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REPORT

Hon Owen Bayo, MP.
Deputy Leader - majority
Moses Lemuna

OF

THE AUDITOR-GENERAL

ON

MECHANICAL AND TRANSPORT FUND

**FOR THE YEAR
ENDED 30 JUNE, 2022**



**MECHANICAL AND TRANSPORT FUND,
ANNUAL REPORT AND FINANCIAL STATEMENTS,
FOR THE FINANCIAL YEAR ENDING,
30TH JUNE 2022.**

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

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1. KEY ENTITY INFORMATION AND MANAGEMENT

(a) Background information

The Mechanical and Transport Fund is established under the article 206 1(a) of the constitution of Kenya 2010. It provides for the establishment of public funds read together with the Public Finance Management Act Clause 24 (4). It is established via a legal notice No.140 of 2003 under Clause 34 of the Exchequer and Audit act 412 the precursor of the PFM Act. The administrator of the Fund is the Principal Secretary State Department for Infrastructure, through a Management Committee. The day-to-day operations are executed by the Chief Engineer (Mechanical) who is the secretary to the Management Committee.

The MTF received seed capital of Kshs.22 million from the National Treasury in the 2003/2004 financial year. In addition, the Government of Kenya entered into a loan agreement with the Republic of Korea on 15th April, 2005 for Kshs. 2Billion in view of strengthening the institutions' capacity. The Fund offers services that are spread across the 47 counties. In the year 2014, after promulgation of the Constitution of Kenya (COK) 2010, and the formation of the counties, the MTF released 80% of its fleet of equipment to the County Governments through equipment sharing platform.

In the financial year 2013/2014, MTF received additional Kshs.1.5 Billion from the National Treasury to procure plant and equipment. The MTF has continuously renewed its' fleet through funds raised through user fee of plant and equipment. The MTF receives Development Funds for projects every financial year from the National Treasury.

(b) Principal Activities

The Mechanical and Transport Fund (MTF) principal activities are provided for through Legal Notice No. 140 of 2003 under the Exchequer and Audit Act (CAP 412). The purpose and object of the Fund is to provide additional funds required for administration, planning, development, management, regulations, operations and maintenance of effective, economical and efficient Mechanical and Transport services in Kenya. The MTF's principal activities are aligned to the Divisions' Vision and Mission and are stated as follows;

- Provision of vehicles, plant and equipment at gazetted user fees to public and private sector.
- Mechanical and Transport Services at gazetted user fees to public and private sectors.
- Sale of boarded vehicles, plant, equipment and stores to the public.

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(c) Key Management

The Management of the Fund comprises of the following Key organs;

- The Principal Secretary, State Department for Infrastructure.
- The Management Committee.
- The Chief Engineer (Mechanical), Secretary to the management committee.

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2022 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	The Principal Secretary, State Department for Infrastructure.	Prof. Arch. Paul. M Maringa, (PhD), CBS, F.A.A.K, MKIP.
2.	Chairman of The MTF Management Committee	Eng. Francis Gitau.
3.	Chief Engineer (Mechanical)	Eng. Maurice S. Nabende.

(e) Fiduciary Oversight Arrangements

The MTF oversight role is stipulated in the legal notice N0.140 of 2003. The Management Committee is mandated by the legal notice to run the affairs of the organization by ensuring proper and effective sound financial management is upheld through various entities which includes the following;

- Internal Audit Committee.
- Office of the Auditor General.
- Parliamentary Accounts Committees and any other oversight committees that may be constituted from time to time.

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(f) Entity Headquarters

Mechanical and Transport Division,
P.O. Box 30043-00100,
03 Dunga Road,
Industrial Area,
Nairobi, KENYA.

(g) Entity Contacts

Telephone: (254) 02551960/1-5,
E-mail: cmte@mechanical.go.ke

(h) Entity Bankers

Kenya Commercial Bank,
P. O. Box. 18031-00500,
Industrial Area Branch,
NAIROBI, KENYA.

(i) Independent Auditors

Auditor General,
Office of the Auditor General,
Anniversary Towers, University Way,
P.O. Box 30084,
GPO 00100,
Nairobi, Kenya.

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(j) Principal Legal Adviser

The Attorney General,
State Law Office,
Harambee Avenue,
P.O. Box 40112,
City Square 00200,
Nairobi, Kenya.

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2. MANAGEMENT TEAM

NO.	MANAGEMENT	DETAILS
1.	 Eng. Francis Gitau	<p>Holder of Bachelor of Science (BSC) From the University of Nairobi. Holder of Master's Degree in Civil Transportation from the University of Nairobi. Holder of Executive Master of Business Administration (MBA) from Jomo Kenyatta University of Agriculture and Technology. Member Institution of Engineers of Kenya (IEK). Attended and qualified for the Strategic Leadership Development Programme (SLDP) at the Kenya School of Government. Current Chairman of the Mechanical Transport Fund. Chairman Task Force on Public Transport Industry Transition. Served as Chairman of the MRTS Programme Delivery Unit. Served as President, International Students, Aachen University, Germany, and Class of 1996. Served as President International Course, Malaysian Technical Cooperation Programme (MTCP) 2010. Served as Alternate Director of the Board in Kenya Rural Roads Authority Kenya National Highways Authority and Numerical Machining Complex. Served as Chair of the Transport Sector Training Committee of the National Industrial Training Authority</p>
2.	 Eng. Maurice S. Nabende	<p>Bachelor of Science (Mechanical Engineering) from the University of Nairobi. Masters of Arts (Project Planning Management) from the University of Nairobi. Professional Engineer (Registered with Engineers Registration Board). Member (Institute of Engineers Kenya). Attended Senior Management Course (SMC), Senior Leadership Development Course (SLDP) and Project Development and Management (PDM) at the Kenya School of Government. Attended Public Private Partnership (PPP) course. Attended Transformative Leadership for Implementing Public Sector Reforms (TLIPSR) course. Civil Service career spanning 34 years all in Engineering and Management Levels. Currently, Director – Kenya Institute of Highways and Building Technology - State Department of Infrastructure since 2017 and Ag. Chief Engineer (Mechanical) at Mechanical & Transport Division - State Department of Infrastructure from 2020.</p>


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3.	 <p>Mrs. Joyce Kirigo Gichomo</p>	<p>Director Human Resource Management & Development in State Department for Infrastructure .Has over thirty-three (33) years' experience in the line of Human Resource Resources Management in the Public Service. Full Member of Professional Body of Human Resource management Professionals -- Institute of Human Resource Management (IHRM). Holder of Master's degree in Business Administration (Human Resource Management Option). Bachelor of Commerce Degree, CPS (Sec 5), Strategic Leadership Development Programme among other Professional courses.</p>
4.	 <p>Mr. Philip Wachira</p>	<p>Bachelor of Arts (BA Hons) from the University of Nairobi majoring in Economics and Public Administration. Masters of Business Administration (MBA) from the University of Nairobi specializing in Strategic Management. Certified Public Accountant Part II. Attended Senior Management Course (SMC) and Senior Leadership Development Course (SLDP) at the Kenya School of Government. Civil Service career spanning 25 years all in the Finance Docket. Currently Head of Finance at the State Department of Infrastructure as Senior Chief Finance Officer (SCFO) responsible to the Principal Secretary for coordination of budget formulation, implementation and control for all the Road Agencies and Divisions within the State Department of Infrastructure.</p>
5.	 <p>Mr. Nathan Soita</p>	<p>Has a career spanning 23 years in public and corporate procurement both in Government funded and donor funded projects and provision of expert advice on public procurement matters. Holder of a Master of Business Administration (Procurement & Supply Chain Management) Degree and a Graduate Diploma in Purchasing & Supply from the University of Nairobi and Chartered Institute of Purchasing & Supply, UK respectively. Currently serving as a Senior Deputy Director, Supply Chain Management heading the State Department of Infrastructure in the Ministry of Transport, Infrastructure, Housing, Urban Development and Public Works. Served as a Procurement Officer at Kenya Anti-Corruption Commission, Senior Procurement Officer at the University of Nairobi, Kenya Rural Roads Authority and as a Senior Officer at Public Procurement Administrative Review Board. Worked as an Assistant Manager, Procurement at the Auditor General's Office.</p>

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<p>6.</p>	 <p>Mr. John Kimani</p>	<p>Holder of Bachelor of Arts (Economics) From the University of Nairobi. Holder of Master’s Degree in Economics from Makerere University. Holds a Diploma in Transport Planning and Management, Galilee Institute of Management. Holds a certificate in Strategic Leadership and Management, KSG. Member, Kenya Institute of Management (KIM). Currently serving as Director Planning, State Department of Infrastructure. Served as Chief Economist, Ministry of Roads. Served as Management Representative (MR) ISO 2015 certification, Ministry of Roads. Served as Head of ISO 2015 certification, State Department of Infrastructure. Served as Principal Economist, Ministry of Roads and Public Works. Member, Board of Management of the Kenya Institute of Highways and Buildings Technology. Member of Board of Management the Mechanical Transport Fund.</p>
<p>7.</p>	 <p>Eng. James M. Kungu</p>	<p>Holder of Bachelor of Science (BSc) in Civil Engineering from the University of Nairobi. Holder of Master of Science (MSc) in Construction Management from the University of Birmingham, UK. Registered Consulting Engineer, Engineers Board of Kenya (EBK). Corporate Member, Institution of Engineers of Kenya (IEK). Attended and qualified for the Strategic Leadership Development Programme (SLDP) at the Kenya School of Government. Member of the Mechanical Transport Fund Committee. Member, Kenya Institute of Highways and Building Technology (KIHBT). Alternate Director of the Board in Kenya Urban Roads Authority (KURA). Served as a Board of Management (BOM) Member, Loreto High School Limuru. Seconded to IGAD Secretariat in Djibouti and was Head of Infrastructure and Regional Coordinator for 6 years. Over 30 years’ experience in the infrastructure sector especially in the roads sub-sector. Currently the Chief Engineer, Roads in the State Department for Infrastructure.</p>

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8.	 <p>Mrs. (CPA) Sophie Mwangashi</p>	<p>Has worked in the civil service, for over 30 years. Worked as an Audit examiner at the Auditor General's office for 2 years and as an accountant for 28 years in different ministerial departments. The last station being the office of the deputy President. Currently serving as a Deputy Accountant General, heading the accounting unit at the Ministry of Transport, Infrastructure, Housing, Urban Development and Public works, in the state department of infrastructure. A Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). Trained and qualified for the strategic leadership development program at the Kenya School of Government.</p>
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3. CHAIRMAN'S STATEMENT

It is my privilege to present to you the Mechanical and Transport Fund statement for the year ended 2021-2022. Despite the down turn in the global and the Kenyan economic outlook, the Division posted significant gains in its performance. In the process of implementation of the Fund, the MTF succeeded in partnering with the County Governments of Meru, Nyamira, Kitui, Kiambu, Taita – Taveta, Elgeyo Marakwet and Nairobi Metropolitan Service in opening up rural access roads which in turn opened up the remote areas for economic growth. The Fund achieved a major objective of empowering local contractors by giving them access to resources like vehicle, plant and equipment which helped them participate in infrastructure development activities in the Country. The MTFs equipment were used in the Geothermal Development Corporation (GDC) in Nakuru and Baringo Counties for geothermal activity which gave the Fund an opportunity to participate in the production of green energy for industrial and domestic use.

During the period under review, the Fund had its own challenges in meeting its targets among them the Covid 19 which led to the scaling down of operations. In addition, there were challenges experienced by the Fund that came about due to unrealistic user fees, ageing fleet, external challenges, climate change, high cost of spare parts and fuel. The Fund also experienced financial challenges in acquiring new fleet, an underperforming national economy and debts that accrued while offering services to the County Government of Kisii and the Nairobi Metropolitan Services (NMS). During this time, breakdowns were more frequent and affected the Fund's timelines in service delivery.

Significant steps were executed to strengthen the business fundamentals which ensured that the fund was a going concern. Some of these steps employed were;

- Strengthening of internal controls through financial discipline.
- Prudent allocation and use of resources
- Trained staff in their areas of specialization
- Sensitized staff on corruption and ethical practices
- Adhered to high maintenance standards embracing good policy practices to achieve efficiency in operation and maintenance.
- Offered timely and efficient consultancy services to the public.

The Fund looks forward to working closely with other stake holders like GDC, KENHA, KURA, KERRA, County Governments, private sector, other government agencies and development partners in fostering development, improving lives, and in return, making the Fund self-sustainable.

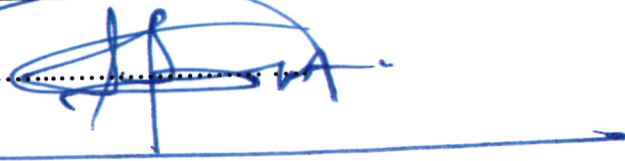
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The success of the Mechanical and Transport Fund was attributed to the tremendous support, guidance of the accounting officer, the oversight of the Management Committee.

On the future prospect of the Fund, the World Bank through Horn of Africa Gateway Development Project is envisioning transformation of the institute into a Semi- Autonomous Government Agency (SAGA) with an aim of increase its capacity and modernizing operations.

Eng. FRANCIS GITAU

Sign



Date

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4. REPORT OF THE CHIEF EXECUTIVE OFFICER

It is with pleasure that I present the Mechanical and Transport Fund Annual report and financial statements for the year 2021-2022. The purpose and objective of the Fund is to provide additional funds required for administration, planning, development, management, regulations, operations and maintenance of effective, economical and efficient Mechanical and Transport services in Kenya. The COVID 19 situation continued to impact on the Global economic outlook and thus the operation of the Fund was no exception. The Fund continued the provision of services to the stakeholders in support to the infrastructural development of the country. Through partnerships with the County Governments, MTF has demonstrated its capacity to deliver on its mandate through provision of vehicles, plant and equipment. Delivery of its services to key clients such as NMS and GDC has also provided a life-line to the sustainability of the Fund.

There was significant improvement in performance for the Fund in the Financial Year 2021-2022 considering the difficult operational challenges. The improved performance was as a result of increased management focus and dedication of staff in ensuring availability and serviceability of Vehicles, Plant and Equipment. It is noteworthy that in the year under review there was no capitalization of new equipment due to stringent monetary controls required to ensure sustainability of the Fund in the critical operational environment. This situation is however set to be reviewed once the income generation improves.

In the year under review, the Mechanical and Transport Division also aggressively pursued structured institutional framework through formulation of a strategic plan which is in the process of ratification and adoption. This is hoped to guide the Division in achievement of its aspirations to “*become a world class provider of mechanical, transport and plant services*” as enshrined in the strategic plan. The Division is also set to undergo transformation into a Semi-Autonomous Governmental Agency in the process funded by the World Bank under the Horn of Africa Gateway Development Project. The transformation into a SAGA is envisaged to catapult the Division into modern operational status and unlock the Division’s potential in revenue generation and modern resources management. I would like to acknowledge the staff of Mechanical and Transport Division for their continuous and timeless dedication to the achievement of the Funds objectives, our clients, management committee and stakeholders for their support.

Eng. MAURICE S. NABENDE,
Ag. CHIEF ENGINEER (MECHANICAL)

Sign

Date

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5. STATEMENT OF MTF PERFORMANCE AGAINST PREDETERMINED OBJECTIVES FOR FY 2021/2022

During the period under review, 2021/2022 Financial Year, the following was achieved as tabulated in the table below: -

MECHANICAL AND TRANSPORT DIVISION 2021/2022 ANNUAL DEPARTMENTAL WORKPLAN										
S/No	Activities	Output	Performance Indicators	Target Output	Actors	Time (Financial Year 2021/2022)				Achievement
						Q1	Q2	Q3	Q4	
Strategic Objective 1; To Standardize Government Fleet										
1.	Issuing specifications to Ministries, Departments, Government Agencies and County Agencies and County Governments	Standard Specs Issued	Register of standard specs issued	Issue standard specs 170 No.	CEM, Technical, Ministries/Depts.	70No. Standard Specs issued	70No. Standard Specs issued	20No. Standard Specs issued	10No. Standard Specs issued	248No.
2.	Developing new Technical Specifications upon request	New Specifications developed	Register of New specs issued to client	Develop New Specs for Vehicles, plant and equipment. 30 in No.	CEM, Technical, Ministries/Depts.	10No. new specs to be developed	12No. new specs to be developed	6No. new specs to be developed	2No. new specs to be developed	32No.
3.	Evaluating tenders of Vehicles, Plant, Equipment for Govt. Ministries/Entities upon request	Various tenders evaluated	Register of Various tenders evaluated and issued to client	Technical evaluation of tenders for vehicles, plant and equipment 30 in No.	CEM, Technical, Ministries/Depts.	10No. tenders to be evaluated	12No. tenders to be evaluated	6No. tenders to be evaluated	2No. tenders to be evaluated	32No.
4.	Pre-Delivery inspection of Vehicles, plant, and Equipment for Govt. Ministries/Entities upon request	PDI Reports Issued	Register of PDI reports inspected	Inspect 1500 Vehicles, Plant and Equipment	CEM, Technical, Ministries/Depts.	500 PDI's carried out	500 PDI's carried out	250 PDI's carried out	250 PDI's carried out	222No.
Strategic Objective 2; To have well maintained key vehicles, plant and equipment										
1.	To maintain and repair key vehicles, plant and equipment	To have 67% Serviceability level of vehicles, plant and equipment	Log books Serviceability reports pm Schedules	Maintain and Repair 380 vehicles, plant and equipment	RME'S CMO'S	380	380	380	380	368No.

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MECHANICAL AND TRANSPORT DIVISION 2021/2022 ANNUAL DEPARTMENTAL WORKPLAN

S/No	Activities	Output	Performance Indicators	Target Output	Actors	Time (Financial Year 2021/2022)				Achievement
						Q1	Q2	Q3	Q4	
2.	To renew vehicles, plant, equipment and other machinery	To have vehicles, plant, equipment and other machinery that are economical to maintain	Copies of: LPO's and delivery documents.	To Procure the following: 1 bulldozer 1 grader 3 excavators 1 lowbed 4 single drum rollers 11 trucks 2 prime movers 2 supervisory vehicles	CEM, Technical, Procurement/ Operations	Q1	Q2	Q3	Q4	NIL
3.	To board all vehicles, plant, equipment and other machinery that are uneconomical to operate	Optimal and efficient fleet	Lower operational cost and less breakdowns.	To board 180 lots of obsolete and uneconomical to repair vehicles, plant and equipment	CEM, Operations, RME's	Appointment of Board of Survey, identification and Survey of boarded items	Advertisement and sale of documents	Sale of boarded items	Collection of sold items	242No. of items boarded
Strategic Objective 3; To have maintenance and renewal funds through imposition of fees and hire										
1.	Receipts from hire of equipment	Funds for renewal and maintenance generated	Bank statements and MR receipt	Kshs.745, 325, 553 raised	CME, RME's, Accounts	Appointment of Board of Survey, identification and Survey of boarded items	Kshs.307, 502, 375	Kshs.186, 238, 727	Kshs.186, 574, 627	545.02 M
2.	Receipts from sale of vehicles, plant, Equipment and Machinery	Funds for renewal and maintenance generated	Bank statements and MR receipt	Kshs.15,000,000 raised	CME, RME's, Accounts			Kshs.15, 000, 000		26.1M
3.	Receipts from sales and fees for services surrendered	Funds for renewal and maintenance generated	Bank statements and MR receipt	Kshs.40,000,000 raised	CME, RME's, Accounts		Kshs.10, 000, 000	Kshs.10, 000, 000	Kshs.10, 000, 000	66.28M

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MECHANICAL AND TRANSPORT DIVISION 2021/2022 ANNUAL DEPARTMENTAL WORKPLAN

S/No	Activities	Output	Performance Indicators	Target Output	Actors	Time (Financial Year 2021/2022)				Achievement
						Q1	Q2	Q3	Q4	
Strategic Objective 4; To develop and improve Regional and County Mechanical Workshop										
1.	Improve and renovate central workshops and MTD main office	Improved Central Workshops and Offices.	Copies of: Requisitions, quotations, LSO's, BQs, completion certificate, payment voucher	MTD Workshops and offices renovated	CEM, Supply Chain Management officer, Branch Accountant.	Requisitions	BQs, quotations	LSO's	Completion certificate, Payment voucher	Funds Not Availed
2.	Improve and renovate 46 Regional/County Workshops and Offices	More functional Regional Workshops.	Copies of: Requisitions, quotations, LSO's BQs, completion certificate, payment voucher	46 county workshops and offices renovated	CEM, Supply Chain Management officer, Branch Accountant.	Requisitions	BQs, quotations	LSO's	Completion certificate, Payment voucher	46 County Workshops Refurbished
Strategic Objective 5; To Train Staff										
1.	To train in various Disciplines	Well trained and skilled staff	Invitation letters, attendance registers, and certificates	To train 100 staff members	CEM, RME's, Training Institutions	0 No. of Staff	50 No. of Staff	25 No. Staff	25 No. Staff	12 Officers Trained

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6. CORPORATE GOVERNANCE STATEMENT

The Mechanical and Transport Division has been on the forefront in subscribing to ethical practices, further, ensuring there is of transparency, accountability, fairness and responsibility in its activities.

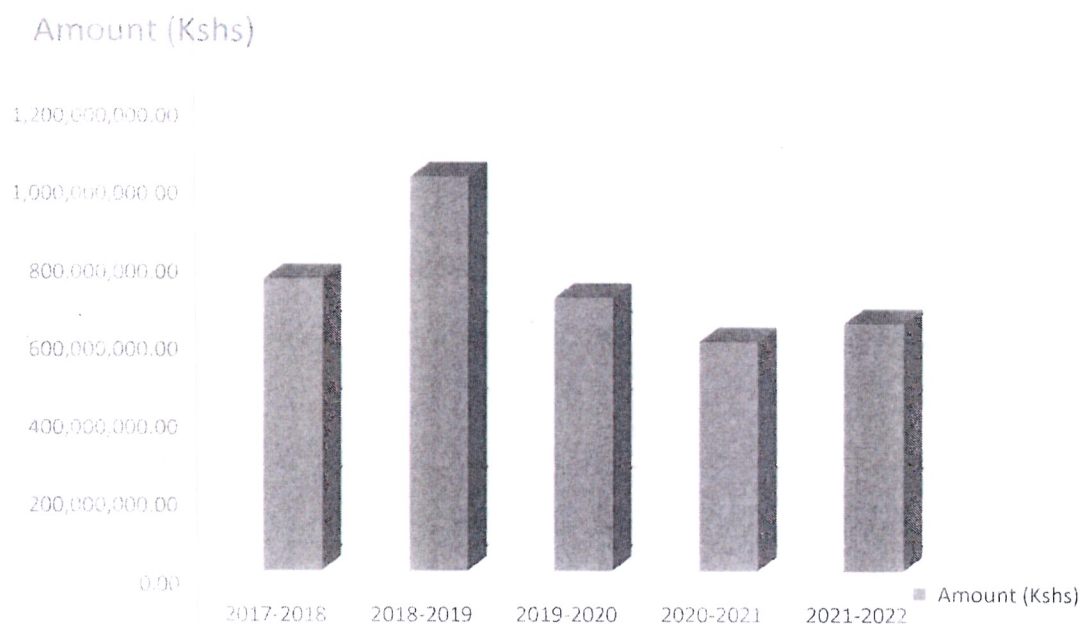
The Management committee met the threshold that is prescribed in the MTF Act of 2003 and significant decisions were made and approvals of pertinent issues were granted.

There were no underlying governance issues among the Committee members and top management including conflict of interest.

7. MANAGEMENT DISCUSSION AND ANALYSIS

SECTION A
OPERATIONAL AND FINANCIAL PERFORMANCE

The MTD for the year under review had substantial improvement in its performance compared to the previous years despite the economic challenges that were beyond its control. The trend over the years is as demonstrated in the graphical presentation below:



The graph above depicts trends in revenue generation over the years 2017-2022.

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The significant improvement was due to successful engagement majorly with County Governments, NMS and GDC. The management embraced operational efficiency through provision of services by ensuring availability and serviceability of vehicles, plant and equipment.

SECTION B
ENTITY'S KEY PROJECTS OR INVESTMENTS DECISION IMPLEMENTED OR
ONGOING

Sample MTF engagements in infrastructural developments for the year 2021-2022



Meru County, Njia Ward Road Opening

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Kakamega County - Grading Works

In the year under review, our key clientele continued to be the County Governments. There was substantial engagement with the following Counties: West Pokot, Nyamira, Nakuru, Meru, Taita Taveta and Kiambu. Others were organizations such as NMS and GDC.

SECTION C

ENTITY'S COMPLIANCE WITH STATUTORY REQUIREMENTS

Mechanical and Transport Fund Management has continued to observe and adhere to the Gazette Notice No. 140 of 2003 and the Public Finance Management Act, 2012 and other circulars and regulations that are issued from time to time.

SECTION D

MAJOR RISKS FACING THE ENTITY

During the year under review the following risks and mitigation measures were employed as depicted in the table below:

S/No.	RISK EVENT	MITIGATION MEASURES
1.	Loss of funds	Adherence to code of conduct for Public Officers.
2.	Loss of Assets	Hiring Of guards.
3	Manipulation of records, fraud	Adherence to the code of conduct Use of ERP System.
4	Misappropriation of funds	Sanctions/ Punishment Adhere to professional standards and code of ethics.

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SECTION E
MATERIAL ARREARS IN STATUTORY AND OTHER FINANCIAL OBLIGATIONS

In the year under review, the fund encountered the following arrears from our clients:

NMS unpaid amount: Kshs. 36,337,417.

Kisii County Government: Kshs. 48,710,152.

Total: Kshs. 85,047,569.

SECTION F
REVIEW OF THE ECONOMY

The Mechanical and Transport Fund experienced economic challenges due to high rise of prices of spare parts and fuel that came about due to the adverse effects of the National economy.

SECTION G
REVIEW OF THE SECTOR

The infrastructural sector was affected adversely by the political, economic and climatic factors.

SECTION H
FUTURE DEVELOPMENTS

The Division is sourcing funds for recapitalization of its fleet from GOK and development partners, improve or modernize and equip workshops with modern tools, prudent financial management, enhance measures to curb fraud and put in place structures to reduce corruption and finally transform into a SAGA.

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8. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

i) SUSTAINABILITY STRATEGY AND PROFILE

The top management has worked to develop a 5-year draft strategic plan anchored on Vision 2030 and the Sustainable Development Goals (No 9 on Industry, Innovation and Infrastructure, No.13 on Climate Action) that will help transform the Fund and widen the range of proposed services to help it become more self-reliant. The following table shows the measures that are being put in place towards these goals.

GOALS	OBJECTIVES	STRATEGIES
Efficiency in service delivery	Acquisition of more equipment.	40% of MTF annual accruals are normally set aside for the purchase of vehicles, plant and equipment. During the year under review however, we were unable to purchase any new machinery due to the shortfall in our revenue target due to the current economic environment. The Fund is in the process of mobilizing more resources from our development partners.
	Ensure availability and serviceability of equipment	The Fund utilized at least 60% of MTF annual accruals for spares, service parts, lubricants and other administrative costs in equipment maintenance.
	Develop and Adopt Information Communication Technology in MTF operations	Through the HoAGDP Project, the Fund implemented relevant software (ERP) for MTF reporting system.
		The Fund is in the process of obtaining funding through HoAGDP to acquire more ICT Equipment and to connect field stations to headquarters through Wide Area Network.
	Improve Workshops	The Fund is seeking support to help equip our regional and county workshops with modern tools and equipment.
	Ensure our services are available countrywide	The Fund has presence in all the 47 counties.
Financial Sustainability	Increase annual revenue collection from under 1.0 Billion to 2.0 Billion	During the financial year, the Fund was able to improve our total revenue collection by Kshs. 80 million.
		The Fund is actively seeking developing partners to help renew our fleet and improve our efficiency to help grow our revenue collection.
	Increase Sources of Revenue	The Fund strives to ensure maximum utilization of workshop facilities and equipment for services at a fee.
		Through the Draft strategic plan developed, we sought to diversify our consultancy services further e.g. inspection of exhaust emission for vehicles, locomotives, fuel generators, regulating the construction of bus bodies and trailers, regulation of private and public garages, Manufacture of small machines like block making Machines.
		During the period under review, the fund was able to raise Kshs. 26 million from the disposal of obsolete and unserviceable Equipment.

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	Ensure competitive hire and services fee	Going forward the organization strives to have a periodic review of our hire and services fees to remain more competitive.
Improve Institutional Capacity	Train staff on relevant technology	The Fund identified and trained various cadres of staff in the period under review to help build capacity.
		The Fund received more technical staff including engineer, inspectors and technicians during the year under review.
Quality Management Improvement	Establish a Research and Development Section	The Fund aims to design, build/organize and equip this section.

ii) Environmental Performance

The Division has been on the forefront of environmental conservation efforts in the field of motor vehicles, plant and machinery in the following ways:

- As the Chief advisor of Government in matters relating to Mechanical and Transport Services, the Division is continually researching on improving technical specifications issued to other Ministries, Departments and Agencies. The Division has been working towards developing technical specifications for electric vehicles, biogas driven and those that consume better standards of fuels to help environmental conservation efforts.
- Additionally on the Regulation and reduction of emissions and promoting renewable energies, the Division is also developing technical specifications on diesel and petrol motor vehicles that support the use of cleaner fuels that lead to lower emission levels. By advocating for motor vehicles that meet the higher Euro 4 standards from the current Euro 2 standards we thus help in improving the air quality by reducing the emission of sulphur and other metals.
- As the implementing agency of KS1515, the Division is also tasked with thoroughly inspecting imported second hand vehicles and ensuring they meet the required pollution emission standards to minimize environmental degradation.
- The Division undertakes valuation and inspection of unserviceable motor vehicles, plant and equipment in lieu of boarding. This helps eliminate motor vehicles that are not roadworthy to further reduce the amount of pollutants emitted to our environment as well as improving our road safety.
- Through Division alongside Kenya Bureau of Standards (KEBS) and National Transport and Safety Authority (NTSA), carried out testing of road speed limiters to ensure strict compliance of all new road speed limiter models to the set out regulations.
- The Fund is also the enforcer of the axle-load controls by developing standards that ensure the

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long term sustainability of our roads by ensuring trailers and trucks do not exceed axle load limits and destroy our infrastructure.

- The Fund develops Preventive Maintenance Schedules for its fleet to help improve the life span of our fleet and minimize the amount of unserviceable vehicles polluting the environment.
- The Fund was involved in GDC projects for geothermal exploration to generate green energy.

iii) Employee Welfare

Currently, the Division has a staffing level of 1,067 in post against 2,602 authorised establishments indicating that it relies on 41% of the required human capacity. The organization periodically conducts the training needs assessment and trains competent staff across all cadres. The organization is constantly working towards achieving gender parity and cultural diversity in its replacement processes as outlined in the Public Service Commission's policies and regulations.

The Fund strives to maintain the health and safety of our employees, customers and neighbors, and protecting the environment as part of our organizational philosophy. Our objective is to have zero accidents, zero errors and zero harm by continually adhering to the provisions of the Kenyan Constitution, the Labour Laws of Kenya, the ILO Conventions and best practices and the Occupational Safety and Health Act (OSHA).

iv) Market Place Practices

The Fund made strides in the following strategic areas:

• **Responsible Competition Practices**

Through provision of equipment to strengthen local contractors, the Fund facilitated growth of local contractors and become a benchmark for hire rates in the industry thus helping to control hire rates in the wider industry. Through the division, the Fund maintained an anti-corruption committee to enforce organizational ethics in its activities.

• **Responsible Supply Chain and Supplier Relations**

The organization maintained good business practices by treating its own suppliers responsibly, honoring contracts in time and developing good value for money road projects whenever called upon to work on various road construction projects for our clients.

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- **Responsible Marketing and Advertising**

The Fund maintained its gazetted rates uniformly across the country and has made this information publicly available to all. This means that the Fund maintained openness, honesty and transparency, operating with the highest level of ethical standards.

- **Product Stewardship**

The management continuously worked to identify market gaps and needs thereby introducing new equipment models and new technologies like the Soil Stabilizer. These new technologies are availed at market friendly rates and they are widely adopted by the private sector contractors thus continually improving the quality of roads and infrastructure constructed in our country.

REPUBLIC OF KENYA

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



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

REPORT OF THE AUDITOR-GENERAL ON MECHANICAL AND TRANSPORT FUND FOR THE YEAR ENDED 30 JUNE, 2022

PREAMBLE

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

- A. Report on the 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 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 Government achieves value for money and that such funds are applied for intended purpose.
- 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, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations, and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

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 Mechanical and Transport Fund set out on pages 1 to 17, which comprise of the statement of financial position as at 30 June, 2022, 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 Mechanical and Transport Fund as at 30 June, 2022, 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. Unsupported Cash and Cash Equivalents Balance

The statement of financial position reflects cash and cash equivalents balance of Kshs.121,978,474. Review of the bank reconciliation statement for the month of June, 2022 revealed payments in the cash book not in bank of Kshs.11,942,594 and receipts in bank not in the cash book of Kshs.6,092,571 whose breakdown on the date of payment or receipt and details of payee or paying party were not provided. In addition, no records were provided to show when the outstanding balances cleared from the books of accounts.

In the circumstances, the accuracy and completeness of the cash and cash equivalents balance of Kshs.121,978,474 could not be confirmed.

2. Inaccuracies in Intangible Assets

The statement of financial position and as disclosed in Note 15 to the financial statements reflects a Nil balance for intangible assets. However, the audited financial statements for 2020/2021 financial year reflected intangible assets balance of Kshs.5,906,199. Management has provided for audit the movement schedule of the balance from Kshs.5,906,199 to the Nil balance reported in the year under review. Further, and as previously reported, the nil intangible assets balance excludes an ERP system procured by the World Bank through the Kenya Transport Sector Support Programme (KTSSP) in the year 2019 at a cost of Kshs.12,397,245 with an aim of integrating its business operations.

In the circumstances, the accuracy of the Nil intangible assets balance could not be confirmed.

3. Property, Plant and Equipment

The statement of financial position and Note 14 to the financial statements reflect property, plant and equipment balance of Kshs.3,640,633,941. However, and as previously reported, the following anomalies were noted:

- i. The historical cost of property, plant and equipment balance of Kshs.6,810,896,239 as at 30 June, 2022 was not supported by an updated fixed asset register. The assets register presented for audit had various gaps in purchase prices, location, logbook number, and year of purchase.
- ii. Physical verification of assets revealed that the assets had not been tagged and therefore difficult to verify the details against the register and existence of the assets.
- iii. Available information indicated that the Fund occupies several parcels of land in the Country, their details and values have not been disclosed in the financial statements as the Management has not obtained ownership documents for the land.

In view of the above, the valuation, accuracy and completeness of the property, plant and equipment balance of Kshs.3,640,633,941 could not be confirmed.

4. Unsupported and Irregular Travel and Subsistence Allowance

The statement of financial performance and as disclosed Note 5 to the financial statements reflect travel and subsistence allowances of Kshs.101,881,651 which includes domestic travel and subsistence allowance of Kshs.34,270,659 out of which a sampled amount of Kshs.4,589,480 was paid as meal allowances to various officers during lunchtime and late in the evening as detailed in **Appendix I** attached. It was however noted that the same was not occasioned by any extra duties, thus amounting to double compensation. Further, travel and subsistence allowances include project allowances amounting to Kshs.60,396,792. However, an examination of documents revealed that there were no regulated rates to guide in the payment of allowances for attendants, supervisors, operators, drivers and mechanics.

In the circumstances, the validity and accuracy of travel and subsistence allowance totalling to Kshs.64,986,272 could not be confirmed.

5. Unsupported Expenditure on Routine Maintenance

The statement of financial performance and as disclosed in Note 6 to the financial statements reflects routine maintenance of vehicles, equipment and other assets amount of Kshs.274,412,500. Included in this expenditure is Kshs.188,536,185 spent on routine maintenance of vehicles and tyres and tubes. However, examination of payment records and other supporting documents revealed that expenditure amounting to Kshs.18,035,050 was not properly accounted for as detailed in **Appendix II** attached.

In addition, included in the routine maintenance of vehicles, tyres and tubes expenditure of Kshs.188,536,185 are payments totalling to Kshs.8,981,250 in respect of gravels and quarry wastes which do not relate to maintenance of vehicles, plants and equipment. Further, although the gravels and quarries were procured and received, no records were provided to show how they were used. Details of the expenditure is as analyzed below:

PV No.	Amount (Kshs.)	Details
1954	991,250	Payment for 325 trucks of quarry waste supplied to Chief Mechanical and Transport Engineer vide LPO No.3748234 and invoice No.538 of 24 March, 2022.
0433	2,000,000	Payment for supply of gravels to Chief Mechanical and Transport Engineer vide LPO and invoice attached to the payment voucher.
1271	990,000	Payment for quarry waste to Chief Mechanical and Transport Engineer vide LPO No.3748252 and invoice No.801 of 07 January, 2022.
0432	1,000,000	Payment for supply of 500 trucks of gravels to Chief Mechanical and Transport Engineer, Meru region vide LPO No.3748034 and invoice No.253 of 17 September, 2021.
0642	2,000,000	Payment for supply of 1000 trucks of gravels to Chief Mechanical and Transport Engineer vide LPO No.3786639 and invoice No.101 of 10 September, 2021.
1563	3,000,000	Payment for supply of 1,500 trucks of gravels to Chief Mechanical and Transport Engineer vide LPO No.3748413 and invoice No.121 of 14 March, 2022.
Total	8,981,250	

In the circumstances, the accuracy and validity of routine maintenance expenditure of Kshs.274,412,500 for the year ended 30 June, 2021 could not be confirmed.

6. Receivables

The statement of financial position and as disclosed under Note 12 to the financial statements reflects receivables balance of Kshs.85,047,569. Included in this balance is Kshs.48,710,152 for Kisii County Government which remained outstanding from 2018/2019 financial year. It was also noted that in a letter Ref No: KSI/CEC/TEP/2022/(256) dated 11 October, 2022, the County acknowledged an amount of Kshs.48,000,000 as the balance owed to the Fund resulting to an unexplained variance of Kshs.710,152. Further, included in the receivables balance is Kshs.36,337,417 owing from Nairobi Metropolitan Services (NMS). However, no confirmation has been provided from the NMS confirming the balance. In addition, Management did not provide the Fund's debt collection policy document for audit review.

In the circumstances, the accuracy and recoverability of the receivables balance Kshs.85,047,569 as at 30 June, 2022 could not be confirmed.

7. Trade and Other Payables

The statement of financial position and as disclosed in Note 16 to the financial statements reflect trade and other payables balance of Kshs.19,754,813 as at 30 June, 2022. Included in the balance is an opening balance of Kshs.13,729,635 relating to customer tender deposits dating back to financial year 2017/2018. No explanation has been provided for holding the deposits for long.

In the circumstances, the accuracy and validity of the tender deposits opening balance of Kshs.13,729,635 as at 30 June, 2022 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the 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.

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. There were no key audit matters to report in the year under review.

Other Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual on comparable basis of Kshs.780,825,553 and Kshs.637,432,854 respectively, resulting in a revenue shortfall of Kshs.143,392,699 or 18% of the budget. Similarly, the Fund spent an amount of Kshs.490,077,153 against an approved budget of Kshs.780,825,554 resulting in an under absorption of Kshs.290,748,401 or 37% of the budget.

The revenue deficit and under-absorption affected the planned activities of the Fund and impacted negatively on service delivery to the public.

2. Unresolved Prior Year Audit Matters

In the audit report of the previous year, a number of issues were raised. However, Management has not resolved the issues or disclosed the prior year matters as provided by the Public Sector Accounting Standards Board (PSASB) and The National Treasury's Circular Ref: AG.4/16/2 Vol.3 (72) dated 30 June, 2021.

3. Poor Financial Performance

During the year under review, the Fund reported a deficit of Kshs.128,695,987 (2020/2021 deficit - Kshs.208,927,996) resulting in depletion of accumulated reserves from Kshs.1,626,608,870 as at 1 July, 2021 to Kshs.1,497,912,883 as at 30 June, 2022. Management did not disclose strategies put in place to reverse the unfavourable trend which has been there for the last four years and if not addressed timely, may adversely affect the Fund's sustainability of services

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, I confirm that, nothing 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

The audit was conducted in accordance with 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, except for the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Non-Compliance with Authorized Staff Establishment

As A review of the Fund's authorized staff establishment revealed that in-post staff in various cadre were 981 against an authorized establishment of 2,695 resulting in a shortage of 1,714. The staff shortage noted if not addressed could impact negatively on the operations of the Fund.

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 controls 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 controls, risk management and overall governance.

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

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

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

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. 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 and weakness 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 addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal control in order to give an assurance on the effectiveness

of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal control may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the Fund's policies and procedures may deteriorate.


As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the applicable basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.

- Perform such other procedures as I consider necessary in the circumstances.

I communicate with Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that are identified during the audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on my independence and where applicable, related safeguards.


CPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

31 January, 2023

Appendix 1 - Meal Allowance

Date	PV No.	Payee	Amount Kshs.
19 August, 2021	0004	CMTE	181,440.00
19 August, 2021	0003	CMTE	78,120.00
27 August, 2021	0063	CMTE	497,420.00
27 August, 2021	0062	CMTE	78,120.00
31 August, 2021	0068	CMTE	181,440.00
27 September, 2021	0301	CMTE	133,560.00
07 October, 2021	0317	CMTE	22,680.00
22 October, 2021	0470	CMTE	74,200.00
22 October, 2021	0474	CMTE	20,160.00
22 October, 2021	0480	CMTE	221,760.00
09 March, 2022	1324	CMTE	211,680.00
09 March, 2022	1304	CMTE	82,600.00
09 March, 2022	1296	CMTE	25,200.00
29 March, 2022	1497	CMTE	186,480.00
29 March, 2022	1493	CMTE	60,200.00
27 April, 2022	1642	CMTE	226,800.00
18 May, 2022	1767	CMTE	30,240.00
30 May, 2022	1787	CMTE	249,480.00
30 May, 2022	1668	CMTE	20,160.00
25 November, 2021	681	CMTE	148,680.00
25 November, 2021	683	CMTE	35,000.00
25 November, 2021	672	CMTE	233,100.00
05 November, 2021	510	CMTE	35,000.00
22 December, 2021	855	CMTE	20,160.00
17 December, 2021	854	CMTE	165,200.00
17 December, 2021	853	CMTE	257,040.00
28 February, 2022	1204	CMTE	35,000.00
21 February, 2022	1067	CMTE	25,200.00
21 February, 2022	1125	CMTE	25,200.00
28 January, 2022	1063	CMTE	195,300.00
25 January, 2022	922	CMTE	114,800.00
04 January, 2022	700	CMTE	30,240.00
04 January, 2022	879	CMTE	35,000.00
30 June, 2022	2063	CMTE	151,200.00
28 June, 2022	1998	CMTE	27,720.00
21 June, 2022	1946	CMTE	302,400.00
21 June, 2022	1942	CMTE	136,500.00

Date	PV No.	Payee	Amount Kshs.
14 June, 2022	1905	CMTE	35,000.00
			4,589,480.00

Appendix II

PV No.	Date	Payee	Amount (Kshs)	Observations
1245	28 February, 2022	Transend International Limited	3,546,000	Purchase of 36 No. tyres vide LPO No.3748145 and invoice No.070 of 27 January, 2022. S13 No.0900755 of 27 January, 2022. The tyres were purchased for Mandera, Marsabit, Kisumu and Kajiado regions. However, there were no request from the RMEs provided for audit.
0612	23 December, 2021	Algarve Distributors Limited	3,060,000	Purchase of 60 No. tyres size 12.00R20TT (16) @51,000 vide LPO No.3748229 and invoice No. ADL127 of 01 November, 2021. S13 No.097j889 of 02 November, 2021. The tyres were purchased for Kisii Region. No request from the RME provided.
0454	08 November, 2021	Transend International Limited	2,955,000	Purchase of 30 No. tyres vide LPO No.83748082 and invoice No.057 of 24 September, 2021, S13 No.0978878 of 27 September, 2021 and S11 No.0454009 and 0468739. According to the LPO, the tyres were procured for Bungoma (2), Nyandarua (8), Meru (8) and Kitui (12). However, the S3 card showed that the tyres were issued to Meru (6), Kitui (18) and Mombasa (6). The Issue No.0454009 and 0185305 for Meru and Mombasa were not availed for audit. There were no requisitions from the regions too.
0947	25 January, 2022	Transend International Limited	2,615,000	Purchase of 41 No. tyres vide LPO No.3748095 and S13 No.0959892 of 10 December, 2021. According to the LPO, the tyres were procured for Bungoma (10) and Garsen (31). The tyres were recorded vide S3 card No 680004 and 458307 and issued vide S11 No.0467857 and 0467861. However, the S3 card No.458307 used to record the Ten (10) tyres size 315/80R22.5 was not availed for audit. According to the S3 card No.680004 24 tyres size 12R22.5 were issued to Mr. Evans Akama, P/No.2011016763 for Garsen regional Mechanical Engineer. However, the S11 No.0467861 used to issue the tyres showed that 20 No. tyres were issued to the officer and signed for. Further, there were no requisition from the regions.
1515	13 April, 2022	Finelynx Enterprises	691,500	Purchase of Tyres size 12.5x20 for Mombasa region vide LPO No. 3748160 and invoice No. 00252 of 10/03/2022. The tyres were received vide S13 No.0900771, recorded in S3 card No. 491321. The S3

PV No.	Date	Payee	Amount (Kshs)	Observations
				card was however not provided for audit review.
1744	18 May, 2022	Transend International Limited	600,000	Purchase of Tyres size 315/80 R22.5 for Kitui region vide LPO No.3748420 and invoice No.075 of 08/04/2022. The tyres were received vide S13 No.0900667, recorded in S3 card No.458307 and issued vide S11 No.0467897. The S11 was however not provided for audit review.
1244	28 February, 2022	Transend International Limited	520,600	Purchase of 14 No. tyres for Meru and Nairobi regions vide LPO No.3738146 and invoice No.073 of 01 February, 2022. The tyres were received vide S13 No.0900757 of 02 February, 2022, recorded vide S3 card No.812515 and 035544s. However, the S3 cards were not provided for audit.
1802	03 June, 2022	Transend International Limited	475,500	Purchase of Tyres for Mombasa and Nakuru regions vide LPO No.3738426 and invoice No.078 of 15 June, 2022. The tyres were received vide S13 No.0900675 of 17 May, 2022, recorded vide S3 card No.157101 and 511890. However, the S3 card No.157101 was not provided. The S11 No.0404040 issued with 10 No. tyres for Mombasa was not provided for audit review.
1217	21 February, 2022	Sairen Ventures	1,014,650	Purchase of spare parts vide LPO No.3748274 and invoice No.059 of 21 December, 2021. The items were received vide S13 No.0900753 of 21/01/2022 and recorded vide S3 cards No.786276 and 786277. The spare parts were procured through quotation. Three quotations were floated and given to Sairen Ventures, Shinelink Agency and Becasta Supplies. It was however noted that the contractors were not among those in the list of prequalified contractors for the year. Further, the S3 cards used to record the item was not made available for audit review.
0888	30 December, 2021	Kurgoi Enterprises Limited	746,400	Purchase of 1 No. Turbo Charger vide LPO No.374 8063 and invoice No.2416560 of 27 October, 2021. S13 No.0978900 of 02 November, 2021. The item was taken on charge in the S3 card No. 663938. However, the S3 card was not provided for audit. Further, the goods were directly procured from the supplier without raising Request for Quotation.

PV No.	Date	Payee	Amount (Kshs)	Observations
1516	13 April, 2022	Sambu Kenya	705,400	Purchase of Batteries vide LPO No.3748144 and invoice No.020 of 07 February, 2022, S13 No.0185778 of 10 December, 2022. The batteries were not recorded in the S3 card No.516270 and 663917. Details of how the batteries were utilized was not provided for audit.
0456	09 November, 2021	Tisco Construction Limited	597,000	Purchase of spare parts vide LPO No.3786652 and invoice No.112000933 of 19 August, 2021. S13 No.0978880 of 19 August, 2021. The items were recorded in the S3 cards. No.693635 and 693636. The S3 cards were not presented for audit. Further, the goods were directly procured from the supplier without raising Request for Quotation. The Company was also not among the contractors in the list of prequalified suppliers for 2021/2022.
0539	09 November, 2021	Raigways Tyres & Auto Mart Limited	508,000	Purchase of Batteries vide LPO No.3748061 and invoice No.379 of 24 September, 2021, S13 No.0978820 of 05 October, 2021. 4No. Batteries size N100 @25,000 received were not recorded in the S3 card No.516270. Details of how the batteries were utilized was not availed for audit.

MECHANICAL AND TRANSPORT FUND
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10. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2022.

Revenue from Exchange transactions		<u>2021-2022</u>	<u>2020-2021</u>
	Note	Kshs	Kshs
Hire of Equipment and Miscellaneous Services	3	611,302,099	589,008,620
Sale of Boarded Items	4	26,130,755	-
Total Revenue		637,432,854	589,008,620
Expenses			
Travel and subsistence allowance	5	101,881,651	92,613,507
Routine Maintenance of Vehicles, Equipment and other assets	6	274,412,500	322,752,360
Administrative expenses	7	65,399,741	61,949,733
Depreciation	8	276,051,688	272,801,637
Security services	9	48,383,260	47,819,379
Total Expenses		766,128,841	797,936,616
Deficit for The Year		(128,695,987)	(208,927,996)

The notes set out on pages 9 to 17 form an integral part of these Financial Statements.

The Financial Statements set out on pages 1 to 17 signed on behalf of the Board of Directors by:

Accounting Officer

Name: Prof. Arch Paul M Maringa
 PhD, CBS, F.A.A.K, MKIP.

Sign.....
 Date..... 19/09/2022

Head of Accounts

Name: Dr. Eric M Gatimu.
 ICPAK NO.9365.

Sign.....
 Date..... 18/09/2022

Ag.Chief Engineer (Mechanical)

Name: Eng. Maurice S. Nabende.

Sign.....
 Date..... 18/09/2022

MECHANICAL AND TRANSPORT FUND
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For the year ended June 30, 2022.

11. STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022.

		2021-2022	2020-2021
Assets	Notes	Kshs	Kshs
<u>Current Assets</u>			
Cash and cash equivalents	10	121,978,474	31,259,106
Outstanding imp rest	11	-	542,400
Receivables	12	85,047,569	12,394,238
Inventories	13	43,686,059	69,142,644
Total Current Assets		250,712,102	113,338,388
<u>Non- Current Assets</u>			
Property, Plants & Equipment	14	3,640,633,941	3,910,738,830
Intangible Assets	15	-	5,906,199
Total Non- Current Assets		3,640,633,941	3,916,645,029
Total Assets		3,891,346,043	4,029,983,417
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Trade & other payables	16	19,754,813	29,696,200
Total Current Liabilities		19,754,813	29,696,200
Government Grant	17	2,373,678,347	2,373,678,347
Reserves		1,626,608,870	1,835,536,866
Deficit for the year		(128,695,987)	(208,927,996)
Total Liabilities and Reserves		3,871,591,230	4,000,287,217
Net assets and Liabilities		3,891,346,043	4,029,983,417

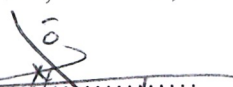
The Financial Statements set out on pages 1 to 17 were signed on behalf of the Board of Directors by:

Accounting Officer

Name: Prof. Arch Paul M Maringa
 PhD, CBS, F.A.A.K, MKIP.

Sign.....

Date.....



 18/08/2022

Head of Accounts

Name: Dr. Eric M Gatimu
 ICPAK NO.9365.

Sign.....

Date.....

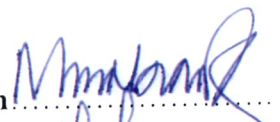

 18/08/2022

Ag.Chief Engineer (Mechanical)

Name: Eng. Maurice S. Nabende.

Sign.....

Date.....


 18/08/2022

MECHANICAL AND TRANSPORT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2022.

12. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2022.

	<u>Accumulated Reserves</u>	<u>Government Grant</u>	<u>Total</u>
	<u>Kshs</u>	<u>Kshs</u>	<u>Kshs</u>
Balance As At 1 st July 2020	1,835,536,866	2,373,678,347	4,209,215,213
Deficit for the period	(208,927,996)	0	(208,927,996)
As at 30 th June 2021	<u>1,626,608,870</u>	<u>2,373,678,347</u>	<u>4,000,287,217</u>
Balance As At 1 st July 2021	1,626,608,870	2,373,678,347	4,000,287,217
Deficit for the period	(128,695,987)	0	(128,695,987)
Balance as At 30 th June 2022	<u>1,497,912,883</u>	<u>2,373,678,347</u>	<u>3,871,591,230</u>

MECHANICAL AND TRANSPORT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2022.

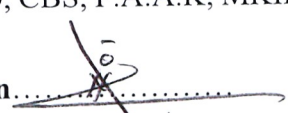
13. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2022.

<u>OPERATING ACTIVITIES</u>	Notes	<u>2021-2022</u>	<u>2020-2021</u>
		<u>Kshs</u>	<u>Kshs</u>
Deficit for the year		(128,695,987)	(208,927,996)
Non-cash adjustments:-			
Interest received		(2,531,002)	(647,856)
Sale of asset disposal		(26,130,755)	
Depreciation		276,051,688	272,801,637
Operating income before working capital changes		118,693,944	63,225,785
Movement in Working Capital			
Increase Debtors/prepayments		(72,653,331)	(1,700,139)
Decrease in Inventories		25,456,585	6,214,223
Decrease in Trade & Other Payables		(9,941,387)	(40,773,707)
Decrease in outstanding imp rest		542,400	794,498
Net Change in working Capital		(56,595,733)	(35,465,125)
Net cash used by/from operating activities	17	62,098,211	27,760,660
INVESTING ACTIVITIES			
Purchase of plant, machinery and equipment		-	(31,423,000)
Purchase of furniture		(40,600)	(403,095)
Asset disposal		26,130,755	
Interest income		2,531,002	647,856
Net cash used in Investing activities		28,621,157	(31,178,239)
FINANCING ACTIVITIES			
Net (decrease)/increase in cash and cash equivalents		90,719,368	(3,417,579)
cash and cash equivalents as at 1st July	10	31,259,107	34,676,686
cash and cash equivalents as at 30th June		121,978,475	31,259,107

The Financial Statements set out on pages 1 to 17 were signed on behalf of the Board of Directors by:

Accounting Officer

Name: Prof. Arch Paul M Maringa
 PhD, CBS, F.A.A.K, MKIP.

Sign.....

Date.....19/08/2022

Head of Accounts

Name: Dr. Eric M Gatimu
 ICPAK NO. 9365.

Sign.....

Date.....18/08/2022

Ag.Chief Engineer (Mechanical)

Name: Eng. Maurice S. Nabende.

Sign.....

Date.....18/08/2022

MECHANICAL AND TRANSPORT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2022.

14. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2022

	ORIGINAL BUDGET	ADJUSTM ENTS	FINAL BUDGET	ACTUAL ON COMPARA BLE BASIS	PERFORMANCE DIFFERENCE	% OF UTILISAT ION
Revenue	KSHS	KSHS	KSHS	KSHS	KSHS	
Receipts from Hire of Equipment	745,325,553	0	745,325,553	545,018,298	200,307,255	73%
Receipts from sale of Vehicles, Plant and Equipment	15,000,000	0	15,000,000	26,130,755	(11,130,755)	174%
Receipts from sales and fees for services	20,000,000	0	20,000,000	63,752,799	(43,752,799)	319%
Bank Interest Received	500,000	0	500,000	2,531,002	(2,031,002)	506%
	780,825,553	-	780,825,553	637,432,854	143,392,699	11%
Expenses						
Contractual Employees	20,000,000	2,200,000	22,200,000	20,570,327	1,629,673	93%
Electricity expenses	5,500,000	3,000,000	8,500,000	3,810,722	4,689,278	45%
Water and sewerage charges	1,700,000	-	1,700,000	882,678	817,322	52%
Telephone, Telex, Facsimile and Mobile Phone Services	3,505,429	-	3,505,429	3,321,920	183,509	95%
Internet connections	5,500,000	4,700,000	10,200,000	5,017,259	5,182,741	49%
Courier and Postal Services	1,000,000	-	1,000,000	233,940	766,060	23%
Domestic Travel	23,368,287	11,000,000	34,368,287	94,667,451	(60,299,164)	275%
Monitoring & Evaluation	10,000,000	-	10,000,000	5,914,000	4,086,000	59%
Travel costs (airlines, bus, railway etc.)	1,500,000	-	1,500,000	-	1,500,000	0%
Accommodation	2,500,000	(1,000,000)	1,500,000	-	1,500,000	0%
Publishing and Printing Services	1,000,000	500,000	1,500,000	1,050,392	449,608	70%

MECHANICAL AND TRANSPORT FUND
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For the year ended June 30, 2022.

Advertising, Awareness and Publicity Campaigns	2,000,000	-	2,000,000	1,873,045	126,955	94%
Trade Shows and Exhibitions	592,120	-	592,120	-	592,120	0%
Travel Allowance	2,099,873	-	2,099,873	1,300,200	799,673	62%
Book Allowance	1,000,000	-	1,000,000	-	1,000,000	0%
Tuition Fees	3,766,172	-	3,766,172	3,351,360	414,812	89%
Catering Services	3,500,000	1,600,000	5,100,000	4,988,096	111,904	98%
Boards, Committees, Conferences and Seminars	2,630,705	1,000,000	3,630,705	3,253,742	376,963	90%
Purchase of coffins	500,000	-	500,000	-	500,000	0%
Tyres and Tubes	90,000,000	9,000,000	99,000,000	46,157,568	52,842,432	47%
Purchase of Uniforms and Clothing- Staff	2,000,000	-	2,000,000	126,000	1,874,000	6%
Supplies for Production (Steel, Copper, and Timber for Spare parts)	1,000,000	-	1,000,000	-	1,000,000	0%
General Office Supplies (papers, pencils, forms, small office equipment	6,744,628	4,000,000	10,744,628	9,914,899	829,729	92%
Supplies and Accessories for Computers and Printers	6,000,000	-	6,000,000	4,781,207	1,218,793	80%
Sanitary and Cleaning Materials Supplies and Services	2,000,000	-	2,000,000	1,221,755	778,245	61%
Refined Fuels and Lubricants for Transport	16,000,000	-	16,000,000	73,109,216	(57,109,216)	457%
Oils & Lubricants- Other	23,486,458	-	23,486,458	12,513,240	10,973,218	53%
Bank Operating charges	258,342	1,000,000	1,258,341	453,499	804,842	36%
Contracted guards and cleaning services	36,001,043	24,909,300	60,910,343	48,383,260	12,527,083	79%
Membership fees and subscriptions	1,000,000	-	1,000,000	548,900	451,100	55%
Contracted Professional Services	1,000,000	-	1,000,000	-	1,000,000	0%
Maintenance of Vehicles	10,000,000	-	10,000,000	5,430,527	4,569,473	54%

MECHANICAL AND TRANSPORT FUND

Annual Reports and Financial Statements

For the year ended June 30, 2022.

Maintenance of Plant, Machinery and Equipment	164,643,303	(15,909,300)	148,734,003	136,948,090	11,785,913	92%
Maintenance of buildings and stations - Non Residential	1,189,445	0	1,189,445	-	1,189,445	0%
Maintenance of Internet Server, computers, Printers and software	3,000,000	-	3,000,000	253,859	2,746,141	8%
Purchase of Office Furniture and Fittings	4,500,000	(2,000,000)	2,500,000	-	2,500,000	0%
Upgrade and install closed circuit surveillance system	3,000,000	(1,000,000)	2,000,000	-	2,000,000	0%
Motor graders	28,700,000	-	28,700,000	-	28,700,000	0%
Bulldozer	30,000,000	-	30,000,000	-	30,000,000	0%
Low beds	5,000,000	-	5,000,000	-	5,000,000	0%
Excavators	78,000,000	-	78,000,000	-	78,000,000	0%
Dump Trucks (Tippers)	110,000,000	(43,000,000)	67,000,000	-	67,000,000	0%
Prime Mover	22,000,000	-	22,000,000	-	22,000,000	0%
Single Drum Roller	32,000,000	-	32,000,000	-	32,000,000	0%
Supervisory Vehicles	11,639,750	-	11,639,750	-	11,639,750	0%
	780,825,554	0	780,825,554	490,077,153	290,748,401	23

Budget notes

We have provided explanations for discrepancies.

MECHANICAL AND TRANSPORT FUND
Annual Reports and Financial Statements
For the year ended June 30, 2022.

<u>Particulars</u>		<u>Remarks</u>
4-251-0000-3510701-	Receipts from hire of equipment.	<p>1. Delay in release of funds by National Government to various Government Agencies, Authorities and County Government who are our main clients.</p> <p>2. High competition especially from NYS, Private contractors and County Governments which have purchased their own Road construction Equipment.</p>
4-251-0000-3510803-	Receipts from sales and fees for Services rendered.	Delay in release of funds by National Government to various Government Agencies, Authorities and County Government who are our main clients.
4-251-0000-2220102	-Maintenance of Vehicles, Plant, Machinery and Equipment & Tyres and Tubes.	<p>1. High prices of tyres and spare parts.</p> <p>2. High cost of maintaining aging equipment.</p> <p>3. Increase of fleet of equipment.</p>
* 4-251-0000-2211201	Fuel.	The variance of Kshs. 57,109,216 in fuel oils & Lubricants is as a result of County roads projects where the clients paid for fuel into our account hence we were to pay for fuel which was not included in the budget.
* 4-251-0000-2210301	Domestic Travel Allowances and Expenses.	The variance of Kshs. 60,299,164 is a result of allowances to our staff working in the county roads projects whereby the clients paid for dry rates for hire of equipment, fuel and plant operators' allowances.
The difference between original and final budget was due to re-allocation necessitated by day to day operations of the fund and other natural factors e.g. inflation.		

15. NOTES TO THE FINANCIAL STATEMENTS

(a) Statement of Compliance and Basis of Preparation

The Mechanical and Transport Fund financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the Mechanical and Transport Fund. The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method. The financial statements are prepared on accrual basis.

(b) Summary of Significant Accounting Policies

• **REVENUE RECOGNITION**

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably.

• **SALE OF GOODS**

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

MECHANICAL AND TRANSPORT FUND
Annual Reports and Financial Statements
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- **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.

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

- **BASIS OF DEPRECIATION**

The diminishing balance method is applied whereby the book value of plants, machinery and vehicles goes on decreasing as its existence continues. A certain percentage of the current book value is taken as the depreciation. Depreciation is in accordance with Mechanical Engineering of Plants, Machinery, Vehicles and Equipment valuation policy.

MECHANICAL AND TRANSPORT FUND
Annual Reports and Financial Statements For
the year ended June 30, 2022.

	2021-2022	2020-2021
3. Hire Of Equipment and Services Rendered.	<u>Kshs.</u>	<u>Kshs.</u>
Receipts during the year.	545,018,298	547,223,218
Miscellaneous income.	63,752,799	41,137,546
Bank interest income.	2,531,002	647,856
TOTALS	611,302,099	589,008,620
4. Sale of Boarded Items.	26,130,755	
5. Travel/Subsistence Allowance		
Domestic travel/subsistence allowance.	34,270,659	21,815,957
Project allowances.	60,396,792	70,797,550
Monitoring and evaluation.	5,914,000	-
Travel allowance (tuition).	1,300,200	-
TOTALS	101,881,651	92,613,507
6. Routine Maintenance Vehicles		
Routine Maintenance of vehicles & Tyres and tubes.	188,536,185	216,361,025
Fuel , oils and lubricants.	85,622,456	105,246,785
Routine Maintenance & Other assets.	-	342,822
Routine Maintenance comps, printers.	253,859	801,728
TOTALS	274,412,500	322,752,360
7. Administrative Expenses.		
Printing, advertising & information supplies services.	2,923,437	2,046,425
Communication –T/Phone, M/Phones.	3,321,920	3,052,470
Communication- internet.	5,017,259	11,938,420
Hospitality supplies & services.	8,241,838	3,895,331
Courier & Postal Services.	233,940	163,314
Trade, Shows & Exhibitions.	-	-
Uniforms.	126,000	810,613
Computer supplies and Accessories.	4,781,207	6,805,832
Detergents, Fungicides, Insecticides.	1,221,755	1,023,447
Supply of furniture.	-	-

MECHANICAL AND TRANSPORT FUND
Annual Reports and Financial Statements For
the year ended June 30, 2022.

General Office Supplies.	9,914,899	9,239,583
Utilities, - Electricity.	3,810,722	4,880,710
Utilities, Water & Conservancies.	882,678	1,114,643
Bank charges.	453,499	248,944
Training.	3,900,260	1,252,220
Basic wages for Temporary employees.	20,570,327	15,477,781
TOTALS	65,399,741	61,949,733
8. Depreciation.	276,051,688	272,801,637
9. Security Services.		
Payments during the year.	48,383,260	47,819,379

10. Cash and Cash Equivalents

Description	2021-2022	2020-2021
	Kshs	Kshs
Cashbook balance.	121,978,474	31,259,106
Total cash and cash equivalents.	121,978,474	31,259,106

11. Outstanding Imprest.	-	542,400
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12. Current Receivables.

Current receivables	2021-2022	2020-2021
	Kshs	Kshs
Geothermal development company-as at June 2021.	-	12,394,238
Kisii County Government.	48,710,152	-
Nairobi Metropolitan Services.	36,337,417	-
Total Current Receivables.	85,047,569	12,394,238

MECHANICAL AND TRANSPORT FUND
Annual Reports and Financial Statements For
the year ended June 30, 2022.

13. Inventories

Description	2021-2022	2020-2021
	Kshs	Kshs
Stationery & Detergents.	2,686,363	2,707,068
Fuel, Lubricants and oils.	1,237,799	1,727,713
Spare parts and meters.	39,761,897	64,707,863
Total Inventories.	43,686,059	69,142,644

MECHANICAL AND IKANSFUKI FUND
Annual Reports and Financial Statements
For the year ended June 30, 2022.

14. Property, Plant and Equipment

Year ended 30th June 2022	SUPERVISOR VEHICLES (BELOW 3 TON)	PLANTS AND EQUIPMENT	TRUCKS (OVER 3 TON)	COMPUTER EQUIPMENT & ACCESSORIES	OFFICE EQUIPMENTS	ICT INFRASTRUCTURE & TELEPHONY	OFFICE FURNITURE	TOTAL
Rate				10%	10%	10%	10%	
COST	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.	Kshs.
AS AT 01.07.2020	236,274,479	5,458,118,985	982,887,268	32,566,761	22,337,114	10,156,326	36,688,611	6,779,029,544
Additional			31,423,000				403,095	31,826,095
Total as at 30.06.2021	236,274,479	5,458,118,985	1,014,310,268	32,566,761	22,337,114	10,156,326	37,091,706	6,810,855,639
Additional							40,600	40,600
As at 30th June 2022	236,274,479	5,458,118,985	1,014,310,268	32,566,761	22,337,114	10,156,326	37,132,306	6,810,896,239
DEPRECIATION								
As At 30.06.2020	128,122,377	2,004,874,389	430,463,650	18,881,535	18,032,638	9,169,415	17,771,168	2,627,315,172
Period charge	9,468,983	205,677,259	50,938,824	2,439,617	1,628,376	74,040	2,574,538	272,801,637
As At 30.06.2021	137,591,360	2,210,551,648	481,402,474	21,321,152	19,661,014	9,243,455	20,345,706	2,900,116,809
Depreciation	7,820,799	209,182,385	45,480,922	2,415,978	1,465,538	66,636	3,713,231	270,145,489
As at 30 June 2022	145,412,159	2,419,734,033	526,883,396	23,737,130	21,126,552	9,310,091	24,058,937	3,170,262,298
Net Book Values								
As at 30 June 2022	90,862,320	3,038,384,952	487,426,872	8,829,631	1,210,562	846,235	13,073,369	3,640,633,941
As at 30 June 2021	98,683,119	3,247,567,337	532,907,794	11,245,609	2,676,100	912,871	16,746,000	3,910,738,830

MECHANICAL AND TRANSPORT FUND
Annual Reports and Financial Statements For
the year ended June 30, 2022.

15. Intangible Assets.

Description	2021-2022	2020-2021
	Kshs	Kshs
Cost	-	5,906,199
Additions	-	-
At end of the year	-	5,906,199

16. Trade and Other Payables.

Description	2021-2022	2020-2021
	Kshs	Kshs
Trade payables	-	15,966,565
Other payables		
Customer tender deposits b/f	13,729,635	14,087,009
Deposit for the year	11,728,998	
Tender refunds	(5,703,820)	(357,374)
Third-party payments	19,754,813	13,729,635
Total trade and other payables	19,754,813	29,696,200

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<p>17. <u>GOVERNMENT GRANT.</u></p> <p>A loan agreement was entered into between the Governments of the Republic of Korea on 15th April, 2005 concerning EDCF (Economic Development Cooperation Fund) Loans to be extended to the Government of the Republic of Kenya or its designated agency for the implementation of projects to be agreed upon between those two Governments of KSHS. 1,963,016,499.15.</p> <p>The EDCF Loan arrangement dated 10th May, 2005 concerned the financing and the implementation of Road Maintenance Equipment Renewal Project.</p> <p>The loan Repayment was to be done by the National Government in forty (40) semi-annual consecutive installments on date of 20th April and 20th October at an interest rate of 1% from the 11th year after the signing of the Loan agreement.</p>	<p>1,963,016,500</p>
<p>The National Government advanced the Mechanical and Transport Fund Kshs. 1,500,000,000.00 in the Financial year 2013-2014 to purchase Road Maintenance Equipment following an agreement to transfer 80% of MTF fleet to County Government.</p>	<p>1,500,000,000</p>
<p>Transfer 80% of MTF fleet to County Government.</p>	<p>(1,330,934,153)</p>
<p>Grant from Government of Japan</p>	<p>241,596,000</p>
<p style="text-align: right;">Total Government Grant</p>	<p style="text-align: right;"><u>2,373,678,347</u></p>

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18. Cash Generated from Operations

	2021-2022	2020-2021
	Kshs	Kshs
Deficit for the year before tax	(128,695,987)	(208,927,996)
Adjusted for:		
Depreciation	276,051,688	272,801,637
Non-cash grants received	(2,531,002)	(647,856)
Gains on disposal of assets	(26,130,755)	-
Working Capital adjustments		
Increase Debtors/prepayments	(72,653,331)	6,214,223
Decrease in Inventories	25,456,585	(1,700,139)
Decrease in Trade & Other Payables	(9,941,387)	(40,773,707)
Decrease in outstanding imp rest	542,400	794,498
Net cash flow from operating activities	62,098,211	27,760,660

Ag. Chief Engineer (Mechanical),

Name: Eng. Maurice S. Nabende.

Sign. 

Date. 18/07/2022