

REPUBLIC OF KENYA



Enhancing Accountability

PARLIAMENT
OF KENYA
LIBRARY

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 10 JUN 2021 DAY: Thur

TABLED BY: L. O. M. P.

THE TABLE: Maina W.

OF

THE AUDITOR-GENERAL

ON

MECHANICAL AND TRANSPORT FUND

FOR THE YEAR ENDED
30 JUNE, 2020

NATIONAL YOUTH SERVICE

10

11

OFFICE OF THE AUDITOR GENERAL
P. O. Box 30084 - 00100, NAIROBI
REGISTRY

30 SEP 2020

RECEIVED



NATIONAL YOUTH SERVICE
ANNUAL REPORT AND FINANCIAL STATEMENTS
MECHANICAL AND TRANSPORT FUND
FOR THE YEAR ENDING JUNE 30, 2020

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

TABLE OF CONTENTS

KEY ENTITY INFORMATION AND MANAGEMENT	iii
STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020.....	1
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020	2
STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2020.....	3
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2020.....	4
NOTES TO THE FINANCIAL STATEMENTS	12
1. INCOME	12
2. DEPRECIATION OF NON-CURRENT ASSETS.....	13
3. FINANCE COSTS.....	13
4. FUEL AND LUBRICANTS	14
5. SERVICE EXPENSES.....	14
6. COST OF TYRES AND BATTERIES.....	14
7. REPAIR AND MAINTENANCE	15
8. WELDING AND SPRAYING EXPENSES.....	15
9. STATIONERY	15
10. DRILLING EXPENSES	16
11. OFFICE EXPENSES	16
12. RUIRU PRISON.....	16
13. PERSONEL ALLOWANCE.....	16
14. CASH AND CASH EQUIVALENT	17
15. RECEIVABLES FROM DOMESTIC DEBT.....	17
16. RECEIVABLES FROM COMMERCIAL CLIENTS.....	18
17. INVENTORIES PURCHASE LOCALLY	18
18. PROPERTY, PLANT AND EQUIPMENT	19
19. TRADE PAYABLE.....	19
20. PREPAYMENT.....	20
21. SUNDRY CREDITORS.....	21
22. FUND BALANCE	21

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 30th 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.

Designation

- | | |
|--------------------------------------|---------------------------|
| • Chairman | LT Gen(Rtd) Njuki Mwaniki |
| • Director General NYS | Matilda.P. Sakwa, EBS |
| • Officer in Charge-MTB | Maurice Mazera, HSC |
| • Head of accounting Unit | Elias K Macharia |
| • Principal Accountant in Charge MTB | Harrison.M Rioba |
| • Accountant II | Philip Omondi |

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, Moi Avenue
Nairobi

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

CHAIRMAN REPORT

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

Achievements

1. Commercial activities

- i. Revenue collection from hire of buses, Lorries and trucks.
- ii. Hire of machines and tippers, construction of roads and garbage collection and machines used to clean metropolitan
- iii. KERRA Nandi and KERRA Marakwet road project
- iv. Kenya pipeline infrastructure works
- v. Drilling several boreholes for state department of correction service and state department of interior
- vi. Supply and installation of irrigation for tree coffee and tree seedbeds at Ruiru prison
- vii. Rehabilitation of Homa Bay and Kisumu old port
- viii. Revitalization of the Thika –Nanyuki meter gauge railway line

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.

Challenges

1. Lack of local dealers of spare parts for most of Chinese machinery/ vehicles and therefore repair of the vehicles/ equipment take long to undertake.
2. Frequent breakdowns due to ageing fleet
3. Undertaking Government Projects which do not generate income to the Fund e.g. slum upgrading, the recent demolition of unsafe buildings that was spear headed by Ministry of Works.



L T Gen (Rtd) Njuki Mwaniki
Chairman

REPORT OF THE PROJECT MANAGER

I present the NYS Mechanical and Transport Fund report and statements for the financial year ended 30th June 2020. In the year under review NYS-MTF reported a loss –Kshs- 316,794,222 down by 58% from Ksh 466,338,193 in the previous financial year. Revenue grew by 64% from Ksh 358,463,947 to Ksh. 586,504,434. This was due to activities of Kenya railways for revitalization of the Thika- Nanyuki meter gauge, revitalization of `Kisumu – Homa Bay old port and cleaning, construction of road and garbage collection at Nairobi capital city.

The fund was able to collect debt amounting to Ksh 910,290,279 from Director General NYS after the closure of the financial year ended 30th June 2020, which constituted refund for TVET tuition of kshs. 635,000,000, domestic debt of Kshs 108,914,624 and Tana River road project of kshs. 166,375,655 which will leave the outstanding debt at Ksh 1,008,585,030 which is a composition of commercial debt of Ksh 178,809.794 and domestic debt of Ksh 829,775,236.

The key challenge facing the operating of the fund is the involvement of NYS in undertaking presidential Directive of Linda Abiria which is generating less income for the fund and incurring high cost of repairs and maintenances for the buses and minibuses.

Relocating of vehicles, machines and equipment from projects such upgrading of informal settlement among others National projects. Another challenges are the frequent breakdown occasioned by aging fleet (the management has set up an asset recovery team that is working on equipment that have been lying idle yet have an economic value).

With the management board in place, in line with the legal notice that established the fund, it is hoped that there will be improvement in the operation of the fund.



Maurice Mazera, HSC
Officer In-Charge

Mechanical and Transport Fund

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MECHANICAL AND TRANSPORT FUND FOR THE YEAR ENDED 30 JUNE, 2020 - NATIONAL YOUTH SERVICE

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of the Mechanical and Transport Fund - National Youth Service set out on pages 1 to 25, which comprise the statement of financial position as at 30 June, 2020, and the statement of financial performance, the statement of cash flows and the 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. Errors and Inaccuracies in the Financial Statements

1.1 The Statement of Cash Flows

The statement of cash flows reflects closing cash and cash equivalents balance of Kshs.614,389,563 as at 30 June, 2020. However, the statement has omitted adjusting items including changes in inventories figure of Kshs.143,106,015 and movement in China stocks figure of Kshs.463,557,263. No adjustments have been done to correct the errors.

1.2 Discrepancies Between Comparative Balances on Inventories

The statement of financial position reflects an inventories balance of Kshs.111,921,222 (2019-Kshs.255,027,237). However, Note 17 reflects a comparative figure of Kshs.44,000,000 which is at variance with the audited balance of Kshs.255,027,237 resulting to a difference of Kshs.211,027,237 which has not been explained or reconciled.

Further, no supporting documents were provided for audit verification showing the nature, name, quantities and valuation of the inventory.

1.3 Accuracy of Stock Balance - China Stocks

The statement of financial position reflects a balance of Kshs.463,557,263 under current assets in respect to China stocks whose comparative balance of zero is indicated to be under Note 17 to the financial statements. However, Note 17 reflects a balance of Kshs.501,145,452. Further, the previous year's audited financial statements reported a balance of Kshs.220,067,066 under China stocks. The increase in China stocks balance of Kshs.281,078,386 has not been explained or supported by documents for acquisitions done during the year.

1.4 Variances Between Financial Statements Figures and the General Ledger

A review of the general ledger balances as at 30 June, 2020 reveals variances between the figures reported in the financial statements and the ledger as follows:

No.	Account Description	Financial Statement Balance (Kshs.)	General Ledger Balance (Kshs.)	Variance (Kshs.)
1.	Hire of Buses	29,415,855	25,693,314	3,722,541
2.	Finance Costs	154,012	111,748	42,264
3.	Stationery	4,110,948.00	4,052,448.00	58,500
4.	Office Expenses	4,083,120.00	4,094,014	(10,894)
5.	Ruiru Prison Project	11,325,340.00	13,273,340.00	(1,948,039)

No explanation or reconciliation was provided for variances between the two sets of records which ordinarily should agree.

Consequently, the accuracy of the financial statements as at 30 June, 2020 could not be confirmed.

2. Long Outstanding Sundry Creditors

As disclosed under Note 21 to the financial statements, the statement of financial position as at 30 June, 2020 reflects a balance of Kshs.8,579,233 relating to sundry creditors. As reported in the prior year's report, the balance has been outstanding for over six (6) years with no explanation on why the amount has not been settled to date. Further, the balance which had been classified as a non-current liability in the financial year 2016/2017 was re-classified to current liabilities in the financial year 2017/2018 without any justification.

Consequently, the authenticity of the figure for sundry creditors could not be confirmed.

3. Non-Current Assets

As disclosed under Note 18 to the financial statements, the statement of financial position reflects total non-current assets balance of Kshs.4,543,212,448 which includes an amount of Kshs.2,967,257,436 relating to plant and heavy machinery. However, the Fund's Management has not valued the plant and heavy machinery for financial reporting purposes since inception.

Further, as reported in the previous year, assets procured in the financial year 2018/2019 at a cost of Kshs.12,962,212 which included ten (10) motor cycles, twenty-one (21) diesel generators and ten (10) water pumps could not be verified. The distribution list for the items were not provided for audit verification. Logbooks or ownership documents for motorable assets amounting to Kshs.43,821,753 were not availed for audit verification while five (5) out of twenty-seven (27) buses used for commuter services have been grounded due to maintenance challenges.

Consequently, the accuracy of the figure for net non-current assets of Kshs.4,543,212,448 could not be confirmed.

4. Cash and Cash Equivalents

The statement of financial position reflects a figure of Kshs.614,365,802 under cash and cash equivalents as at 30 June, 2020. However, confirmation of balances held at Kenya Commercial Bank showed that the actual closing balance was Kshs.612,442,618 leading to a variance of Kshs.2,193,184 which has not been reconciled.

Further, the Board of Survey report dated 1 July, 2020 indicated a cash book balance of Kshs.774,996,551 which differs with the closing cash book balance of Kshs. 614,365,802 by a variance of Kshs.160,630,749 which has not been explained or reconciled.

In addition, as disclosed in Note 14 to the financial statements, the statement of financial position reflects a balance of Kshs.614,365,802. However, the bank reconciliation statement reported an amount of Kshs.4,754,539 relating to receipts in bank not in cashbook which was cleared during the month of June, 2020 with no supporting documentation. No explanation was provided detailing how the amounts were cleared from the subsequent bank reconciliations for audit verification.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.614,365,802 as at 30 June, 2019 could not be confirmed.

5. Service Expenses

As disclosed under Note 5 to the financial statements, the statement of financial performance reflects an amount of Kshs.16,335,340 in relation to service expenses. The amounts of service expenses include Kshs.4,781,000 paid to three hundred and ninety-three (393) cohorts and ninety (99) members of staff in the cleaning and garbage collection exercise. The listing of cohorts revealed discrepancies between the computer-generated attendance lists and the respective payrolls payout schedule for payments amounting to Kshs.2,061,000 while the payroll for last period worked, which was between 22 May, 2020 to 4 June, 2020, was completed and signed by the paying officer on 18 July, 2020, eleven (11) days after the money had been withdrawn from the bank.

Further, documents in support of payment of Kshs.1,342,000 included a list of staff and their entitlements for the period worked but no corresponding list of engaged officers was included to justify the payment and confirm the accuracy of the amounts paid while payments totalling Kshs.522,500 were supported by signed payment schedules where the receivers signatures were all similar. The payout included an attendance list for one

hundred and forty-three (143) cohorts purported to have worked but had not been signed for. There was no evidence to show Authority to Incur Expenditure (AIE) for the payment was granted by the Chief Accountant as required under Section 13(2)(b) National Youth Service Mechanical and Transport Fund Rules, Procedures and Guidelines for the operation of the Fund dated January, 2011.

Under the circumstances, the propriety and validity of service expenditure amounting to Kshs Kshs.4,781,000 could not be confirmed.

6. Irregular Procurement of Motor Vehicles

During the year under review, the Fund procured fourteen (14) motor vehicles valued at Kshs.89,601,586. However, there was no evidence of minutes of a Council meeting either attached to the payment voucher or separately availed for audit review to show that the Council of the National Youth Service approved the procurement of the motor vehicles in line with the National Youth Service Act, 2018.

Further, available information indicates that two (2) invoices No. VNA/4608/220 and VNA/4609 both dated 20 April, 2020 were issued by the vendor, M/s Simba Corporation Ltd demanding an amount of Kshs.8,100,000 for each Mitsubishi Pajero (Automatic) with Japan as the country of origin. However, Management made payment using the quoted price of Kshs.8,242,000 per unit through their Local Purchase Order (LPO) No.3165397 which had earlier been raised on 30 March, 2020. The payment resulted to an overpayment of Kshs.284,000 for the two (2) motor vehicles. No explanation has been provided for the additional cost over and above the invoiced amount.

Consequently, the propriety of the expenditure of Kshs.89,601,586 incurred on the purchase of motor vehicles could not be confirmed.

7. Unsupported Figures for Receivables from Commercial Clients

As disclosed under Note 16 to the financial statements, the statement of financial position reflects a balance of Kshs.178,809,794 as receivables from external operations. However, no supporting schedules have been provided for audit verification.

Consequently, the accuracy, completeness and existence of the receivables from commercial client's balance of Kshs.178,809,794 as at 30 June, 2020 could not be confirmed.

8. Expired Items in Stores

A physical inspection on stores on motor vehicle spare parts carried out during the audit revealed that a total of 157.9 litres of assorted paints with a cost value of Kshs.158,830 had expired as per the labels attached while others did have labels at all. Interviews with Management of the stores revealed that the expiry of the items was mainly attributed to change in technology and low demand. No reason was however provided for failure by the Management to take necessary action to dispose the paints.

Consequently, the Fund did not receive value for money on the expenditure of Kshs.158,830 on expired items.

9. Noncompliance with the Public Procurement and Asset Disposal Act, 2015

The statement of financial position reflects total current assets figure of Kshs.2,198,429,316 as at 30 June, 2020. The figure includes Kshs.111,921,222 and Kshs.463,557,263 relating to inventories and China stocks respectively. However, no evidence was provided for audit verification to show that the Fund's Management conducted quarterly and annual inventory and stock taking as required under Section 162(2) of the Public Procurement and Asset Disposal Act, 2015 which states that the Head of Procurement function shall arrange for occasional visits of inspection to the stores, at least quarterly in each calendar year, and conduct quarterly and annual inventory and stock taking in order to ensure compliance with all respective governing laws and submit the report to the Accounting Officer.

In the circumstances, Management is in breach of law.

10. Supply of Booster Pump for Water Treatment at National Youth Service at Gilgil

The statement of financial position reflects a figure of Kshs.4,543,212,448 under small vehicles, commercial trucks and plant and equipment. The figure includes Kshs.3,138,480 paid to a supplier for supply and delivery of a booster pump for water treatment at National Youth Service College, Gilgil. Review of the procurement revealed the following anomalies;

- i) The Management issued quotations, which were dated 10 June, 2020 whereas those invited to quote were under instructions that they submit or place them in the quotation/tender box not later than 9.30 am on 9 June, 2020, notably a day before the quotations were issued.
- ii) One of the responsive quotations used to invite bidder No. 3 showed that it was filled and completed for submission on 10 June, 2020 a day after 9 June, 2020 indicated as the date when three (3) quotations were opened by a three (3) member tender opening committee.
- iii) Quotation for bidder No.2 and the lowest bidder showed it was completed, signed and stamped on 9 June, 2020, the same day the three (3) quotations are purported to have been opened and a day earlier than the date the quotations were issued to the bidders.

In the circumstances, Management is in breach of law.

11. Delayed Approval of the Annual Programmes and Cost Estimates

The Annual Programmes and Cost Estimates for the financial year 2019/2020 for the Mechanical and Transport Fund showed that the projected expenditure for the financial year was Kshs.449,079,768 against a projected income estimate of Kshs.415,370,000 resulting to a shortfall of approximately Kshs.33,709,768. Management observed that the

shortfall was to be catered for by the balance brought forward from previous years of Kshs.158,000,000. However, the following anomalies were observed;

- i) Legal notice No.15 of 30 January, 2011, shows that Government Financial Management Act (National Youth Service Mechanical Transport Fund) Regulations, 2011 Section 6 gives the Minister for Public Service the mandate to approve the annual work programmes and cost estimates of the Fund for the financial year 2019/2020. However, the approval was granted on 13 January, 2020, midway through the financial year thus affecting implementation of planned activities and service delivery.
- ii) The approved annual work programmes and cost estimates stated that the difference of expenditure of Kshs.33,709,768 between expenditure and projected income estimates would be catered for from the previous year's balance brought forward of Kshs.158,000,000 which differs with Kshs.13,307,759 reflected in the Audited Financial Statements for the same period. No adequate explanation has been provided on why the Management approved a deficit budget and for the contradicting information that may have informed the approval of a budget without corresponding funds for execution of intended activities.

12. Unresolved Prior Year Matters

In the audit report of the previous year, a number of issues were raised under the Report on Financial Statements. However, Management has not resolved the issues nor disclosed all the prior year matter as provided by the Public Sector Accounting Standards Board templates and The National Treasury's Circular Ref: PSASB/1/12 Vol.1(44) of 25 June, 2019.

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 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 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 Fund's ability to continue to sustain services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease operations.

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

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements 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 matters described in the Basis for Disclaimer of Opinion section of my report, 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.

I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance 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. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the National Youth Service – Mechanical and Transport Fund Management in accordance with ISSAI 130 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.


Nancy Gathungu
AUDITOR-GENERAL

Nairobi


26 May, 2021

STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2020


	Notes	2019-2020	2018-2019
		Kshs	Ksh
Revenue From Hiring Charges			
Hire of buses	1	29,415,855	12,502,869
Hire of water rigs, plant and equipment		266,754,198	74,171,789
Domestic hire		290,334,381	270,552,129
Hire of small vehicles		0	1,153,160
Other income			84,000
Total revenue		586,504,434	358,463,947
Expenses			
Depreciation and amortization expense	2	499,337,420	490,252,975
Finance costs	3	154,012	111,748
Fuel and lubricants	4	170,281,373	149,637,241
Service expenses	5	16,335,340	54,803,862
Cost of tyres and batteries	6	88,729,660	53,149,607
Repairs and maintenance	7	86,767,696	24,315,631
Welding expenses	8	497,912	2,462,600
Stationery	9	4,110,948	8,079,585
Drilling expenses	10	5,381,905	3,444,976
Office expenses	11	4,083,120	4,779,505
Ruiru prison project	12	11,325,340	
Council expenses			17,565,851
Personnel allowance	13	16,293,480	16,198,559
Total expenses		903,298,656	824,802,140
Other gains/(losses)		-316,794,222	-466,338,193



L T Gen (Rtd) Njuki Mwaniki
Chairman



Matilda P. Sakwa, EBS
Director General



Maurice Mazera, HSC
Officer In Charge (MTE)

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2019-2020 Ksh	2018-2019 Ksh
Assets			
Current assets			
Cash and cash equivalents	14	614,365,802	13,307,759
Receivables from NYS units	15	829,775,236	1,287,669,763
Receivables from external operations	16	178,809,794	222,314,863
Inventories	17	111,921,222	255,027,237
China stocks	17	463,557,263	
Total current assets A		2,198,429,316	1,778,319,622
Non-current assets			
Small vehicles, Commercial trucks, & plant and machinery	18	4,543,212,448	4,951,705,420
Total Non-current assets B		4,543,212,448	4,951,705,420
Total assets (total current assets total non-current assets) (A+B)		6,741,641,764	6,730,025,042
Current liabilities			
Trade and other payables	19	43,723,755	15,120,143
Prepayments	20	17,868,554	38,488,596
Sundry creditors	21	8,579,233	8,579,223
Total Current liabilities C		70,171,542	62,187,962
Fund balance D	22	6,671,470,233	6,667,837,080
Total fund and liabilities (C+D)		6,741,641,765	6,730,025,042

The Financial Statements set out on pages 1 to 4 were signed on behalf of the Board of Directors by:



Matilda P. Sakwa (Ms.), EBS
Director General/C.E. O



CPA. Harrison Rioba.
Head of Finance



Lt Gen (Rtd) Njuki Mwaniki
Chairman of the Council

ICPAK Member Number: 17655

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30TH JUNE 2020

	2019-2020	2018-2019
	Ksh	Ksh
Cash flows from operating activities		
Surplus/loss for the year	(316,794,222)	(466,338,193)
Depreciation	499,337,420	490,252,975
Increase/decrease in stock		(34,960,171)
Increase /decrease in domestic debt	457,894,527	(110,513,000)
Increase /decrease in external debt	43,505,070	(30,408,557)
Increase/decrease in prepayment	(20,620,042)	12,765,820
Increase/decrease in trade creditors	28,603,612	15,120,143
Increase /decrease in difference		40,112
	691,926,364	(124,080,871)
Net cash flows from operating activities		
Cash flows from investing activities		
Purchase of small motor vehicles	(90,844,448)	(76,624,000)
Net cash flows used in investing activities	(90,844,448)	(76,624,000)
Cash flows from financing activities		
Net cash flows used in financing activities		
Net increase/(decrease) in cash and cash equivalents	601,081,916	(200,704,871)
Cash and cash equivalents at 1ST JULY 2019	13,307,759	214,012,630
Cash and cash equivalents at 30 JUNE 2020	614,389,563	13,307,759

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2020

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Over/under budget
	2019-2020	2019-2020	2019-2020	2019-2020	2019-2020	
Revenue	Ksh	Ksh	Ksh	Ksh	Ksh	-(under) +(over)%
Hire of buses	30,000,000		30,000,000	29,415,855	-584,145	-2%
Hire of water rig and other plants and equipment's	78,000,000	+200,000,000	278,000,000	266,754,198	-11,245,802	-4%
		0				
Domestic hire	302,370,000		302,370,000	290,334,381	-12,035,619	-4%
Gains on disposal (A.I.A)	5,000,000	-5,000,000	0	0	0	
Total income	415,370,000	195,000,000	610,370,000	586,504,434	-23,865,566	
Expenses						
Repairs , maintenance of vehicles & machines and equipment	321,758,436		321,758,436	192,331,059	129,427,377	-40%
Fuel , oil and lubricants	14,626,000	150,000,000	164,626,435	170,281,373	-5,654,938	+3%
Operation expenses	16,406,435		16,406,435	8,194,068	+8,212,367	
Water drilling & geo survey	24,552,722	1	24,552,722	16,707,245	+7,815,477	-32%
Purchase of motor vehicle	142,100,000	(42,100,000)	100,000,000	90,844,488	9,155,512	-8%
Purchase of generators	5,445,100	(5,445,100)	0	0	5,445,100	-100%
Total expenditure	508,498,644	102,454,901	305,585,592	478,858,233	154,400,895	
Deficit for the period	109,518,693	-112,454,900	16,940,028	107,646,201		

BUDGET NOTES

1. The fund was able to generated Ksh 586,504,434 against the budgeted of Ksh 610,370,000, this applying it missing the target by 4%. The fund missed the target of A.I.A because there was no disposal of old motor vehicles and machines; management is waiting for valuation report.
2. The increase of hire of water rig and other plants and equipment was necessitated by the following activities hire by Kenya railways for revitalization of the Thika- Nanyuki meter gauge, revitalization of `Kisumu –Homa Bay old port and cleaning, construction of road and garbage collection at Nairobi capital city. Which had not been factored when preparing the initial budget.
3. The fuel cost was increased by kshs. 150,000,000, the fund was to pay for the fuel and lubricants and like the previous period where the DG NYS was paying for the fuel and lubricant cost for the.
4. The budget was approved late hence the votes for repairs and maintenance, operation were not fully utilized
5. Due to delay of approval of the budget the fund was able to utilize 43% to purchase small vehicle to replace the aging fleet
6. The fund did not purchase of generators during the period but purchased spare part to repair GILGIL and MAVOLONI generators
7. The fund utilised 80% of approved expenditure. The cost was mostly for purchase of tyres, batteries and spares parts for trippers and machineries involve in commercial projects

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

Mechanical and transport fund is established under legal notice No 15th of 30th January, 2011. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide mechanical and transport 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.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Public Sector Accounting Standards (IPSAS) allows the use of estimates and assumptions. It also requires management to exercise judgement in the process of applying the *entity's* accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *MTF*.

The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. ADOPTION OF NEW AND REVISED STANDARDS

1. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018
2. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <ol style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard

3. Early adoption of standards

The entity did not early – adopt any new or amended standards in year 2020.

a) Revenue recognition

Hiring charges of vehicle, plant and equipment

The Mechanical and transport fund recognizes revenues from hiring of buses, hire of small vehicles/lorries hire of equipment & heavy machines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

- The income to the fund is generated through revenue accruing from hire of service equipment for commercial and domestic hires. The rate applicable for hire of equipment is contained in the exchequer and Audit act (cap 4-12, mechanical and transport fund regulation, 2003 legal notice No .53 part B.)
- Domestic hire comprises hire of all hire charge incurred by National Youth Services units that use mechanical transport fund machines & equipment on hire
- Commercial hire comprise 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.
- Domestic debt arise as a result of outstanding invoice for services rendered to NYS units at the end of the reporting period
- Commercial debt arise as result of outstanding invoice for external clients /Tana road project at the end of the financial period yet service have been provided
- The cash flow statement has been prepared using indirect method

Legal status

The Fund was gazetted as NYS mechanical and transport fund according to legal notice no 135 of 30th 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

Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred.

Non-current assets	Rate of Depreciation	Useful life	Compositions per class of non-current assets
Heavy machinery	5%	20 years	Distributor , Wide Loader, Vibrating Roller, Motor Grader, Excavator, Farm Machines and Roller etc.
Commercial Trucks and Buses	7%	14 year 3 months	Buses and Minibus , Dongfeng ,Recovery, workshop Steyr and shacman truck , Vibrating Roller, Motor Grader, Excavator, Farm Machines and Roller etc.
Small vehicles	10%	10 years	Pickups, Prado land cruiser, Nissan, Peugeot and Mercedes etc.

Inventories

Stock as assets are in form of spares parts and serviceable parts to be consumed in the servicing, repairs and maintenance of heavy machinery, commercial trucks and buses and small vehicles. The value of stock indicated in the accounts relate to chine phase I and phase II which constitutes 99% of the stock and the other stocks are spare parts for locally available vehicles. The spare parts are valued at cost. The cost of inventory is its fair value.

b) Budget information

The original budget for FY 2019-2020 was approved by Cabinet Sectary Ministry of Public Service and Gender.

The Service's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance.

Whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts.

In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

Provisions

Provisions are recognized when the Entity has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where the Entity expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

Contingent liabilities

The mechanical and transport fund does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank at commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash Imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

i) Comparative figures

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

j) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2020.

SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made: e.g.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur. IPSAS 1.140

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the asset
- Changes in the market in relation to the asset

NOTES TO THE FINANCIAL STATEMENTS

1. INCOME

(a) Hire of buses

Description	2019-2020	2018-2019
	Ksh	Ksh
Hiring Charges		
Commuter buses	3,722,540	6,659,600
Hiring of buses	25,693,315	5,843,269
Total revenue from hire of buses	29,415,855	12,502,849

- a) Commuter buses revenue reduced from the previous year due to Covid pandemic. The pandemic was declared during the month of March 2020. Commuter buses operation is a presidential directive to alleviate transport crisis in some high populated density areas within the city during peak hours by charging Kenya shilling twenty per passenger. The program started on March 2018. On conducting the cost benefit analysis for operating the commuter buses, it was realized that it does not break-even, rendering the programme unviable.
- b) Hiring of buses revenue kshs. 22,690,386 is an increase from kshs. 5,843,269 earned from both the public and private hiring services charged per kilometre using public work charge rate.

(b) Hire of water rig, plant and equipment

Description	2019-2020	2018-2019
	Ksh	Ksh
Hire of machines	241,890,467	74,131,789
Hire of water rig	24,863,731	
Totals	266,754,198	74,131,789

The total Kshs 233,344,601

- During the financial year the fund managed to earn kshs 87,658,751 from Nairobi metropolitan, being kshs 35,861,405 from garbage collection, 16,506,652 from cleaning of city centre and kshs 35,290,694 for construction of Grogan and Mukuru roads.
- During the financial year the fund managed to generate 35,861,405 being revenue from construction of Thika-Nanyuki railway.
- During The financial year the fund generated kshs 5,507,285 on Kisumu and Kendu bay old ports
- During the financial year the fund drilled 8 boreholes from nyandarua county at a cost of kshs 8,313,731.00

- e. Teso national government constituency on 18th June 2020 deposited Kshs 4,595,694 being money for drilling Malaba Youth Empowerment, Chamasiri TTI and St Anthony Secondary School, the boreholes will be drilling during the financial year 2020/2021.

(C) Hire of domestic

Description	2019-2020	2018-2019
	Ksh	Ksh
Hiring Charges		
Hire of domestic	290,334,381	270,552,129

- a. Hire of domestic of Ksh. 290,334,381 these are hire of small vehicles used in transporting management and staffs, hire of lorries, minibuses and buses used for transporting staffs, servicemen, women to various units and attending national celebrations, during recruitment and distributing monthly goods from the central stores to all others NYS units. MTB does the work of transporting staffs, servicemen, women and monthly distribution of stores on behalf of the DG NYS.

2. DEPRECIATION OF NON-CURRENT ASSETS

Non-current assets	Rate of Depreciation	Useful life	Compositions per class of non-current assets
Heavy machinery	5%	20 years	Distributor , Wide Loader, Vibrating Roller, Motor Grader, Excavator, Farm Machines and Roller etc.
Commercial Trucks and Buses	7%	14 year 3 months	Buses and Minibus , Dongfeng ,Recovery, workshop Steyr and shacman truck , Vibrating Roller, Motor Grader, Excavator, Farm Machines and Roller etc.
Small vehicles	10%	10 years	Pickups, Prado land cruiser, Nissan, Peugeot and Mercedes etc.

The depreciation is on a straight line basis, the vehicle, machinery and trucks lose same amount on each year. The cost of fully depreciated assets is deducted on both the cost of assets and accumulated depreciation. Depreciation increased by kshs 9,084,444 being 10% of new motor vehicle purchased price of kshs 90,844,440. The revaluation of Non-current assets is being finalised and will be adopted once the process is completed and adopted by the full council.

NON-CURRENT ASSETS	2019-2020	2018-2019
Heavy Machinery	246,520,659	206,000,399
Commercial Trucks And Buses	206,000,399	37,731,916
Small Vehicles	46,816,361	246,520,658
Total depreciation	499,337,419	490,252,975

3. FINANCE COSTS

Description	2019-2020	2018-2019
	Ksh	Ksh
Bank charges	154,012	111,748

Total finance costs	154,012	111,748
---------------------	---------	---------

The finance cost of kshs 154,012 is a composition of monthly charges for printing bank statement, coinage charges (these are charges when depositing bulk coins from commuter buses) and charges of certificate balance as at 30th June 2020. the charges increased by

4. FUEL AND LUBRICANTS

Description	2019-2020	2018-2019
	Ksh	Ksh
Fuel and lubricants	170,281,373	149,637,241
Total Fuel and lubricants	170,281,373	149,637,241

The cost of fuel is Ksh 136,652,572 and lubricants Ksh 33,628,801. The fuel and lubricants were used by motor vehicles, plant and machines undertaking both commercial and domestic hire. The fuel and lubricants were supplied by the National oil and R.H. Devani Ltd on requisitioned and paid by the fund. The increase of fuel and lubricants of kshs 23,526,374 can be attributed to increase of activities and revenue as it can be observed from the statement of financial performance.

5. SERVICE EXPENSES

Description	2019-2020	2018-2019
	Ksh	Ksh
Services expenses	16,335,790	54,803,862
Total Services expenses	16,335,790	54,803,862

The servicing expenditure is for all motor vehicles, equipment and machines. The fund sources for servicing of plant, trucks and equipment because the workshop is not equipped with machines such as pressing bearing, pressing for bush arms, servicing of hydraulic, injector pump and nozzles. The MTF management is considering on how to acquire the equipment in order to save on the servicing costs. The cost a bit low this financial year since most of the machines had been serviced as at the end of 30th June 2019. The cost also includes the cost of taking light motor vehicles to deals like Isuzu, Simba corporation, Toyota Kenya and Urysia for servicing and maintenance.

6. COST OF TYRES AND BATTERIES

Description	2019-2020	2018-2019
	Ksh	Ksh
Cost of batteries	5,304,894	
Cost of tyres	83,424,766	
Cost of tyres and batteries	88,729,660	54,803,862

The fund used 1030 pieces of tyres and 180 pieces of various sizes of batteries for shacman tippers and machines which were engaged on construction of roads and garbage collection and to clean on behalf of Nairobi Metropolitan, KERRA Nandi Marakwet road project, Kenya pipeline infrastructure works, Rehabilitation of Homa Bay and Kisumu old port, revitalization of the Thika –Nanyuki meter gauge railway line. The fund also bought 150 tyres for large buses which were dire need. They rest tyres were for light vehicles. The fund also bought

7. REPAIR AND MAINTENANCE

Description	2019-2020	2018-2019
	Ksh	Ksh
Spares issued from china stock	36,588,189	24,315,631
Spares bought locally and used during the period	50,179,507	
Total	86,767,696	24,315,631

The cost of repair and maintenance of Ksh 86,767,696 is composition of locally purchase spares of Ksh 50,179,507 and china stock of kshs 36,588,189. The locally purchases are for both minor and major service parts for the shacman tippers, equipment's and machines used in both domestic and commercial projects. The spare parts are also purchased using standing imprest for light vehicles whose spare parts cannot be bought in bulk.

8. WELDING AND SPRAYING EXPENSES

Description	2019-2020	2018-2019
	Ksh	Ksh
Welding and spraying expenses	497,912	2,462,600

This is the cost of purchasing gas for welding and spraying of motor vehicles, machines and equipment during panel beating.

9. STATIONERY

Description	2019-2020	2018-2019
	Ksh	Ksh
Stationery and other office expense	4,110,948	8,079,585
Stationery	4,110,948	8,079,585

The fund bought printing papers, tonners and laptops for officers in administration, accounts and procurement.

10. DRILLING EXPENSES

Description	2019-2020	2018-2019
	Ksh	Ksh
Drilling expenses	5,381,905	3,444,976
Total drilling expenses	5,381,905	3,444,976

The cost of drilling materials was kshs. 5,381,905 is for drilling both commercial and domestic hire. During the period the fund did the following commercial boreholes, 8 for county government of Nyandarua, 1 Silawen, and 1kadika girls. The fund also did three boreholes for the director general national youth services at the following units Nairobi holding units, Tumaini and Mtongwe technical college (NYS Mombasa Unit). The fund did received money from the NCDF Teso to construct various borehole the constituency.

11. OFFICE EXPENSES

Description	2019-2020	2018-2019
	Ksh	Ksh
Office expenses	4,083,120	
Total offices expenses	4,083,120	

The cost of purchase airtimes, drinking water, repair and maintenance of building and other office expenses

12. RUIRU PRISON

Description	2019-2020	2018-2019
	Ksh	Ksh
Inflow b/f	14,000,000	14,000,000
Purchase During The Period	12,864,628	
Material Used	11,325,340	
Unused Material	1,539,288	14,000,000

The fund managed to purchase material worthy 12,864,628 during the year of which material of kshs 11,325,340 have been utilised, the fund has kshs 1,135372 which have not been used.

13. PERSONEL ALLOWANCE

Description	2019-2020	2018-2019
	Ksh	Ksh
Personnel allowance	16,293,480	16,198,559
Total Personnel Allowance	16,293,480	16,198,559

The personnel allowance is made of allowances to officers who are engaged in drilling of various boreholes, allowances for officers on various projects of hire of machines, equipment's and large buses. Facilitation of officers while preparing financial statement, budget preparation and other activities.

14. CASH AND CASH EQUIVALENT

Description	2019-2020	2018-2019
	Ksh	Ksh
Cash and cash equivalent	614,365,802	13,307,759
Total cash and cash equivalent	614,365,802	13,307,759

The fund had a cash and cash equivalent of Ksh 614,365,802 as at 30th June 2020. The cash and cash equivalent increase from kshs 13,307,759 to kshs 614,365,802 due to DG NYS repaying back TVET tuition of kshs 635,000,000.

15. RECEIVABLES FROM DOMESTIC DEBT

	2019-2020	2018-2019
	Ksh	Ksh
Balance B/f	1,287,081,404	1,1176,568
Add receivable for the year	290,334,381	Nil
Total outstanding and current years	1,577,415,785	270,552,128.
Less debt repayment	(112,604,559)	
Less TVET program repayment	(635,000,000)	
Prior years fuel & lubricants		(160,039,241)
Closing balance c/d	829,775,236	1,287,081,404

1. The domestic debt arises when the hire is to any of the NYS units; there are in form hire of small vehicle, hire of Lorrie's hire of plant, equipment and drilling borehole at the NYS units. The amount of Ksh 160,039,241 been amount spent to purchase fuel, lubricant and tyre for the MTF vehicles.
2. The Directors General NYS wrote to the principal secretary to seek authority to internal borrow (Ksh 635,899,313) funds from MFT to pay the NYS TVET debts to avoid disruption of training program for servicemen and women at various TVET institution in the country. The money has since been paid back to the MTF. The for the advancement payment was done on 27th April 2020- Ksh.635,000,000 bank statement attached to support the payment and the balance of Ksh 899,313 shall be process under the current year.

16. RECEIVABLES FROM COMMERCIAL CLIENTS

Description	2019-2020	2018-2019
	Ksh	Ksh
Balance B/F Tana road project	222,314,863	191,906,306
Less payment during the period	166,375,665	0
Total outstanding	55,939,198	191,906,306
Sundry debtors NMS	6,797,601	-
Total other debt receivables (b)list attached for the debtors	116,072,995	30,408,557
Total commercial receivable (a+b)	178,809,794	222,314,863

Tana road project payment on 10th July 2019 of Ksh 166,375,665 bank statement attached to support the payment.

The debtors during the year was 116,072, 995 which is made Nairobi metropolitan, Kenya railways Kisumu and Kendu bay old ports.

Other debtor of Ksh 13,800,611 some of debt go as far back as 1990/1191 financial year. MTF has received several advisories from the attorney general stating that it is not legally feasible to recover the said debts due to the express provision of the limitation of action Act Cap 22 law of Kenya which provide that the limitation period for contracts is six years. In view of this legal provision, the only alternative is to apply to treasury to have these debts written off

17. INVENTORIES PURCHASE LOCALLY

Description	2019-2020	2018-2019
	Ksh	Ksh
Stock B/F Purchases During The Year	287,921,222	110,000,000
Used During The Year	176,000,000	56,000,000
Closing Stock	111,921,222	44,000,000

Description	2019-2020	2018-2019
	Ksh	Ksh
China Phase 1&11B/F	501,145,452	525,145,452
Stock Used	36,588,189	24,000,000
Additional Stock	Nil	Nil
Total Inventories at the cost	463,557,263	501,145,452

The most of the stock balance relates to spares part that take a long period of time to break and therefore take long duration at the stores before been utilizes. The inventory also includes spare parts that are bulk in nature and are rare in market hence require a lot of time to order and

receive them when required. Local purchases include of serviceable item oil filters, water separators, air cleans and others.

18. PROPERTY, PLANT AND EQUIPMENT

	Plant & Machinery	Commercial Trucks	Motor vehicles	Total
Cost	Ksh	Ksh	Ksh	Ksh
At 1 July 2019	4,951,510,586	3,142,820,107	516,310,856	8,610,641,549
Additions	0	0	90,844,448	90,844,448
Disposals	0	0	0	0
Fully depreciated /adjustments	21,097,412	199,957,257	138,991,691	-360,046,360
Cost of assets At 30th June 2020	4,930,413,175	2,942,862,850	468,163,613	8,341,439,638
Depreciation and impairment				
At 1 July 2019	1,737,732,491	1,617,297,328	303,906,310	3,658,936,129
Depreciation as at 30 th June 2019	246,520,659	206,000,399	46,816,361	499,337,419
Fully depreciated as at 30 th June 2019	21,097,412	199,957,257	138,991,691	-360,046,360
Accumulated depreciation as 30th June 2019	1,963,155,378	1,623,340,470	211,730,980	3,798,226,828
Net book value as at 30th June 2019	2,967,257,436	1,319,522,379	256,432,633	4,543,212,448

- During the financial year MTF purchased 9 new small vehicles replace the aging fleet, etc. new model was land cruisers which were to be used by NYS officers in charges of 9 stations.
- The revaluation report for non-current is been finalise hence the non-current assets will have new value in subsequent financial statements
- During the year we had vehicles which were fully depreciated deleted from the cost and accumulated depreciation.

19. TRADE PAYABLE

Trade payables Ksh 43,723,755 are trades who supplied spares part during the period of 1st July 2019 to 30th June 2020. The list is attached in the appendix 3

20. PREPAYMENT

Description	2019-2020	2018-2019
	Ksh	Ksh
Client deposit		40,996
KERRA-Marakwet road project	10,909,888	16,785,260
Teso national constituency fund	4,595,694	
Public work	1,227,600	1,227,600
Anole		58,275
Taita Taveta		1,496,460
Ruiru prison (14m-12,864628)	1,135,372	14,000,000
Total trade and other payables	17,868,554	38,488,596

- During the year there were few activities at KERRA Marakwet where the fund earned a revenue of kshs 5,875,372 due to security challenges. The fund is intending to complete the project before the end of this financial year.
- Teso national government constituency on 18th June 2020 deposited kshs 4,595,694 being money for drilling Malaba youth empowerment, Chamasiri TTI and St Anthony secondary school, the boreholes will be drilling during the financial year 2020/2021.
- The fund received Ksh 1,227,600 from public work for fuel during demolition of unwanted structures the exercise was postponed by a cabinet meeting.
- The Supply and installation of irrigation for tree coffee and tree seedbeds at Ruiru prison. The material cost of Ksh 12,864,628 was incurred during the period. The fund was able to used material worthy Ksh 11,325, 340 the balance of Kshs 1,539,2888 formed part of the fund closing stock. The balance of Ksh 1,135,372 forms part of liabilities prepayment.

21. SUNDRY CREDITORS

Description	2019-2020	2018-2019
	Ksh	Ksh
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	1,162,000	1,162,000
Ministry of special programmes	501,742	501,742
Boni project allowance	0	0
KERRA Marakwet allowance	0	0
Total amount	8,579,233	8,579,223

According to IPSAS the presentation of sundry creditors is as current liabilities (short term liabilities and do not accrue interest on their outstanding balance), these monies are for those clients who deposited cash for service to be rendered and at the end of the project MTF still has monies owing to them. These clients have not claimed their monies to date.

22. FUND BALANCE

Description	2019-2020	2018-2019
	Ksh	Ksh
Balance b/f	6,667,877,080	7,134,175,160
Additional during the year	90,844,488	76,624,000
China Stock omitted 2018/2019	229,542,927	0
Loss for the year	-316,794,222	-466,338,193
Prior year adjustment		
Fuel prior years	-	76,583,887
Closing fund balance after adjustment	6,671,470,223	6,667,877,080

- During the accumulated loss was Ksh -316,794,222 which is low than previous year loss of kshs -466,338,193. The fund balance has been adjusted with china stock omitted when revising the financial statement as at 30th June 2019.
- During the financial year MTF purchased 10 new small vehicles replace the aging fleet, etc. new model was land cruisers which were to be used by NYS officers in charges of 9 stations.

STATUS REPORT ON 2017/2018 PAC RECOMMENDATIONS

NATIONAL YOUTH SERVICE, MECHANICAL AND TRABNSPORT BRANCH

Reference no. on external audit report	Issue/ observations from Auditor	management comments	Focal point person to resolve the issue(Name and designation)	Status : (resolved/not resolved)	Timeframe: put a date when you expect the issue to be resolved)
1280.2 COMMERCAIL DEBTS	<p>Disclosed under note 4(b) to the financial statements are commercial debts totalling kshs. 191,906,306 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, been made against the long outstanding debts even though the recovery is clearly uncertain. Under the circumstance, the commercial debts balance of kshs. 191,906,306 as reported in the financial statement is not fairly stated. Under the circumstance , the accuracy, completeness and recoverability of the domestic and commercial DEBTS CANNOT BE ASCERTAINED.</p>	<p>Tana road project debt of kshs. 424,987,103 commercial debts. the recovery on the said debts is as follows:</p> <ul style="list-style-type: none"> I. 1st payment recovered on 7th July 2017 of kshs. 251,660,913 bank statement attached to support the payment II. 2nd payment recovered on 10th July 2019 kshs 166,375,665 bank statement attached to support the payment III. Outstanding balance as at June 6.950,525 <p>Other debts of kshs. 13,800,611</p> <ul style="list-style-type: none"> I. Attached is a letter addressed to The Attorney General on the outstanding debts to advice on the necessary action II. No feedback has been received as at now, the MTF management is considering writing reminder on the 	National youth service (MTB)	Ongoing	Ongoing

		outstanding debts to the Attorney General.			
Reference no. on external audit report	Issue/ observations from Auditor	management comments	Focal point person to resolve the issue(Name and designation)	Status :(resolved/not resolved)	Timeframe: put a date when you expect the issue to be resolved)
1286.FUND BALANCE – UNSUPPORTED ADJUSTMENT	<p>further reported in the previous year, the fund balance of kshs. 8,434,951,013 as at June 2018 comprise of various adjustments passed in the previous years all of which have not been supported to date as highlighted below</p> <ul style="list-style-type: none"> I. 30 June 2014 kshs. 39,807,203.75 prior year adjustment error II. 30 June 2015 kshs. 26,860,668.96 prior year adjustment error III. 30 June 2016 kshs. 6,951,553.18 prior year adjustment error IV. 30 June 2016 kshs. 136,013,262 change in net book value V. 30 June 2017 kshs. 1,488,772 prior year adjustment <p>Further, the balance includes an amount of kshs. 327 993,842 reflected as addition to the fund balance during the year 2016/2017 and 205,419,622 is resect of earlier years related to grants received from the state department of public</p>	<ul style="list-style-type: none"> a) It is correct that these adjustments were never supported. However, the management is in the process of tracing these adjustments and once identified they will be corrected accordingly asper the IPSAS prior year adjustments b) The stocks received relates to long term spare parts which are meant for replacement once the machines have broken down. These spare parts came as a package with the machines. The fact that these spare parts are also bulky in nature, rare in market and whose lead time is long, this explains the reason for being in stock 	National youth service (MTB)	Ongoing	Ongoing

	<p>service and youth in form of stocks. However, the amount is not adjusted to reflect the stock consumption over the years or any impairment that may be necessitated by changes in fair value. Under the circumstance, the accuracy and completeness of the fund balance amount of kshs 8,450,439,839 as at 30 June 2018 cannot be confirmed</p>				
1278 inventory	<p>As previously reported, the statement of financial position reflects in inventory balance of kshs. 438,772,316(2016/2017-kshs 503,774,082) as at 30 June 2018. However, part of the stock balance relates to spare parts procured in year 2014/2015 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</p>	<p>a) The stock of ksh 175,780,240 relates to spare parts came as a package with the machines. The fact that these spare parts are also bulky in nature, rare in market and whose lead time is long, this explains the reason for being in stock</p> <p>b) However, during the financial period of 2019/2020 spare parts valued kshs. 36 were issued for repair and maintenance of plants and equipment's .</p>	National youth service (MTB)	Ongoing	Ongoing



.....
 Director General/ Ceo
 Name: Matilda P. Sakwa (Ms.) EBS



.....
 Principal Accountant
 Name: Harrison Moyuki Rioba
 ICPAK Member Number:17655