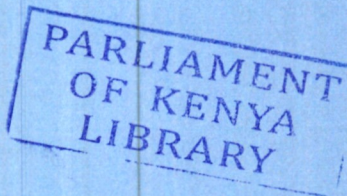


REPUBLIC OF KENYA



*Paper laid by  
Leader of Majority  
Party  
Tuesday 19/6/2018  
A. J. J.*

OFFICE OF THE AUDITOR-GENERAL



**REPORT**

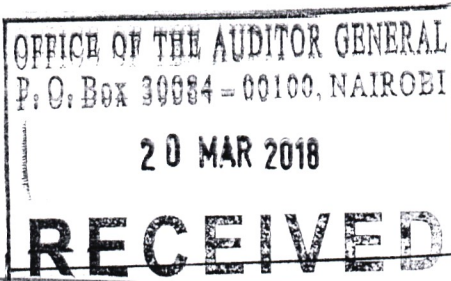
**OF**

**THE AUDITOR-GENERAL**

**ON**

**THE FINANCIAL STATEMENTS OF  
NATIONAL YOUTH SERVICE  
MECHANICAL AND TRANSPORT FUND**

**FOR THE YEAR ENDED  
30 JUNE 2017**



**THE PRESIDENCY  
MINISTRY OF PUBLIC SERVICE, YOUTH &  
GENDER AFFAIRS  
STATE DEPARTMENT OF PUBLIC SERVICE &  
YOUTH**

**NATIONAL YOUTH SERVICE**

**MECHANICAL AND TRANSPORT FUND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**30 JUNE 2017**

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## **Key Management Team**

### **Designation**

- Principal Secretary, State Department of Public Service & Youth
- Director General NYS
- Director Finance NYS HQs
- Officer in Charge-MTB
- Head of accounting Unit
- Treasury representative
- Accountant in Charge MTB
- Accountant, MTB
- Accountant II

**Lillian Mbogo-Omollo, CBS**

**Dr. Richard Ndubai PhD,CBS**

**Bernard Masiga**

**Maurice Mazera, HSC**

**David Wainaina**

**Mr. Boniface Simba**

**Clara Mbau**

**Martin Mwangi**

**Theophilus Migosi**

### **Entity Headquarters**

Mechanical and Transport Branch  
National Youth Service Headquarters  
Off Thika Road  
Ruaraka  
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.

# **NYS - MECHANICAL AND TRANSPORT FUND**

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

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

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

### **Mandate**

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

### **Principle Activities**

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

### **Vision**

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

### **Mission**

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

### **Core values**

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

### **Strategic Objective**

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

### **Key Strategic Priorities**

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

## **PART II: MANAGEMENT REPORT**

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

### **Achievements**

Commercial activities

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

Non commercial activities

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

These activities have been going on throughout the 4 quarters.

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

### **Acknowledgment**

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

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

### **Challenges**

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

### **Appreciation**

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



**DR. RICHARD E. NDUBAI, PhD, CBS**  
**DIRECTOR GENERAL**  
**NATIONAL YOUTH SERVICE**

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

1. The fund managed to collect revenue amounting to Kshs. **51,578,787.00** in the 4<sup>th</sup> quarter.

(a)	Hire of buses	Kshs. 6,617,599.00
(b)	Hire of small vehicles/lorries	Kshs. 38,641,298.00
(c)	Hire of equip. & heavy machines	Kshs. 6,319,890.00
		Kshs. <b><u>51,578,787.00</u></b>

2. Milestones achieved on debt collection: -

(a) The initial domestic debt (Receivables from NYS units) at the beginning of the 4<sup>th</sup> quarter was Kshs.445,043,120.00. In the period there were domestic debts amounting to Kshs. 38,624,098.00 The fund was able to collect domestic debt amounting to ksh.57,218,022.00 leaving an outstanding amount of Kshs. 426,449,196.00.

The management of the fund is in the process of collecting an amount of KShs.99,304,504.00 vide PV.6429. The balance of Kshs.327,144,692.00 will be processed in the financial year 2017/2018 and efforts made to see to it that it is paid.

(b) The initial commercial (receivables from external operations) debt relating to Tana Road Basin Project at the start of the financial year ended 30<sup>th</sup> June, 2017 stood at Kshs. 438,787,714 The management of the fund is processing an amount of Kshs.418,036,578.00 vide two vouchers, PV No. 2617 and 2616. While a voucher is being prepared for the balance of Kshs.20,751,136.00 and will be presented for payment.



**LILLIAN MBOGO-OMOLLO, CBS**  
**ACCOUNTING OFFICER**  
**STATE DEPARTMENT OF PUBLIC SERVICE**



**DR. RICHARD E. NDUBAI, PhD, CBS**  
**DIRECTOR GENERAL**  
**NATIONAL YOUTH SERVICE**



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

**PART III:**

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

As set out in Section 83 of the Public Finance Management Act, 2012 an accounting officer is required to prepare quarterly reports for a National Government entity and transmit the same within 15 days of the quarter end.

The responsibility of the Administrator of Mechanical and Transport Fund (MTF), including the responsibility for the propriety and regularity of public finances, for keeping proper financial and accounting records, for safeguarding the assets within their responsibility and for ensuring fund entrusted to them are applied only for the purposes intended and approved by parliament, set out in Public Finance Management Act, 2012, various other laws, Government Financial Regulation and Procedures and Treasury Circulars issued from time to time.

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

I further accept responsibility for the attached 4<sup>th</sup> quarter accounts records which have been prepared in conformity with treasury directions and appropriate Government Financial Regulations and Procedures.

I am of the opinion that the attached financial statements present fairly the financial state of affairs of the 4<sup>th</sup> quarter for the National Youth Service Mechanical Transport Fund (MTF) as at 30<sup>th</sup> June, 2017.



**LILLIAN MBOGO-OMOLLO, CBS**  
**ACCOUNTING OFFICER/ ADMINISTRATOR OF THE FUND**  
**STATE DEPARTMENT OF PUBLIC SERVICE & YOUTH**

## **REPORT OF THE PROJECT MANAGER**


I present the NYS Mechanical and Transport Fund financial report and statements for the quarter ended 30<sup>th</sup> June, 2017.

In the quarter under review, the NYS –MTF reported a loss of Kshs, 72,221,630.00

The fund was able to collect domestic debt amounting to ksh.57,218,022.00 for the quarter ended 30<sup>th</sup> June, 2017 leaving an outstanding amount of Kshs. 426,449,196.00 which includes domestic debts up to 30<sup>th</sup> June; 2017. In process are three payment vouchers of KShs.99, 304,504.00 for domestic debt, Kshs. 251,660,913.00 and Kshs.166, 375,665.00 relating to commercial debts.

The key challenge facing the operation of the fund is the involvement of NYS in undertaking Government projects that do not generate income for the fund; this relocates vehicles, machines and equipment, to projects such as upgrading of informal settlements among other National Projects. Other challenges include uncompetitive hiring rates, frequent breakdowns 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), and lack of available local spare parts for equipment bought from China resulting in longer repair periods.

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 operations of the fund.

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

# REPUBLIC OF KENYA

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Website: www.kenao.go.ke

P.O. Box 30084-00100  
NAIROBI



## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL YOUTH SERVICE MECHANICAL AND TRANSPORT FUND FOR THE YEAR ENDED 30 JUNE 2017

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#### REPORT ON THE FINANCIAL STATEMENTS

#### Disclaimer of Opinion

I have audited the accompanying financial statements of National Youth Service Mechanical and Transport Fund set out on pages 1 to 11, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

#### Basis for Disclaimer of Opinion

##### 1. Costs of Operation

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

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

## **2. Non-Current Assets**

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

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

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

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

## **3. Domestic Debts**

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

## **4. Commercial Debts**

Disclosed under Note 4(b) to the financial statements are commercial debts totalling Kshs.438,787,714 made up of Tana Road Project debt of Kshs.424,987,103 and other debts of Kshs.13,800,611 all being more than three years old. No provision for impairment has, however, been made against the long outstanding debts even though the recovery is clearly uncertain. Under the circumstances, the commercial debts balance of Kshs.438,787,714 as reported in the financial statements is not fairly stated.

## 5. Non-Current Liabilities Sundry Creditors

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

## 6. Fund balance

The fund balance of Kshs.8,409,522,779 as at 30 June 2017 comprise of various adjustments passed in the previous years and in the current year all of which have not been supported to date as highlighted below:

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

In addition, the balance includes an amount of Kshs.327,993,842 reflected as addition to the fund balance during the year and Kshs.205,419,622 in respect of earlier years related to grants received from the State Department of Public Service and Youth in form of stocks. However, the amounts are not adjusted to reflect the stock consumption over the years or any impairment that may be necessitated by changes in fair value. Under the circumstances, the accuracy and completeness of the Fund balance amount of Kshs.8,409,522,779 as at 30 June 2017 can not be confirmed.

## 7. Inventory

The statement of financial position reflects an inventory balance of Kshs.503,774,082 as at 30 June 2017. However, part of the stock balance relates to spares procured in year 2014/2015 financial year amounting to Kshs.175,780,240 which have had no movement or consumption during the year under review. 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.503,774,082 as at 30 June 2017 is not fairly stated.

## 8. Statement of Cashflows

The statement of cashflows reflects under cashflows from operating activities what has been described as "increase/decrease in differences" figure of Kshs.1,600,372 and a comparative figure of Kshs.47,310,811. These figures have not been

supported with any documentation. Consequently, the accuracy of the statement of cashflows cannot be confirmed.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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 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.

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

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

Those charged with governance are responsible for overseeing the Institute's financial reporting process.

### **Auditor-General's Responsibilities for the Audit of the Financial Statements**

My responsibility is to conduct an audit of the Fund's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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



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

**Nairobi**

**05 June 2018**

**MINISTRY OF PUBLIC SERVICE YOUTH AND GENDER  
 NATIONAL YOUTH SERVICE  
 MECHANICAL AND TRANSPORT FUND  
 ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2017**

**STATEMENT OF FINANCIAL PERFORMANCE**

<b>INCOME</b>	<b>Note</b>	<b>2016-2017</b>	<b>Actual Audited</b>
		<b>Shs</b>	<b>2015-2016</b>
			<b>Shs</b>
Hire of buses	2(a)	20,123,829	14,852,658
Hire of small vehicles/ lorries	2(b)	189,945,986	99,854,884
Hire of equipment & heavy machines	2(c)	25,316,271	14,416,000
Miscellaneous income	2(d)	0	20,000
Seed Fund	2(e)	0	17,000,000
<b>TOTAL INCOME</b>		<b>235,386,086</b>	<b>146,143,542</b>
 <b>OPERATING EXPENSES</b>			
<b>Fund Operating Expenses</b>			
Bank charges	15	17,709	2,320
Depreciation and amortization expense	3(b)	483,529,654	500,376,893
Maintenance expense	3(c)	0	-
<b>Total expenses</b>		<b>483,547,363</b>	<b>500,379,213</b>
Other gains/(losses)			
<b>NET LOSS FOR THE PERIOD</b>	-	<b>248,161,278</b>	<b>354,235,671</b>

Approval of Fund financial statements

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



LILLIAN MBOGO-OMOLLO, CBS  
 ACCOUNTING OFFICER/ADM OF THE FUND  
 STATE DEPT OF PUBLIC SERVICE AND YOUTH



DR. RICHARD E. NDUBAI, PhD, CBS  
 DIRECTOR GENERAL  
 NATIONAL YOUTH SERVICE



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

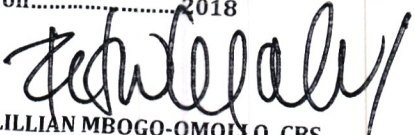
**MINISTRY OF PUBLIC SERVICE YOUTH AND GENDER  
NATIONAL YOUTH SERVICE  
MECHANICAL AND TRANSPORT FUND  
ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2017**


**STATEMENT OF FINANCIAL POSITION**

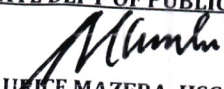
Assets	Note	2016-2017 Shs	Actual Audited 2015-2016 Shs
<b>Current assets</b>			
Cash and cash equivalents	1(f)	654,883,329	
Receivables from NYS units	4 (a)	429,523,206	515,211,372
Receivables from external operations b/f	4(b)	438,787,714	299,503,490
Inventory (spares)	1(e)	503,774,082	438,787,842
<b>Total Current Assets</b>		<b>2,026,968,331</b>	<b>1,429,394,416</b>
<b>Non-current assets</b>			
commercial Trucks	3(a)	1,938,846,229	2,153,119,455
Small vehicles	3(a)	103,959,993	126,377,160
plant and machinery	3(a)	3,736,740,990	3,983,580,251
<b>Total non- current assets</b>		<b>5,779,547,213</b>	<b>6,263,076,867</b>
<b>Total assets</b>		<b>7,806,515,544</b>	<b>7,692,471,283</b>
<b>Liabilities</b>			
<b>Prepayments</b>			
Client's deposit b/f	8	40,996	89,781
Ministry of Interior	9	3,788,000	0
KERRA -Marakwet road	10	18,877,060	0
Kenya Airways	11	55,650	0
National Treasury	12	9,000	0
Min of sports & Culture	13	42,000	0
Embu County	14	10,000,000	0
<b>Total current liabilities</b>		<b>32,812,706</b>	<b>89,781</b>
<b>Financed by</b>			
<b>Non-current liabilities</b>			
Sundry creditors B/F	7	8,579,223	8,579,223
Fund Balance	5	8,409,522,779	8,080,040,165
Accumulated surplus/(deficit)	6 -	644,399,164	396,237,886
<b>Total</b>		<b>7,773,702,838</b>	<b>7,692,381,501</b>
<b>Total net liabilities</b>		<b>7,806,515,544</b>	<b>7,692,471,282</b>

**Approval of Fund financial statements**

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

  
LILLIAN MBOGO-OMOLLO, CBS  
ACCOUNTING OFFICER/ADMINISTRATOR OF THE FUND  
STATE DEPT OF PUBLIC SERVICE AND YOUTH


  
DR. RICHARD E. NDUBAI, PhD, CBS  
DIRECTOR GENERAL  
NATIONAL YOUTH SERVICE


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


**MINISTRY OF PUBLIC SERVICE YOUTH AND GENDER  
 NATIONAL YOUTH SERVICE  
 MECHANICAL AND TRANSPORT FUND  
 ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2017**

**STATEMENT OF CHANGES IN NET ASSETS**

	<b><u>FUND BALANCE</u></b> Kshs.	<b><u>ACCUMULATED FUND</u></b> Kshs.	<b><u>TOTALS</u></b> Kshs.
<b><u>Balance as at 30th June 2015</u></b>	<b>8,223,004,981</b>	<b>-42,002,216</b>	<b>8,181,002,765</b>
Surplus (deficit) for the period	0	-354,235,671	-354,235,671
Changes in NBV	- 136,013,263	0	-136,013,263
Prior year adjustment error	- 6,951,553	0	-6,951,553
<b><u>Balance as at 30th June 2016</u></b>	<b><u>8,080,040,165</u></b>	<b><u>-396,237,886</u></b>	<b><u>7,683,802,279</u></b>
Surplus (deficit) for the period	0	- 248,161,278	- 248,161,278
Additions during the year	327,993,842		327,993,842
Prior year adjustment error	1,488,772		1,488,772
<b><u>Balance as at 30th June, 2017</u></b>	<b><u>8,409,522,779</u></b>	<b><u>-644,399,164</u></b>	<b><u>7,765,123,615</u></b>

  
 LILLIAN MBOGO-OMOLLO, CBS  
 ACCOUNTING OFFICER/ADMINISTRATOR OF THE FUND  
 STATE DEPARTMENT OF PUBLIC SERVICE AND YOUTH

  
 DR. RICHARD E. NDUBAI, PhD, CBS  
 DIRECTOR GENERAL  
 NATIONAL YOUTH SERVICE

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

**MINISTRY OF PUBLIC SERVICE YOUTH AND GENDER  
 NATIONAL YOUTH SERVICE  
 MECHANICAL AND TRANSPORT FUND  
 ANNUAL REPORTS AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2017**

**STATEMENT OF CASHFLOWS**

	Note	2016-2017 Shs	Actual Audited 2015-2016 Shs
<b>Cash flows from operating activities</b>			
surplus/loss for the year			
Depreciation	-	248,161,278	354,235,671
(Increase)/decrease in other receivables (stock)	3 (b)	483,529,654	500,376,893
(Increase)/ Decrease in domestic debt	1 (e)	0	29,639,382
(Increase) /Decrease in commercial debt	4 (a) -	130,019,716	50,614,472
Increase/ Decrease in prepayments		0	249,370,321
Increase/decrease in difference	8-14	32,722,925	0
<b>Net cash flow from operating activities</b>		<b>1,600,372</b>	<b>47,310,811</b>
		<b>139,671,957</b>	<b>428,454,586</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant, equipment and intangible assets		0	0
Proceeds from sale of property, plant and Equipment		0	0
Stock		0	0
<b>Net cash flows used in investing activities</b>		<b>0</b>	<b>0</b>
<b>Cash flows from financing activities</b>			
Seed fund		0	17,000,000
<b>Net cash flows used in financing activities</b>		<b>0</b>	<b>17,000,000</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>139,671,957</b>	<b>445,454,586</b>
Cash and cash equivalents at start of the period		515,211,372	69,756,786
Cash and cash equivalents at end of the period	1 (f)	654,883,329	515,211,372



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STATEMENT OF BUDGET AND ACTUAL COMPARISON						
	Note	Budget	Actual	Variance	%variance/Budget	Explanation of material variances
		Cumulative to 30 Jun Shs	Cumulative 30 Jun Shs	Shs		
<b>Revenue</b>						
1. Domestic hire						
2. Commercial	2 (b)	450,600,000	186,871,976	263,728,024	59%	(a)
(i). Water rigs & Hire of equipment	2(C)	36,000,000	25,316,271	10,683,729	30%	(b)
(ii). Hire of buses	2 (a)	36,000,000	20,123,828	15,876,172	44%	(c)
(iii). Other commercial projects	2 (d)	3,600,000	-	3,600,000	100%	d)
<b>Total</b>		<b>526,200,000</b>	<b>232,312,075</b>	<b>293,887,925</b>		
3. Disposal of assets		5,000,000	-	5,000,000	100%	e)
<b>Total income</b>		<b>531,200,000</b>	<b>232,312,075</b>	<b>298,887,925</b>		
<b>Expenses</b>						
1. Repair of machines & vehicles	3(C)	20,023,000	-	20,023,000	100%	f)
2. Fast moving spares		4,467,000	-	4,467,000	100%	f)
3. Batteries		2,093,000	-	2,093,000	100%	f)
4. Tarpaulin Tents		3,320,000	-	3,320,000	100%	f)
5. Tyres and tubes		47,886,566	-	47,886,566	100%	f)
6. Purchase of new vehicles		266,626,984	-	266,626,984	100%	f)
7. Running fuel expenses		9,921,000	-	9,921,000	100%	f)
8. Protective clothing		500,000	-	500,000	100%	f)
9. Camping and safety equipment		1,039,576	-	1,039,576	100%	f)
10. Drilling		463,452	-	463,452	100%	f)
11. Cleaning materials for executive buses		290,500	-	290,500	100%	f)
12. Administration costs		4,748,000	-	4,748,000	100%	f)
<b>Total expenditure</b>		<b>361,379,078</b>	<b>-</b>	<b>361,379,078</b>		
<b>Surplus for the period</b>		<b>169,820,922</b>	<b>232,312,075</b>	<b>-</b>	<b>62,491,153</b>	

**Explanation of material variance**

- a) variance is brought about by the fact that most machines were out on Youth Empowerment programs that's not generating income for the fund
- b) variance is brought about by the fact that most machines were out on Youth Empowerment programs that's not generating income for the fund
- c) uncompetitive hire rates compared to the market rates, this tends to deter individual clients, spares taking too long to import from China
- d) variance is brought about by the fact that most machines were out on Youth Empowerment programs that's not generating income for the fund
- e) There were no assets disposed in the period under report.
- f) Expenditure in the financial year was charged to GOK component. This is because most equipment were engaged in Youth Empowerment Programmes under the Government and hence expenditure taken care of through GOK funding.



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**NOTES TO THE FINANCIAL STATEMENTS**

**SIGNIFICANT ACCOUNTING POLICIES**

**1. (a) Basis of Accounting**

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

**(b) Income Recognition**

(i) The income to the fund is generated through revenue accruing from hire of service equipment from commercial and domestic hires. The rates applicable for hire of Equipment are contained in the Exchequer and Audit Act (Cap 4-12, Mechanical and Transport Fund Regulations, 2003 Legal Notice No. 53 part B.)

(ii) Domestic hire comprises of all hire charges incurred by National Youth Service Units that use Mechanical Transport Fund Machines & Equipment on hire.

(iii) Commercial hire comprises of hire of equipment at the Tana Basin Road project, private institutions, private individuals or any other organisation that may be in need of the equipment for hire.

(iv) Domestic debts arise as a result of outstanding invoices for services rendered to NYS units at the end of the reporting period.

(v) Commercial debts arise as a result of outstanding invoices for external clients /Tana Road project at the end of the financial period yet services have been provided

(vi) The cash flow statement has been prepared using indirect method

**(c) Legal Status**

The Fund was gazetted as NYS Mechanical and Transport Fund according to the Legal Notice No. 15 of 30th January, 2011 and operationalized in the Financial Year 2011/2012 which puts the Fund on legal frame work of commercial undertaking of hire on equipment and machines.

**(d) Property, Plants and Equipment**

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

Commercial Trucks 7%

Heavy Machinery 5%

Small Vehicles 10%

Property, Plant & Equipment is stated at cost less depreciation and any accumulated impairment losses. A full year's depreciation is charged on the Fund's Property, Plant & Equipment in the year of acquisition and none in the year of disposal.

**(e) Stock**

Stock as an asset is in the form of materials or supplies to be consumed in the production process or rendering of services. The value of stock indicated in the accounts relate to China phase II spare parts ONLY that were held as stock as at 30th June, 2017. New stock valued at USD 3,174,562 was converted using the rate of 103.3194 which was the dollar rate as at 9th June, 2017. Which amounted to Kshs. 327,993,842. This stock was a grant from the Ministry of Public Service Youth & Gender.

**(f) Cash & cash equivalents**

Cash and cash equivalents comprise of cash at hand and cash in the bank

	2016-2017 Shs	2015-2016 Shs
Cash at bank		
Cash at hand	651,095,329	515,211,372
Total	<b>654,883,329</b>	<b>515,211,372</b>
<b>2. INCOME</b>		
(a) Hire of buses	20,123,829	14,852,658
(b) hire of small vehicles/lorries	189,945,986	99,854,884
(c) Hire of equip/heavy machine	25,316,271	14,416,000
(d) Misc. income	0	20,000
(e) Seed fund	0	17,000,000
	<b>235,386,086</b>	<b>146,143,542</b>
<b>3(a). Non-current assets</b>		
commercial Trucks	1,938,846,229	2,153,119,455
Small vehicles	103,959,993	126,377,160
plant and machinery	3,736,740,990	3,983,580,251
<b>Total non- current assets</b>	<b>5,779,547,213</b>	<b>6,263,076,867</b>
Refer to appendix 1		
<b>3(b). Depreciation expense</b>		
Commercial trucks @7%	214,273,226	218,025,012
Small vehicles @10%	22,417,167	22,157,428
Plant & Equipment @5%	246,839,261	260,194,452
<b>Total Depreciation Expense</b>	<b>483,529,654</b>	<b>500,376,893</b>
Refer to appendix 1		

**3(C) Maintenance expense**

Maintenance expense for the period ended 30 June, 2017 was charged on the GOK recurrent /development component and was processed under Director General at the Ministry account

	2016-2017 Shs	Actual Audited 2015-2016 Shs
<b>4. Receivables</b>		
<b>(a) Domestic (NYS units)</b>		
Balance b/f	299,503,490	350,117,962
Add receivables for the period	188,859,668	99,304,504
Sub totals	<b>488,363,158</b>	<b>449,422,466</b>
Less debt repayment	58,839,952	149,918,976
<b>Gross total</b>	<b>429,523,206</b>	<b>299,503,490</b>
<b>(b) Commercial</b>		
<b>(i) Tana Road project</b>		
Balance b/f	424,987,103	667,518,449
Receivables for the period	-	6,950,575
Total Tana Road debt	424,987,103	674,469,024
Less payment for the period	-	249,481,921
Net total	424,987,103	424,987,103
(ii) other debts	13,800,611	13,800,611
Balance b/f	438,787,714	438,787,714
<b>Total commercial debt</b>	<b>438,787,714</b>	<b>438,787,714</b>

Note. Debts amounting to 13,800,611.00 have been long outstanding and letters have been written to the Attorney Generals Office seeking advise on the way forward.

The management has written to the Director General vide letter Ref: MTB/FIN/2/3 Vol VI(129) dated 1/08/2017 to follow up on the writing off of the same through The National Treasury

	2016-2017 Shs	Actual Audited 2015-2016 Shs
<b>5 (a) Fund balance</b>		
balance b/f	8,080,040,165	8,223,004,981
Changes in NBV b/f	0 -	136,013,263
Grant (Stock)	327,993,842	
Prior year adjustment error	1,488,772 -	6,951,553
<b>Total</b>	<b>8,409,522,779</b>	<b>8,080,040,165</b>

The changes in Net Book Value b/f of Kshs. 136,013,263 were brought about by changes in the depreciation schedule. Some items in the shedule had over a long time been reported at a value yet their book value had reached zero. Some had not been depreciated over the years. when the corrections were made they brought a net change of Kshs. 136,013,263

	2016-2017 Shs	Actual Audited 2015-2016 Shs
<b>6 Accumulated funds</b>		
Balance b/f	-	42,002,216
Add Loss/Surplus for the year	248,161,278 -	354,235,671
<b>Total acc. Fund</b>	<b>644,399,164 -</b>	<b>396,237,886</b>

	2016-2017 Shs	Actual Audited 2015-2016 Shs
<b>7. Sundry creditors</b>		
National Cereal Board	696,150	696,150
Roll fast Africa	47,480	47,480
Mah Engineering	170,314	170,314
Forecrest Int.	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
Min of Special Programmes	501,742	501,742
<b>Total</b>	<b>8,579,223</b>	<b>8,579,223</b>

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

	2016-2017 Shs	Actual Audited 2015-2016 Shs
<b>8. Clients Deposit</b>		
<b>(a) Personal allowances b/f</b>		
Min of Health	5,000	5,000
Kenyatta National Hospital	-	-
Office of the Attorney General	26,000	26,000
<b>Total</b>	<b>31,000</b>	<b>31,000</b>
<b>(b) Fuel</b>		
Min of Health	9,996	9,996
Kenyatta National Hospital	-	-
<b>Total</b>	<b>9,996</b>	<b>9,996</b>
<b>Total Clients Deposit</b>	<b>40,996</b>	<b>40,996</b>

Personal allowances are monies owed to employees who rendered services to the aforementioned clients and their personal allowances were paid directly to the fund and haven't been paid to the employees as at the financial period

9. These are client's deposits in respect of works under the Ministry of Interior for Boni Securitization.

	2016-2017 Shs	Actual Audited 2015-2016 Shs
Balance b/f	-	0
Amount received	42,000,000	0
Less a) Hire charges	14,128,450	0
b) Personnel allowances	14,285,950	0
c) Maintenance cost	5,298,140	0
d) Fuel and lubricants	4,499,460	0
<b>Bal of Client deposit</b>	<b>3,788,000</b>	<b>0</b>

10. These are client's deposits in respect of works being caaried out by NYS under KERRA Marakwet East.

	Cumulative to date Current Year Shs	Actual Audited 2015-2016 Shs
Balance b/f	0	0
Amount received	25,000,000	0
Less a) Hire charges	1,519,940	0
b) Personnel allowances	2,966,400	0
c) Maintenance cost	0	0
d) Fuel and lubricants	1,624,600	0
<b>Bal of Client deposit</b>	<b>18,889,060</b>	<b>0</b>

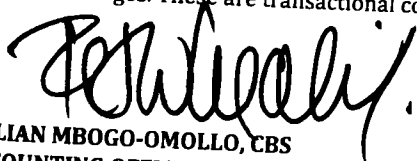
11. These are personnel allowances due to employees who were on duty during hire of buses by Kenya Airways

12. These are personnel allowances due to employees who were on duty during hire of buses by National Treasury on 22/11/2016

13. These are personnel allowances due to employees who were on duty during hire of buses by Ministry of sports and culture on 19/10/2016

14. These are client's deposits from the County Government of Embu for works to be carried out.

15. Bank charges. These are transactional cost incurred on the account during the period



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**PRIOR YEAR MATTERS**

**1. NON CURRENT ASSETS**

The fund has not revalued its assets since inception

Valuation in process

**2. DEBTS**

a) DG NYS debt Kshs. 18,380,963.34 a) Payment in process vide voucher no. NYS0184

b) Kshs. 124,600,000.00 borrowed by Ministry of Planning.

b) Fund has initiated recovery through a letter to DG to factor the said amount in the supplementary budget as advised by The National Treasury

c) Domestic Debts of Kshs. 207,135,997.91

c). This amount comprises of Kshs. 149,918,975.91 outstanding debts from previous years which was made good on 22/06/2016 and an amount of Kshs. 57,218,022 relating to financial year 2014/2015 was paid in quarter 4

d) Commercial debts relating to Tana Road Project of Kshs. 667,518,449.35

d) The Director General honored an amount of Kshs. 249,481,921 out of the balance left, vouchers amounting to Kshs. 166,375,665 are in process vide PV. No. 2616 and Kshs. 251,660,913 vide PV. No 2617

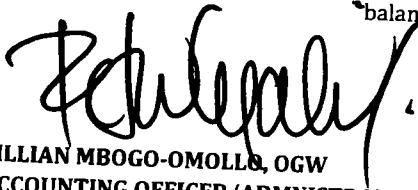
e) Outstanding MOYAS amount Kshs. 17,963,412

e) The money was paid back into the fund on 15/04/2016

**3. FUND BALANCE**

Unsupported prior year adjustment figure

Fund management is in the process of clearing this balance as it looks for inception of the figure



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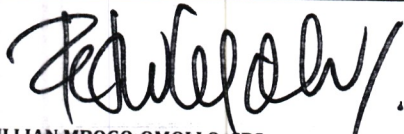


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**Appendix 1**

	COMMERCIAL TRUCKS 7%	SMALL VEHICLES 10%	PLANT & MACHINERY 5%	Total
<b>Cost</b>				
	Shs	Shs	Shs	Shs
<b>At 1 July 2016</b>	3,142,820,107	347,256,856	4,951,510,586	8,441,587,549
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers/adjustments	-	-	-	-
<b>At 30th June 2017</b>	3,142,820,107	347,256,856	4,951,510,586	8,441,587,549
<b>Depreciation and impairment</b>				
At 1 July 2016	989,700,651	220,879,696	967,930,334	2,178,510,682
Depreciation	214,273,226	22,417,167	246,839,261	483,529,654
On Disposals	-	-	-	-
Impairment	-	-	-	-
<b>At 30th June, 2017</b>	1,203,973,877	243,296,863	1,214,769,595	2,662,040,336
<b>NET BOOK VALUES</b>				
<b>At 30 June, 2017</b>	1,938,846,229	103,959,993	3,736,740,990	5,779,547,213



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