



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT

**THE NATIONAL ASSEMBLY
PAPERS LAID**

DATE: 09 APR 2025

DAY.

Wednesday

OF

TABLED
BY:

Hon. Naomi Wazir
Deputy Majority Party Whip

CLERK-AT
THE-TABLE:

Halina Ahmed

THE AUDITOR-GENERAL

ON

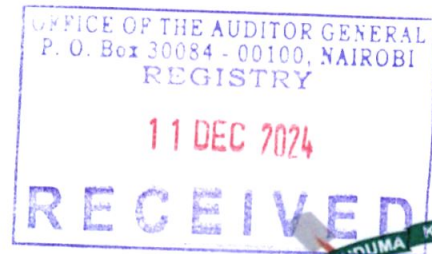
**NATIONAL YOUTH SERVICE
MECHANICAL AND TRANSPORT
FUND**

**FOR THE YEAR ENDED
30 JUNE, 2024**



PARLIAMENT
OF KENYA
LIBRARY





NATIONAL YOUTH SERVICE - MECHANICAL AND TRANSPORT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2024

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

**National Youth Service - Mechanical and Transport Fund
Annual Report and Financial Statements
for the year ended June 30, 2024.**

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1. Acronyms and Definition of Key Terms

A: Acronyms

AG	- Attorney General
Ag.	- Acting
AIE	- Authority to Incur Expenditure
Att.	- Attendance
B/F	- Balance brought forward
BSc	- Bachelor of Science
Cap	- Chapter
CDF	- Chief of Defence Forces
CEO	- Chief Executive Officer
CG	-Commandant General
CO	- Commanding Officer
Co. Ltd	- Company Limited
CoG	- Council of Governors
CYPAN	- Commonwealth Youth Peace Ambassador
DDG	- Deputy Director-General
DG	- Director-General
DPP	- Development Policy and Practice
DRC	- Democratic Republic of Congo
EBS	- Elder of the Burning Spear
FCCA	- Fellow of the Association of Chartered Certified Accountants in UK
FY	- Financial Year
GD&E	- Gender Development and Education
Gen	- General
GOEs	- State-owned Enterprises
GSU	- General Service Unit
HQs	- Headquarters
ICPAK	- Institute of Certified Public accountants of Kenya
ICT	- Information, Communication and Technology
IIA	- Institute of Internal Auditors
IPSAS	- International Public Sector Accounting Standards
JKIA	- Jomo Kenyatta International Airport

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KAA	- Kenya Airports Authority
KAFTEC	- Kenya Armed Forces Technical College
KENHA	- Kenya Highways Authority
KeRRA	- Kenya Rural Roads Authority
KES	- Kenya Shillings
KIBT	- Kenya Institute of Business Training
KICC	- Kenyatta International Convention Centre
KISM	- Kenya Institute of Supply Management
KMTC	- Kenya Medical Training College
KNEC	- Kenya National Examination Council
KRA	- Kenya Revenue Authority
Kshs	- Kenya Shillings
LLB	- Bachelor of Law
Lt	- Lieutenant
MA	- Masters of Arts
MBA	- Masters of Business Administration
MBS	- member of the Burning Spear
MIS	- Management Information Systems
Mngt	- Management
MTB	- Mechanical and Transport Branch
MTF	- Mechanical and Transport Fund
NDC	- National Defence College
NMS	- Nairobi metropolitan Services
NYS	- National Youth Service
P/S	- Public Service
PFM	- Public Finance Management
PhD	- Doctor of Philosophy
PLC	- Public Limited Company
PMT&NS	- Paramilitary Training and National Service
PP&M	- Public Policy and Management
PS	- Principal Secretary
PwC	- PricewaterhouseCoopers
Rtd	- Retired

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SCMS	- Supply Chain Management Services
Sec	- Secretary
SIT	- School for International Training
TNT	- The National Treasury
UAE	- United Arab Emirates
UK	- United Kingdom
UoN	- University of Nairobi
USAID	- United States Agency for International Development
USD	- The United States Dollar
USIU	- United States International University-Africa
VAT	- Value Added Tax
YEP	- Youth Empowerment Programme

B: Definition of Key Terms

Fiduciary Management- Members of Management directly entrusted with the responsibility of financial resources of the organization.

Comparative Year- Means the prior period.

2. Key Entity Information and Management

(a) Background information

The National Youth Service, Mechanical and Transport Fund (MTF) was established in August, 1965 to maintain transport vehicles, equipment and machinery for efficient movement of service personnel, goods and services at NYS. Later, a Transport Funding Scheme was started within MTB in the year 1971 with support/a grant of 3.5 million USD worth of equipment from the United States Agency for International Development (USAID) through Kenya Government. with a vision of sustainably equipping of the Service beyond the donor funding, NYS transport funding scheme was established under the Government Financial Management Act (No. 5 of 2004) (NYS- Mechanical and Transport Fund) Regulations in the year 2011.

MTF's strategic objectives are:

- i. To provide transport facilities to National Youth Service Units while undertaking their Programmes.
- ii. To provide transport facilities for undertaking national projects and hire to other users for generation of revenue to the fund for purposes of maintenance and renewal of vehicles, machinery and equipment.
- iii. To strengthen institutional capacity through training of youth and staff and establishing of critical structures that ensure effective service delivery.

(b) Principal Activities

The key activities of the NYS Mechanical and Transport Fund include:

- i. Provision of transport services, plant, machineries and equipment to the National Youth Service to facilitate effective operations in agricultural farms, internal infrastructure development works, supervision of general operations, general transport, and transport of staff and Servicemen and women while on national service programmes.
- ii. The Fund also hires transport, plant, machineries and equipment to other Government Agencies and the general public at Government rates in order to generate revenue for Fund maintenance and renewal of vehicles, machinery and equipment.

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- iii. Under the new mandate of the Service (Section 7 1 (d) of the NYS Act, 2018), MTF undertakes construction works as commercial projects to support additional revenue generation for the Service.
- iv. Provision of training services for NYS service men and women and other Agencies at the NYS Driving and Plant Operator Schools.
- v. Provision of disaster response services to the Service and the general public.

(c) Key Management

While the Minister for the parent Ministry authorizes expenditure on the Fund, the day-to-day management and control of MTF is under the direction of the officer administering the Fund i.e. the Accounting Officer of the Service.

The officer administering the Fund appoints a committee to advice on general management and operations of the fund.

During the current reporting period, the Fund Management Committee comprised of the following Officers:

No.	Designation	Name
1.	The Deputy Commandant General, PMT & NS	Mr. Jamlick M. Chabari
2.	Assistant Commandant General/Officer In-Charge, MTF	Mr. Andrew E. Ekuss
3.	Director Finance and Accounts	Mr. Francis Ngigi Ndegwa
4.	Director, Commercial Enterprises and Marketing	Mr. Julius K. Thurania
5.	Director, Supply Chain Management Services	Dr. James Kamau Kairu
6.	Head of Accounting Unit	Mr. Elias Kimani Macharia
7.	Accountant MTF	Mr. George Otieno Odhare
8.	Supply Chain Officer MTF	Mr. David Ngandu Karanja
9.	Officer in Charge of Workshop, MTF	Mr. Silas Katwa

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(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2024 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Fund Administer (CEO/CG, NYS)	Mr. James K. Tembur, MBS
2.	Deputy Commandant General, PMT & NS	Mr. Jamlick M. Chabari
3.	Assistant Commandant General/Officer in Charge	Mr. Andrew E. Ekuss
4.	Director Finance and Accounts	Mr. Francis Ngigi Ndegwa
5.	Director SCMS	Dr. James K. Kairu
6.	Head of Accounts Unit	Mr. Elias Kimani Macharia
7.	Accountant in-charge, MTB	Mr. George Odhare
8.	Head, SCM-MTB	Mr. David Karanja
9.	Workshop in-Charge, MTB	Mr. Silas Katwa

(e) Fiduciary Oversight Arrangements

The National Youth Service Council provides the overall internal oversight over the Fund, assisted by the following Committees:

- i. The Council Committee on Finance and Enterprise Development;
- ii. The Council Committee on Audit and Risk Management; and
- iii. The Fund Management Committee.

The Cabinet Secretary for the Ministry of Public Service, Gender and Affirmative Action, the relevant Parliamentary Committees and the Auditor General oversight of the Fund externally.

(f) Entity Headquarters

Mechanical and Transport Fund
P.O. Box 59432-00200
Nairobi
Off Thika Road Super Highway
Nairobi, KENYA

(g) Entity Contacts

Telephone: (+254) 8560319

E-mail: nysmtbhire@gmail.com

(h) Entity Bankers

Bank: Kenya Commercial Bank

Branch: Moi Avenue

Account Name: NYS Mechanical Fund

Account No: 1128674548

Account Type: Current

(i) Independent Auditor

Auditor-General

Office of the Auditor General

Anniversary Towers, University Way

P.O. Box 30084

GPO 00100

Nairobi, Kenya

(j) Principal Legal Adviser

The Attorney General

State Law Office and Department of Justice

Harambee Avenue

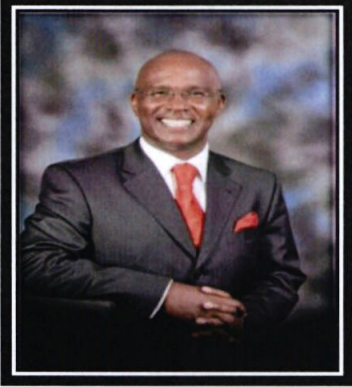

P.O. Box 40112

City Square 00200

Nairobi, Kenya

3. The Board of Directors/Council

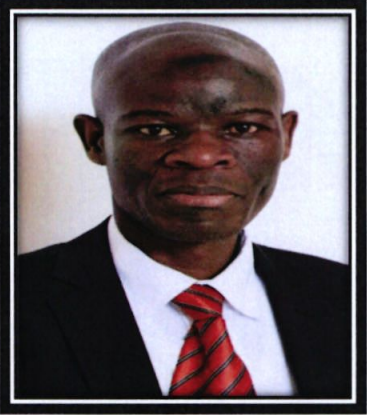

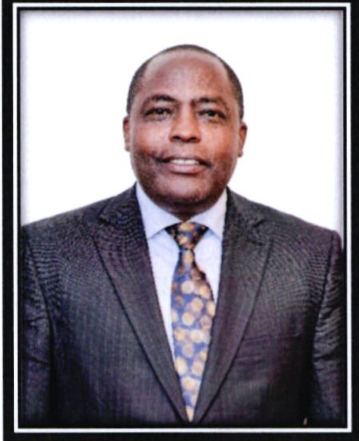
Section 9 of the NYS Act, 2018 establishes the Council of the National Youth Service. The following Board of Directors were members of the NYS Council during the FY 2023/2024:

S/No	Director	Details
1.	 <p data-bbox="309 824 727 943">Lt Gen (Rtd) Njuki Mwaniki, MGH, CBS, OGW, ndc (K) CHAIRMAN</p>	<p data-bbox="839 427 1473 1066">An ardent infantry retired military Three-Star-General, Njuki Mwaniki holds a Masters of Arts in War in the Modern World (Distinction) from The King’s College, London. He holds a Diploma in International Studies from the University of Nairobi, Diploma in Military strategy from the National Defence University, Beijing and a Certificate in Scriptualizing from Harvard University Divinity School. He brings on board a wealth of experience in Management and Leadership of disciplined services spanning over 40 years.</p>
2.	 <p data-bbox="336 1525 730 1599">Mr. James Kipsiele Tembur, MBS CG/CEO/SECRETARY</p>	<p data-bbox="839 1088 1473 1895">Mr. Tembur holds a BSc. in Agriculture and a MSc. in Entrepreneurship with a public service experience of over 30 years, having joined the National Youth Service in 1991 as a Training Officer Cadet. Before his appointment to the position of Director- General (Now Commandant General)/ CEO in acting capacity in April, 2023 Mr. Tembur held the post of Deputy Director-General (Now Deputy Commandant General), Corporate Services for close to four (4) year. Mr. Tembur is credited for having headed teams that undertook notable assignments, including: the fabrication and installation of clinics in informal settlements under the Youth Empowerment Programme (YEP); rehabilitation of dykes to</p>

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S/No	Director	Details
		control floods in Budalangi; and the formulation of the inaugural NYS Strategic Plan (2019-2024).
3.	 <p data-bbox="355 824 711 904">Ms. Christine Achieng Odera INDEPENDENT MEMBER</p>	Ms. Odera holds an Executive Masters in Development Policy and Practice (DPP) and a Bachelors of Arts in International Relations (Peace and Conflict Studies). She is the Program Manager, School for International Training (SIT) and the current Pan-Commonwealth Coordinator/Commonwealth Youth Peace Ambassador (CYPAN). She has over 7-year wealth of experience in youth advocacy and policy development and programs.
4.	 <p data-bbox="338 1368 711 1449">Mr. Richard Kakunga Wambua INDEPENDENT MEMBER</p>	Mr. Wambua holds a Bachelors of Arts in International Relations. He served as European Development Days Young Leader, CEO of MeForest Initiative, and a former Board Director at the Youth Agenda and a current Advisory Board Member of the Youth Sounding Board (Royal Danish Embassy to Kenya). He has a wealth of experience in advocacy for climate change mitigation innovations as well as youth and women empowerment. From his role as Ambassador, brings a lot of experience on youth and women empowerment in multilateral affairs in the Council and Service.

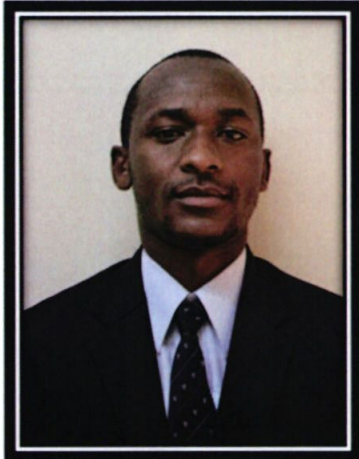

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S/No	Director	Details
5.	 <p data-bbox="320 689 751 779">Mr. Michael Jasper Obonyo ALTERNATE MEMBER, PS, NT</p>	<p data-bbox="836 253 1474 562">Mr. Obonyo holds a Masters of Arts in Communication studies (UoN, 2011) and brings on board a wealth of professional experience in public communications spanning over 27 years. He is currently the Head, Public Communications at the Pensions Department, National Treasury.</p>
6.	 <p data-bbox="328 1272 751 1350">Brig. Bernard Kiprotich Jerry Korir – ALTERNATE MEMBER, CDF</p>	<p data-bbox="836 819 1474 1346">Brig. Korir holds a Bachelors of Commerce and two Diplomas in Defence and Security Studies as well as Strategic Studies. He is a career military Officer with over 32 years of experience in military command, staffing and training. He served in peace and security operations with the UNPROFOR in the former Yugoslavia and in MONUC DRC. He is the current Chief of Training Development, Establishment and Equipment Tables in the Kenya Defence Forces.</p>
7.	 <p data-bbox="328 1836 799 1915">Mr. Stephen Wambua Kakulu ALT. MEMBER, PS, PUBLIC SERVICE</p>	<p data-bbox="836 1373 1474 1899">Mr. Kakulu holds a Master of Arts in Project Planning and Management, a Bachelor of Education (Arts) and a Diploma in Human Resource Management. He is a multi – skilled techno-leader with 24 years of experience in Public Service with practical skills in public policy development & implementation, human resource management and development, cabinet memoranda development, corporate governance and project planning & management. Mr. Kakulu</p>

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S/No	Director	Details
		<p>has served in various MDAs including the Ministry of Public Service & Human Capital Development as Director, HRM&D in the SDPS (current), Ministry of Education and the Teachers Service Commission. He is a full member of the Institute of Human Research Management (IHRM) and a Technical Standing Committee Member of the Tokyo International Conference on African Development (TICAD)</p>
8.	<div data-bbox="395 741 727 1193" data-label="Image"> </div> <div data-bbox="384 1223 738 1299" data-label="Caption"> <p>Mr. Boru Abdi Hassan ALT. MEMBER, PS, YOUTH</p> </div>	<p>Mr. Boru hold a Master in Research, Monitoring and Evaluation with an experience of over 20 years in public service. He is currently Director, Research, Planning, Monitoring and Evaluation in the State Department for Youth Affairs.</p>
9.	<div data-bbox="379 1319 746 1727" data-label="Image"> </div> <div data-bbox="368 1749 758 1825" data-label="Caption"> <p>Ms. Ann Ng'etich ALT. MEMBER, PS, INTERIOR</p> </div>	<p>Ms. Ng'etich holds a Bachelor of Arts in Government and Linguistics and a post-graduate Diploma in International Relations with an experience of over 30 years in public administration. She is currently the Principal Administrative Secretary (PAS) in the Ministry of Interior and National Administration.</p>

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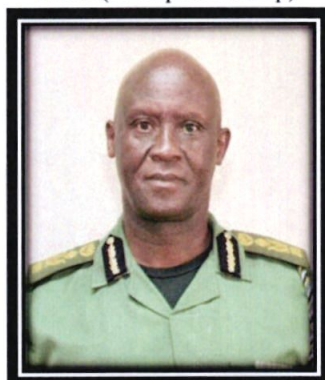
S/No	Director	Details
10.	 <p data-bbox="416 819 703 893">Mr. Daniel G. Wambugu ALT. MEMBER, AG</p>	<p data-bbox="836 248 1473 891">Mr. Wambugu holds a Bachelor of Laws and two Diplomas: Advocate Training Programme and a Commercial Pilot License (CPL)/ Private Pilot License (PPL) under License No. YK- 9259- CL. He has a public service experience of over 10 years, where he has served in various MDAs, including the Office of the Attorney General - Department of Justice- Government Transactions (Current), Kenya School of Flying as a Flight Ground Instructor, NACADA, Public Procurement and Oversight Authority and the Music Copyright Society of Kenya.</p>
11.	 <p data-bbox="400 1384 724 1458">Ms. Caroline W. Kinyanjui INDEPENDENT MEMBER</p>	<p data-bbox="836 913 1473 1556">Ms. Kinyanjui holds A Master of Business Administration, a Bachelor’s Degree in Communication Arts and Public Relations and a Diploma on Communication Arts. With vast experience in marketing and investment banking, she prides in critical skills, including: corporate entrepreneurship and business acumen, negotiation, governance, business planning and management, operations management, strategic implementation, brand building and management, customer relations management, networks and linkages and community engagement.</p>

4. Key Management Team

The following Officers were in charge of critical functions of the National Youth Service during the financial period ended 30th June 2024.



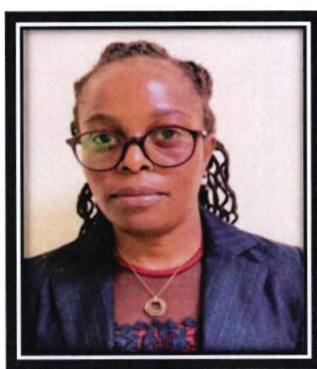
James K. Tembur, EBS
Commandant General/CEO
MSc. (Entrepreneurship)



Jamlick M. Chabari
Ag. DCG, PMT&NS
Bachelor in Psychology



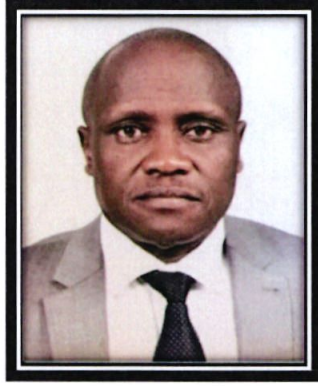
CPA, F. N. Ndegwa
Director, Fin. & Acc.
MBA (Finance & Accounts)



CPA, Maggy N. Munyasya
Director, Internal Audit MSc
(G&SB, IIA)



Jacklyn J. Makanda
Director, Strategy & Planning
MA (GD&E, PP&M)



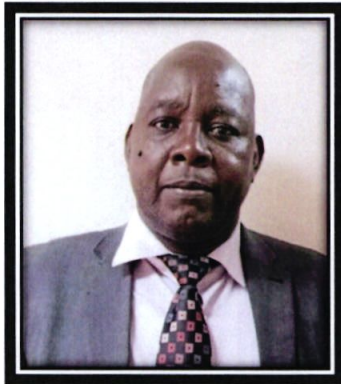
Dr. James K. Kairu
Director, SCMS
PhD (Strategic Mngt.),
KISM



Peter Maina King'ori
Director, Vocational
Training MSc. MIS



CPA, Elias Kimani Macharia
Head of Accounts
MBA (Finance)



Julius K. Thurania
Director, CEM
MSc. (Agronomy)



Abdulkadir J. Waqo
Head of ICT
MBA, MSc (MIS)



Nicholas J. Makokha, HSC
Head, CS
BA (Criminology)



Andrew E. Ekuss
C.O NYS MTF

5. Chairman's Statement

On behalf of the NYS fraternity, I wish to most sincere thank His Excellency, the President for his unwavering support and guidance aimed at ensuring the National Youth Service executes its mandate effectively and is financially sustainable. During the period under review, the President spearheaded the NYS Re-engineering agenda, securing the services of the University of Nairobi Enterprises and Services (UNES) PLC who assisted the Service in developing Eight (8) Business Plans to guide investment in following commercial ventures: agricultural production, Agri-value addition, construction services, engineering and mechanization, development enterprise, hospitality services, security services and textile and garment making. The business plans are aimed at:

- a) Increasing production and productivity of NYS farms;
- b) Reduce the cost of production;
- c) Increase value addition; and
- d) Increase the revenue of the National Youth Service.

Consequently, the National Youth Service will phase up the implementation of these business plan with investments in the security, agricultural production as well as engineering and mechanization being prioritized in phase I (short term) and the rest to be executed in phases II and III (medium and long term). In turn, the return on these investments will support the implementation of the President's Directive to enlist 100,000 youth into NYS by FY 2027/2028. The engineering and mechanization business plan is specific to the revitalization of the NYS Mechanical Transport Fund once the NYS Enterprises and Services PLC is incorporated, a process which commenced during the current reporting period.

During the reporting period, the Council noted with concern the ageing plant, machinery and equipment at the Mechanical and Transport Branch after completing their productive life. The report of valuation of NYS assets, including assets at the Fund commissioned in 2019 is expected to advise the transition of these assets and guide on those that are obsolete and disposable. Depreciation of all these assets is on straight line basis leads to negative financial performance of the Fund. Going forward, only plant, machinery and equipment that is useful will be depreciated once the valuation

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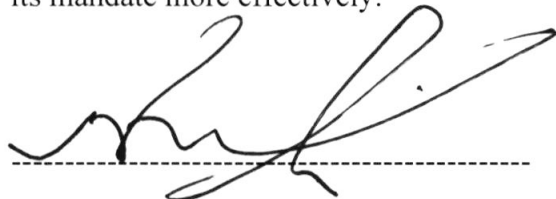
report is finalized and submitted by the service provider to the Service, and the assets register updated accordingly.

It is also worth mentioning that the Legal Notice that established the Fund expired and the process of review of the same was commenced in FY 2020/2021. The review aims to restructure the MTF in a manner that enhances the Fund's support to all commercial and enterprise activities of the National Youth Service. As part of the restructuring, the management of transport services for NYS may be separated from other MTF activities to allow specialization, division of labour and higher efficiency.

I am, therefore, pleased to present the NYS (MTF) Annual Report and Financial Statements for the year ended 30th June, 2024 which reflects a fair performance of the facility as per its mandate and financially.

As per the Act that established the Fund, all accrued, earned and surplus funds shall be retained and used on furthering the mandate of the Fund.

Finally, I am grateful to the Government for the continued support to the NYS, Mechanical and Transport Fund. Going forward, therefore, I am confident that the Fund has the potential to discharge its mandate more effectively.



Lt Gen (Rtd) Njuki Mwaniki

CHAIRMAN, NYS COUNCIL

6. Report of the Chief Executive Officer

I am pleased to present the NYS, Mechanical and Transport Fund's Annual Report and Financial Statement for the year ended 30th June 2024.

During the year under review, MTF realized Ksh 281,174,578 in revenue against a target of Ksh 552M and incurred Kshs 47,440,689 debt from external customers. From the debt of Kshs 684,740,977 carried forward from previous reporting period (most of the which stretches far back to FY 2019/2020) a total of Ksh 35,501,742 was recovered, posting a balance of Kshs 649,239,235 as at 30th June, 2024.

The improvement is credited to effective deployment of the credit policy of the Service which was approved by the Council in January, 2021 as well as an active Debt Collection Office that was established towards the end of the previous reporting period. It is my hope that more efforts will be made to ensure debt is effectively managed and any outstanding amount owed to the Service fully recovered within the next two (2) financial years.

The Fund paid Kshs 112,813,798.00 as first charge in pending bills for FY 2022/2023. During the reported period FY 2023/2024 the fund had no balance as pending bill. In order to ensure accuracy in reporting, the Service successfully completed valuation of its assets - plant, machinery, vehicles, land, buildings and biological assets in the previous reporting period. The final reports are being prepared by the agencies responsible but the preliminary results were factored in the current Financial Statements. The valuation report, once finalized, will inform a fair depreciation of assets and net book values for non-current assets and trigger updating of the assets register and the disposal of idle and unserviceable assets.

The review of the MTF structures and operations commenced in the last Quarter of the FY 2022/2023 with an aim of transforming the Fund into a well-organized and productive commercial entity for the Service. The restructuring, focused on legal and policy reviews, strengthening of management, administrative and operational structures and undertaking business process re-engineering among other issues.

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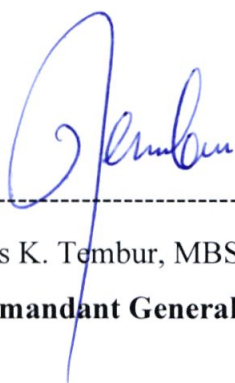
To strengthen its operations and capacity to deliver on its mandate, the MTF renewed its fleet by acquiring 4 troop carriers during the reported period to support its general transport operations and that of the field units of the service. More over all reported cases of MTF vehicles, plant and machinery breakdowns and servicing were undertaken successfully represented by 216 cases of small vehicles and 149 cases of plant and machinery.

During the period, new engagements that proved to be non-cost effective were not undertaken, hence the highly reduced projects being undertaken and streamlined critical processes such as documentation, payments to creditors and strict follow up on claims from the clients.

The Service, therefore, remain hopeful that the changes initiated at the Fund will greatly improve the performance of the Fund in the shortest time possible

The execution of a number of policies and reforms at MTF during the financial year led to termination of a number of non-responsive engagements, especially those that were seen not to comply with credit requirements. This was fully supported with a debt collection team which ensured that external customers with a debt paid or showed a commitment to pay before continuation of service provision. The team also posted good collections, boosting the cash flows of the Fund and ensuring provision of critical services as per Fund's mandate

Finally, I wish to reaffirm that the MTF remains steadfast in building a strong culture of unity of purpose and commitment to the mission and ideals of an effective and efficient public service body through numerous management and leadership capacity building initiatives for its members.



James K. Tembur, MBS

Commandant General/ Chief Executive Officer

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7. Statement of Performance against Predetermined Objectives for FY 2023/2024

The NYS (MTF) undertook the following programmes during the FY 2023/2024 derived from its mandate and strategic objectives:

1. Provision of transport services to the National Youth Service;
2. Hire of transport services, machinery and equipment to other users for generation of revenue; and
3. Strengthening institutional capacity through training and building of dependable structures.

The table below gives a summary of achievements against the predetermined targets:

Strategic Result Area	Objective	Key Activities	Key Performance Indicators	Target (FY 2023/2024)	Achievements	Remarks
1. Provision of transport services to NYS.	To support the general operations of the HQs and Field Units of the Service	a) Maintenance and fuelling of Service vehicles, plant and machinery	No. of cases reported and serviced.	100% of reported cases serviced.	216 cases of small vehicles and 149 cases of plant and machinery reported and serviced	Target achieved
		b) Renewal of fleets for the Service.	No. of vehicles, plant and machines acquired	4 troop carriers	4 troop carriers	Target achieved
2. Hire of transport services	To generate revenue for sustainability	c) Undertaking of constructions works	Amount of revenue generated (Kshs, M)	127	81	Underachieved by Kshs 45,633,362 (36%)

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Strategic Result Area	Objective	Key Activities	Key Performance Indicators	Target (FY 2023/2024)	Achievements	Remarks
, machine ry and equipm ent to other users.	ty of the Mechanica l Transport Fund.	d) Hire of plant and machinery	Amount of revenue generated (Kshs, M)	150	158,672,929	Overachieve d by Kshs 8,672,929 (5%)
		e) Provision of borehole drilling services	Amount of revenue generated (Kshs, M)	15	2,886,927	Underachiev ed by Kshs 12,113,073 (81%)
		f) Hire of buses	Amount of revenue generated (Kshs, M)	100	59,216,824	Underachiev ed by Kshs 45,163,305 (41%)
3.		g) Other Incomes (Trainings and servicing of vehicles for external customers)	Amount of revenue generated (Kshs, M)	30	603,300	Underachiev ed by Kshs 29,396,700 (98%)
4.		h) Income from non- exchange	Amount of revenue generated (Kshs, M)	130	0	The AIE is currently being expensed

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Strategic Result Area	Objective	Key Activities	Key Performance Indicators	Target (FY 2023/2024)	Achievements	Remarks
		transactions (AIE)				directly from the HQs.
Total Amount (Kshs)				552	281,174,577	

8. Corporate Governance Statement

The NYS Council is responsible for policy formulation, strategic oversight and supervision of the Service and is accountable to stakeholders thus ensuring that NYS complies with the law and the highest standards of best practice on corporate governance and quality of service delivery. The NYS Council Charter (the “Charter”) developed and adopted in May 2019 defines the Council’s roles and responsibilities as well as functions and structures in a way that support the members in carrying out their strategic oversight function. Guided by the Charter, the performance of the NYS Council and its organs or committees during the period under review is summarized as follows:

A. Council Business

1. The Council, through its committees reviewed/developed the following policy instruments during the reporting period:
 - i. The NYS Organization, Grading Structure and Establishment was reviewed;
 - ii. The NYS Career Guidelines were reviewed;
 - iii. The NYS HR Policies and Procedures Manual was reviewed;
 - iv. The NYS Code of Conduct and Ethics was reviewed;
 - v. The NYS Doctrine (2024) was developed;
 - vi. The NYS Finance and Accounts Policies and Procedures Manual was reviewed;
 - vii. NYS Research and Innovation Policy 2024;
 - viii. NYS Training Policy 2024;
 - ix. NYS Health Policy (2024, formulation ongoing) and
 - x. The NYS Internal Affairs Unit Procedures Manual was developed and the Unit established.

2. Since its inauguration in February 2019 the NYS Council has, therefore, managed to formulate the following policies and strategies:

S/No	Instrument	Purpose
1.	NYS Strategic Plan 2019/2020 – 2023/2024	<ul style="list-style-type: none"> • To provide accountability to the Service’s stakeholders
2.	NYS Strategic Plan 2023/24 – 2027/28	<ul style="list-style-type: none"> • To provide test assumptions and recommendations for strategic decision-making. • To ensure compliance to the legal statutes and National development agenda.
3.	NYS Act 2018	<ul style="list-style-type: none"> • To ensure alignment with other legal documents

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S/No	Instrument	Purpose
		<ul style="list-style-type: none"> • To precisely outline the Service mandate • To provide legal basis for programmes, structures and systems • To provide policy guidance and direction for actions.
4.	NYS Human Resource Management Instruments (2019, revised 2024): <ul style="list-style-type: none"> a) Organization, Grading Structure and Establishment; b) Career Guidelines; c) Human Resource Policy and Procedure Manual; and d) Code of conduct and ethics. 	<ul style="list-style-type: none"> • To provide policy guidance and direction of HRM matters; and • To provide a standard procedure on various HRM matters.
5.	NYS Research and Innovation Policy 2024	<ul style="list-style-type: none"> • To provide a framework and guidelines for research and innovation planning, management, resource mobilization, and dissemination.
6.	NYS Training Policy 2024	<ul style="list-style-type: none"> • To align with national development and global goals, on youth skills development. • The growing demand for NYS graduates both locally and globally seek a review of the training programmes to focus on skills needed for transition to the emerging development. • To harmoniously integrate all training components within a cohesive framework.
7.	NYS Transport, Logistics and Road Safety Policy	<ul style="list-style-type: none"> • To provide a framework and guidelines for Transport, Logistics and Road Safety
8.	NYS Risk Management Policy	<ul style="list-style-type: none"> • To provide risk management framework for the Service. • To ensure compliance with the applicable Laws and Regulations.
9.	NYS Information and Communication Technology Policy	<ul style="list-style-type: none"> • To provide a framework and guidance for ICT use in NYS

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S/No	Instrument	Purpose
10.	NYS Finance and Accounts Policies and Procedures Manual (2021, revised 2024)	<ul style="list-style-type: none"> To provide a framework and guidelines on NYS Finance and Accounts
11.	NYS Procurement, Warehouse and Asset Management Policies and Procedures Manuals	<ul style="list-style-type: none"> To provide a framework and guidelines on NYS Procurement, Warehouse and Asset Management
12.	Disability Mainstreaming Policy	<ul style="list-style-type: none"> To provide a framework and guidelines on Disability Mainstreaming
13.	Alcohol, Drug and Substance Abuse Workplace Policy	<ul style="list-style-type: none"> To provide a framework and guidelines on Alcohol, Drug and Substance Abuse
14.	National Youth Service Workplace Policy on HIV and AIDS	<ul style="list-style-type: none"> To provide a framework and guidelines on National Youth Service Workplace on HIV and AIDS
15.	Staff Occupational Health and Safety Policy	<ul style="list-style-type: none"> To provide a framework and guidelines on Staff Occupational Health and Safety
16.	National Youth Service (Board of Inquiry) Rules, 2020	<ul style="list-style-type: none"> To provide a framework and guidelines on inquiry within the Service
17.	The National Youth Service (Disciplinary Procedure) Rules, 2020	<ul style="list-style-type: none"> To provide a framework and guidelines on discipline
18.	The National Youth Service (Disposal of Uniform and Decoration Regulations, 2020	<ul style="list-style-type: none"> To provide a framework and guidelines on disposal
19.	The National Youth Service (Limitation of Fundamental Rights and Freedoms) Regulations, 2020	<ul style="list-style-type: none"> To provide a framework and guidelines on Rights and Freedoms
20.	The National Youth Service (Missing Officers) Regulations, 2020	<ul style="list-style-type: none"> To provide a framework and guidelines on handling of missing officer's cases
21.	The National Youth Service (Stakeholder Engagement) Regulations, 2020	<ul style="list-style-type: none"> To provide a framework and guidelines on Stakeholder Engagement
22.	Public Finance (National Youth Service Commercial and Enterprises Fund) Regulations 2021	<ul style="list-style-type: none"> To provide a framework and guidelines on Commercial and Enterprise Development
23.	NYS Enlistment Strategy	<ul style="list-style-type: none"> To provide a framework and guidelines on youth enlistment

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S/No	Instrument	Purpose
24.	NYS Command and Staff Training Strategy	<ul style="list-style-type: none"> To provide a framework and guidelines on staff training
25.	NYS Servicemen/women Exit Strategy	<ul style="list-style-type: none"> To provide a framework and guidelines on Servicemen/women Exit
26.	NYS Standing Orders	<ul style="list-style-type: none"> To provide a framework and guidelines on NYS procedures
27.	Reserve Force Operations Strategy	<ul style="list-style-type: none"> To provide a framework and guidelines on Reserve Force Operations
28.	Paramilitary Training Strategy	<ul style="list-style-type: none"> To provide a framework and guidelines on Paramilitary Training
29.	National Service Strategy	<ul style="list-style-type: none"> To provide a framework and guidelines on National Service Operations
30.	Disaster and Emergency Response Strategy	<ul style="list-style-type: none"> To provide a framework and guidelines on Safety and Disaster Management
31.	Technical and Vocational Training Strategy	<ul style="list-style-type: none"> To provide a framework and guidelines on Technical and Vocational Training
32.	Communication Strategy	<ul style="list-style-type: none"> To provide a framework and guidelines on public relations and communication
33.	Resource Mobilization Strategy	<ul style="list-style-type: none"> To provide a framework and guidelines on resource mobilization
34.	NYS Integrated Development Projects Plan (integrates Commercialization and Infrastructural and Facilities Plans)	<ul style="list-style-type: none"> To provide a framework and guidelines on Commercial and Enterprise Development
35.	NYS Doctrine	<ul style="list-style-type: none"> To provide general guidance of what works best for achievement of NYS mandate
36.	NYS Health Policy (Ongoing)	<ul style="list-style-type: none"> To provide general guidelines on health

3. The Council has delegated authority to the CEO to conduct the day-to-day business of the Service. The Council, nonetheless, retains the responsibility for establishing and ensuring overall policy direction, internal controls, operational and compliance issues, as well as implementing the strategies for the success of the Service.

4. During the period under review, the NYS Council's membership was as summarized below:

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S/No.	Name	Position	Remarks
1.	Lt. Gen (Rtd) Njuki Mwaniki, MGH, CBS, OGW, ndc (K)	Chairman	1 st term expired on 7 th Feb. 2022 and re-appointed on 13 th May, 2022.
2.	Mr. Ali Sahal Idris	Independent Member	Serving 2 nd Term, re-appointed on 7 th Feb. 2022 until February 2, 2024
3.	Dr. Nkatha Linda Gichuyia	Independent Member	Serving 2 nd Term, re-appointed on 7 th Feb. 2022 until April 24, 2024
4.	Caroline W. Kinyanjui	Independent Member	Appointed on May 7, 2024; serving her first term.
5.	Mr. Richard Kakunga Wambua	Independent Member	Appointed on 7 th February, 2022; serving first term.
6.	Ms. Christine Achieng Odera	Independent Member	Appointed on 7 th February, 2022; serving first term.
7.	Ms. Anita J. Chepseba	Alternate Member, AG	Nominated on May 8, 2019, and served until October 4, 2023.
8.	Mr. Daniel Gichimu Wambugu	Alternate Member, AG	Nominated on October 4, 2023. He is still serving.
9.	Mr. Michael J. Obonyo	Alternate Member, TNT	Nominated on March 10, 2022. He is still serving.
10.	Mr. David W. Kiboi	Alternate Member, P/S	Nominated on February 15, 2023, and served until March 7, 2024.
11.	Mr. Stephen Wambua Kakulu	Alternate Member, PS, Public Service.	Nominated on March 7, 2024. He is still serving.
12.	Brig. Bernard J. Korir	Alternate Member, CDF	Nominated on 28 th September, 2021. He is still serving
13.	Dr. Cornelius M. Ombagi	Alternate Member, PS, Youth Affairs	Nominated on January 31, 2023 and served until March 20, 2024
14.	Boru Abdi Hassan	Alternate Member, PS, Youth Affairs	Nominated on March 20, 2024. He is still serving
15.	Ms. Anne Maria Ng'etich	Alternate Member, PS, Interior and National Administration	Nominated on September 5, 2023. He is still serving.

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S/No.	Name	Position	Remarks
16.	James Kipsiele Tembur, MBS	Commandant-General /CEO/Sec.	Appointed Ag. DG/CEO on April 19, 2023 and Appointed DG/CEO on December 20, 2023; still serving.

5. During the period, the Board Charter and the Board Code of Ethics and Conduct were in place and all new Directors of the Board were inducted and trained on governance matters.
6. The Board members were paid sitting allowances for all Full Council and Council Committee meetings attended as well as daily subsistence allowances for activities attended including board retreats and familiarization visits to NYS Field Units. The Chairman was further paid a monthly honorarium and airtime as per the Guidelines on terms and conditions of service for Chairpersons, Directors and CEOs for State Corporations.
7. During the period under review, the Council held seven (7) meetings, including a meeting for its self-evaluation.
8. There was no conflict of interest registered during all the meetings.
9. The table below summarizes Members' attendance of board meetings during the reporting period:

S/No.	Name	Position	Attendance (%)
1.	Lt. Gen (Rtd) Njuki Mwaniki, MGH, CBS, OGW, ndc (K)	Chairman	100
2.	Mr. Ali Sahal Idris	Independent Member	50
3.	Dr. Nkatha Linda Gichuyia	Independent Member	86
4.	Mr. Richard Kakunga Wambua	Independent Member	100
5.	Ms. Christine Achieng Odera	Independent Member	86
6.	Ms. Anita J. Chepseba	Alternate Member, AG	67
7.	Mr. Daniel Gichimu Wambugu	Alternate Member, AG	75
8.	Mr. Michael J. Obonyo	Alternate Member, TNT	71
9.	Mr. David W. Kiboi	Alternate Member, P/S	100
10.	Mr. Stephen Wambua Kakulu	Alternate Member, PS, Public Service.	100
11.	Brig. Bernard J. Korir	Alternate Member, CDF	71
12.	Dr. Cornelius M. Ombagi	Alternate Member, PS, Youth Affairs	100

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S/No.	Name	Position	Attendance (%)
13.	Boru Abdi Hassan	Alternate Member, PS, Youth Affairs	100
14.	Ms. Anne Maria Ng'etich	Alternate Member, PS, Interior and National Administration	50
15.	James Kipsiele Tembur, MBS	Commandant-General /CEO/Sec.	100

B. Committees of the Council

The Council has the following four (4) committees, which meet regularly under the terms of reference set by the Council:

- a) Audit and Risk Management Committee;
- b) Finance and Enterprise Development Committee;
- c) Human Resource and Administration Committee; and
- d) Operations, Training and Programmes Committee.

In compliance with section nine (9) of the State Corporations Act, Cap 446 and the Code of Governance for State Corporations (Mwongozo) the membership to the NYS Council Committees was revised on various occasions to accommodate new board Directors.

The business and members' attendance of the Council Committees during the reporting period were as follow:

1. Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible for supporting the Council and the CEO in carrying out the oversight responsibility by reviewing risk, control, performance and governance processes of the Service.

The Director of NYS Internal Audit Department is the Secretary to the Committee in accordance to the Law.

During the period under review, the Audit and Risk Management Committee held five (5) meetings in which they discussed and advised on Fourteen (14) audit reports relating to revenue, expenditure, investment and general operation.

The meetings were attended by Members as follows:

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S/No.	Board member	Position	Att. Rate (%)
1.	Ali Sahal Idris	Chairman	100
2.	Michael Obonyo	Member/ Chairperson	100
3.	Anita Chepseba	Member	30
4.	Richard K. Wambua	Member	100
5.	David Kiboi	Member	100
6.	Christine Odera	Member	50
7.	Brig. Bernard Korir	Member	100
8.	Anne Ng'etich	Member	100
9.	Maggy N. Munyasya	Director, Internal Audit/Secretary	100

2. Finance and Enterprise Development Committee

The Finance and Enterprise Development Committee oversees, determines and advises on all matters relating to the finances, enterprise, assets and financial liabilities of the Service.

During the period under review, the Finance and Enterprise Development Committee held six (6) Meetings in which they discussed Fifteen (15) reports relating to periodic financial performance, investment proposals and effective management of finances, assets and liabilities.

The meetings were attended by Members as follows:

S/No.	Board member	Position	Att. Rate (%)
1.	Richard K. Wambua	Chairman	100
2.	Michael Obonyo	Member	100
3.	Christine A. Odera	Member	100
4.	Boru A. Hassan	Member	100
5.	Dr. Nkatha Gichuyia	Member	50
6.	Cornelius Ombagi	Member	100

3. Human Resource and Administration Committee

The primary responsibility of the Human Resource and Administration Committee is to oversight, review and recommend appropriate and effective human resource policies, strategies, procedures and practices in the Service.

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During the period under review, the Human Resource and Administration Committee held five (5) Meetings in which they reviewed and recommended appropriate and effective human resource policies, strategies, procedures and practices in the Service on Ten (10) reports.

The meetings were attended by Members as follows:

S/No.	Board Member	Position	Att. Rate (%)
1.	Dr. Nkatha Gichuyia	Chairperson	50
2.	Christine Odera	Member/ Chairperson	100
3.	Richard K. Wambua	Member	100
4.	David Kiboi	Member	100
5.	Anita Chepseba	Member	100
6.	Daniel G. Wambugu	Member	100
7.	Ali Idris	Member	100

4. Operations, Training and Programmes Committee

The Operations, Training and Programmes Committee is responsible for the general oversight of the implementation of the core mandate of the National Youth Service (NYS) which is youth empowerment.

The Committee, therefore, oversees all matters relating to the implementation of paramilitary training and service regimentation, national service programmes and vocational training of the service men and women.

The Committee also superintends the formulation and implementation of policies and strategies on all technical programmes and projects in the Service.

During the period under review, the Operations, Training and Programmes Committee held four (4) meetings in which Eleven (11) reports relating to performance and review/formulation of operational instruments were discussed and guidance given.

The meetings were attended by Members as follows:

S/No.	Board Member	Position	Att. Rate (%)
1.	Christine A. Odera	Chairperson	50
2.	Brig. Bernard Korir	Member	100
3.	Ali Idris	Member	100
4.	Cornelius Ombagi	Member	100

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5.	Richard K. Wambua	Chairperson	100
6.	Dr. Nkatha Gichuyia	Member	100
7.	Daniel G. Wambugu	Member	50
8.	Boru A. Hassan	Member	100

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9. Management Discussion and Analysis

The general operational and financial performance of the NYS Mechanical and Transport Fund has been fair. The table below summarizes the financial performance as at the end of the FY2023/2024 and the financial position for the financial year then ended as compared to the previous FY 2022/2023.

Financial Performance	2023 /2024	2022/2023	Change	Change
	Kshs '000	Kshs. '000	Kshs. '000	%
Total Revenues	281,175.00	369,107.00	(87,932.00)	(31%)
Total Expenses	(474,082.00)	(612,607.00)	138,525.00	(29%)
Surplus/(Deficit)	(192,907.00)	(243,500.00)	50,593.00	(26%)

Financial Position	2023 /2024	2022/2023	Change	Change
	Kshs '000	Kshs '000	Kshs '000	%
Non-Current Assets	3,231,203.00	3,390,961.00	(159,758.00)	(5%)
Current Assets	2,207,057.00	2,364,214.00	(157,157.00)	(7%)
Total Assets	5,438,260.00	5,755,175.00	(316,915.00)	(6%)
Current Liabilities	8,579.00	132,587.00	(124,008.00)	(1445%)
Total Liabilities	8,579.00	132,587.00	(124,008.00)	(1445%)
Net Assets	5,429,681.00	5,622,588.00	(192,907.00)	(4%)

Revenue

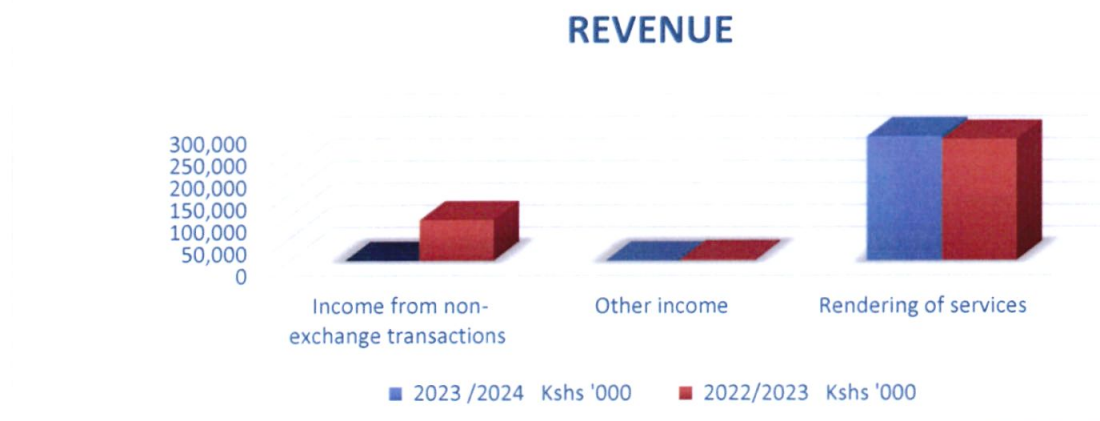
The breakdown of the total revenue reported by NYS - MTF during the FY 2023/2024 is as follows:

REVENUE	2023 /2024	2022/2023	Change	Change
	Kshs '000	Kshs '000	Kshs '000	%
Income from non-exchange Transactions	0.00	92,215.00	(92,215.00)	(100%)
Other income	603.00	2,856.00	(2,253.00)	(374%)
Rendering of services	280,571.00	274,036.00	6,535.00	2%
Total Revenues	281,174.00	369,107.00	(87,933.00)	(31%)

The total revenue for the FY 2023/2024 decreased by Kshs 87.9 million representing a 31% decrease mainly from the restructuring of MTB created separate bases of expenditure, i.e., the Unit account is currently receiving an AIE to support operations of the MTB Field Unit while the MTF activities are charged on the revolving Fund. Hence, the reported revenue excludes the AIE which used to be reported as income from non-transaction activities.

Management Discussion and Analysis (Continued)

The chart below summarizes the revenue for the current FY compared to the PY:

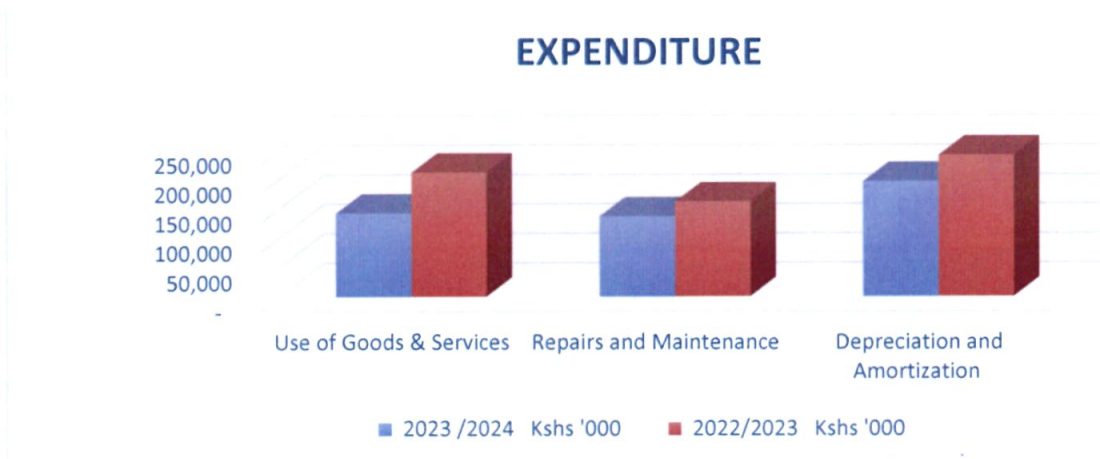


Expenditure

Total Expenditure for the FY 2023/2024 decreased by 20% to Kshs. 474 million compared to 849 million in the FY 2022/2023. The decrease is mainly attributed to reduced engagements during the year under review, availability of stocks carried forward from previous reported period and payments done as first charge to suppliers from the previous reported year. Below is a summary of the NYS- MTF expenditures as compared to the previous FY.

EXPENDITURE	2023 /2024	2022/2023	Change	Change
	Kshs '000	Kshs '000	Kshs '000	%
Use of Goods & Services	142,001.00	211,326.00	(69,325.00)	(49%)
Repairs and Maintenance	136,417.00	161,205.00	(24,788.00)	(18%)
Depreciation and Amortization	195,664.00	240,076.00	(44,412.00)	(23%)
Total Expenditures	474,082.00	612,607.00	(94,113.00)	(20%)

The breakdown of expenditure is shown in the chart below:



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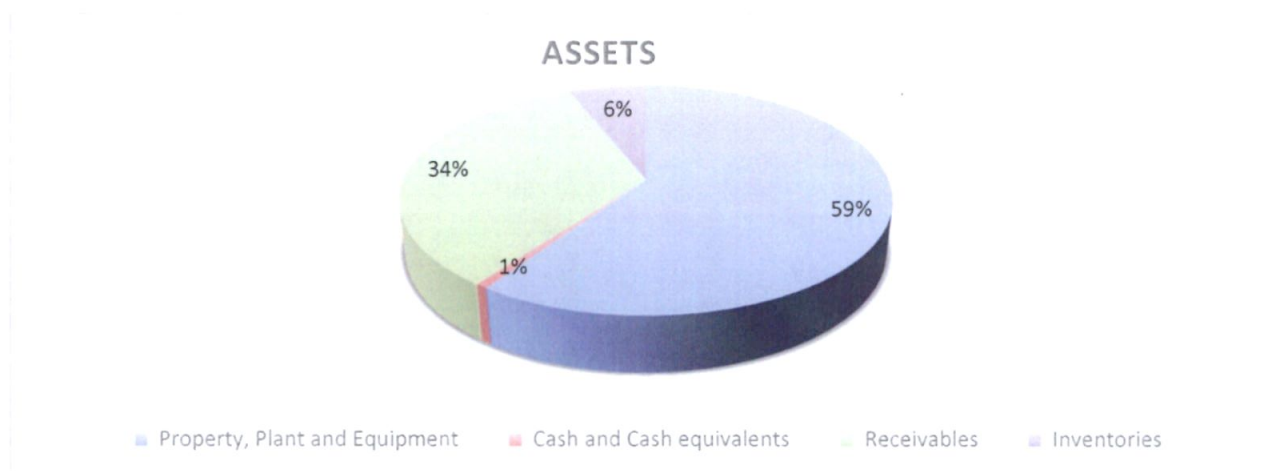
Management Discussion and Analysis (Continued)

Assets

The NYS- MTF assets comprise of non-current and current assets. Non-current assets include PPE while current assets include cash and cash equivalent, inventories and accounts receivables. The breakdown of the composition of as assets is summarized below:

ASSETS	2023 /2024	2022/2023	Change	Change
	Kshs '000	Kshs '000	Kshs '000	%
Property, Plant and Equipment	3,231,203.00	3,390,961.00	(159,758.00)	(5%)
Cash and Cash equivalents	39,698.00	890.00	38,808.00	98%
Receivables	1,839,655.00	1,875,157.00	(35,502.00)	(2%)
Inventories	327,704.00	488,167.00	(160,463.00)	(49%)
TOTAL ASSETS	5,438,260.00	5,755,175.00	(316,915)	(6%)

Total Asset by classification for FY 2023/2024 is as shown below:



Liabilities

NYS-MTF liabilities are comprised of trade payables, prepayment and sundry creditors. IPSAS requires the presentation of sundry creditors as current liabilities (short term liabilities and do not accrue interest on their outstanding balances.

The table below shows the comparison of liabilities

LIABILITIES	2023 /2024	2022/2023	Change	Change
	Kshs '000	Kshs '000	Kshs '000	%
Trade Payables	0.00	112,814.00	(112,814.00)	(100%)
Prepayments	0.00	11,194.00	(11,194.00)	(100%)
Sundry Creditors	8,579.00	8,579.00	0.00	0%
TOTAL LIABILITIES	8,579.00	132,587.00	(124,008.00)	(1445%)

10. Environmental and Sustainability Reporting

MTF was established to offer transport to the National Youth Service and other users on hire as well as training services for youth. This is the driving force behind all programmes. Currently, there are legislative, policy and strategy gaps. The National Youth Service Council and Management, therefore, instituted in the previous reporting period, and are committed to fully execute measures that aim to ensure MTF is restructured, strengthened, productive and sustainable.

i) Sustainability strategy and profile

The MTF Legislations expired in December, 2021 and the process of review its legal position was immediately commenced to ensure its operations and financial strength are not embedded. A Fund for that caters for all commercial and enterprise activities undertaken by other entities within NYS is envisaged. The commercial and enterprise targets at MTF will be made sharper and be the focus of the new Fund. The new Fund may be renamed to take care of the interests of NYS' mandate of commercializing its assets and resources as a whole.

ii) Environmental performance

The Service has been steadfast on enhancement and preservation of environment, with a lot of investment in both botanical and zoological assets as reported in the report on assets. In order to ensure there is increased forest cover in all NYS Field Units and to support the achievement of the national target of planting/growing 15 billion trees by 2032 NYS committed to grow 1 billion trees. This commitment was enhanced by the President's Directive issued on 3rd March, 2023 during the recruits' pass out parade held at NYS College, Gilgil. To progress this commitment, several strategies were adopted including the growing of 50 million trees and 100 million tree seedlings across the NYS Units in the current period.

Other efforts include commencement of partnership discussions on growing of fruit trees such as avocado, mangos among others in Field Units with favourable weather conditions. The Service is further considering formulation of environmental guidelines on the ratios of trees to be planted with a special focus on indigenous, fruit and commercial trees.

iii) Employee welfare

Appropriate employee welfare schemes and practices were put in place to ensure that they remain motivated, skilled and productive.

iv) Market place practices-

The organisation should outline its efforts to:

a) Responsible competition practice.

Being a public agency, the costs of all products and services offered by the MTF are as per the Government approved rates. Where necessary public tenders are put out and competitive bidding is carried out, especially during supply of goods.

b) Responsible Supply chain and supplier relations

Good relations with suppliers were ensured and the public procurement guidelines were followed to the letter.

c) Responsible marketing and advertisement

The MTF prioritizes transparency and honesty in its strategies. This helps to build trust with the audience, avoid misleading consumers and foster long-term customer relationships.

d) Product stewardship

NYS-MTF takes responsibility for minimizing its activities environmental impact throughout all stages.

v) Corporate Social Responsibility / Community Engagements

The organisation gives details of CSR activities carried out in the year and the impact to the society. Give evidence of community engagement including charitable giving (cash and material), Corporate Social Investment and other forms of community engagements.

11. Report of the Directors

The Directors submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the NYS – Mechanical and Transport Fund (MTF) affairs.

i) Principal activities

The principal activities of the NYS, Mechanical and Transport Fund are provision of transport services to NYS and other users on hire, provision of training services and undertaking commercial activities for purposes of maintenance and renewal of machinery and equipment as discussed in detail on IV.

ii) Results

The results of the Entity for the year ended June 30, 2024, are set out on page 1-40

iii) Directors

The members of the Board of Directors who served during the year are shown on pages ix- xiv. During the year the Board had changes in composition, including: the expiry of the term of service for one (1) independent member (who was not replaced); receipt of two (2) alternate Board Members and appointment in acting capacity of a new CEO/Secretary to the Council in the last Quarter of the financial year.

iv) Surplus remission

In accordance with Regulation 7 of the Government Financial Management (National Youth Service Mechanical and Transport Fund) Regulations, the Fund retained all receipts, earnings and accruals to the Fund, and the balance of the Fund at the close of the financial year for use by Fund for the purpose of which it is established.

v) Auditors

The Auditor General is responsible for the statutory audit of the National Youth Service in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Council



.....

James K. Tembur

Secretary to the Board

12. Statement of Directors Responsibilities

These Financial Statements have been prepared in accordance to section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act. The Statements give a true and fair view of the state of affairs of the National Youth Service (Mechanical and Transport Fund) as at 30th June, 2024 as well as its operating results for the FY 2023/2024.

The Council, throughout the period ensured that MTF kept proper accounting records. The same have disclosed with reasonable accuracy the financial position of the National Youth Service. The assets of MTF have been secured.

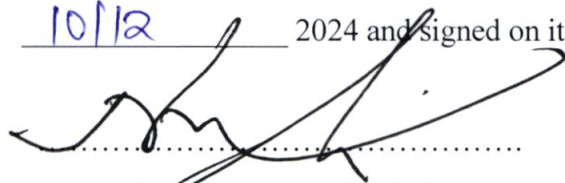
The Statements here prepared and presented by the Directors of the National Youth Service Council, give a true and fair view of the state of affairs of NYS (Mechanical and Transport Fund) for and as at the end of the financial year ended on June 30, 2024.

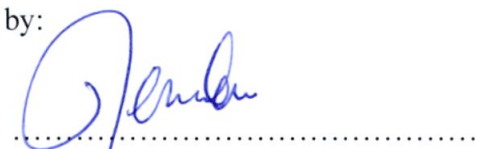
The Directors therefore are fully responsible for these Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and the State Corporations Act. The Directors are of the opinion that the MTB's financial statements give a true and fair view of the state of the transactions of NYS during the financial year ended June 30, 2024, and of the financial position of MTF as at the stated date. The Directors further confirm the completeness of the accounting records maintained for the NYS which have been relied upon in the preparation of these financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Mechanical and Transport fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

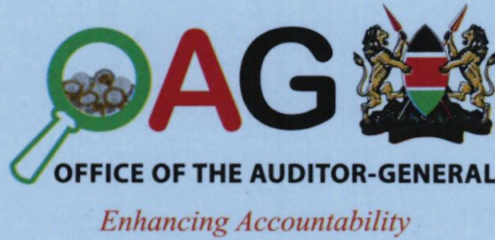
The NYS-Mechanical and Transport Fund financial statements were approved by the Board on 10/12 2024 and signed on its behalf by:


.....
Name: Lt Gen (Rtd) Njuki Mwaniki
Chairperson of the Council


.....
Name: James K. Tembur
Accounting Officer

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
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HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON NATIONAL YOUTH SERVICE- MECHANICAL AND TRANSPORT FUND FOR THE YEAR ENDED 30 JUNE, 2024

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

A Qualified Opinion is issued when the Auditor-General concludes that, except for material misstatements noted, the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management and Governance.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of National Youth Service-Mechanical and Transport Fund set out on pages 1 to 40 which comprise of the statement of financial position as at 30 June, 2024, 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 have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of the National Youth Service - Mechanical and Transport Fund as at 30 June, 2024, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1.0 Inaccuracies of the Financial Statements

1.1 Variances Between the Financial Statements Figures and the Ledgers

The statement of financial performance and as disclosed in Note 10 to the financial statement reflects expenditure on repair and maintenance of Kshs.136,416,536. Included in the amount is Kshs.10,669,175 for spare parts issued from China Stock which is at variance with the amount reported in the ledger of Kshs.12,870,911. The variance of Kshs.2,201,736 was not explained or reconciled.

Further, included in the expenditure is an amount of Kshs.108,741,065 for spares bought locally and used during the period, however, the supporting ledger was not provided for audit review.

1.2 Inaccuracies of the Opening Balances

The statement of financial performance reflects comparative use of goods and services amount of Kshs.211,109,116 while the previous year audited financial statement reflected an amount of Kshs.211,139,116 resulting to a variance of Kshs.30,000 which was not reconciled.

Further, the statement of financial position reflects comparative property, plant and equipment balance of Kshs.3,390,961,258 while the previous year audited financial

statements reflected a balance of Kshs.3,154,440,830, resulting to a variance of Kshs.236,520,428 which was not reconciled nor explained.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

2.0 Receivables

2.1 Long Outstanding Receivables from Exchange Transactions

The statement of financial position reflects receivables from exchange transactions balance of KShs.649,239,235 as disclosed in Note 14 to the financial statements. This balance includes debts of Kshs.432,163,530 and Kshs.1,441,960 owed by the disbanded Nairobi Metropolitan Services (NMS) and an investment company respectively which have been outstanding for over five years. Management has not demonstrated the steps they are taking to recover the money owed to them. In addition, Management has not made a provision for bad and doubtful debts to factor the risk of possible non recovery of this debt.

In the circumstances, the accuracy and recoverability of the receivables totalling Kshs.649,239,235 could not be confirmed.

2.2 Long Outstanding Receivables from Non-Exchange Transactions

The statement of financial position reflects receivables from non-exchange transactions balance of Kshs.1,190,416,159 as disclosed in Note 15 to the financial statements. The receivables relate to debts from National Youth Service (NYS) Units. However, these balances have been outstanding for more than two years. However, Management have not made a provision for bad debts since the recovery is uncertain.

In the circumstances, the accuracy and recoverability of the receivables from non-exchange transactions balance of Kshs.1,190,416,159 could not be confirmed.

3.0 Unconfirmed Property, Plant and Equipment Balance

As previously reported, the statement of financial position reflects property, plant and equipment balance of Kshs.3,231,202,775. As disclosed in Note 17 to the financial statements, the balance includes plant and machinery, heavy commercial vehicles and light motor vehicles amounts of Kshs.2,232,929,941, Kshs.847,730,348 and Kshs.147,739,381 respectively. However, as previously reported, Management had not valued the assets for financial reporting purposes since inception and the depreciation policy has not been approved by Council. Further, furniture and fittings such as executive tables, chairs and cabinets have not been tagged with unique identification numbers.

In the circumstances, the accuracy and completeness of the property, plant and equipment balance of Kshs.3,231,202,775 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on a comparable basis of Kshs.560,890,934 and Kshs.281,174,578 resulting to an underfunding of Kshs.279,716,356 or 50% of the budget. Similarly, the Fund spent Kshs.314,177,705 against total receipts of Kshs.281,174,578 resulting to an over absorption of Kshs.33,003,127 or 11% of the actual receipts.

In the circumstances, the underfunding may have affected the planned activities and may have impacted negatively on service delivery to the public.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Qualified Opinion section, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

Unresolved Prior Year Audit Issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements and Report on Lawfulness and Effectiveness in Use of Public Resources. However, Management has not resolved the issues as at 30 June 2024.

Other Information

Management is responsible for the other information set out on page i to xli which comprise of Key Entity Information and Management, Statement by the Chairman, Statement by Chief Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environmental and Sustainability Reporting and Statement of Directors Responsibilities. The other information does not include the financial statements and my audit report thereon.

The other information does not include the financial statements and my audit report thereon.

In connection with my audit on the National Youth Service-Mechanical and Transport Fund financial statements, my responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information and I am required to report that fact. I have nothing to report in this regard.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Legal Status of the National Youth Service-Mechanical and Transport Fund

The National Youth Service-Mechanical and Transport Fund was established in January 2011 by the NYS-Mechanical and Transport Fund Regulation, 2011. The Fund is subject to Section 207 (1) (i) of the Public Finance Management (National Government) Regulations, 2015 which states that the initial approval for establishment of a national public Fund shall be for a maximum period of ten (10) years, beyond which Cabinet and Parliament approvals shall be sought. However, by the time of this audit, the Fund's lifespan was thirteen (13) years and the approval for extension by the Cabinet and Parliament was not provided for audit review.

Further, the process of winding up had not commenced in line with Section 209(1) of the Public Finance Management (National Government) Regulations, 2015 which states that, where the lifespan of Fund lapses, within six (6) months from the date of the lapse, the winding up shall commence.

In the circumstance, Management was in breach of the law.

2. Grounded Motor Vehicles, Plant and Equipment

As previously reported, the Fund's asset register revealed that one hundred and thirty (130) motor vehicles, plant machinery and equipment have been grounded for along time

due to various mechanical reasons. Management has not made any efforts to repair or to seek approval for the disposal of the assets.

In the circumstances, the assets continue to deteriorate and any salvage value that could have been realized may be lost.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of 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, risk management and overall governance.

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

The Fund 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 resources are applied in an effective way.

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

Auditor-General's Responsibilities for the Audit

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

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7 (1) (a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

24 December, 2024

National Youth Service-Mechanical and Transport Fund
Annual Report and Financial Statements
for the year ended June 30, 2024.

14. Statement of Financial Performance for the year ended 30 June 2024

	Notes	2023/2024	Restated 2022/2023
		Kshs	Kshs
Revenue from non-exchange transactions			
Income from non-exchange transactions	6	0.00	92,214,632.00
		0.00	92,214,632.00
Revenue from exchange transactions			
Rendering of services	7	280,571,278.00	274,036,158.00
Other income	8	603,300.00	2,856,287.00
Total revenue		281,174,578.00	369,107,077.00
Expenses			
Bank Charges	9	145,623.00	217,159.00
Repairs and maintenance	10	136,416,536.00	161,205,119.00
Use of goods	11	141,855,809.00	211,109,116.00
Depreciation and amortization	12	195,663,843.00	240,075,704.00
Total expenses		474,081,811.00	612,607,098.00
Surplus/ (deficit) before tax		(192,907,233.00)	(243,500,021.00)
Taxation		0.00	0.00
Surplus/(deficit) for the period/year		(192,907,233.00)	(243,500,021.00)
Remission to National Treasury		0.00	0.00
Net Surplus for the year		(192,907,233.00)	(243,500,021.00)

The notes set out on pages 22 to 38 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

Sign.....

Name: James K. Tembur
CG/Fund Administrator

Date 10/12/24.....

George O. Odhare
Accountant MTF

ICPAK No: 13228

9/12/24.....

Lt. Gen (Rtd) Njuki Mwaniki
Chairman of the Board

10/12/24.....

**National Youth Service-Mechanical and Transport Fund
Annual Report and Financial Statements
for the year ended June 30, 2024.**

15 Statement of Financial Position as at 30 June 2024

	Notes	2023/2024	Restated 2022/2023
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	13	39,697,594.00	890,001.00
Receivables from Exchange Transactions	14	649,239,235.00	684,740,977.00
Receivables from Non-Exchange Transactions	15	1,190,416,159.00	1,190,416,159.00
Inventories	16	327,703,635.00	488,166,508.00
Total Current Assets		2,207,056,623.00	2,364,213,645.00
Non-Current Assets			
Property, Plant and Equipment	17	3,231,202,775.00	3,390,961,258.00
Total Non- Current Assets		3,231,202,775.00	3,390,961,258.00
Total Assets (A)		5,438,259,398.00	5,755,174,903.00
Liabilities			
Current Liabilities			
Trade and Other Payables	18	0.00	112,813,798.00
Prepayments	19	0.00	11,194,474.00
Sundry Creditors	20	8,579,223.00	8,579,223.00
Total Current Liabilities		8,579,223.00	132,587,495.00
Total Liabilities (B)		8,579,223.00	132,587,495.00
Net Assets (A-B)		5,429,680,175.00	5,622,587,408.00
Represented by:			
Accumulated Surplus		(436,407,254.00)	(243,500,021.00)
Capital Fund		5,866,087,429.00	5,866,087,429.00
Net Assets		5,429,680,175.00	5,622,587,408.00

The financial statements set out on pages 1 to 5 were signed on behalf of the Board of Directors by:

Sign.....

Name: James K. Tembur
CG/Fund Administrator

Date 10/12/24

.....

George O. Odhare
Accountant MTF

ICPAK No: 13228

9/12/24

.....

Lt. Gen (Rtd) Njuki Mwaniki
Chairman of the Board

10/12/24

**National Youth Service-Mechanical and Transport Fund
Annual Report and Financial Statements
for the year ended June 30, 2024.**

16. Statement of Changes in Net Assets for the year ended 30 June 2024

Description	Capital Reserve	Revaluation reserve	Retained earnings	Capital Fund	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
As at July 1, 2022	0.00	0.00	0.00	5,866,087,429.00	5,866,087,429.00
Revaluation gain	0.00	0.00	0.00	0.00	0.00
Surplus/ deficit for the year	0.00	0.00	(243,500,021.00)	0.00	(243,500,021.00)
As at June 30, 2023	0.00	0.00	(243,500,021.00)	5,866,087,429.00	5,622,587,408.00
As at July 1, 2023	0.00	0.00	(243,500,021.00)	6,102,607,857.00	5,622,587,408.00
Revaluation gain	0.00	0.00	0.00	0.00	0.00
Surplus/ (deficit) for the year	0.00	0.00	(192,907,233.00)	0.00	(192,907,233.00)
As at June 30, 2024	0.00	0.00	(436,407,254.00)	6,102,607,857.00	5,429,680,175.00

**National Youth Service-Mechanical and Transport Fund
Annual Report and Financial Statements
for the year ended June 30, 2024.**

17. Statement of Cash Flows for the year ended 30 June 2024

	Notes	2023/2024	Restated 2022/2023
		Kshs	Kshs
Cash flows from operating activities			
Receipts			
Surplus/Deficit for the year		(192,907,233.00)	(243,500,021.00)
Depreciation		195,663,843.00	240,075,704.00
Increase/decrease in stock		160,462,873.00	136,151,098.00
Increase /decrease in receivables from exchange transactions		35,501,742.00	58,825,378.00
Increase/decrease in trade payables		(124,008,272.00)	(222,334,204.00)
Net cash flows from/ (used in) operating activities	21	74,712,954.00	(30,782,045.00)
Cash flows from investing activities			
Purchase of PPE and Intangible assets		(35,905,360.00)	(10,289,601.00)
Net cash flows from/ (used in) investing activities		(35,905,360.00)	(10,289,601.00)
Cash flows from financing activities			
Net cash flows from financing Activities		0.00	0.00
Net increase/(decrease) in cash & Cash equivalents		38,807,594.00	(41,071,646.00)
Cash and cash equivalents at 1 July	13	890,001.00	41,961,647.00
Cash and cash equivalents at 30 June	13	39,697,595.00	890,001.00

**National Youth Service-Mechanical and Transport Fund
Annual Report and Financial Statements
for the year ended June 30, 2024.**

18. Statement of Comparison of Budget and Actual amounts for the year ended 30 June 2024

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
New Commercial Projects	300,000,000.00	0.00	300,000,000.00	195,178,670.00	104,821,330.00	0.65
Boreholes and water spans	10,000,000.00	0.00	10,000,000.00	2,886,927.00	7,113,073.00	0.29
Disposal of idle assets	10,000,000.00	0.00	10,000,000.00	0.00	10,000,000.00	0.00
Road Construction project (Kisumu County)	51,890,934.00	0.00	51,890,934.00	46,258,299.00	5,632,635.00	0.89
Road Construction project (Meru County)	10,000,000.00	0.00	10,000,000.00	32,192,494.00	(22,192,494.00)	3.22
Hire of Machines (Machakos County)	24,000,000.00	0.00	24,000,000.00	5,575,864.00	18,424,136.00	0.23
Golf Course Construction	5,000,000.00	0.00	5,000,000.00	(917,677.00)	5,917,677.00	-0.18
Support of NS Programmes	150,000,000.00	0.00	150,000,000.00	0.00	150,000,000.00	0.00
Total Income	560,890,934.00	0.00	560,890,934.00	281,174,578.00	279,716,356.00	0.50
Expenses						
Acquisition of M/Vehicles	60,000,000.00	0.00	60,000,000.00	35,905,360.00	24,094,640.00	0.60
Maintenance of M/Vehicles	270,000,000.00	0.00	270,000,000.00	136,416,536.00	133,583,464.00	0.51
Drilling Equipment	6,000,000.00	0.00	6,000,000.00	9,383,244.00	(3,383,244.00)	1.56
Fuel and Lubricants	160,000,000.00	0.00	160,000,000.00	85,000,647.00	74,999,353.00	0.53
General Office Supplies	5,000,000.00	0.00	5,000,000.00	1,915,626.00	3,084,374.00	0.38
Office maintenance	2,400,000.00	0.00	2,400,000.00	0.00	2,400,000.00	0.00
Maintenance of Generators	2,000,000.00	0.00	2,000,000.00	0.00	2,000,000.00	0.00
Plumbing	1,000,000.00	0.00	1,000,000.00	0.00	1,000,000.00	0.00
Supplies for production	30,000,000.00	0.00	30,000,000.00	33,388,265.00	(3,388,265.00)	1.11
Daily subsistence Allowance	10,000,000.00	0.00	10,000,000.00	12,168,027.00	(2,168,027.00)	1.22
Total Expenditure	546,400,000.00	0.00	546,400,000.00	314,177,705.00	232,222,295.00	0.57
Surplus for the period	14,490,934.00	0.00	14,490,934.00	(33,003,127.00)	47,494,061.00	(0.07)
Capital Expenditure	0.00	0.00	0.00	0.00	0.00	0.00

19. Notes to the Financial Statements

1. General Information

National Youth Service-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 NYS-MTF 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.

**National Youth Service - Mechanical and Transport Fund
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Notes to the Financial Statements (Continued)

3. Adoption of New and Revised Standards

- i. New and amended standards and interpretations in issue effective in the year ended 30 June 2024.*

There were no new and amended standards issued in the financial year.

- ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2024*

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified</p>

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Standard	Effective date and impact:
	existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>
IPSAS 47- Revenue	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
IPSAS 48- Transfer Expenses	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.</p>
IPSAS 49- Retirement Benefit Plans	<p><i>Applicable 1st January 2026</i></p> <p>The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector</p>

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Standard	Effective date and impact:
	employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.

iii. Early adoption of standards

The Entity did not early – adopt any new or amended standards in the financial year

Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees, taxes and fines

The National Youth Service-Mechanical and Transport Fund recognizes revenues from fees, taxes and fines 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.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the Mechanical and Transport Fund and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that has been acquired using such funds.

ii) Revenue from exchange transactions

Rendering of services

The Entity recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labour hours incurred to date as a percentage of total estimated labour hours. Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably, and it is probable that the economic benefits or service potential associated with the transaction will flow to the Mechanical and Transport Fund.

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Dividends

Dividends or similar distributions must be recognized when the shareholder's or the Entity's right to receive payments is established.

Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

b) Budget information

The National Youth Service Council and Cabinet Secretary, Ministry of Public Service and Gender approved the original budget for FY 2023-2024.

MTB's budget is prepared on the basis of the actual income and expenditure disclosed in the financial statements while 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 are recast on accrual 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.

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In addition to the basis differences, 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 17 of these financial statement.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

c) Taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the area where the Mechanical and Transport Fund operates and generates taxable income. Current income tax relating to items recognized directly in net assets is recognized in net assets and not in the statement of financial performance. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax liabilities are recognized for all taxable temporary differences, except in respect of taxable temporary differences associated with investments in controlled entities, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized, except in respect of deductible temporary differences associated with investments in controlled entities, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are re-assessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized outside surplus or deficit is recognized outside surplus or deficit. Deferred tax items are recognized in correlation to the underlying transaction in net assets. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable *Entity* and the same taxation authority.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Sales tax

Expenses and assets are recognized net of the amount of sales tax, except:

- i) When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.
- ii) When receivables and payables are stated with the amount of sales tax included
The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition. Transfers are made to or from investment property only when there is a change in use.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

e) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition 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. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

f) Leases

Finance leases are leases that transfer substantially all of the risks and benefits incidental to ownership of the leased item to the Mechanical and Transport Fund. Assets held under a finance lease are capitalized at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the future minimum lease payments. The Mechanical and transport Fund also recognizes the associated lease liability at the inception of the lease. The liability recognized is measured as the present value of the future minimum lease payments at initial recognition. Subsequent to initial recognition, lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognized as finance costs in surplus or deficit. An asset held under a finance lease is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Mechanical and Transport Fund will obtain ownership of the asset by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the Mechanical and Transport Fund. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

g) Intangible assets

Intangible assets acquired separately are initially recognized at cost. The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred. The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with an indefinite useful life are assessed for impairment at each reporting date.

h) Research and development costs

The *Entity* expenses research costs as incurred. Development costs on an individual project are recognized as intangible assets when the Mechanical and Transport Fund can demonstrate:

- i) The technical feasibility of completing the asset so that the asset will be available for use or sale.
- ii) Its intention to complete and its ability to use or sell the asset.
- iii) How the asset will generate future economic benefits or service potential
- iv) The availability of resources to complete the asset.
- v) The ability to measure reliably the expenditure during development.

Following initial recognition of an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when development is complete, and the asset is available for use. It is amortized over the period of expected future benefit. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

i) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Mechanical and Transport Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Company's financial statements. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. At initial recognition, the entity measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The entity classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the entity's management model for financial assets and the contractual cash flow characteristics of the financial asset. A financial asset is measured at amortized cost when the financial asset is held within a management model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. A financial asset is measured at fair value through net assets/ equity if it is held within the management model whose objective is achieved by both collecting contractual cashflows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. A financial asset shall be measured at fair value through surplus or deficit unless it is measured at amortized cost or fair value through net assets/ equity unless an entity has made irrevocable election at initial recognition for particular investments in equity instruments.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Subsequent measurement

Based on the business model and the cash flow characteristics, the entity classifies its financial assets into amortized cost or fair value categories for financial instruments. Movements in fair value are presented in either surplus or deficit or through net assets/ equity subject to certain criteria being met.

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through surplus or deficit, are measured at amortized cost. A gain or loss on an instrument that is subsequently measured at amortized cost and is not part of a hedging relationship is recognized in profit or loss when the asset is de-recognized or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through net assets/ equity

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through net assets/ equity. Movements in the carrying amount are taken through net assets, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in surplus/deficit. Interest income from these financial assets is included in finance income using the effective interest rate method.

Trade and other receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. Trade and other receivables are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Fair value through surplus or deficit

Financial assets that do not meet the criteria for amortized cost or fair value through net assets/equity are measured at fair value through surplus or deficit. A business model where the entity manages financial assets with the objective of realizing cash flows through solely the sale of the assets would result in a fair value through surplus or deficit model.

Impairment

The entity assesses, on a forward-looking basis, the expected credit loss ('ECL') associated with its financial assets carried at amortized cost and fair value through net assets/equity. The entity recognizes a loss allowance for such losses at each reporting date. Critical estimates and significant judgments made by management in determining the expected credit loss (ECL) are set out.

b) Financial liabilities

Classification

The entity classifies its liabilities as subsequently measured at amortized cost except for financial liabilities measured through profit or loss.

j) Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution. Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Mechanical and Transport Fund.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

k) Provisions

Provisions are recognized when the Mechanical and Transport Fund 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 Mechanical and Transport Fund 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.

l) Social Benefits

Social benefits are cash transfers provided to i) specific individuals and / or households that meet the eligibility criteria, ii) mitigate the effects of social risks and iii) Address the need of society as a whole. The entity recognises a social benefit as an expense for the social benefit scheme at the same time that it recognises a liability. The liability for the social benefit scheme is measured at the best estimate of the cost (the social benefit payments) that the entity will incur in fulfilling the present obligations represented by the liability.

m) 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.

n) Contingent assets

The Mechanical and Transport Fund does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

o) Nature and purpose of reserves

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

p) Changes in accounting policies and estimates

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

q) Employee benefits

Retirement benefit plans

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

r) Foreign currency transactions

Transactions in foreign currencies are initially accounted for at the ruling rate of exchange on the date of the transaction. Trade creditors or debtors denominated in foreign currency are reported at the statement of financial position reporting date by applying the exchange rate on that date. Exchange differences arising from the settlement of creditors, or from the reporting of creditors at rates different from those at which they were initially recorded during the period, are recognized as income or expenses in the period in which they arise.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

s) Borrowing costs

Borrowing costs are capitalized against qualifying assets as part of property, plant and equipment. Such borrowing costs are capitalized over the period during which the asset is being acquired or constructed and borrowings have been incurred. Capitalization ceases when construction of the asset is complete. Further borrowing costs are charged to the statement of financial performance.

t) Related parties

The Mechanical and Transport Fund regards a related party as a person or an Entity with the ability to exert control individually or jointly, or to exercise significant influence over the Mechanical and Transport Fund, or vice versa. Members of key management are regarded as related parties and comprise the Council, the CEO and senior managers.

u) Service concession arrangements

The Mechanical and Transport Fund analyses all aspects of service concession arrangements that it enters in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Mechanical and Transport Fund recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Mechanical and Transport Fund also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

v) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year. 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.

w) Comparative figures

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

x) 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, 2024.

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the National Youth Service- Mechanical and Transport Fund 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:

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 value

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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in Note 40. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

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Notes to the Financial Statements (Continued)

6. Income From Non-Exchange Transactions

Description	2023/2024	2022/2023
	KShs	KShs
Reimbursements from NYS Operations (AIE from NYS Headquarter)	0.00	92,214,632.00
Total	0.00	92,214,632.00

7. Rendering of Services

Description	2023/2024	2022/2023
	Kshs	Kshs
Hire of Buses	59,216,824.00	79,876,893.00
Construction Works	59,794,597.00	72,108,175.00
Hire of Machines and Equipment	158,672,930.00	118,229,138.00
Borehole Drilling	2,886,927.00	3,821,952.00
Total	280,571,278.00	274,036,158.00

8. Other income

Description	2023/2024	2022/2023
	Kshs	Kshs
Drivers' Training	0.00	1,805,880.00
Hire of Fire Engines	45,600.00	0.00
Repair & Maintenance of M/Vehicles	557,700.00	1,050,407.00
Total	603,300.00	2,856,287.00

9. Bank charges

Description	2023/2024	2022/2023
	Kshs	Kshs
Bank Charges	145,623.00	217,159.00
Total	145,623.00	217,159.00

The charges for the period reduced due to limited bank transactions during the period. With the introduction of ERP, the transactions are being undertaken through iBank which is fair economical than use of cheques

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Notes to the Financial Statements (Continued)

10. Repairs and Maintenance

Description	2023/2024	2022/2023
	Kshs	Kshs
Spare parts issued from China stock	10,669,175.00	30,682,222.00
Spares bought locally and used during the period	108,741,065.00	104,151,935.00
Services expenses	17,006,297.00	26,370,962.00
Total (Kshs)	136,416,536.00	161,205,119.00

The decrease in expenditure on these items was occasioned by;

- Availability of stocks carried forward from the previous period.
- Reduced engagements in projects as most of the projects were completed in the last period.
- The reported amount includes payments as first charge to suppliers for the previous period

11. Use of Goods

Description	2023/2024	2022/2023
	KShs	KShs
Fuel, oil and Lubricants	85,000,647.00	163,261,296.00
Tyres and Batteries	28,092,956.00	22,893,600.00
Welding and Workshop Materials	5,295,309.00	3,899,919.00
Printing and Stationery	1,915,626.00	3,209,463.00
Drilling Expenses	9,383,244.00	6,244,974.00
General Administration & Hospitality	0.00	2,425,561.00
Travel, Subsistence & Other Allowances	12,168,027.00	9,174,303.00
Total	141,855,809.00	211,109,116.00

- A decrease in expenditure of fuel and lubricants was occasioned by reduction in the market rates of fuel and related products, also the fund engaged more in dry hire of machines than contractual works and clients were fuelling machines. Further, fuelling of Service vehicles was directly paid from the HQs vote. However, the reported figure has Kshs 16.5M worth of fuel paid as first charge to suppliers for the previous period
- The increase in expenditure in Tyres and Batteries was occasioned by most machines and equipment having been engaged in construction works in previous period and required replacement of Tyres and batteries in the current period.
- The increased expenses on drilling were attributed to the price increase on drilling materials and more boreholes were drilled than the previous period
- The increase in expenditure on Travel and Subsistence Allowances was attributed by payment of pending bills of personnel allowances as first charge in the current period and clients who hired the machines and equipment did not cater for the personnel operating the machines but deposited the allowances into the fund account.

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Notes to the Financial Statements (Continued)

12. Depreciation and Amortization

Description	2023/2024	2022/2023
	Kshs	Kshs
Plant & Machinery	117,522,628.00	124,818,420.00
Heavy Commercial Motor Vehicles	61,105,107.00	80,754,962.00
Light Motor Vehicles	16,415,487.00	33,682,951.00
Computer Accessories	312,372.00	356,997.00
Furniture & Fitting	308,249.00	462,374.00
Total	195,663,843.00	240,075,704.00

- The valuation of non-current assets commenced in 2019 and was carried out in two phases. Phase one was done and completed by officers from the State Department for Public Works. Phase two is complete and the final report is being compiled. The figure posted, therefore, is the book value of the non-current assets and will be adjusted accordingly upon receipt of the full valuation report.
- The unserviceable assets were identified for disposal in the FY 2021/2022 based on Phase I Valuation Report. The disposal was done and the value stated above excludes the disposed assets

13. Cash and Cash Equivalent

Description	2023/2024	2022/2023
	Kshs	Kshs
Cash book bank balance	39,697,595.00	890,001.00
Cash at hand	0.00	0.00
Total cash and cash equivalent	39,697,595.00	890,001.00

14. Receivables From Exchange Transactions.

Description	2023/2024	2022/2023		
	Kshs	Kshs		
Receivables				
Hire of Machine	602,455,995.00	538,218,622.00		
Hire of Buses	10,309,346.00	58,556,128.00		
Construction Works	30,304,281.00	85,606,333.00		
Borehole drilling	2,359,894.00	2,359,894.00		
Other debtors (KRA)	3,809,719.00	0.00		
Total Current Receivables	649,239,235.00	684,740,977.00		
	2023/2024	% of the total	2022/2023	% of the total
Less than 1 year	42,003,915.73	6%	58,344,934.00	9%
Between 1- 2 years	154,850,847.72	24%	117,592,521.00	17%
Between 2-3 years	20,220,942.00	3%	76,639,992.00	11%

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Over 3 years	432,163,530.00	67%	432,163,530.00	63%
Total	649,239,235.45	100%	684,740,977.00	100%

- Management has put in place measures to follow up on all debtors from public and private sector agencies as guided by the NYS Bad Debt Provision Policy (2021). The policy states that bad debts written off shall be made only after all reasonable efforts have been made to recover the debt and the Service is convinced that all legal and other means of collecting the debt have been exhausted and yet the debt is still outstanding; and/or the recovery of the debt would be uneconomical.
- From the efforts, a number of the debtors have responded positively by either clearing or making part payments. Those that made part payment also promised to fully settle their debts in subsequent periods.
- Invoices for the Nairobi Metropolitan Services (NMS) were submitted to the Nairobi City County Government and are being considered under pending bills and claims relating to NMS and are expected to be paid once funds for the same are available

15. Receivables From Non-Exchange Transactions.

Description	2023/2024		2022/2023	
	Kshs		Kshs	
Receivables				
Receivables from NYS units	1,190,416,159.00		1,190,416,159.00	
Total Current Receivables	1,190,416,159.00		1,190,416,159.00	
	2023/2024	% of the total	2022/2023	% of the total
Less than 1 year	0.00	0%	0.00	0%
Between 1- 2 years	0.00	0%	0.00	0%
Between 2-3 years	0.00	0%	0.00	0%
Over 3 years	1,190,416,159.00	100%	1,190,416,159.00	100%
Total	1,190,416,159.00	100%	1,190,416,159.00	100%

16. Inventories.

Description	2023/2024		2022/2023	
	Kshs		Kshs	
China Phase I&II	170,628,580.00		183,499,490.00	
Local Stocks	157,075,055.00		304,667,018.00	
Total Inventories (Kshs)	327,703,635.00		488,166,508.00	

- The inventory includes balances of China phases I and II Stock and local purchases made as at 30th June, 2024

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Notes to the Financial Statements (Continued)

17. Property, Plant and Equipment

Cost	Plant & Machinery	Heavy Commercial	Motor vehicles	Furniture and fittings	Computers	Total
	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1 July 2022	4,930,413,174.00	2,977,450,450.00	493,262,213.00	4,110,606.00	3,488,425.00	8,408,724,868.00
Additions	0.00	0.00	0.00	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00	0.00
Transfers/Adjustments	(21,097,412.00)	(199,957,257.00)	(138,991,691.00)	0.00	0.00	(360,046,360.00)
As at 30th June 2023	4,909,315,762.00	2,777,493,193.00	354,270,522.00	4,110,606.00	3,488,425.00	8,048,678,508.00
Additions	0.00	35,905,360.00	0.00	0.00	0.00	35,905,360.00
Disposals	0.00	0.00	0.00	0.00	0.00	0.00
Transfer/Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
As at 30th June 2024	4,909,315,762.00	2,813,398,553.00	354,270,522.00	4,110,606.00	3,488,425.00	8,084,583,868.00
Depreciation And Impairment						
At 1 July 2022	2,434,044,773.00	1,823,808,136.00	156,432,703.00	2,723,483.00	632,451.00	4,417,641,546.00
Depreciation	124,818,420.00	80,754,962.00	33,682,951.00	462,374.00	356,997.00	240,075,704.00
Impairment	0.00	0.00	0.00	0.00	0.00	0.00
Transfers/ Adjustments	0.00	0.00	0.00	0.00	0.00	0.00
As At 30th June 2023	2,558,863,193.00	1,904,563,098.00	190,115,654.00	3,185,857.00	989,448.00	4,657,717,250.00
Depreciation	117,522,628.00	61,105,107.00	16,415,487.00	308,249.00	312,372.00	195,663,843.00
Disposals	0.00	0.00	0.00	0.00	0.00	0.00
Impairment	0.00	0.00	0.00	0.00	0.00	0.00
Transfer/Adjustment	0.00	0.00	0.00	0.00	0.00	0.00
As at 30th June 2024	2,676,385,821.00	1,965,668,205.00	206,531,141.00	3,494,107.00	1,301,820.00	4,853,381,093.00
Net Book Values						
As at 30th June 2023	2,350,452,569.00	872,930,095.00	164,154,868.00	924,749.00	2,498,977.00	3,390,961,258.00
As at 30th June 2024	2,232,929,941.00	847,730,348.00	147,739,381.00	616,499.00	2,186,605.00	3,231,202,775.00

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Notes to the Financial Statements (Continued)

18. Trade Payables

Description	2023/2024		2022/2023	
	Kshs		Kshs	
Trade Payables	0.00		104,560,676.00	
Other Payables	0.00		8,253,122.00	
Total	0.00		112,813,798.00	
Ageing analysis:	2023/2024	% of the Total	2022/2023	% of the Total
Under one year	0.00	0%	112,813,798.00	100%
1-2 years	0.00	0%	0.00	0%
2-3 years	0.00	0%	0.00	0%
Over 3 years	0.00	0%	0.00	0%
Total	0.00		112,813,798.00	

- Prior year adjustment done of Kshs. 35,905,360.00 relating to Trade Payables on purchase of four trucks which were not recognized as asset during the prior year and have since been recognized as assets during current reporting period

19. Prepayments

Description	2023/2024	2022/2023
	Kshs	Kshs
KERRA-Marakwet Road Project	0.00	9,450,796.00
Frontier engineering	0.00	1,017,018.00
Ruiru prison for Irrigation project	0.00	726,660.00
Total trade and other payables Kshs	0.00	11,194,474.00

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Notes to the Financial Statements (Continued)

20. Sundry Creditors

Description	2023/2024	2022/2023
	Kshs	Kshs
National Cereal Board	696,150.00	696,150.00
Roll fast Africa	47,480.00	47,480.00
MAH Engineering	170,314.00	170,314.00
Fore crest	4,297.00	4,297.00
Ministry of information	5,879,376.00	5,879,376.00
Lamu Port	116,341.00	116,341.00
Tseikuru airport	1,523.00	1,523.00
Mansa Guda	1,162,000.00	1,162,000.00
Ministry of special programmes	501,742.00	501,742.00
Total Amount (Kshs)	8,579,223.00	8,579,223.00

- Note: IPSAS requires the presentation of sundry creditors as current liabilities (short term liabilities and do not accrue interest on their outstanding balances).

21. Cash Generated from Operations

Description	2023/2024	2022/2023
	Kshs	Kshs
Surplus for the year before tax	(192,907,233.00)	(243,500,021.00)
Adjusted for:		
Depreciation	195,663,843.00	240,075,704.00
Working capital adjustments		
Increase in inventory	160,462,873.00	136,151,098.00
Increase in receivables	35,501,742.00	58,825,378.00
Increase in payables	(124,008,272.00)	(219,742,922.00)
Increase in payments received in advance	0.00	(2,591,282.00)
Net cash flow from operating activities	74,712,954.00	(30,782,045.00)

22. Financial Risk Management

The National Youth Service – Mechanical and Transport Branch activities expose it to a variety of financial risks including credit and liquidity risks and effects of changes in foreign currency. The National Youth Service – Mechanical and Transport Branch overall risk management programme focuses on unpredictability of changes in the business environment and seeks to minimise the potential adverse effect of such risks on its performance by setting acceptable levels of risk. The National Youth Service – Mechanical and Transport Branch does not hedge

any risks and has in place policies to ensure that credit is only extended to customers with an established credit history. The National Youth Service – Mechanical and Transport Branch financial risk management objectives and policies are detailed below:

i) Credit risk

The National Youth Service – Mechanical and Transport Branch has exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. Credit risk arises from cash and cash equivalents, and deposits with banks, as well as trade and other receivables and available-for-sale financial investments. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external assessment in accordance with limits set by the directors. The amounts presented in the statement of financial position are net of allowances for doubtful receivables, estimated by the National Youth Service – Mechanical and Transport Branch management based on prior experience and their assessment of the current economic environment.

ii) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the National Youth Service – Mechanical and Transport Branch directors, who have built an appropriate liquidity risk management framework for the management of the National Youth Service – Mechanical and Transport Branch short, medium and long-term funding and liquidity management requirements. The National Youth Service – Mechanical and Transport Branch manages liquidity risk through continuous monitoring of forecasts and actual cash flows. The table below represents cash flows payable by the National Youth Service – Mechanical and Transport Branch under non-derivative financial liabilities by their remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

iii) Market risk

The National Youth Service – Mechanical and Transport Branch has put in place an internal audit function to assist it in assessing the risk faced by the Service on an ongoing basis, evaluate and test the design and effectiveness of its internal accounting and operational controls. Market risk is the risk arising from changes in market prices, such as interest rate, equity prices and

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foreign exchange rates which will affect the NYS-MTF income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. Overall responsibility for managing market risk rests with the Audit and Risk Management Committee. The NYS- MTF Finance Department is responsible for the development of detailed risk management policies (subject to review and approval by Audit and Risk Management Committee) and for the day-to-day implementation of those policies. There has been no change to the NYS- MTF exposure to market risks or the way it manages and measures the risk.

Fair value of financial assets and liabilities

a) Financial instruments measured at fair value.

Determination of fair value and fair values hierarchy

IPSAS 30 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the National Youth Service – Mechanical and Transport Branch market assumptions.

Financial Risk Management

These two types of inputs have created the following fair value hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components. This hierarchy requires the use of observable market data when available. The National Youth Service considers relevant and observable market prices in its valuations where possible.

iv) Capital Risk Management

The objective of the National Youth Service’s capital risk management is to safeguard the National Youth Service’s ability to continue as a going concern. The NYS capital structure comprises of the following funds:

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Description	2023/2024	2022/2023
	Kshs	Kshs
Retained Earnings	(436,407,254.00)	(243,500,021.00)
Capital Fund	5,866,087,429.00	5,866,087,429.00
Total Funds	5,429,680,175.00	5,622,587,408.00
Total Borrowings	0.00	0.00
Less: Cash and Bank Balances	(39,697,594.00)	(890,001.00)
Net Debt/ (Excess Cash and Cash Equivalents)	N/A	N/A
Gearing	N/A	N/A

23. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the National Youth Service- Mechanical and Transport Fund include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the National Youth Service – Mechanical and Transport Fund, holding 100% of the NYS- MTF equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the National Youth Service- Mechanical and Transport Fund, both domestic and external.

Other related parties include:

- i) Public Service, Performance & Delivery
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of directors.

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Notes to the Financial Statements (Continued)

24. Events after the Reporting Period

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

25. Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Ministry of Public Service, Performance and Delivery Management. Its ultimate parent is the Government of Kenya.

26. Currency

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

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20. Appendices

Appendix 1: Implementation Status of Auditor-General's Recommendations

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Unsupported Receivables as follows:</p> <p>a) Ageing analysis was not provided for audit verification for Kshs 641,736,869 worth of receivable brought forward from 2020/2021 financial year and prior years; and</p> <p>b) Non-provision for bad and doubtful debts for Kshs 1,939,651,851 worth of receivables whose recoverability is doubtful.</p>	<p>a) The ageing analysis of the respective receivables was prepared and submitted to the Auditor-General for audit verification</p> <p>b) The Figure constitutes an internal debt of Kshs 1,151,440,547 for receivables from NYS Units and Kshs 788,211,304 for external customers</p> <p>c) The Internal Debt relates to motor vehicles, plant and equipment deployed to the NYS Units to facilitate their day to day operations and to support driving and plant operator training for service men and women during the period FY 2014/2015 to FY 2021/2022. These services are within the mandate of the Mechanical and Transport Fund</p>	<p>Not Resolved</p>	<p>By 30th June, 2024</p>

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
		<p>(MTF). The NYS Management resolved to support the MTF on this mandate vide an AIE to cater for fuel, repair and maintenance of motor vehicles, plant and equipment deployed to the NYS Units to facilitate their daily operations. The process of requesting the NYS Council to write off the reference debt has been initiated.</p> <p>d) The external debt of Kshs 788,211,304 has been followed up and its status is summarized in Appendix 2 below</p>		
	<p>Unsupported sundry creditors</p> <p>a) No supporting schedules were not provided for audit verification for Kshs 8,579,233 worth of sundry creditors; and</p> <p>b) No reasons were provided to justify the delayed payments of the sundry creditors.</p>	<p>a) A schedule of the sundry creditors (see Appendix 3) was submitted for audit verification.</p> <p>b) The amount represents clients who deposited funds for services to be rendered. The Fund still owes them the service, consequently, the Management is currently engaging them with the aim of offering the services paid for.</p>	Not resolved	By 30th June, 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	<p>Inaccuracy of Non-Current Assets</p> <p>a) Unvalued assets for financial reporting purposes since inception;</p> <p>b) The Depreciation Policy was not approved by the Council; and</p> <p>c) Furniture and fitting such as executive tables, chairs and cabinets were not been tagged with unique identification numbers.</p>	<p>a) The valuation of non-current assets commenced in 2019 and was split into two phases. Phase one was done and completed by officers from the State Department for Public Works. Phase two is complete and the final report is being compiled. The figure posted, therefore, is the book value of the non-current assets and will be updated upon receipt of the full valuation report.</p> <p>b) National Youth Service Council approved the Finance and Accounts Policies and Procedures Manual during its 12th meeting held on 21st January, 2021 under Minute number NYSC 08/21/01/2021. The policy outlines among other finance and accounts policies and procedures, the depreciation of the non-current assets of the Service.</p> <p>c) Tagging of NYS Office equipment, furniture and fittings was done during FY 2022/2023</p>	Not Resolved	By 30th June, 2024
	Other Matters under key audit matters	a) The motor vehicles, plant and equipment were assessed and those that could be repaired were isolated and	Not resolved	By 30th June, 2024

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Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
	a) Lack of efforts to repair or dispose ground motor vehicles, plant and equipment. a) Unresolved Prior Year Audit Issues	reclaimed for re-use; while those that were beyond repair set aside for disposal in the FY 2023/2024; and b) The issues were discussed during the examination of the State Department of Public Service accounts for the financial year 2020/2021, during the appearance before the special Fund Accounts Committee meeting on 14th April, 2023 and recommendations were issued therein. Whereby all the matters were marked as resolved. The final report to confirm the status of resolution is yet to be published.		



 Commandant General/C.E.O
 Date: 10/12/24

