NATIONAL YOUTH SERVICE  
 MECHANICAL AND TRANSPORT FUND  
 ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2018

**STATEMENT OF CASHFLOWS**

**Cash flows from operating activities**  
**surplus/loss for the year**

Depreciation  
 (Increase)/decrease in other receivables (stock)  
 (Increase)/ Decrease in domestic debt  
 (Increase) /Decrease in commercial debt  
 Increase/ Decrease in prepayments  
 increase/ Decrease in sundry creditors

**Net cash flow from operating activities**

**Cash flows from investing activities**

Purchase of property, plant, equipment and intangible assets  
 Proceeds from sale of property, plant and Equipment  
 Stock

**Net cash flows used in investing activities**

**Cash flows from financing activities**

Seed fund

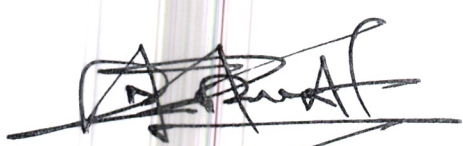
**Net cash flows used in financing activities**

**Net increase/(decrease) in cash and cash equivalents**

Cash and cash equivalents at start of the period

Cash and cash equivalents at end of the period

Note	Actual Audited	
	2017-2018	2016/2017
	Shs	Shs
	- 152,890,718	- 248,161,278
3 (b)	490,110,780	483,529,654
	67,001,766	0
4 (a)	- 904,582,397	- 130,019,716
4(b)	167,320,749	0
8-13b	7,089,930	32,722,925
7	5,891,000	
	- 348,440,699	138,071,585
16	- 92,430,000	0
		0
		0
	- 92,430,000	0
		0
		0
	- 440,870,699	139,671,957
	654,883,329	515,211,372
1	214,012,630	654,883,329



Dr. F.O. OWINU, PhD  
 PRINCIPAL SECRETARY  
 STATE DEPT OF PUBLIC SERVICE AND YOUTH



MATILDA SAKWA, MS  
 Ag. DIRECTOR GENERAL  
 NATIONAL YOUTH SERVICE



MAURICE MAZERA, HSC  
 OFFICER IN-CHARGE  
 MECHANICAL AND TRANSPORT BRANCH



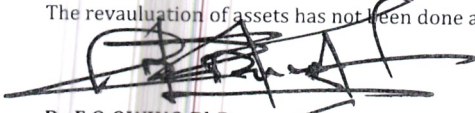
MINISTRY OF PUBLIC SERVICE YOUTH AND GENDER  
 NATIONAL YOUTH SERVICE  
 MECHANICAL AND TRANSPORT FUND  
 ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH 30TH JUNE 2018


STATEMENT OF BUDGET AND ACTUAL COMPARISON						
	Note	Budget	Actual			Explanation of material
		Cumulative to 30 Jun	Cumulative 30 Jun	Variance	%variance /Budget	
Revenue		Shs	Shs	Shs		
1. Domestic hire	2 (b)	337,440,000	265,727,084	71,712,916	21%	(a)
2. Commercial						
(i) Hire of equipment & heavy machines	2(C)	8,000,000	51,106,902	- 43,106,902	-539%	(b)
(ii). Hire of buses	2 (a)	24,000,000	16,858,960	7,141,040	30%	(c)
(iii). Other commercial projects	2 (d)	3,600,000	-	3,600,000	100%	d)
<b>Total</b>		<b>373,040,000</b>	<b>333,692,946</b>	<b>39,347,054</b>		
3. Disposal of assets		5,000,000	-	5,000,000	100%	e)
<b>Total income</b>		<b>378,040,000</b>	<b>333,692,946</b>	<b>83,694,108</b>		
<b>Expenses</b>						
1. Repair of machines & vehicles	15	19,562,700	637,377.00	18,925,323	97%	f)
2.Revaluation cost	3(b)	5,400,000	4,779,505.00	620,495	11%	f)
3. Purchase of new vehicles		267,481,996	92,430,000	175,051,996	65%	f)
4. Running fuel expenses		9,875,000	-	9,875,000	100%	f)
5. Personnel allowance			2,916,000.00			
6. Protective clothing		744,400	-	744,400	100%	f)
7.Welding/spray painting		1,768,840	-	1,768,840	100%	f)
8.Office equipment/stationary		26,453,325	229,223	26,224,102	99%	f)
9.Lubricants and oils		2,200,000	-	2,200,000	100%	f)
10. Administration costs		2,240,000	74,350	2,165,650	97%	f)
<b>Total expenditure</b>		<b>335,726,261</b>	<b>101,066,455</b>	<b>237,575,806</b>		
<b>Surplus for the period</b>		<b>96,335,149</b>	<b>232,626,491</b>			

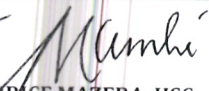
*Explanation of material variance*

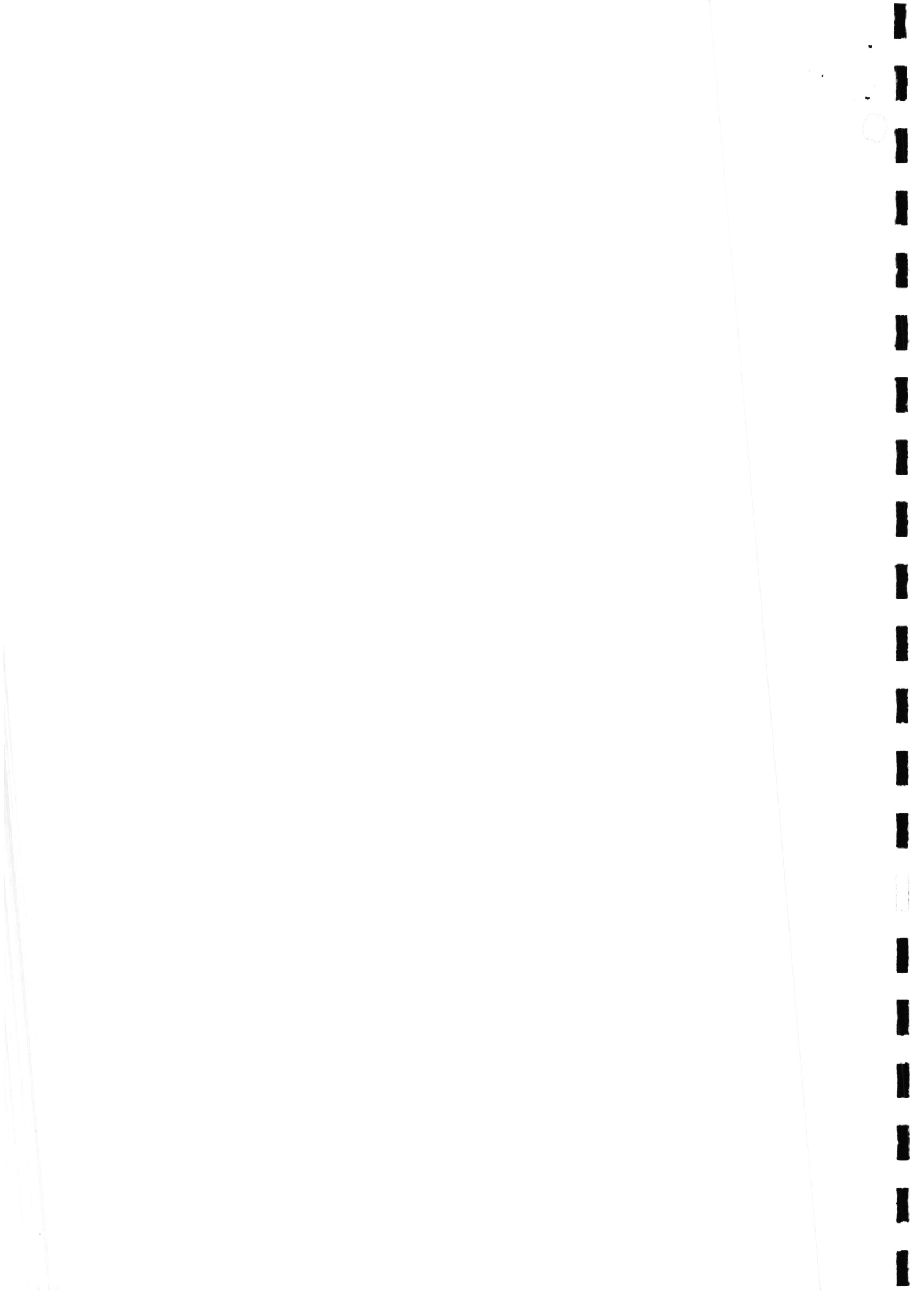
variance is brought about by the fact that more equipment were hired out than the projected variance is brought about by the fact that more equipment were hired out than projected uncompetitive hire rates compared to the market rates, this tends to deter individual clients, spares taking too long to import from China There were no assets disposed in the period under report.

The revaluation of assets has not been done as at the close of the financial year but it will commence from 26th february 2019.

  
 Dr. F.O. OWINO, PhD  
 PRINCIPAL SECRETARY  
 STATE DEPARTMENT OF PUBLIC SERVICE AND YOUTH

  
 MATILDA SAKWA  
 Ag. DIRECTOR GENERAL  
 NATIONAL YOUTH SERVICE

  
 MAURICE MAZERA, HSC  
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 MECHANICAL AND TRANSPORT BRANCH



MINISTRY OF PUBLIC SERVICE YOUTH AND GENDER  
 NATIONAL YOUTH SERVICE  
 MECHANICAL AND TRANSPORT FUND  
TRIAL BALANCE FOR THE YEAR ENDED 30TH JUNE, 2018

INCOME	DEBIT	CREDIT
Hire of buses		16,858,960
Hire of small vehicles/ lorries		265,727,084
Hire of equipment & heavy machines		55,589,912
Bank charges	14,944	
Depreciation and amortization expense	490,110,780	
Purchase of spare parts	637,377	
Office equipment	229,223	
Administration cost	74,350	
Cash and cash equivalents	214,012,630	
Receivables from NYS units	1,334,105,603	
Receivables from external operations b/f	191,906,306	
Inventory (spares)	436,772,316	
commercial Trucks	1,731,523,178	
Small vehicles	173,512,463	
plant and machinery	3,460,298,753	
Client's deposit b/f		40,996
KERRA -Marakwet road		16,785,260
Embu County		8,896,520
Sundry creditors B/F		8,579,223
Fund Balance		8,434,951,013
Accumulated surplus/(deficit)	797,289,882	
<b>GRAND TOTAL</b>	<b>8,807,428,968</b>	<b>8,807,428,968</b>

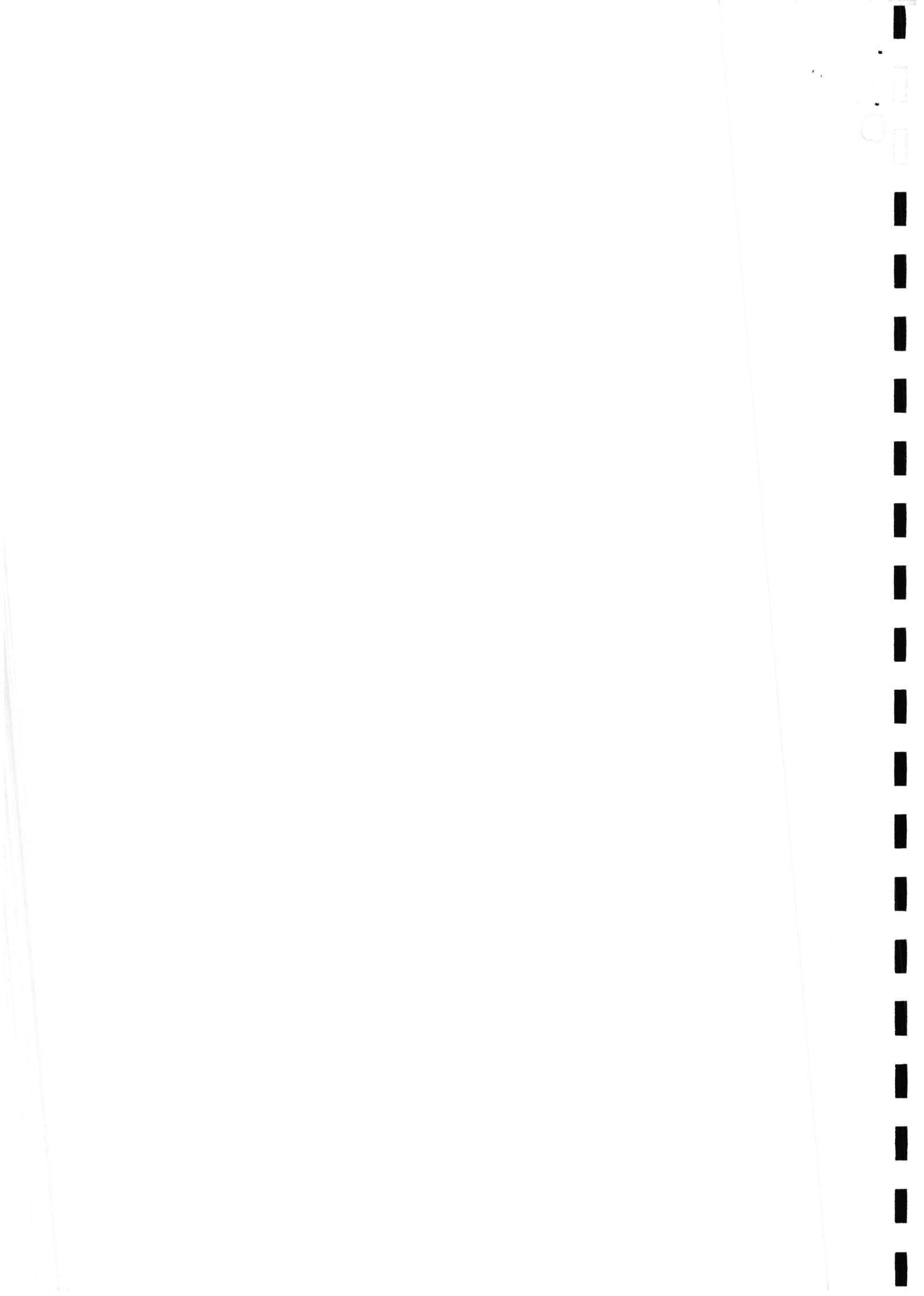


Dr. F.O. OWINO, PhD  
 PRINCIPAL SECRETARY  
 STATE DEPARTMENT OF PUBLIC SERVICE AND YOUTH



MATILDA SAKWA  
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 MECHANICAL AND TRANSPORT BRANCH



MINISTRY OF PUBLIC SERVICE, YOUTH AND GENDER  
NATIONAL YOUTH SERVICE  
MECHANICAL AND TRANSPORT FUND  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2018

NOTES TO THE FINANCIAL STATEMENTS

**SIGNIFICANT ACCOUNTING POLICIES**

**1 (A) Basis of Accounting**

The financial statements are prepared in compliance with international public sector accounting standard (IPSAS) accrual method. They are prepared under the historical cost basis of accounting modified by revaluation of certain investment to fair value and are presented in the function currency, Kenya shillings (Ksh) rounded to the nearest shilling. The presentation format is in line with the revised IPSAS.

**(B) INCOME RECOGNITION**

- (i) The income to the fund is generated through revenue accruing from hire of service equipment for commercial and domestic hires. The rate applicable for hires of equipment are contained in the Exchequer and Audit act (cap 4-12, mechanical and transport fund regulation, 2003 legal notice No .53 part b.)
- (ii) Domestic hire comprises hire of all hire charge incurred by national youth service units that use mechanical transport fund machines & equipment on hire
- (iii) Commercial hire comprises if hire of equipment at Tana basin road project, private institution, private individual or any other organisation that may be in need of the equipment for hire.
- (iv) Domestic debt arises as a result of outstanding invoices for services rendered to NYS units at the end of the reporting period.
- (v) commercial debt arise as a result of outstanding invoices for external client /Tana road project at the end of the financial period yet services have been provided.
- (vi) The cash flow statement has been prepared using indirect method

**(C) Legal status**

The fund was gazetted as NYS mechanical and transport Fund according to the legal notice No 135 of 30<sup>th</sup> January, 2011 and operationalized in financial year 2011/2012 which puts the fund on legal frame work of commercial undertaking of hire on equipment and machines

**(D) Property, plant and equipment**

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives of the following annual rates.

**Commercial Trucks 7%**

**Heavy machinery 5%**

**Small vehicles 10%**

Property, plants& equipment is stated at cost less depreciation and any accumulated impairment losses. A full year's depreciation is charge on the fund's property, plant& equipment in the year of acquisition and none in the year of disposal

### (E) Stock

Stock as an assets is in the form of material or supplies to be consumed in the production process or rendering of services. The value of stock indicated in the accounts relate to chine phase II spare parts only that were held as stock as at June, 2018.

#### 1. CASH & BANK BALANCE

	2017-2018	2016-2017
Cash at bank	211,056,630	651,095,329
		3,788,000
<b>Total cash and cash equivalent</b>	<b>214,012,630</b>	<b>654,883,329</b>

#### 2. INCOME

	2017-2018	2016-2017
2(a) Hire of buses	16,858,960	20,123,829
2(b) Hire of small vehicles/ lorries	265,727,084	189,945,986
2( c) Hire of equip/heavy machines	55,589,912	25,316,271
2(d) Personnel Allowance	13,161,230	0
<b>Total income</b>	<b>351,337,186</b>	<b>235,386,086</b>

#### 3. (a) NON-CURRENT ASSETS

	2017-2018	2016-2017
Commercial truck	1,731,523,178	1,938,846,229
Small vehicle's	173,512,463	103,959,993
Plant machinery	3,460,298,753	3,736,740,990
<b>Total non-current assets</b>	<b>5,365,334,394</b>	<b>4,779,547,213</b>

#### 3(b) DEPRECIATION EXPENSES

	2017-2018	2016-2017
Commercial truck @ 7%	207,323,052	214,273,226
Small vehicle's @10%	22,877,530	22,417,167
Plant machinery@ 5%	259,910,198	246,839,261
<b>Total non-current assets</b>	<b>490,110,780</b>	<b>483,529,654</b>

3(c) maintenance and operating expenses for the period 30<sup>th</sup> June 2018 were charged on the funding scheme account and not GOK as early stated.

3 (d) personnel allowance to be posted in the income statement as both inflow and outflow

Relief food distribution	2,837,000
Embu county government	4,433,230
Boni project (ministry of interior)	3,788,000
Embu county government	2,103,000
<b>Grand total</b>	<b>13,161,230</b>

3(e) personnel allowance earned in 2016/2017 but paid in 2017/2018 will be sundry liabilities and not client's deposit. They will be adjusted as an inflow and outflow in statement of financial performance in 2016/2017.

Boni project (ministry of interior)	3,788,000
Embu county government	2,103,000
<b>Grand total</b>	<b>5,891,000</b>

#### 4. RECEIVABLE (a) Domestic (NYS units)

	<b>2017-2018</b>	<b>2016-2017</b>
Balance b/f	429,523,206	299,503,490
Add advancing to DG NYS (TVET)	635,899,313	
Add receivable for the year	265,727,084	188,859,668
Outstanding imprest	2,956,000	0
Less repayment	Nil	58,839,952
<b>Gross total</b>	<b>1,334,105,603</b>	<b>429,523,206</b>

#### 4. RECEIVABLE (b) COMMERCIAL

	<b>2017-2018</b>	<b>2016-2017</b>
balance B/F	424,987,103	424,987,103
Receivable for the period	0	
Total Tana road debt	424,987,103	424,987,103
Less payment for the period	251,660,913	
Net total	173,326,190	
<b>Other debt</b>		
Balance b/f	13,800,611	13,800,611
Min of Road	4,779,505	0
<b>Total commercial debt</b>	<b>191,906,306</b>	<b>438,787,714</b>

Note : debt amounting to 13,800,611 have been long outstanding and letters have been written to the attorney general office seeking advice on the way forward. The management has written to the director vide letter Ref: MTB/Fin/2/3 Vol (129) dated 1/08/2017 to follow up on the writing off of the same through the National treasury

The sundry debtor of Ksh 4,779,505 was money paid to Mechanical & Transport Fund –Min of Transport for the revaluation of NYS MTF assets that is yet to take place. Management is following up for the service to be rendered.

#### 5. FUND BALANCE

	2017-2018	2016-2017
Balance b/f	8,409,522,779	8,08,040,165
Assets Acquisition	92,430,000	0
Grant stock	-67,001,766	327,993,842
		1,488,772
<b>total</b>	<b>8,351,764,013</b>	<b>8,409,522,779</b>

#### 6 ACCUMULATED FUNDS

	2017-2018	2016-2017
Balance b/f	644,399,164	396,237,886
Add loss/surplus for the year	152,890,718	248,161,278
<b>Total</b>	<b>797,289,882</b>	<b>644,399,164</b>

#### 7. SUNDRY CREDITORS

	2017-2018	2016-2017
National cereal board	696,150	696,150
Roll fast Africa	47,480	47,480
Mah engineering	170,314	170,314
Fore crest	4,297	4,297
Ministry of information	5,879,376	5,879,376
Lamu port	116,341	116,341
Tseikuru airport	1,523	1,523
Mansa guda	1,116,200	1,162,000
Ministry of special programmes	501,742	501,742
Boni project Allowances		3,788,000
Kerra Marakwet Allowances		2,103,000
	<b>8,579,223</b>	<b>14,470,223</b>

Current liabilities arise as a result of receipts from client for services which are not rendered at the end of a reporting period. The unanalysed balance brought forward relate to old balance of creditors brought forward from previous years.

**8. Client's deposit various**

	2017-2018	2016-2017
B/F		
Min of health	5,000	5,000
Kenyatta National hospital	0	0
Office of attorney general	26,000	26,000
<b>Total</b>	<b>31,000</b>	<b>31,000</b>
Fuel		
Min of health	9,996	9,996
Kenyatta national hospital	0	0
	<b>40,996</b>	<b>40,996</b>

**9. These are client deposit in respect of work being carried out by NYS under Ministry of interior –Linda Boni securitization**

	2017-2018	2016-2017
B/F	0	0
Amount received		42,000,000
Less(a) hire charge		14,128,450
(b) personnel allowance		18,073,950
(d) fuel lubricants		5,298,140
<b>Bal of client</b>	<b>0</b>	<b>0</b>

**10. These are client deposit in respect of work being carried out by NYS under Kerra Marakwet**

	2017-2018	2016-2017
B/F	16,785,260	
Amount received		25,000,000
Less(a) hire charge		1,519,940
(b) personnel allowance		5,048,200
(d) fuel lubricants		1,624,600
<b>Bal of client</b>	<b>16,785,260</b>	<b>16,785,260</b>

**11. These are client deposit in respect of work being carried out by NYS under Embu county government**

	2017-2018	2016-2017
Personnel allowance b/f	10,000,000	
Amount received	6,000,000	10,00,000
Less(a) hire charge	2,670,250	
(b) personnel allowance	4,433,230	
(d) fuel lubricants		
<b>Bal of client</b>	<b>8,896,520</b>	<b>10,000,000</b>

**12.** These are personnel allowance due to employee who were on duty during hire of buses by Kenya airways

**13 (a).** These are personnel allowance due to employee on duty during hire of buses by national treasury on 22/11/2016 and sport and culture on 19/10/2016

**13 (b).** These are personnel allowance due to employee on duty during hire of buses by ministry of culture on 20/10/2016 and sport and culture on 19/11/2016

**14.** Bank charges, these are transactional cost incurred on the account during the period 1<sup>st</sup> July to 30<sup>th</sup> June 2018

Date	Details	Amount
06.07.2017	Certificate Of Balance	1,065
14.7.2017	Transfer Charges	3,080
21.8.2017	EFT Charges	220
28.9.2017	Transfer Charges	1,320
05.10.2017	Swift Remit	550
24.11.2017	Eft Charges	110
21.12.2017	Eft Charges	110
02.01.2018	Swift Remit	550
25.01.2018	Tax Amount	10
25.01.2018	Statement Charge	105
13.02.2018	Transfer Charges	110
23.02.2018	Transfer Charges	110
19.03.2018	Transfer Charges	

		110
03.04.2018	Coin Charge	708
19.03.2018	Transfer Charges	110
03.04.2018	Coin Charge	708
04.04.2018	Coin Charge	249
05.04.2018	Coin Charge	102
09.04.2018	Coin Charge	457
09.04.2018	Swift Remit	550
10.04.2018	Coin Charge	89
10.04.2018	Coin Charge	114
11.04.2018	Coin Charge	82
11.04.2018	Coin Charge	96
12.04.2018	Coin Charge	70
12.04.2018	Coin Charge	134
12.04.2018	Coin Charge	141
04.05.2018	Coin Charge	99
07.05.2018	Coin Charge	137
09.05.2018	Unpaid Cheque	643
10.05.2018	Coin Charge	75
10.05.2018	Coin Charge	53
15.05.2018	Swift Remit	550
16.05.2018	Tax Amount	31
16.05.2018	Interim Statement	315
13.04.2018	Coin Charge	113
13.04.2018	Coin Charge	53
16.04.2018	Coin Charge	

		105
16.04.2018	Coin Charge	102
17.04.2018	Coin Charge	74
17.04.2018	Coin Charge	53
18.04.2018	Coin Charge	98
18.04.2018	Coin Charge	126
19.04.2018	Coin Charge	104
19.04.2018	Coin Charge	152
20.04.2018	Coin Charge	136
20.04.2018	Coin Charge	159
23.04.2018	Coin Charge	131
25.04.2019	Coin Charge	146
25.04.2018	Coin Charge	97
02.05.2018	Coin Charge	69
	Totals	14,944.

15. Details of motor vehicle purchased during year 2017/2018.

GK NUMBER	TYPE/MAKE	ENGINE NUMBER	REGISTRATIO N	PURCHASE PRICE
GKB B889S	LAND CRUISER(S.WAGON)	1KD-2778793	2018	10,986,000
GKB B882S	LAND CRUISER(S.WAGON)	1KD-2767014	2018	13,825,000
GKB B797S	LAND CRUISER(S.WAGON)	1KD-2747959	2018	10,986,000
GKB B800S	PEUGEOT(SALOON)	10FJBM2326641	2018	5,999,000
GKB B805S	PEUGEOT(SALOON)	10FJBM2323868	2018	5,999,000
GKB B803S	PEUGEOT(SALOON)	10FJBM2325379	2018	5,999,000

B B795S	LAND CRUISER(S.WAGON)	1KD-2718802	2018	13,825,000
GKB B796S	LAND CRUISER(S.WAGON)	1KD-2748183	2018	13,825,000
GKB B888S	LAND CRUISER(S.WAGON)	1KD-2779607	2018	10,986,000
	<b>Total purchase price</b>			<b>92,430,000</b>

MINISTRY OF PUBLIC SERVICE YOUTH AND GENDER  
NATIONAL YOUTH SERVICE

MECHANICAL AND TRANSPORT FUND

ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2018

Appendix 1

	COMMERCIAL TRUCKS 7%	SMALL VEHICLES 10%	NT & MACHINERY 5%	TOTALS
Cost	Shs	Shs	Shs	Shs
At 1 July 2017	3,142,820,107	347,256,856	4,951,510,586	8,441,587,549
Additions	-	92,430,000	-	92,430,000
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
At 30th June 2018	3,142,820,107	439,686,856	4,951,510,586	8,534,017,549
Depreciation and impairment				-
At 1 July 2017	1,203,973,877	243,296,863	1,231,301,634	2,678,572,374
Depreciation	207,323,052	22,877,530	259,910,198	490,110,780
On Disposals	-	-	-	-
Impairment	-	-	-	-
At 30th June, 2018	1,411,296,929	266,174,393	1,491,211,832	3,168,683,154
NET BOOK VALUES				-
At 30 June, 2018	1,731,523,178	173,512,463	3,460,298,753	5,365,334,394

