

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL



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REPORT

OF

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
MECHANICAL AND TRANSPORT FUND**

**FOR THE YEAR ENDED
30 JUNE 2016**

**MINISTRY OF TRANSPORT AND
INFRASTRUCTURE, HOUSING AND
URBAN DEVELOPMENT**





**MINISTRY OF TRANSPORT, INFRASTRUCTURE,
HOUSING AND URBAN DEVELOPMENT**

**STATE DEPARTMENT OF INFRASTRUCTURE
MECHANICAL AND TRANSPORT DIVISION
MECHANICAL AND TRANSPORT FUND**

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2016**

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

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I. KEY ENTITY INFORMATION AND MANAGEMENT**(a) Background information**

The Mechanical and Transport Fund (MTF) was established in 2003 through Legal Notice No. 140. The objective and purpose of the Fund is to provide enough Funds required for maintenance and renewal of vehicles, plants and equipment for the operations and maintenance for effective, economical and efficient Mechanical and Transport services in Kenya. The initial capital of the Fund of Kshs. 22 million was appropriated by parliament in the 2003/2004 financial year. The Kenya Government entered into an EDCF loan agreement with the Republic of Korea culminating into the signing of the agreement on 15th April, 2005 between the two Governments for Kshs. 2 billion.

(b) Principal Activities

To provide Mechanical, Transport and plant services. These services include provision of equipment for development and maintenance of infrastructure, and a wide range of mechanical and Technical services to public and private sectors in Kenya.

(c) Key Management

The Mechanical and Transport Fund day-to-day management is under the following key organs:

- Principal Secretary, State Division of Infrastructure
- Chief Engineer (Mechanical)
- Fund Management Committee

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2016 and who had direct fiduciary responsibility were:

| No. | Designation | Name |
|-----|-----------------------------------|-----------------------|
| 1. | Principal Secretary | Eng John Mosonik, EBS |
| 2. | Chairman MTF Management Committee | Eng. Francis Gitau |
| 3. | Chief Engineer (Mechanical) | Eng. Boniface B. Beja |

(e) Entity Headquarters

Mechanical and Transport Division
P.O.30043-00100
Nairobi.

(f) Entity Contacts

Telephone: (254) 551960/1-5
E-mail: cmte@mechanical.go.ke
Website: www.transport.go.ke

(g) Entity Bankers

1. Kenya Commercial Bank
Industrial Area Branch
1102590339

(h) Independent Auditors

Auditor General
Kenya National Audit Office
Anniversary Towers, University Way
P.O.Box 30084 – 00100
Nairobi - Kenya

(i) Principal Legal Adviser

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

II. MANAGEMENT COMMITTEE TEAM

| | | | |
|------|-------------------------------|-----------|------------------------|
| I. | Infrastructure Secretary | Chairman | Eng. Francis Gitau |
| II. | Principal - KHBIT | Member | Eng. M. O. Ontomwa |
| III. | Director Human Resources | Member | M/S Ann Mburu |
| IV. | Chief Finance Officer | Member | Mr. Philip Wachira |
| V. | Chief Economist | Member | John Kimani |
| VI. | Principal Accounts Controller | Member | Mr. George Njoroge |
| VII. | Chief Engineer (Mechanical) | Secretary | Eng. Boniface. B. Beja |

SECRETARIAT

| | | | |
|------|--|--------|---------------------|
| I. | Senior Principal Superintending Engineer | Member | Eng. C. M. Nzuka |
| II. | Senior Principal Superintending Engineer | Member | Eng. M. S. Nabende |
| III. | Principal Superintending Engineer | Member | Eng. John W. Ikinu |
| IV. | Branch Accountant | Member | Mr. David M. Mwaura |

III. CHAIRMAN'S STATEMENT

I am delighted to present the Mechanical and Transport Fund Annual report and financial statements for the year 2015-2016.

During the period under review, the Mechanical and Transport Fund performed exceptionally well for the whole financial year compared to last financial year. The Fund improved its financial performance which is an indication that the Fund has great potential for growth, despite major economic challenges. Key among the challenges are high equipment hiring rates that are not competitive which at times made contractors opt for cheaper alternatives, aging equipment resulting in frequent breakdowns and longer repair period with lesser working hours and thus less revenue and sharp rise in inflation rate leading to high fuel and spare parts prices. There was also Stiff competition especially from NYS, Private Contractors and County Governments whereby they have bought Road construction equipment thus decreased use of MTF equipment and thereby posing a challenge to the Fund. However, despite all these challenges the Fund realized a surplus during the year under review.

FINANCIAL PERFORMANCE

During the year, significant steps were taken to strengthen the business Fundamentals which ensured that the Fund continued posting growth as it has done since its inception. Major among these were; Strengthening of internal controls, improved service delivery; formulation and standardization of equipment rental rates for use by both Public and Private sectors; purchase of key new equipment and training of staff. These are some measures undertaken by the Mechanical and Transport Fund management in an endeavor to increase its revenue.

APPRECIATION

The success of Mechanical and Transport Fund is attributable to the tremendous support and guidance by the Accounting Officer, Ministry of Transport and Infrastructure; the expertise and hard work of the management committee and staff of Mechanical and Transport Division. I am grateful to the members of the management committee for their continued insight and dedication to the business of the Fund.

I would like to take this opportunity to thank the Ministry of Transport and Infrastructure and the Government of Kenya for the support they have given to the management committee. I would also

like to thank the management and staff for their wholehearted support and their provision of services with diligence that has greatly contributed to the success of the Fund. Mechanical and Transport Fund looks forward to working Closely with the rest of the Ministry of Transport and Infrastructure divisions, Roads Authorities' KeNHA, KURA, KeRRA, and other GOK ministries and Divisions County Governments and the private sector to further ensure the continued success of the Fund and also the improvement of road infrastructure



ENG. FRANCIS GITAU
CHAIRMAN
MTF - MANAGEMENT COMMITTEE

IV. REPORT OF THE CHIEF ENGINEER (MECHANICAL)

The performance of the Mechanical and Transport Fund in the financial year 2015-2016 improved despite the challenges that face the Country and the Fund. During the year under review, the management embraced operational efficiency through provision of services by ensuring availability and serviceability of vehicles, plant and equipment; procurement of new plant and equipment to replace those that were found to be uneconomical to repair and those transferred to County Governments.

The management also sought to improve and re-equip the Central and County workshops in order to provide quality services that would guarantee effective and efficient utilization of available resources. Formulation and standardization of the rental rates for both Public and Private Sectors ensured most of the plants and equipment of the Fund were engaged for most of the year.

The Fund was able to realise a surplus of Kshs. 230,526,377.40 for the year under review 2015-2016 as compared to deficit of Kshs. 93,004,213.05 for the previous year, 2014-2015

ACHIEVEMENT:-

During the period under review, 2015/2016 Financial Year, the following was achieved through the Fund:-

- (i) Increased availability and serviceability of vehicles, plant and equipment at least before transfer of 80% of equipment following an order from Transition Authority to County Governments.
- (ii) Identification and disposal of vehicles, plant and equipment that was uneconomical to repair.
- (iii) Procurement of additional key vehicles, plant and equipment.
- (iv) Improvements to the Central and County workshops including re-equipping of the same in order to provide quality services for effective and efficient utilization of available resources.
- (v) Promotion of Mechanical and Transport services.
- (vi) Training of technical staff at KIHBT and other institutions on courses relevant to the Fund which included:-
 - i. Plant operators' refresher course.

- ii. Driver's First Aid and Advanced Driving course.
- iii. Strategic leadership development program for senior staff.

The regions that performed well were; Nakuru, Nairobi, Kakamega, and Eldoret. Most of these regions had projects within their areas of operation hence the equipment worked almost throughout the year. Others like West Pokot, Kisii and Eldoret Counties had also opted to extensively employ the MTF equipment.

CHALLENGES:-

The following challenges affected Mechanical and Transport Fund in the 2015/2016.

- (i) Transfer 80% of Fleet of vehicles, plants and Equipment to County Governments that were held by the Fund as at on 4th March 2013 and Transferred on 4th March 2015 following an order by Transition Authority.
- (ii) High prices of materials and spare parts.
- (iii) Insecurity threats posed by AL-Shabaab and inter clan wars contributing to low revenue in Wajir, Garissa, Marsabit, Isiolo and Tan River Counties.
- (iv) A good number of lower carder staff was also offloaded during the civil service retrenchment exercises over the last few years; many technicians and mechanics that form the bulk of maintenance staff for MTF equipment have retired. The Fund therefore needs to recruit new staff in all carders to stop reliance on casual labour in key areas.
- (v) Long drawn out legal issues between Roads Agencies and the County Governments on Roads classification.
- (vi) Delay in release of Funds to roads authorities and CDF for Road construction projects.
- (vii) High competition especially from NYS, Private contractors and County Governments which have purchased their own Road construction Equipment

INTERNAL CONTROLS:-

It is worthwhile to point out that the Division has put up important internal controls with a view to closing any foreseeable loopholes in the Fund and improving management of the Fund.

Important among this is the installation of Vehicle Tracking Devices in the vehicles and plant to monitor movement of the same in the whole country to avoid misuse. The introduction of Fuel Cards System in our fleet has greatly reduced the expenditure on fuel consumption.

With the assistance of the Funds banker, collections country-wide and their subsequent banking on daily basis is electronically monitored and this has improved the checks and balances at all the levels. This has also made it possible for the bank reconciliation to be done daily.

ACKNOWLEDGEMENTS

Mechanical and Transport Fund success is as result of support and guidance from the Accounting Officer, Ministry of Transport and Infrastructure; MTF management Committee; other Divisions in the Ministry; the Roads Authorities' Kenha, KURA, Kerra, other GOK ministries and Divisions and the stake holders in the private sector. I would also wish to commend the team spirit and continued commitment of staff of Mechanical and Transport Division. I would wish to attribute to all these groups the tremendous achievements of the Division realized during the review period.



ENG. BONIFACE B. BEJA
CHIEF ENGINEER (MECHANICAL)

V. STATEMENT OF THE ACCOUNTING OFFICER AND FUND CO-ORDINATOR

The Accounting Officer, Ministry of Transport and Infrastructure and the Chief Engineer (Mechanical) are responsible for preparing the Funds Financial Statements which give a true and fair view of the state of affairs of the Fund as at the end of the accounting period. This responsibility includes maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements and ensuring that they are free from material misstatement whether due to fraud or error; safeguarding the assets of the Fund; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Accounting Officer and the Chief Engineer (Mechanical), accept responsibility for the Funds financial statements, which have been prepared using international public sector accounting standards and policies and financial reporting in accordance with section 11.10.3 of the Government Financial Regulations and Procedures.

The Accounting Officer and the Chief Engineer (Mechanical) are of the opinion that the financial statements give a true and fair view of the state of the Fund financial position as at 30th June, 2016. The Accounting Officer and the Chief Engineer (Mechanical) further confirm the completeness of the accounting records maintained for the Fund which have been relied upon in the preparation of the financial statements as well as the adequacy of the internal control systems.

The Accounting Officer and the Chief Engineer (Mechanical) confirm that the Fund has complied fully with the terms and conditions of the Financing Covenants in accordance with the legal Agreement and the applicable Government Regulations, and the Funds received during the period under review were for the eligible purposes for which they were intended and were properly accounted.

ENG. JOHN K. MOSONIK, EBS Sign  Date 10/4/17

ACCOUNTING OFFICER

ENG. BONIFACE B. BEJA Sign  Date 03.04.2017

CHIEF ENGINEER (MECHANICAL)

VI. REPORT OF THE AUDITORS GENERAL

Auditor General

Date



OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON MECHANICAL AND TRANSPORT FUND FOR THE YEAR ENDED 30 JUNE 2016 - MINISTRY OF TRANSPORT & INFRASTRUCTURE, HOUSING AND URBAN DEVELOPMENT

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Mechanical and Transport Fund set out on pages 1 to 12, which comprise the statement of financial position as at 30 June 2016, and the statement of financial performance, statement of changes in net assets, the 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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standard (Cash Basis) and Public Finance Management Act, 2012 and for such 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.

The 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.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 227 of the Constitution. The audit was conducted in accordance with International Standards of Supreme Audit Institutions. Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

Report of the Auditor-General on the Financial Statements of Mechanical and Transport Fund for the year ended 30 June 2016 - Ministry of Transport and Infrastructure, Housing and Urban Development

on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Mechanical and Transport Fund as at 30 June 2016, and of its financial performance and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (Cash Basis) and comply with Legal Notice No. 140 of 2003 and Public Financial Management Act, 2012.

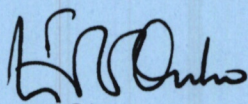
Other Matter

Supply of Computers and Related Equipment

As previously reported, Kenya National Highways Authority paid an amount of Kshs.25,564,350 vide Payment Voucher No. 17690 dated 23 July 2014 to M/s Intermass Technologies (E.A) Limited for a pending bill relating to 2013/2014 financial year. The supplier was competitively awarded the contract for the supply of the 3 No. Rack-Mount type computer servers; 94No.Standard Desktop Computers; 12 No. Touch Smart Desktop Computers; 8 No. Laptop Computers and 46No.Integrated Service Routers on 13 June 2103 at their tender sum of Kshs.25,564,350.00, which were purchased for Mechanical and Transport Fund under Northern Corridor Transport Improvement Project, IDA Credit Nos. 3930 - KE and 4571- KE. The supplier is said to have delivered the goods to Mechanical and Transport Fund of Ministry of Transport and Infrastructure on 19 November 2013 vide delivery note No. 1063. The Inspection and Acceptance committee inspected and accepted only 8 No. laptop computers and 19 No. Integrated service routers all valued at Kshs. 2,975,150.00. It is reported that the rest of the goods though delivered to the Fund were stolen before they could be inspected by the inspection and acceptance committee.

Despite the forgoing and although the goods received notes were not issued, Kenya National Highways Authority paid for all the goods vide Payment Voucher Number 17690 dated 23 July 2014 for Kshs.22,589,200.00.

In the circumstances, no value for money was obtained from the expenditure of Kshs.22,589,200. A review of the issue during the year under audit confirmed that the same has not been resolved.



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

Nairobi
23 May 2017

VII. STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2016

| INCOME | | | <u>2015-2016</u> | <u>2014-2015</u> |
|---|------|--|------------------------------|--------------------------------|
| ITEMS | NOTE | | Kshs | Kshs |
| Hire Of Equipment and Miscellaneous Services | 3 | | 912,773,454.55 | 1,056,141,748.70 |
| Sale Of Boarded Items | 4 | | 30,967,280.00 | 11,954,625.00 |
| TOTAL INCOME | | | <u>943,740,734.55</u> | <u>1,068,096,373.70</u> |
| EXPENDITURE | | | | |
| Travel and subsistence allowance | 5 | | 44,683,891.40 | 41,439,065.40 |
| Routine Maintenance of Vehicles, Equipment's and other assets | 6 | | 250,932,091.30 | 487,272,644.22 |
| Administrative expenses | 7 | | 59,548,070.70 | 53,876,543.59 |
| Depreciation | 8 | | 317,834,403.85 | 539,243,093.54 |
| Security services | 9 | | <u>40,215,899.90</u> | <u>39,269,240.00</u> |
| TOTAL EXPENSES | | | <u>713,214,357.15</u> | <u>1,161,100,586.75</u> |
| SURPLUS/(DEFICIT) FOR THE YEAR | | | <u>230,526,377.40</u> | <u>(93,004,213.05)</u> |

ENG. JOHN K. MOSONIK, EBS

ACCOUNTING OFFICER



 SIGN
 10/4/17

 Date

ENG. BONIFACE B. BEJA

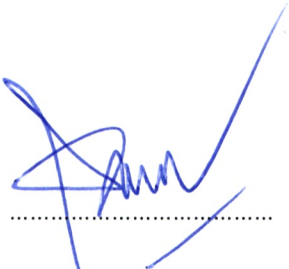

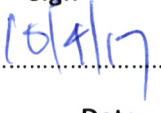

CHIEF ENGINEER
 (MECHANICAL)



 Sign
 03.04.2017

 Date

VII. STATEMENT OF FINANCIAL POSITION
As at 30 June 2016

| <u>ASSETS</u> | <u>Notes</u> | <u>2015-2016</u> <u>(Kshs)</u> | <u>2014-</u> <u>(Kshs)</u> |
|--|--|---|--|
| <u>Non- Current Assets</u> | | | |
| Intangible Assets | 10 | 5,906,199.00 | 3,129,199.00 |
| Property, Plants & Equipment | 11 | 3,480,293,881.80 | 4,832,228,780.00 |
| | | <u>3,486,200,080.80</u> | <u>4,835,357,979.79</u> |
| <u>Current Assets</u> | | | |
| Inventory | 12 | 170,840,577.15 | 215,172,473.00 |
| Receivables | 13 | 78,316,134.00 | 106,630,204.00 |
| Outstanding imprest | 14 | 5,625,026.15 | 910,180.00 |
| Cash at Bank | 15 | 364,633,879.20 | 49,215,506.25 |
| | | <u>619,415,616.50</u> | <u>371,928,364.00</u> |
| <u>TOTAL ASSETS</u> | | <u>4,105,615,697.30</u> | <u>5,207,286,343.99</u> |
| <u>LIABILITIES</u> | | | |
| <u>Current Liabilities</u> | | | |
| Creditors | 16 | 13,534,630.80 | 14,797,502.00 |
| | | <u>13,534,630.80</u> | <u>14,797,502.00</u> |
| <u>TOTAL LIABILITIES</u> | | | |
| Government Grant | 17 | 2,132,082,346.65 | 3,463,016,499.00 |
| Reserves | | 1,729,472,342.45 | 1,822,476,555.50 |
| Retained Earnings | | 230,526,377.40 | (93,004,213.00) |
| <u>Total Liabilities and Reserves</u> | | <u>4,105,615,697.30</u> | <u>5,207,286,343.90</u> |
| ENG. JOHN K. MOSONIK, EBS |  Sign | ENG. BONIFACE B. BEJA CHIEF ENGINEER (MECHANICAL) |  Sign |
| ACCOUNTING OFFICER |  Date | |  Date |

VIII. STATEMENT OF CHANGES IN NET ASSETSFor the year ended 30 June 2016

| | <u>Reserves</u> | <u>Government Grant</u> | <u>Total</u> |
|---|-------------------------|-------------------------|-------------------------|
| | <u>Kshs</u> | <u>Kshs</u> | <u>Kshs</u> |
| Balance as at 30 June 2014 | 1,822,476,555.50 | 3,463,016,499.15 | 5,285,493,054.65 |
| Retained Earnings | (93,004,213.05) | 0.00 | (93,004,213.05) |
| As at 30 th June 2015 | <u>1,729,472,342.45</u> | <u>3,463,016,499.15</u> | <u>5,192,488,841.60</u> |
| Balance As At 1 st July 2015 | 1,729,472,342.45 | 3,463,016,499.15 | 5,192,488,841.60 |
| Transfer of Equip, Plants & vehicles to County Govt. loss | 0.00 | (1,330,934,152.50) | (1,330,934,152.50) |
| Retained Earnings | <u>230,526,377.40</u> | <u>0.00</u> | <u>230,526,377.40</u> |
| Balance As At 30 June 2016 | <u>1,959,998,719.85</u> | <u>2,132,082,346.65</u> | <u>4,092,081,066.50</u> |

IX. STATEMENT OF CASHFLOWS
For the year ended 30 June 2016

| | <u>2015-2016</u> | <u>2014-2015</u> |
|--|--------------------------------|----------------------------------|
| | <u>Kshs</u> | <u>Kshs</u> |
| <u>OPERATING ACTIVITIES</u> | | |
| Surplus/Loss for the year | 230,526,377.40 | (93,004,213.05) |
| <i>Non-cash adjustments:-</i> | | |
| Interest received | (538,869.90) | (6,049,005.95) |
| Sale of asset disposal | (30,967,280.00) | (11,954,625.00) |
| Depreciation | 317,834,403.85 | 539,243,093.50 |
| Adjustments due to prior depreciation calculation errors | (26,276,440.35) | (60,911,012.30) |
| Operating income before working capital changes | 490,578,191.00 | 367,324,237.23 |
| Movement in Working Capital | | |
| Decrease Debtors/prepayments | 28,314,070.00 | (82,463,241.00) |
| Decrease in Inventories | 44,331,896.70 | (45,338,667.07) |
| Decrease in Trade & Other Payables | (1,262,871.50) | (10,091,894.10) |
| Increase outstanding imprest | (4,714,846.15) | (317,280.00) |
| Net Change in working Capital | 66,668,249.05 | (138,211,082.17) |
| <i>Net cash used by/from operating activities</i> | <u>557,246,440.05</u> | <u>229,113,155.05</u> |
| <u>INVESTING ACTIVITIES</u> | | |
| Purchase of plant, machinery and equipment | (267,765,493.00) | (1,571,374,945.00) |
| Installation of Computer Software's | (2,777,000.00) | (3,129,199.00) |
| Purchase of furniture | (1,187,529.00) | (7,092,560.00) |
| Purchase of computers equipment and accessories | (1,079,000.00) | (549,900.00) |
| Purchase of Office equipment | (449,195.00) | (2,440,780.00) |
| Purchase of ICT Infrastructure & Telephony | (76,000.00) | (7,200.00) |
| Asset disposal | 30,967,280.00 | 11,954,625.00 |
| interest income | 538,869.90 | 6,049,005.95 |
| <i>Net cash used in Investing activities</i> | <u>(241,828,067.10)</u> | <u>(1,566,590,953.05)</u> |
| <u>FINANCING ACTIVITIES</u> | | |
| GoK Capital Grant | 0.00 | 0.00 |
| <i>Net Cash from Financing Activities</i> | <u>0.00</u> | <u>0.00</u> |
| CASH & CASH EQUIVALENTS | | |
| <u>NET (DECREASE)/INCREASE</u> | <u>315,418,372.95</u> | <u>(1,337,477,798.00)</u> |
| <i>At the Beginning of the year</i> | <u>49,215,506.25</u> | <u>1,386,693,304.25</u> |
| At the end of the year | <u>364,633,879.20</u> | <u>49,215,506.25</u> |

X. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**For the year ended 30 June 2016**

| Item | Particulars | BUDGET | ACTUAL | DEVIATION |
|--------------------|---|------------------------------|------------------------------|----------------------------|
| | Income | | | |
| 4-251-0000-3510701 | Receipts from hire of equipment | 840,283,864.67 | 844,379,614.55 | 4,095,749.88 |
| 4-251-0000-3520302 | Receipts from sale of Boarded items | 26,034,087.46 | 32,652,287.00 | 6,618,199.54 |
| 4-251-0000-3510803 | Receipts from sales and fees for Services rendered & | 31,170,544.72 | 32,236,747.50 | 1,066,202.78 |
| 4-251-0000-7310224 | Bank interest | <u>2,511,503.16</u> | <u>538,869.90</u> | -1,972,633.26 |
| | | <u>900,000,000.00</u> | <u>909,807,518.95</u> | <u>9,807,518.95</u> |
| 4-251-0000-2210301 | Domestic Travel Allowances and Expenses | 33,979,200.00 | 43,410,089.00 | (9,430,889.00) |
| 4-251-0000-2210401 | Foreign Travel Allowances and Expenses | 8,000,000.00 | 1,273,802.40 | 6,726,197.60 |
| 4-251-0000-2220102 | Maintenance of Vehicles, Plant, Machinery and Equipment & Tyres and Tubes | 273,560,000.00 | 201,985,428.62 | 71,574,571.38 |
| 4-251-0000-2211201 | Fuel , Oils & Lubricants | 61,920,000.00 | 54,291,722.53 | 7,628,277.47 |
| 4-251-0000-2220103 | Fit Equipment with Fleet management | 1,000,000.00 | 0 | 1,000,000.00 |
| 4-251-0000-2220201 | Maintenance of buildings and stations - Non Residential | 5,954,000.00 | 4,471,490.15 | 1,482,509.85 |
| 4-251-0000-2220202 | Maintenance of Internet Server, computers, Printers and software | 5,179,960.00 | 419,100.00 | 4,760,860.00 |
| 4-251-0000-2221106 | Steel, Copper, and Timber for Spare parts | 8,764,800.00 | 672,080.00 | 8,092,720.00 |
| 4-251-0000-2210504 | Printing, Advertising and information supplies Services | 5,440,000.00 | 2,882,820.00 | 2,557,180.00 |
| 4-251-0000-2210201 | Telephone, telex, facsimile, m/phone services & others | 3,600,000.00 | 2,663,430.00 | 936,570.00 |

Mechanical and Transport Fund

Financial year 2015-2016

| | | | | |
|--------------------|--|-----------------------|-----------------------|-----------------------|
| 4-251-0000-2210202 | Internet connections | 4,800,000.00 | 4,938,500.40 | (138,500.40) |
| 4-251-0000-2210203 | Communication-Installation of WAN | 3,600,000.00 | 2,777,000.00 | 823,000.00 |
| 4-251-0000-2210801 | Hospitality services & Catering | 7,600,000.00 | 2,539,302.40 | 5,060,697.60 |
| 4-251-0000-2211101 | Courier and postal services | 1,424,000.00 | 319,965.00 | 1,104,035.00 |
| 4-251-0000-2211102 | Trade Shows and Exhibitions | 2,047,200.00 | 0 | 2,047,200.00 |
| 4-251-0000-2211103 | Uniforms | 3,102,400.00 | 945,900.00 | 2,156,500.00 |
| 4-251-0000-2211104 | * Supplies , Accessories , Computers and Printers and usable | 12,760,000.00 | 6,306,826.00 | 6,453,174.00 |
| 4-251-0000-2211105 | Purchase of coffin | 356,000.00 | 242,548.00 | 113,452.00 |
| 4-251-0000-2211106 | Detergents, Fungicides, Insecticides and Sprays | 2,670,400.00 | 653,450.00 | 2,016,950.00 |
| 4-251-0000-2211108 | Stationery and general office supplies | 15,039,200.00 | 7,294,125.53 | 7,745,074.47 |
| 4-251-0000-2210101 | Electricity expenses | 4,517,864.00 | 3,188,911.65 | 1,328,952.35 |
| 4-251-0000-2210102 | Water and sewerage charges | 2,522,136.00 | 1,798,994.05 | 723,141.95 |
| 4-251-0000-2211301 | Bank Operating charges | 640,000.00 | 361,732.32 | 278,267.68 |
| 4-251-0000-2210705 | Training Expenses | 8,000,000.00 | 4,984,792.00 | 3,015,208.00 |
| 4-251-0000-2110101 | Payment for Temporary Employees | 21,000,000.00 | 19,253,968.35 | 1,746,031.65 |
| 4-251-0000-2211305 | Contracted guards and cleaning services | 40,000,000.00 | 40,215,899.90 | (215,899.90) |
| 4-251-0000-2210203 | Intangible Assets | 3,600,000.00 | 2,777,000.00 | 823,000.00 |
| 4-251-0000-2211107 | Supply of office furniture and Equipment's | 2,800,000.00 | 1,187,529.00 | 1,612,471.00 |
| 4-251-0000-3110701 | Vehicles, plants and equipment and other machinery | 359,722,040.00 | 267,765,493.00 | 91,956,547.00 |
| | | 903,599,200.00 | 679,621,900.30 | 223,977,299.70 |

N/B

| | | |
|---|---|----------------------------|
| * 4-251-0000-2211104 Supplies , Accessories , Computers and Printers and usable | i. Computer supplies and accessories (Note 8.) | 4,702,631.00 |
| | ii. Computer Equipment & Accessories (Note 12.) | 1,079,000.00 |
| | iii. Office Equipment (Note 12.) | 449,195.00 |
| | iv. ICT-Infrastructure & Telephony (Note 12.) | 76,000.00 |
| | Total Actual Expenditure | <u>6,306,826.00</u> |

XI. NOTES TO FINANCIAL STATEMENTS**1. Statement of compliance and basis of preparation – IPSAS 1**

The Mechanical and Transport Fund financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Mechanical and Transport Fund and all values are rounded to the nearest thousand (Ksh000). The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies**a) Revenue recognition****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.

b) 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.

c) 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 applied this yield to the principal outstanding to determine interest income each period.

The annual budget is prepared on the accrual basis, that is, all planned costs and income are presented in a single statement to determine the needs of the entity. As a result of the adoption of the accrual basis for budgeting purposes, there are no basis, timing or entity differences that would require reconciliation between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

Mechanical and Transport Fund

Financial year 2015-2016

d) Basis of Depreciation

The diminishing balance method is applied whereby the book value of plants, machinery and vehicles goes on decreasing as its existence continues. A certain percentage of the current book value is taken as the depreciation.

Depreciation is in accordance with Mechanical Engineering of Plants, Machinery, Vehicles and Equipments valuation policy (**Annex 1**)

| | <u>2015-2016</u> | <u>2014-2015</u> |
|---|------------------------------|--------------------------------|
| | <u>Kshs.</u> | <u>Kshs.</u> |
| 3. Hire Of Equipment and Services Rendered | | |
| Receipts during the year | 872,693,684.55 | 902,077,565.00 |
| Less: Debtors as at 30.06.2014-15 | (106,630,204.00) | (24,166,963.00) |
| Add : Debtors as at 30.06.2016 | 78,316,134.00 | <u>106,630,204.00</u> |
| | <u>844,379,614.55</u> | <u>984,540,806.00</u> |
| Miscellaneous income | 32,236,747.50 | 37,428,043.55 |
| Receipts not captured in ledger | 35,618,222.60 | 28,123,893.20 |
| Bank interest income | <u>538,869.90</u> | <u>6,049,005.95</u> |
| | <u>912,773,454.55</u> | <u>1,056,141,748.70</u> |
| 4. Sale of boarded items | 32,652,287.00 | <u>11,954,625.00</u> |
| Less: Sale of County's Equipment held at Fund HQS | (1,685,007.00) | |
| | <u>30,967,280.00</u> | |
| 5. Travel/Subsistence Allowance | | |
| Domestic travel/subsistence allowance | 43,410,089.00 | 38,061,504.00 |
| Foreign travel/subsistence allowance | 1,273,802.40 | 3,377,561.40 |
| | <u>44,683,891.40</u> | <u>41,439,065.40</u> |
| 6. Routine Maintenance | | |
| <u>Routine Maintenance of vehicles & Other Transport Equip</u> | | |
| Inventory Balance B/Fwd | 193,295,000.11 | 147,888,713.35 |
| Payments during the year-Routine Maintenance of vehicles | 110,667,595.50 | 305,177,743.48 |
| Payments during the year-Tyres and tubes | 50,436,881.75 | 113,906,458.90 |
| Less: Pending bills as at 30.06.2014-15 | 0.00 | <u>(9,965,801.56)</u> |
| Add: Pending bills as at 30.06.2015-10 | <u>0.00</u> | <u>0.00</u> |
| Inventory C/Fwd | <u>(163,321,778.74)</u> | <u>(193,295,000.11)</u> |
| | <u>191,077,698.62</u> | <u>363,712,114.06</u> |
| <u>Fuel oils and lubricants</u> | | |
| <u>Inventory B/BFwd</u> | 17,070,698.44 | 16,296,223.05 |
| Payments during the year-Fuel | 10,488,883.63 | 41,572,999.75 |
| Payments during the year-oils and lubricants | 30,436,962.20 | 62,162,655.10 |
| less: Pending bills as at 30.06.2014/15 | 0.00 | (1,625,100.00) |
| <u>Inventory B/CFwd</u> | <u>(3,704,821.74)</u> | <u>(17,070,698.44)</u> |
| | <u>54,291,722.53</u> | <u>101,336,079.46</u> |

Mechanical and Transport Fund**Financial year 2015-2016**

| | | |
|-------------------------------------|------------------------------|------------------------------|
| Routine Maintenance & Other assets | 4,471,490.15 | 12,738,984.30 |
| Routine Maintenance comps, printers | 419,100.00 | 1,526,685.00 |
| Purchase of specialised Materials | <u>672,080.00</u> | <u>7,958,781.40</u> |
| | <u>250,932,091.30</u> | <u>487,272,644.17</u> |

7. Administrative expenses

| | | |
|--|-----------------------------|-----------------------------|
| Printing | 2,882,820.00 | 3,416,874.00 |
| advertising & information supplies services | 0.00 | 397,980.00 |
| Communication –T/Phone, M/Phones | 2,663,430.00 | 3,206,958.00 |
| Communication- internet | 7,715,500.40 | 5,684,812.00 |
| Communication- installation of WAN | 0.00 | 488,360.00 |
| Hospitality supplies & services | 2,539,302.40 | 3,128,897.00 |
| Courier & Postal Services | 319,965.00 | 230,402.00 |
| Trade, Shows & Exhibitions | 0.00 | 732,500.00 |
| Uniforms | 945,900.00 | 1,442,840.00 |
| Computer supplies and Accessories | 4,702,631.00 | 2,873,578.00 |
| Purchase of Coffins | 242,548.00 | 238,320.00 |
| Detergents, Fungicides, Insecticides | 653,450.00 | 937,700.00 |
| <i>Inventory B/FWD</i> | 4,806,775.31 | 5,648,870.40 |
| General Office Supplies | 6,301,326.90 | 7,782,645.00 |
| <i>Inventory C/FWD</i> | (3,813,976.68) | (4,806,775.31) |
| <i>General office supplies for the year</i> | <u>7,294,125.53</u> | <u>8,624,740.09</u> |
| Utilities, - Electricity | 3,188,911.65 | 4,121,116.40 |
| Utilities, Water & Conservancies | 1,798,994.05 | 953,799.20 |
| less: Pending bills As at 30-06-2014/15 | 0.00 | (304,198.90) |
| Bank charges | 361,732.32 | 595,80480 |
| Training | 4,984,792.00 | 2,010,530.00 |
| Basic wages for Temporary employees | <u>19,253,968.35</u> | <u>15,095,531.00</u> |
| | <u>59,548,070.70</u> | <u>53,876,543.59</u> |

8. Depreciation**317,834,403.84** **539,243,093.54****9. Security services**

| | | |
|---|-----------------------------|-----------------------------|
| Payments during the year | 42,754,269.90 | 35,987,995.15 |
| Less: Pending bills as at 30.06.2014-15 | (6,678,340.00) | (3,397,095.15) |
| ADD: Pending bills as at 30.06.2015-16 | <u>4,139,970.00</u> | <u>6,678,340.00</u> |
| | <u>40,215,899.90</u> | <u>39,269,240.00</u> |

10. Intangible Assets

| | | |
|--------------------------|----------------------------|----------------------------|
| <i>B/BFWD</i> | 3,129,199.00 | 0.00 |
| System one Ltd | 2,777,000.00 | 1,685,000.00 |
| Sages Equipment Upgrades | 0.00 | 1,444,199.00 |
| <i>B/CFWD</i> | <u>5,906,199.00</u> | <u>3,129,199.00</u> |

11. Property, Plants & Equipment

| Year ended 30th June 2016 | SUPERVISORY VEHICLES (BELOW 3 TON) | PLANTS AND EQUIPMENT | TRUCKS (OVER 3 TON) | COMPUTER EQUIPMENT & ACCESS | OFFICE EQUIPMENTS | ICT INFRASTRUCTURE & TELEPHONY | OFFICE FURNITURE | TOTAL |
|--|------------------------------------|----------------------|---------------------|-----------------------------|-------------------|--------------------------------|------------------|--------------------|
| <i>Rate</i> | | | | 10% | 10% | 10% | 10% | |
| COST | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. | Kshs. |
| As At 01.07.2015 | 328,188,748.95 | 6,400,934,332.98 | 1,320,730,962.00 | 14,120,728.00 | 21,252,668.50 | 10,080,326.00 | 20,710,794.00 | 8,116,018,560.43 |
| Transfer to County Governments | (148,850,370.00) | (2,714,675,687.22) | (647,185,702.00) | 0.00 | 0.00 | 0.00 | 0.00 | (3,510,711,759.22) |
| Additional | 14,851,100.00 | 215,654,393.00 | 37,260,000.00 | 1,079,000.00 | 449,195.00 | 76,000.00 | 1,187,529.00 | 270,557,217.00 |
| As At 30.06.2016 | 194,189,478.95 | 3,901,913,038.76 | 710,805,260.00 | 15,199,728.00 | 21,701,863.50 | 10,156,326.00 | 21,898,323.00 | 4,875,864,018.21 |
| Depreciation | | | | | | | | |
| As At 01.07.2015 | 180,002,456.57 | 2,411,108,879.47 | 668,479,022.20 | 7,233,543.40 | 7,575,383.40 | 5,126,181.80 | 4,264,312.80 | 3,283,789,779.64 |
| Transfer to County Governments | (109,732,647.07) | (1,607,762,582.39) | (462,282,377.26) | | | | | (2,179,777,606.72) |
| *Adjustments | | (26,276,440.35) | | | | | | (26,276,440.35) |
| Period charge | 12,202,234.06 | 247,653,647.33 | 51,082,898.40 | 1,519,972.80 | 2,170,186.35 | 1,015,632.60 | 2,189,832.30 | 317,834,403.85 |
| As At 30.06.2016 | 82,472,043.56 | 1,024,723,504.06 | 257,279,543.34 | 8,753,516.20 | 9,745,569.75 | 6,141,814.40 | 6,454,145.10 | 1,395,570,136.42 |
| NET BOOK VALUE AS AT 30-06-2016 | 111,717,435.39 | 2,877,189,534.70 | 453,525,716.66 | 6,446,211.80 | 11,956,293.75 | 4,014,511.60 | 15,444,177.90 | 3,480,293,881.80 |

* Adjustments due to prior year depreciation calculation of errors

Mechanical and Transport Fund**Financial year 2015-2016**

| | <u>2015-2016</u> | <u>2014-2015</u> |
|---|------------------------------|------------------------------|
| 12. Inventory | | |
| i. Spare parts, Paints &tyres | 163,321,778.74 | 193,295,000.11 |
| ii. Lubricants and oils | 3,704,821.74 | 17,070,698.44 |
| iii. Stationery & computer items | <u>3,813,976.68</u> | <u>4,806,775.31</u> |
| Total | <u>170,840,577.16</u> | <u>215,172,473.86</u> |
| 13. Receivables | | |
| i. Geothermal Dev.Company | 40,314,230.00 | 50,314,230.00 |
| ii. Kengen-Okaria-April, May And June | <u>38,001,904.00</u> | <u>56,315,974.00</u> |
| | <u>78,316,134.00</u> | <u>106,630,204.00</u> |
| 14. Outstanding imprest | 5,625,026.15 | 910,180.00 |
| 15. Cash and cash Equivalents | | |
| Cash and cash Equivalents | 364,633,879.20 | <u>49,215,506.25</u> |
| 16. Creditors | | |
| a) Sale of boarded items Tender Deposits ; | <u>2015-2016</u> | <u>2014-2015</u> |
| Balance B/fwd. | 7,988,200.80 | 9,597,200.80 |
| Sale of boarded items Tender Deposits | 6,295,010.00 | 0 |
| Refund -Sale of boarded items Of Deposits | <u>(6,573,557.00)</u> | <u>(1,609,000.00)</u> |
| Un-refunded Deposits | <u>7,709,653.80</u> | <u>7,988,200.80</u> |
| Other Creditors | | |
| i. Contracted Guards –Total surveillance security | <u>4,139,970.00</u> | <u>6,678,340.00</u> |
| Sub-Total payables | 11,849,623.80 | 14,797,502.30 |
| Sale of Nyeri County Equipment held at Fund Hqs | 1,685,007.00 | |
| Total payables | <u>13,534,630.80</u> | <u>14,797,502.30</u> |

17. GOVERNMENT GRANT

| Particulars | Amount |
|--|------------------|
| A loan agreement was entered into between the Governments of the Republic of Korea on 15 th April, 2005 concerning EDCF (Economic Development Cooperation Fund) Loans to be extended to the Government of the Republic of Kenya or its designated agency for the implementation of projects to be agreed upon between those two Governments of KSHS. 1,963,016,499.15. The EDCF Loan arrangement dated 10 th May, 2005 concerned the financing and the implementation of Road Maintenance Equipment Renewal Project. The loan Repayment was to be done by the National Government in forty (40) semi-annual consecutive instalments on date of 20 th April and 20 th October at an interest rate of 1% from the 11 th year after the signing of the Loan agreement. | 1,963,016,499.15 |

Mechanical and Transport Fund**Financial year 2015-2016**

The National Government advanced the Mechanical and Transport Fund Kshs. 1,500,000,000.00 in the Financial year 2013-2014 to purchase Road Maintenance Equipment following an agreement to transfer 80% of MTF fleet to County Government.

1,500,000,000.00

Transfer 80% of MTF fleet to County Government. (1,330,934,152.50)**Total Government Grant** **2,132,082,346.65**

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown Below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue | Status: (Resolved / Not Resolved) | Timeframe: |
|--|---|--|---|-----------------------------------|------------|
| 1 | <p>As reported in the previous year, reserves balance as at 30 June 2015 of Kshs. 1,822,476,555.50 includes amount of Kshs. 1,621,691,003.34 brought forward for 2014. This amount is net of Kshs. 3,813,000.00 paid as travel and subsistence Allowance for the period ending 30 June 2014. The expenditure was incurred to cater for a ministerial team building retreat at the Great Rift Valley lodge held from 17 through 20 July 2013 on the premise that the same would be reFunded to the Fund by the Parent Ministry. However, as at 30 June 2015 there was no evidence that the same had been reFunded by the Parent ministry and therefore the total expenditure of Kshs. 3,813,000.00 is ineligible and should not be charge to the Fund's reserves</p> | <p>It is true that, reserves balance as at 30 June 2015 of Kshs. 1,822,476,555.50 includes amount of Kshs. 1,621,691,003.34 brought forward for 2014. This amount is net of Kshs. 3,813,000.00 paid as travel and subsistence Allowance for the period ending 30 June 2014. The expenditure was incurred to cater for a ministerial team building retreat at the Great Rift Valley lodge held from 17 through 20 July 2013 on the premise that the same would be reFunded to the Fund by the Parent Ministry. It is also true that as at 30 June 2015 there was no evidence this money had been reFunded. However I wish to state that the money was reFunded on 29-06-2016.</p> | Chief Engineer (Mechanical) | Resolved | |

| | | | | | |
|----------|---|--|--|---------------------|--|
| <p>2</p> | <p>As previously reported Kenya National Highways Authority paid Kshs. 25,564,350 vide payment voucher no. 17690 dated 23 July 2014 to M/S Intermass Technologies (E.A) Ltd for a pending bill relating to 2013-2014 financial year. The supplier was competitively awarded the contract for the supply of 3 No. Rack-Mount type computer servers; 94 No. Standard Desktop Computers; 12 No. Touch Smart Desktop Computers; 8 No. Laptop Computers and 46 No. Integrated Service Routers on 13 June 2013 at their tender sum of Kshs. 25,564,350.00 which were purchased for Mechanical and Transport Fund under Northern Corridor Transport Improvement Project, IDA Credit Nos 2930-KE and 4571-KE. The supplier is said to have delivered the goods to Mechanical and Transport Fund of Ministry of Transport and Infrastructure on 19 November 2013 vide delivery note No. 1063. The Inspection and Acceptance committee inspected and accepted only 8 No. laptop computers and 19 No. Integrated service routers all valued at Kshs. 2,975,150.00. It is further reported that the rest of the goods though delivered were stolen before they could be inspected by the inspection and acceptance committee.</p> | <p>It is true that the goods were delivered to the Division on 19th November, 2013 vide delivery note No. 1063. The inspection and acceptance committee inspected and accepted only 8No. Laptop Computers and 19No. Integrated service routers all valued at Kshs. 2,975,150.00. The rest of the goods were stolen before they could be inspected by the inspection and acceptance committee.</p> <p>I wish to state that the goods were received in the morning of 19th November, 2013 in our warehouse stores vide the signed delivery note No. 1063. The goods were kept in the stores awaiting inspection by the by KeHNA vide letter Ref: KeNHA /SP/NCTIP/Goods/Vol. I/75687 Dated 13th January 2014.</p> <p>However on the weekend of 24th November, 2013, between 10.20 a.m. and 11.30 a.m. there was a break-in in the stores where the Computers, Computer accessories and other stores were stolen. The same was reported to the Industrial Area Police Station, by the security officer. From the CCTV footage it was apparent the guards from the contracted security firm (M/s Secure Homes Ltd) facilitated the whole theft by opening the gates for the criminals to enter with a station wagon vehicle and latter a lorry. The C.I.D used this information and managed to arrest and charge one the guards in Makadara Law Courts. According to the CID they have not been able to apprehend the others.</p> <p>The CID was also able to trace and impound the vehicle involved in the theft and subsequently charge the owner with the offence. The case is also in court as per the attached documents. I have attached correspondences with the police on the progress of</p> | | <p>Not Resolved</p> | |
|----------|---|--|--|---------------------|--|

Mechanical and Transport Fund**Financial year 2015-2016**

| | | | | | |
|--|--|--|--|--|--|
| | <p>Despite the forgoing and although the goods received notes were not issued, Kenya National Highways Authority paid for all the goods vide Payment Voucher No. 17690 dated 23.07.2014 for Kshs. 22,589,200.00. in this circumstances no value for money was obtained from the expenditure of Kshs. 22,589,200.00</p> | <p>the investigations and action taken by the court. The ministry has also written to the Solicitor General vide letter ref MOTI/1/A.42.01 VOL. 6 dated 30th October 2014. Requesting his office to institute legal proceedings against Secure Homes Ltd to recover the sum of Kshs. 21,370,867.00 (being the value of the equipment stolen) since their guards was clearly part of the theft. The Ministry took the least expensive option of settling the overdue amount in full as the vendor had in his possession an acknowledged delivery note. Failure to honour our contractual obligation would have exposed the Ministry to claim and eventual payment of interest on delayed payment, legal fees and likely punitive court awards.</p> | | | |
|--|--|--|--|--|--|

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.

