

REPUBLIC OF KENYA

V. 20



**KENYA NATIONAL AUDIT OFFICE**

PARLIAMENT  
OF KENYA  
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By Hon. B. Nwachuku,  
Majority Party Whip  
on Thurs. 20.08.2015

**REPORT**

**OF**

**THE AUDITOR-GENERAL**

**ON**

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

**FOR THE YEAR ENDED  
30 JUNE 2014**

*12*



# REPUBLIC OF KENYA

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P.O. Box 30084-00100  
NAIROBI

## OFFICE OF THE AUDITOR-GENERAL

### REPORT OF THE AUDITOR-GENERAL ON NATIONAL YOUTH SERVICE MECHANICAL AND TRANSPORT FUND (MTF) FOR THE YEAR ENDED 30 JUNE 2014

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#### REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of Mechanical and Transport Fund set out on pages 1 to 9, which comprise the statement of financial position as at 30 June 2014, and the statement of financial performance, statement of changes in net assets and statement of cash flows 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 8 of the Public Audit Act, 2003. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 7 of the Public Audit Act, 2003.

#### **Auditor-General's Responsibility**

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with provisions of Section 9 of the Public Audit Act, 2003. The audit was conducted in accordance with International Standards on Auditing (ISA). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's

preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

## **Basis for Qualified Opinion**

### **1.0 Non- Current Assets**

The statement of financial position reflects an amount of Kshs.2,248,970,109 under non-current assets. The fixed assets were Kshs.834,166,139 for commercial trucks, Kshs.165,577,096 for small vehicles and Kshs.1,249,226,874 for plant and machinery. The assets have not been valued and for some years some items were not depreciated. No reason has been provided by the management for the failure to revalue and depreciate the assets in accordance with reporting standards and best practice.

### **2.0 Receivables**

#### **2.1 Domestic Debts**

The Fund's statement of financial position reflects an amount of Kshs.149,918,976 which includes a balance brought forward of Kshs.92,383,044. Further, during the year an amount of Kshs.11,630,000 relating to Director, National Youth Service was transferred to domestic debts. No explanation has been provided as to why the outstanding balance of Kshs.149,918,976 has not been cleared from the Fund's records. Consequently, the accuracy and completeness of the domestic debts balance of Kshs.149,918,976 as at 30 June 2014 could not be ascertained.

#### **2.2 Commercial Debts**

The statement of financial position reflects an amount of Kshs.671,153,508 relating to Tana Road project debt of Kshs.657,345,769 and other debts of Kshs.13,807,739. Out of Kshs.671,153,508 an amount of Kshs.603,700,824 relates to 2012/2013 and earlier years and only Kshs.16,023,283 or 2% of the total commercial debts was paid during the year. No explanation has been provided for the non clearance of the debts over the years.

#### **2.3 DG NYS**

According to records of the Fund, an amount of Kshs.124,600,000 was borrowed from the Fund account no. 1128674548 at Kenya Commercial Bank, Moi Avenue by

the Ministry of Devolution and Planning. The money had not been refunded to the Fund as at 27 April 2015. It appears there is no documented policy or authority given to borrow from the Fund.

### **3.0 Paymaster General - MOYAS Deposit**

As reported in the previous year, the statement of financial position also reflects a PMG – MOYAS Deposit balance of Kshs.247,530,867 which differs with the balance of Kshs.17,963,412 reflected in the Ministry's deposits cash book by Kshs.229,567,454.96. The difference has not been reconciled or explained by the management.

### **4.0 Cash and Cash Equivalents**

#### **i. Bank Reconciliation**

The bank reconciliation statement as at 30 June 2014 reflect payments in cash book not in bank statement of Kshs.24,214,816, receipts in bank statement not in cash book of Kshs.82,537,462, payments in bank statement not in cash book of Kshs.4,415,649 and receipts in cash book not in bank statement of Kshs.45,844,986. No explanation has been provided for failure to clear the long outstanding items.

#### **ii. Unreconciled Difference**

The statement of financial position reflects a figure of Kshs.286,178,165 which comprises of MOYAS deposit balance of Kshs. 247,530,867 and cash and bank balance of Kshs.38,647,298 while the statement of cash flows reflects Kshs.379,233,171. The difference of Kshs.93,055,006 has not been explained or reconciled.

### **5.0 Sustainability of the Fund**

The Fund reported losses of Kshs.138,127,238,240 for the year ended 30 June 2014 down from Kshs.157,811,636 in 2012/2013. Further the Fund reported uncollected debts comprising of domestic debts of Kshs.149,918,976 commercial debts of Kshs.671,153,508 and borrowings of Kshs.124,600,000 by the Ministry of Devolution and Planning. The total debt owed to the fund was Kshs.945,672,484, approximately 27% of total reported equity of Kshs.3,472,241,535.

The long outstanding debts have an impact on the going concern of the Fund. No reason has been given by the management for failure to collect the long outstanding debts.

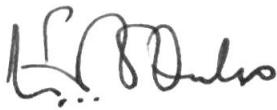
### **6.0 Fund Balance**

The statement of financial position reflects a figure of Kshs.3,472,241,535 as at 30 June 2014. Further, included in the notes to the statement is a prior year adjustment

error of Kshs.39,807,204. No explanation or supporting documents were provided for audit review.

### **Qualified Opinion**

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Fund as at 30 June 2014, 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 Funds Regulations of 2011.



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

**Nairobi**

**2 June 2015**



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**MINISTRY OF DEVOLUTION AND PLANNING**

**NATIONAL YOUTH SERVICE  
MECHANICAL AND TRANSPORT FUND**

**FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE 2014**

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# **NYS - MECHANICAL AND TRANSPORT FUND**

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

### **BACKGROUND**

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

The Nys –Mechanical and Transport Fund was established under legal notice No. 15 of 30<sup>th</sup> January 2011. The objective and purpose of the fund is to provide enough funds required for maintenance and renewal of vehicles, plants and equipment for the operations and maintenance of effective, economical and efficient mechanical and transport services while training the Kenyan youth engaged in National projects. The fund became operational in the financial year 2013/2014 and put the department on legal framework for commercial undertaking on hire of earth moving equipment. The administrator of the fund was mandated by the legal notice to spearhead efficient and maximum operations of the fund through prudent management.

### **Mandate**

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

### **Principle Activities**

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

### **Vision**

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

### **Mission**

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

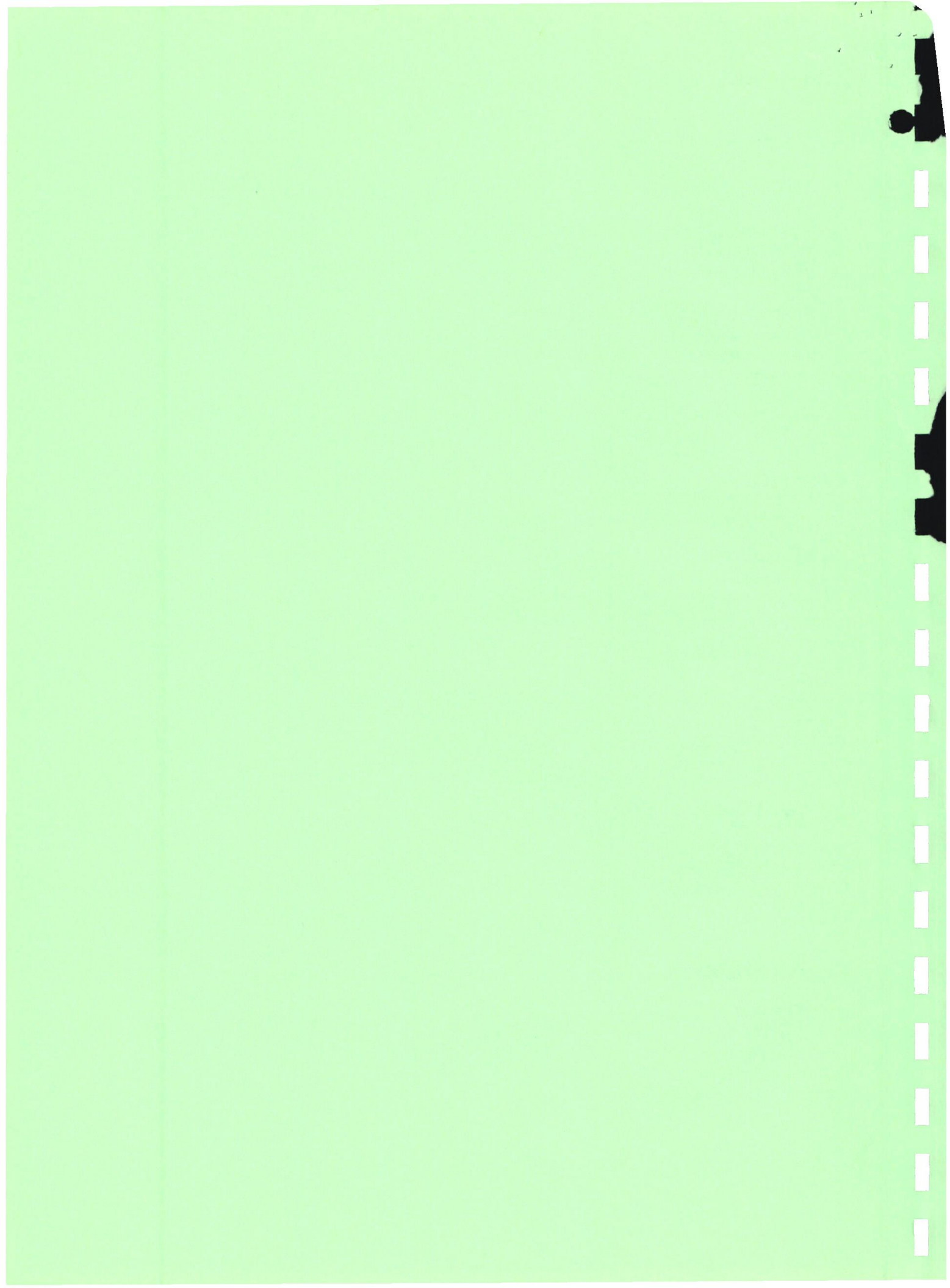
### **Core values**

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

### **Strategic Objective**

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

### **Key Strategic Priorities**



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

### **Key Management Team**

#### **Designation**

- Principle Secretary Ministry of Devolution and Planning
- Treasury representative
- Director General NYS
- Ag. Director NS
- Head of accounting Unit
- Director Finance and administration NYS HQs
- Accountant MTB
- MTB Fund Accountant

**Eng. Peter Mangiti**  
**Mr. Lewis Suke**  
**Dr. Nelson Githinji, CBS**  
**Cleophas K. Kemboi, MBS**  
**Naftali Githinji**  
**Samuel Wachenje, ndc(K)**  
**Mary Ragen**  
**Isaac M.M Musyoki**

### **Entity Headquarters**

Mechanical and Transport Branch  
 National Youth Service Headquarters  
 Off Thika Road  
 Ruaraka  
 P.O. Box 59432-00200  
 Nairobi

### **Entity Contacts**

Telephone : (+254)8560319  
 Email: nysmtbhire@gmail.com

### **Entity Bankers**

Kenya commercial Bank Ltd  
 P.O. Box 30081-00100  
 Kencom House  
 Moi Avenue  
 Nairobi

### **Bank Details**

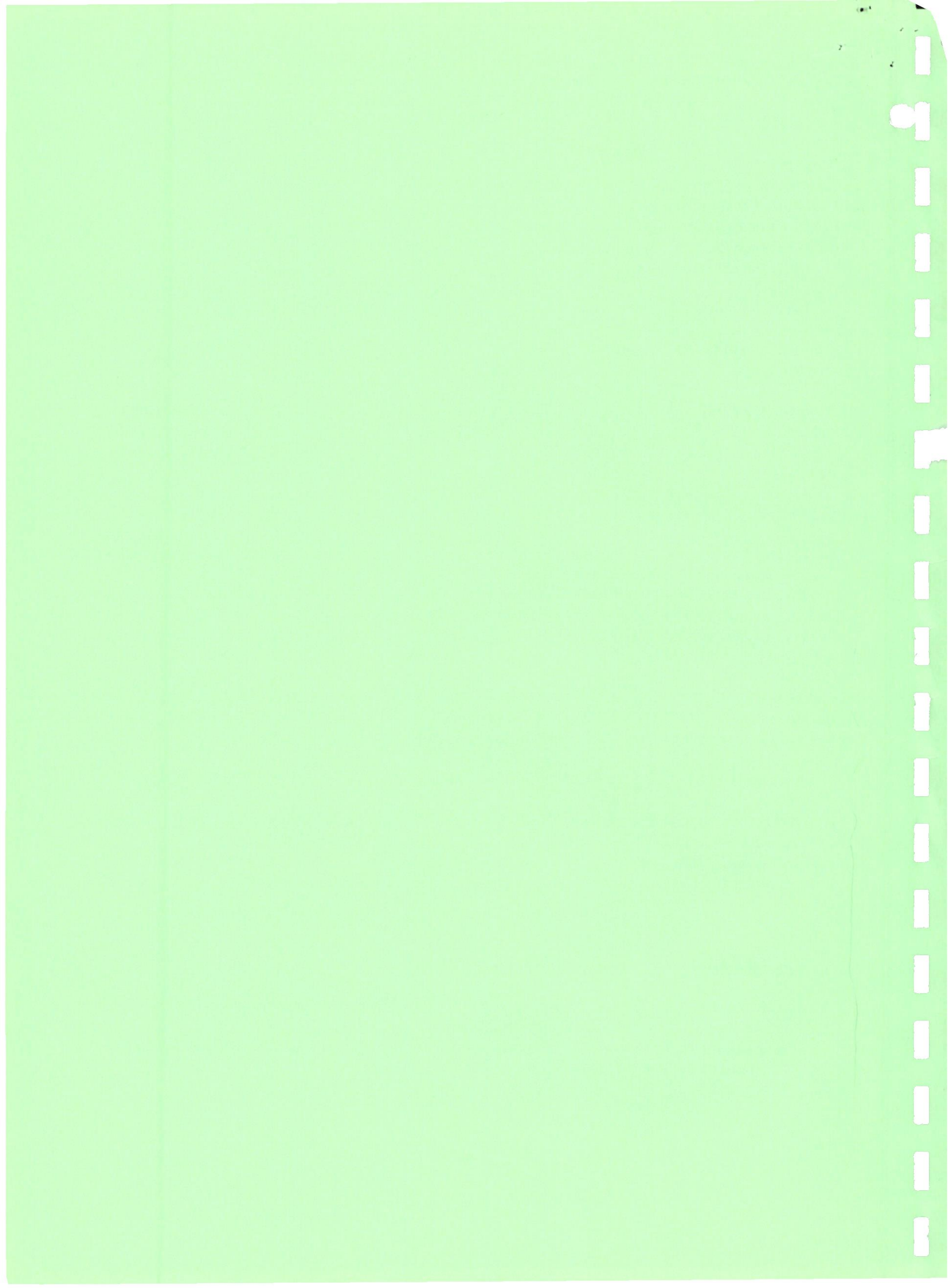
Account No. 1128674548  
 Account Name: Nys Mechanical Fund  
 Account Type: Recurrent

### **Independent Auditors**

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

### **Principal Legal Advisor**

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



## **PART II: MANAGEMENT REPORT**

The establishment of MTF under Government Legal Notice No.15 of 30<sup>th</sup> January, 2011 and operationalized in the financial year 2013/2014 puts the Department on Legal Framework for commercial undertaking on hire of equipment. The officer administering the fund is mandated by the fund to spearhead efficient and maximum operations of the fund through prudent management of equipment maintenance and operations.

### **Achievements**

1. Completion of Konza ICT project perimeter fencing.
2. Desilting of Muoni Dam.
3. Construction of Tseikuru Airstrip.
4. Construction of rural road under Kerra for:
  - Naivasha constituency
  - Mogotio
  - Baringo Central
  - Kitui West
5. Construction of perimeter fence for Lamu Port

### **Acknowledgment**

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

### **Challenges**

1. Lack of local dealers of spare parts for most of Chinese machinery/ vehicles and therefore repair of the vehicles/ equipment take long to undertake.
2. Nonpayment of hire bills from Tana Basin Road Project.
3. Nonpayment of domestic hire bills for NYS Units.
4. Treasury waivers e.g. transport of relief supplies.

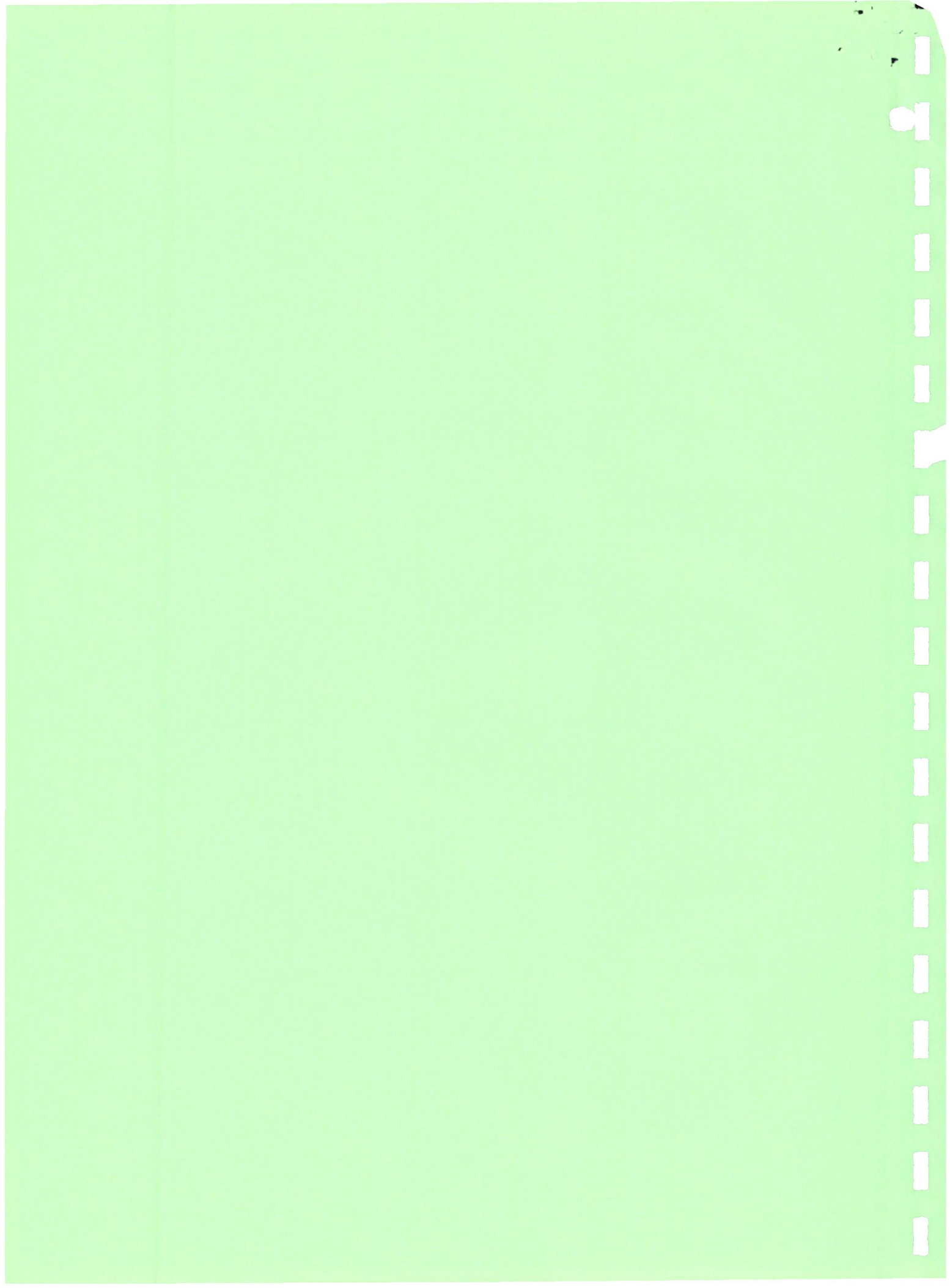
### **Appreciation**

Despite the challenges the success of NYS Mechanical and Transport fund is attributed to the tremendous support and guidance of the Accounting officer Ministry of Devolution and Planning, the expertise and hardwork of the management committee and staff of Mechanical and Transport Branch

### **(b) The Accounting Officer/Receiver of Revenue /Administrator of a national public funds Report**

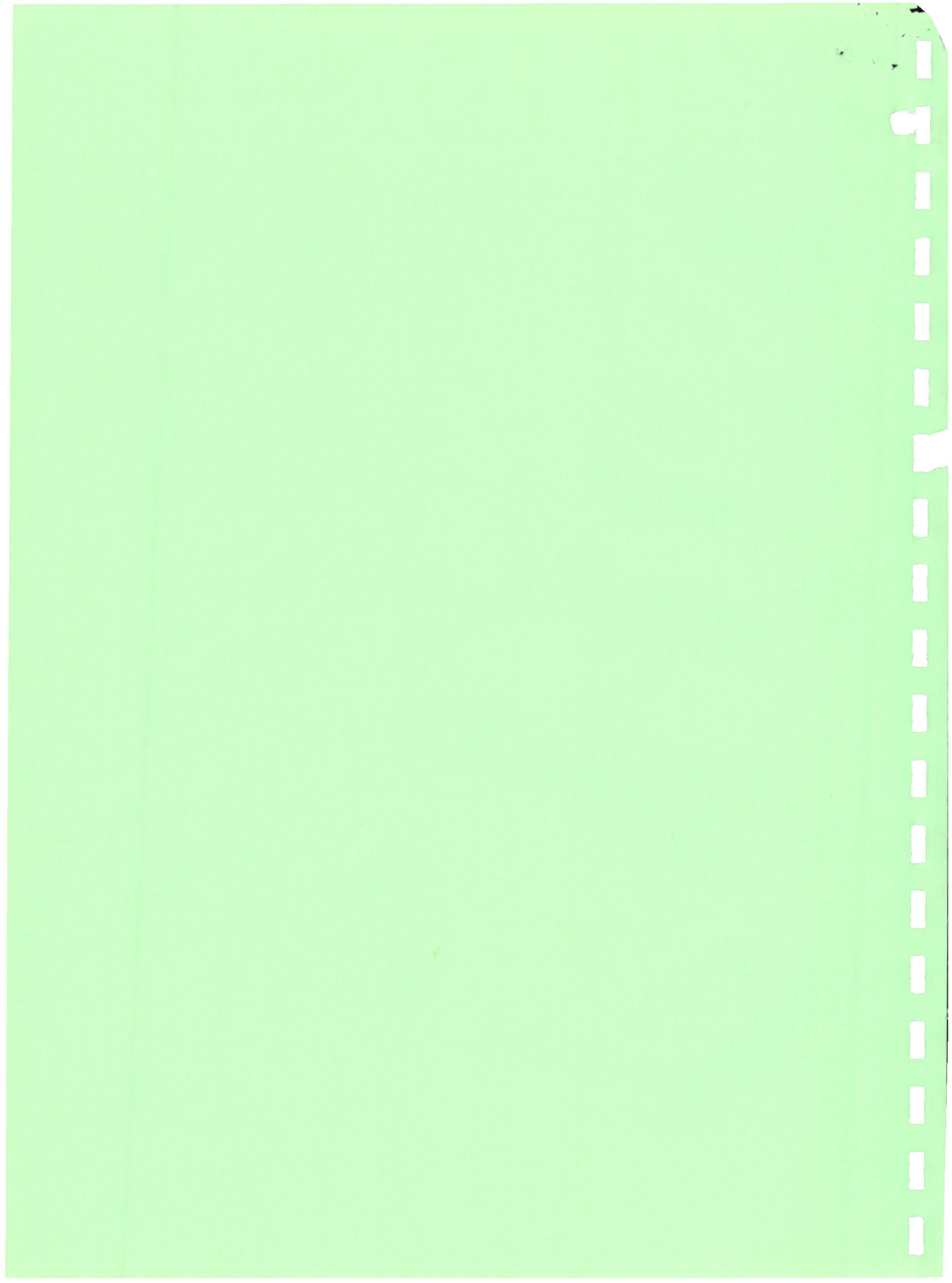
1. During the financial Year 2013 – 2014 the fund had a target of collecting **491,226,000.00** as Revenue. The funds manage to collect Kshs **237,495,615.30** as per the following breakdown.

(a) Cash Revenue collected	Kshs 84,860,844.30
(b) Uncollected Domestic Debt	kshs 69,165,932.00
(c) Uncollected commercial Debt	kshs <u>83,468,839.00</u>
	Kshs <b><u>237,495,615.30</u></b>
2. Target that were not achieved/collected were as follows:-
  - (a) Domestic debt of **Ksh.149, 918,975.91** was not collected because Director General NYS was not given enough funds to service his debts.
  - (b) Commercial debts of **Ksh 671,153,507.65** were not collected because of Tana Basin road project did not pay for its debt.



(c) The fund had been allocated a Seed Fund/Initial Capital of **Ksh. 22 Million** by Treasury. The fund received 11 million leaving unpaid payment voucher 11 million at the Ministry of Youth and Sports.

3. The ministry owes the fund a revenue submitted to the Ministry held at Paymaster General as Deposit fund of **Kshs 247,530,866.95** which should be transferred to the Fund Account as per our previous request letter reference number MTB/FIN/2/17Vol II(50) of 6<sup>th</sup> June 2013.



**PART III:**

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

Section 4 of public Audit Act, 2003 and Sections 81, 82 and 84 of Public Finance Management Act, 2012 requires the accounting officers, Receivers of revenue and administrators of National Public Funds to prepare and sign accounts for each Financial Year relating to their areas of responsibilities within three months and transact them to the Auditor General for Audit. The responsibilities of the Administrator of Mechanical and Transport Fund (MTF), including the responsibility for the propriety and regularity of public finances, for keeping proper financial and accounting records, for safeguarding the assets within their responsibility and for ensuring fund entrusted to them are applied only for the purposes intended and approved by parliament, set out in Public Finances Management Act, 2012, various other laws, Government Financial Regulation and Procedures and Treasury Circulars issued from time to time.

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

I further accept responsibility for the attached annual accounts records which have been prepared in conformity with treasury directions and appropriate Government Financial Regulation and Procedure.

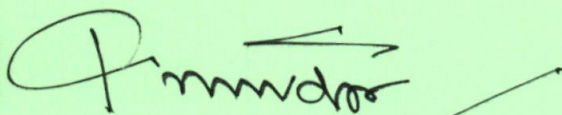
I am of the opinion that the attached financial statements present fairly financial state of affairs of the National Youth Service Mechanical Transport Fund (MTF) as at 30<sup>th</sup> June 2014.



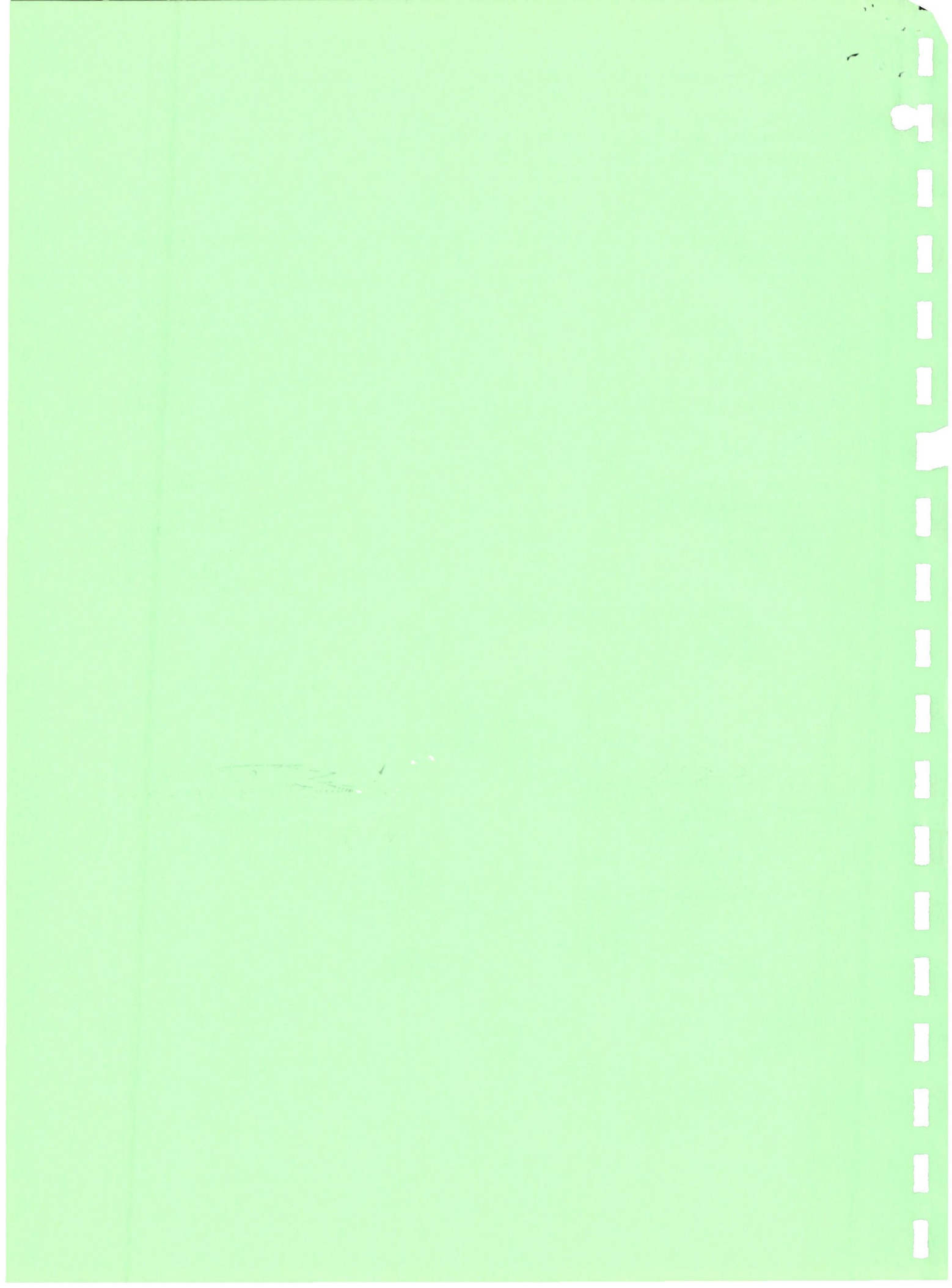
**ENG. PETER O. MANGITI  
PRINCIPAL SECRETARY  
MINISTRY OF DEVOLUTION AND PLANNING**



**ADAN GEDOW HARAKHE, HSC  
**FOR:** DIRECTOR GENERAL  
NATIONAL YOUTH SERVICE**



**✓ C. K. arap Kemboi, MBS  
PROJECT MANAGER  
DIRECTOR NATIONAL SERVICE**



MINISTRY OF DEVOLUTION AND PLANNING

NATIONAL YOUTH SERVICE  
MECHANICAL AND TRANSPORT FUND  
FINANCIAL STATEMENTS

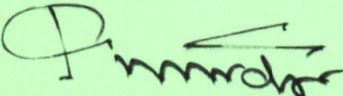
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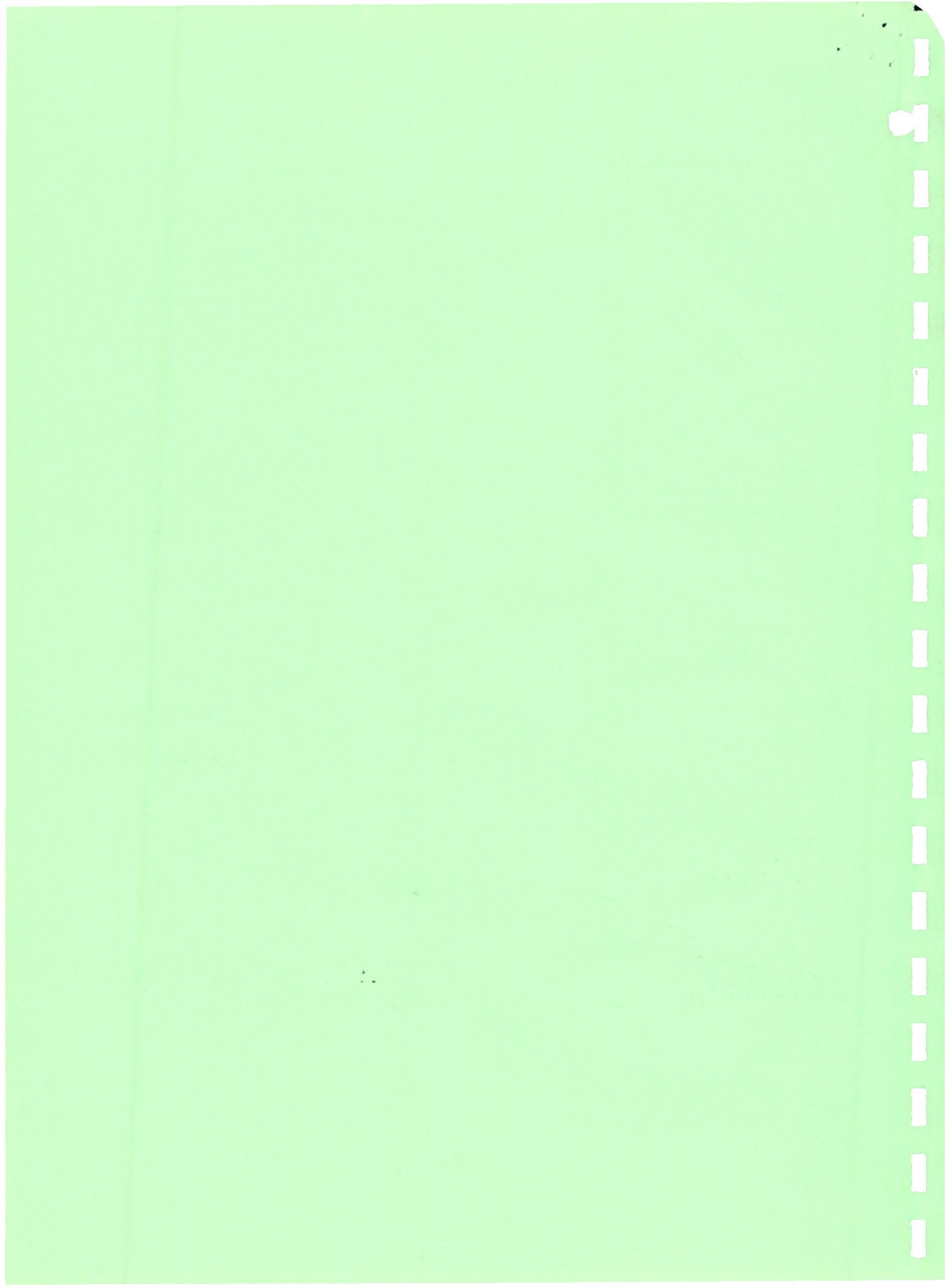
**STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

		2013/2014	2012/2013
		Kshs	Kshs
<b>INCOME</b>	<b>NOTE</b>		
Cash Revenue	2 (a)	84 860,844.30	110,474,133.15
Domestic Debt charges	2 (b)	69,165,932.00	68,234,381.74
Commercial Debt Charges	2 (c)	83,468,839.00	49,189,824.00
<b>TOTAL INCOME</b>		<b><u>237,495,615.30</u></b>	<b><u>227,898,338.89</u></b>
<b>OPERATING EXPENSES</b>			
Repairs and maintenance	7	185,291,303.00	128,444,735.05
Workshop overhead		-	54,182,763.10
Depreciation	3	190,331,551.07	203,082,477.04
<b>TOTAL EXPENSES</b>		<b><u>375,622,854.07</u></b>	<b><u>385,709,975.19</u></b>
<b>NET PROFIT/ (LOSS)</b>		<b><u>(138,127,239.77)</u></b>	<b><u>(157,811,636.30)</u></b>

  
ENG. PETER O. MANGITI  
PRINCIPAL SECRETARY  
MINISTRY OF DEVOLUTION AND PLANNING

  
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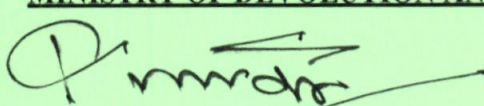
MINISTRY OF DEVOLUTION AND PLANNING NATIONAL YOUTH SERVICE  
MECHANICAL AND TRANSPORT FUND FINANCIAL STATEMENTS FOR THE YEAR  
ENDED 30<sup>TH</sup> JUNE 2014

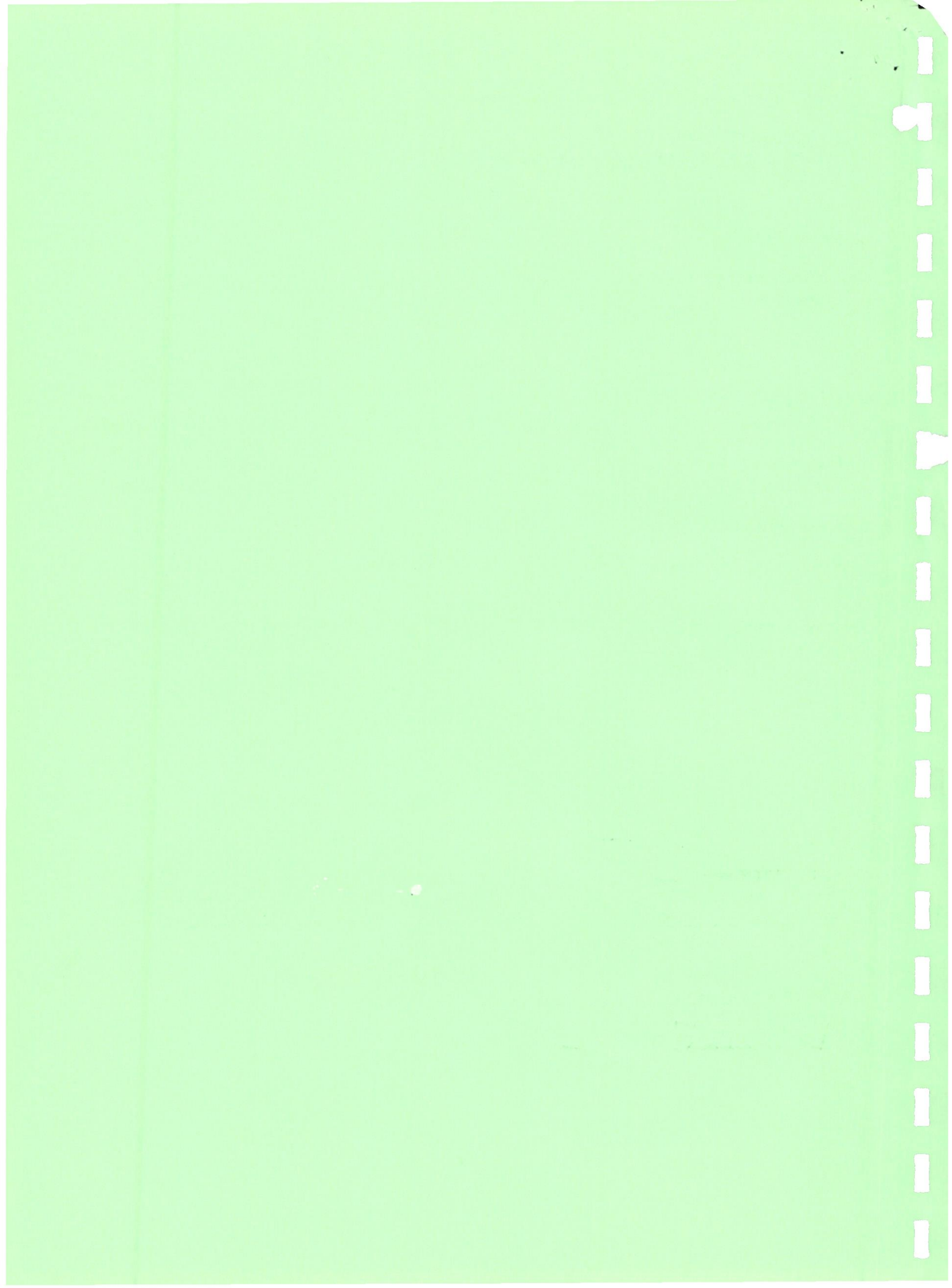
(i) STATEMENT OF FINANCIAL POSITION AS AT 30<sup>TH</sup> JUNE 2014

	NOTE	2013/2014	2012/2013
ASSETS		Kshs	Kshs
<b>NON- CURRENT ASSETS</b>	3		
Commercial trucks		834,166,139.11	919,630,503.59
Small vehicles		165,577,095.86	175,016,056.49
Plant and machinery		<u>1,249,226,874.27</u>	<u>1,301,546,100.22</u>
<b>TOTAL NON-CURRENT ASSETS</b>		<b><u>2,248,970,109.24</u></b>	<b><u>2,396,192,660.30</u></b>
<b>Current Assets</b>			
Domestic debts	4(a)	149,918,975.91	92,383,043.59
DG NYS		124,600,000.00	-
Commercial debts	4(b)	671,153,507.65	603,700,824.00
PMG – MOYAS Deposit	1 (f) (1)	247,530,866.95	247,530,866.95
-Cash & Bank	1(f) (2)	<u>38,647,298.06</u>	<u>220,183,709.50</u>
<b>Total Current Assets</b>		<b><u>1,231,850,648.57</u></b>	<b><u>1,163,798,444.36</u></b>
<b>CURRENT LIABILITIES</b>			
Director NYS-		-	-
Others	8	<u>8,579,222.75</u>	<u>8,579,222.75</u>
<b>TOTAL CURRENT LIABILITIES</b>		<b><u>8,579,222.75</u></b>	<b><u>8,579,222.75</u></b>
<b>NET CURRENT ASSETS</b>		<b><u>1,223,271,426.02</u></b>	<b><u>1,155,219,221.61</u></b>
<b>TOTAL ASSETS</b>		<b><u>3,472,241,535.26</u></b>	<b><u>3,551,411,881.91</u></b>
<b>FINANCED BY:</b>			
Fund balance	5	3,110,168,394.11	3,138,975,597.86
Accumulated fund	6	<u>362,073,141.79</u>	<u>500,200,380.86</u>
<b>TOTAL EQUITY /NET ASSETS</b>		<b><u>3,472,241,535.26</u></b>	<b><u>3,639,175,978.72</u></b>

  
ENG. PETER O. MANGITI  
PRINCIPAL SECRETARY  
MINISTRY OF DEVOLUTION AND PLANNING

  
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MINISTRY OF DEVOLUTION AND PLANNING


NATIONAL YOUTH SERVICE  
MECHANICAL AND TRANSPORT FUND  
FINANCIAL STATEMENTS

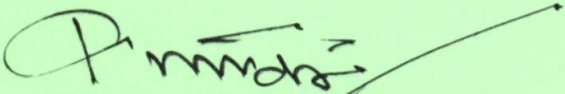
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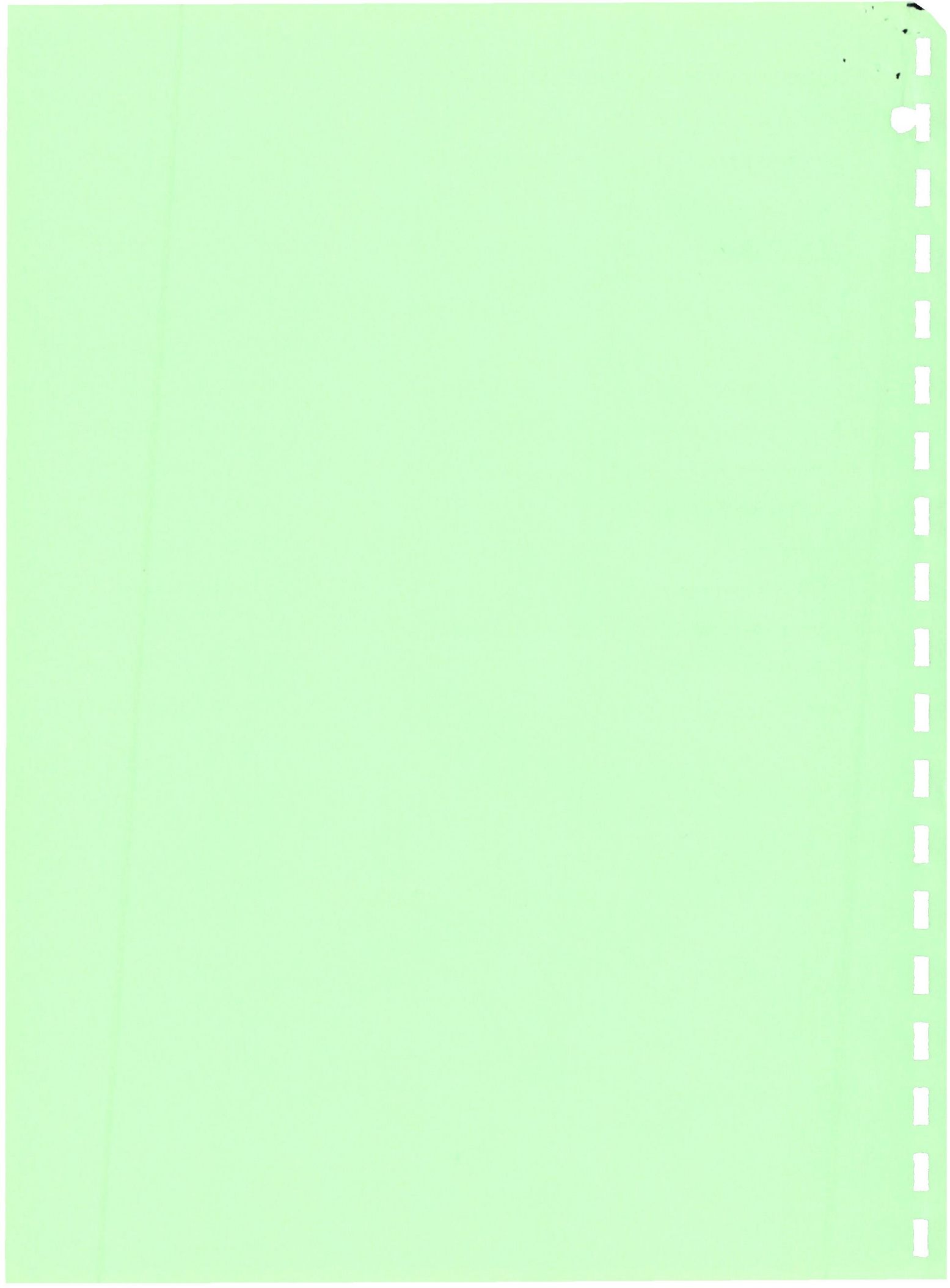
**STATEMENT OF COMPARATIVE BUDGET AND ACTUAL AMOUNT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

	NOTE	ACTUAL 2013/2014	BUDGET 2013/2014	VARIANCE
<b>INCOME</b>				
Cash Revenue	2 (a)	84 860,844.30	27,000,000.00	(214%)
Domestic Debt charges	2 (b)	69,165,932.00	69,726,000.00	0.8%
Commercial Debt Charges	2 (c)	83,468,839.00	48,000,000.00	74%
<b>TOTAL INCOME</b>		<b><u>237,495,615.30</u></b>	<b><u>230,226,000.00</u></b>	<b>3%</b>
<b>OPERATING EXPENSES</b>				
Repairs and maintenance	7	185,291,303.00	159,000,000.00	(17%)
Depreciation	3	190,331,551.07	-	
<b>TOTAL EXPENSES</b>		<b><u>375,622,854.07</u></b>	<b><u>159,000,000.00</u></b>	
<b>Surplus/ Deficit</b>		<b><u>(138,127,238.07)</u></b>	<b><u>71,226,000.00</u></b>	

  
ENG. PETER O. MANGITI  
PRINCIPAL SECRETARY  
MINISTRY OF DEVOLUTION AND PLANNING

  
ADAN GEDOW HARAKHE, HSC  
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**MINISTRY OF DEVOLUTION AND PLANNING**

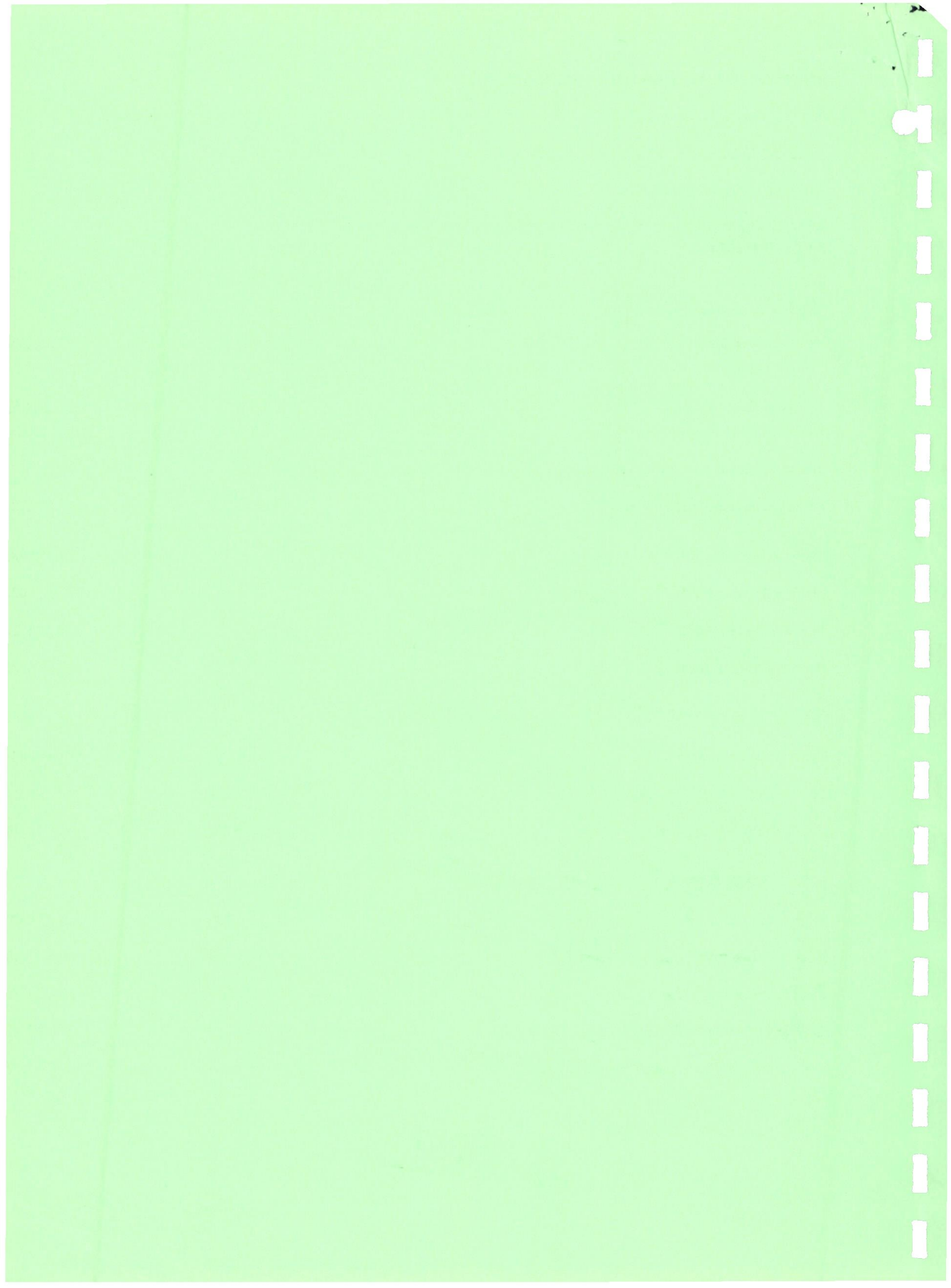
**NATIONAL YOUTH SERVICE**

**MECHANICAL AND TRANSPORT FUND**

**FINANCIAL STATEMENTS**

**STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30<sup>TH</sup> JUNE  
2014**

	<b>Fund Balance</b>	<b>Accumulated Fund</b>	<b>Total</b>
	<b>Kshs.</b>	<b>Kshs.</b>	<b>Kshs.</b>
<b>Balance as at 30<sup>th</sup> June 2012</b>	3,145,282,435.86	658,012,017.16	3,803,294,453.02
Surplus/(deficit) for the period	-	(157,811,636.30)	(157,811,636.30)
Transfers to/from accumulated surplus	11,000,000.00	-	11,000,000.00
Previous year Adjustment Error	(17,306,838.00)		
<b>Balance as at 30<sup>th</sup> June 2013</b>	<b>3,138,975,597.00</b>	<b>500,200,380.86</b>	<b>3,639,175,978.72</b>
Surplus/(deficit) for the period	-	(138,127,239.07)	(138,223,445.77)
Transfers to/from accumulated surplus	11,000,000.00	-	11,000,000.00
Previous year Adjustment Error	(39,807,204.39)		(39,710,997.05)
<b>Balance as at 30<sup>th</sup> June 2014</b>	<b>3,110,168,393.47</b>	<b>362,073,141.79</b>	<b>3,472,241,535.26</b>



MINISTRY OF DEVOLUTION AND PLANNING

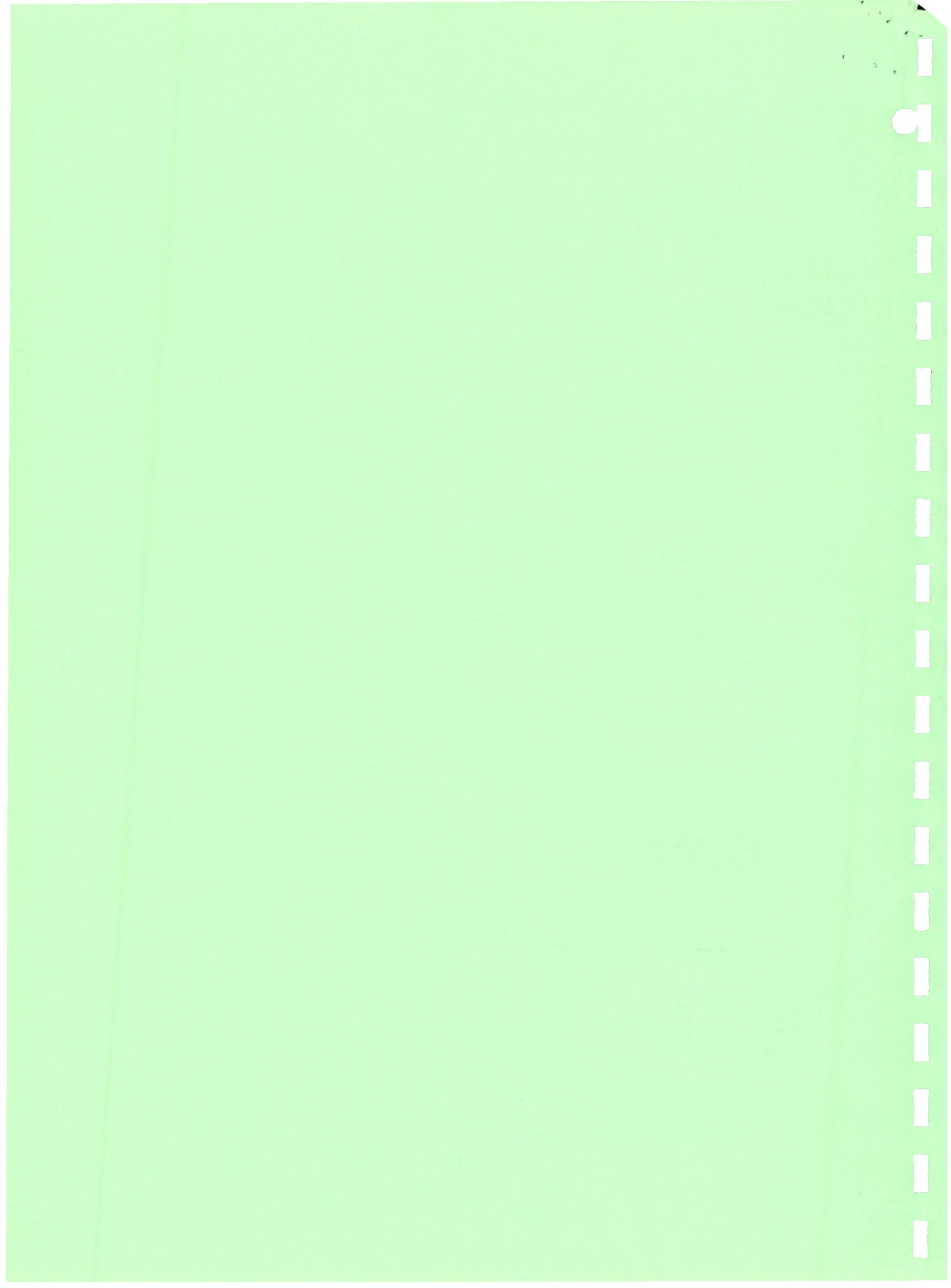
NATIONAL YOUTH SERVICE

MECHANICAL AND TRANSPORT FUND

FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED  
30<sup>TH</sup> JUNE 2014

		2013/2014	2012/2013
		Kshs	Kshs
<b><u>(A). CASH FLOWS FROM OPERATING ACTIVITIES</u></b>			
Surplus /Loss for the year		(138,127,239.07)	(157,811,638.00)
<b>Adjustments for</b>			
Depreciation for the year	3	<u>190,331,551.07</u>	<u>203,082,478.00</u>
<b>Operating Surplus/Deficit before</b>		<b>52,108,105.30</b>	<b>45,270,840.00</b>
<b>Working Capital Changes</b>			
Increase/Decrease in Domestic Debts	4a	(124,600,000)	(47,114,220.00)
Increase/Decrease in Commercial Debts	4b	16,023,283.00	(9,358,780.00)
Increase/Decrease in Difference			(225,127,020.00)
Increase/Decrease in Payables			85,711,240.00
<b>Net Cash flow from Operating Activities</b>		<b>(56,372,405.00)</b>	<b>(150,617,940.00)</b>
<b><u>(B). CASH FLOW FROM INVESTING ACTIVITIES</u></b>			
Purchase of fixed Assets		(43,109,000)	(17,306,830.00)
Proceeds from sale of Assets		NIL	33,478,240.00
<b>Net Cash flow from Investing Activities</b>		<b>(43,109,000)</b>	<b>16,171,410.00</b>
<b><u>(C.) CASH FLOW FROM FINANCING ACTIVITIES</u></b>			
Fund Grants received	5	11,000,000	11,000,000.00
<b>Net Cash flow from Financing Activities</b>		<b>11,000,000</b>	<b>11,000,000.00</b>
<b>Net Decrease in Cash and Cash Equivalents</b>		<b>(88,481,405.00)</b>	<b>(123,446,540.00)</b>
Cash and Cash Equivalents at Start Of the Year	1f	467,714,576	591,161,116.00
Cash and Cash Equivalents at end of the Year		379,233,171.00	467,714,576.00



**MINISTRY OF DEVOLUTION AND PLANNING  
NATIONAL YOUTH SERVICE  
MECHANICAL AND TRANSPORT FUND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2014**

**(ii) NOTES TO THE ACCOUNTS**

**SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of this Finance statement are set out below:-

**1. (a) Basis Accounting**

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

**(b) Income Recognition**

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

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

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

**(c) Legal Status**

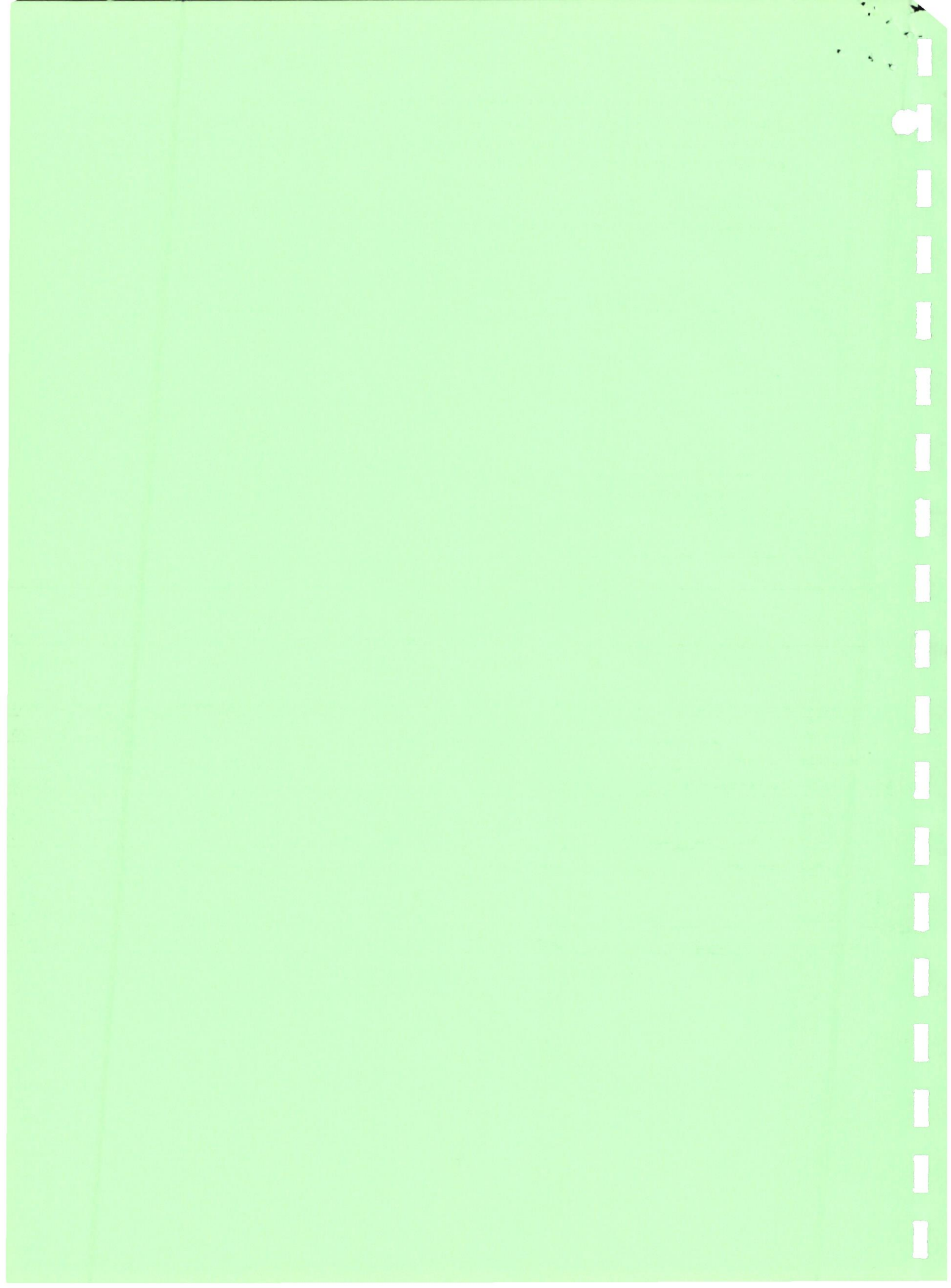
The fund was gazette as NYS Mechanical and Transport Fund according to the legal notice NO.15 of 30 January 2011 and operationalized in the Financial Year 2013/2014 which puts the fund on legal frame work of commercial undertaking on hire of equipment and machines.

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

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

Commercial Trucks	7%
Heavy Machinery	5%
Small Vehicles	10%

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



**(e) Revolving Fund**

The revolving fund represent 60% of money that was collected as revenue is used for maintenance of machines, equipment and normal running of the fund .The remaining 40% of the revenue collected is spent on Renewal i.e. buying of new equipment and machines to represent old written off machines and equipment.

**(f) Cash and Cash Equivalents**

Cash and bank balances comprise cash at bank and cash in hand.

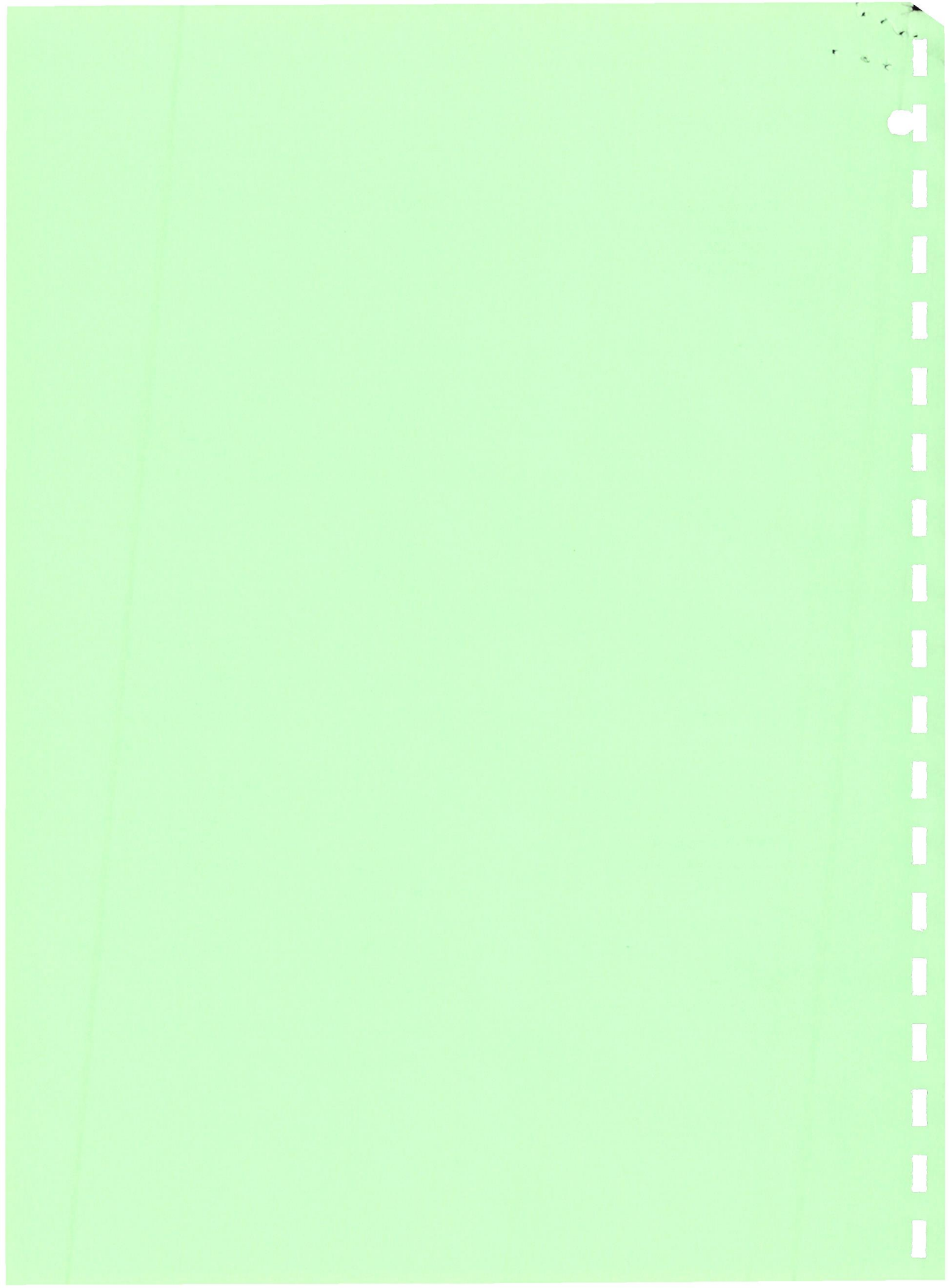
	<b>2013/2014</b>	<b>2012/2013</b>
	<b>Kshs</b>	<b>Kshs</b>
1) MOYAS Deposit	247,530,866.95	247,530,866.95
2) Cash	<u>38,647,298.06</u>	<u>220,183,709.50</u>
	<b><u>286,178,165.01</u></b>	<b><u>467,714,576.45</u></b>

**2. Income**

	<b>2013/2014</b>	<b>2012/2013</b>
	<b>Kshs</b>	<b>Kshs</b>
a) Cash Revenue	84,860,844.30	110,474,133.15
b) Domestic Hire charges	69,165,932.00	68,238,381.74
c) Commercial Hire charges	<u>83,468,839.00</u>	<u>49,189,824.00</u>
<b>Total Kshs</b>	<b><u>237,495,615.30</u></b>	<b><u>227,898,338.89</u></b>

**3. Non -Current Assets movement schedule****AS AT 30TH JUNE 2014**

	COMMERCIAL TRUCKS 7%	SMALL VEHICLES 10%	PLANT HEAVY MACHINERY 5%	TOTAL
	Kshs	Kshs	Kshs	Kshs
Purchase cost as at 1st July 2013	1,392,433,502.80	249,150,169.00	1,653,838,924.64	3,295,422,596.44
Additions during the year	0	-	43,109,000.00	43,109,000.00
disposals during the year	-	-	-	-
Purchase cost as at 30th June 2014	1,392,433,502.80	249,150,169.00	1,696,947,924.64	3,338,531,596.44
Accumulated depreciation as at 1st July 2013	472,802,999.20	74,134,112.51	352,292,824.42	899,229,936.13
Accumulated depreciation disposal assets	-	-	-	-
Depreciation for the year	85,464,364.49	9,438,960.63	95,428,225.95	190,331,551.07
Accumulated depreciation as at 30th June, 2014	558,267,363.69	83,573,073.14	447,721,050.37	1,089,561,487.20
Net book value as at 30th June, 2014	<b>834,166,139.11</b>	<b>165,577,095.86</b>	<b>1,249,226,874.27</b>	<b>2,248,970,109.24</b>



#### 4. Debtors

##### (a) Domestic Debt

	2013/2014	2012/2013
	Kshs	Kshs
Balance B/F	92,383,043.91	139,497,270.11
Debt for 2013/2014	<u>69,165,932.00</u>	<u>68,234,381.74</u>
Total Kshs	161,548,975.91	207,731,651.84
LESS LIABILITY		
D/NYS 2012/2013	<u>11,630,000.00</u>	<u>115,348,607.94</u>
<b>Total Kshs.</b>	<b><u>149,918,975.91</u></b>	<b><u>92,383,043.91</u></b>

##### (b) Commercial Debt

###### (i) Tana Road Project

	2013/2014	2012/2013
	Kshs	Kshs
Balance B/F-	589,900,213.35	580,534,302.35
Debt for 2013/2014	<u>83,468,839.00</u>	<u>49,189,824.00</u>
	<b><u>673,369,052.35</u></b>	<b><u>629,724,126.35</u></b>
Less Payments 2013/2014	(16,023,283.00)	(39,823,913.00)
<b>Total Kshs</b>	<b><u>657,345,769.00</u></b>	<b><u>589,900,213.35</u></b>

###### (ii) Other Debts

	2013/2014	2012/2013
	Kshs	Kshs
Balance B/F-	13,807,738.85	13,807,738.85
Debt for 2012/2013	Nil	Nil
	<b>13,807,738.85</b>	<b>13,807,738.85</b>
Less payments 2012/2013	NIL	(7,128.20)
Balance C/D	<b><u>13,807,738.85</u></b>	<b><u>13,800,610.00</u></b>

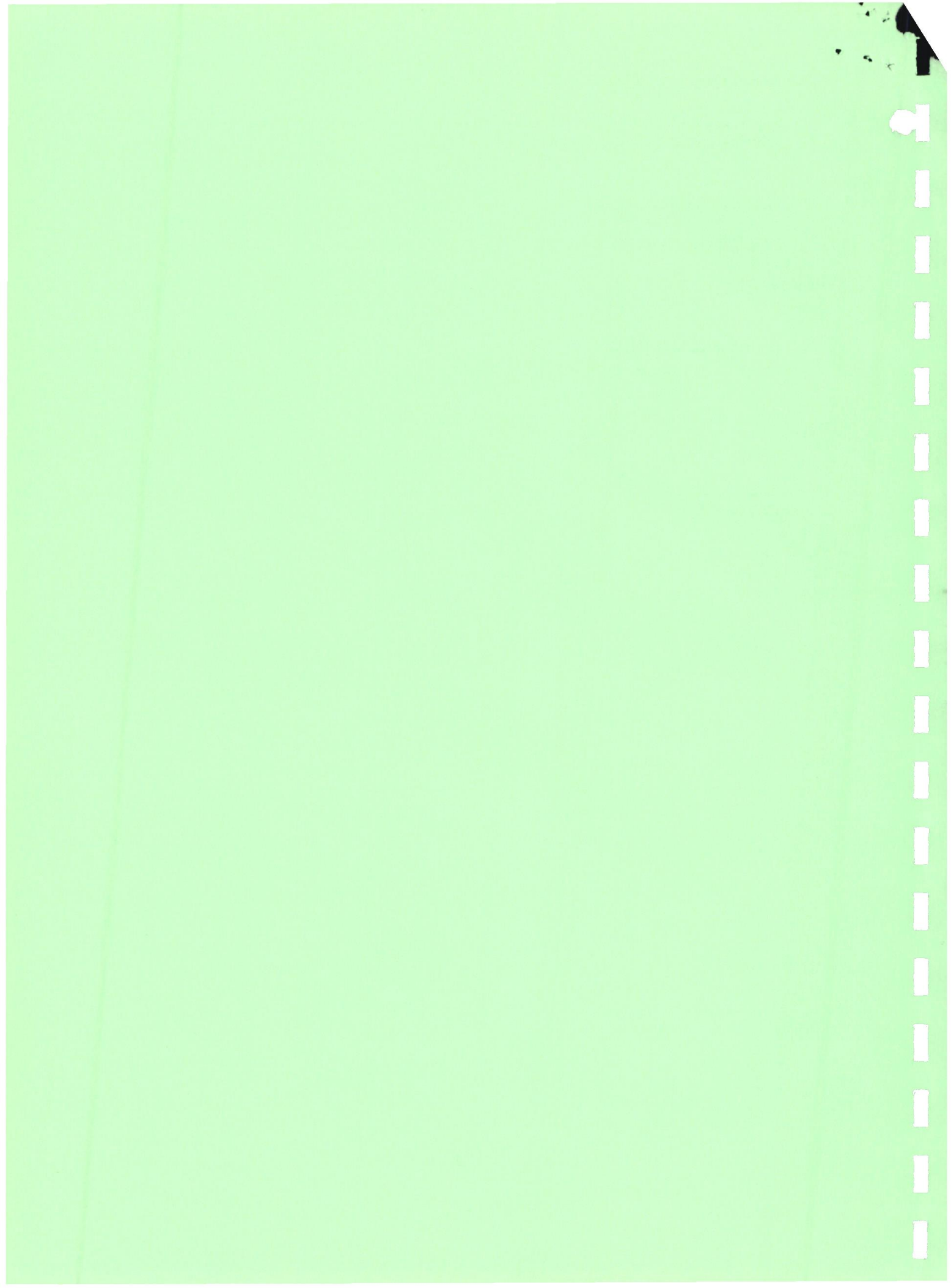
**TOTAL** 671,153,507.85 603,700,824.00

#### 5. Fund Balance

	2013/2014	2012/2013
	Kshs	Kshs
Balance B/F	3,138,975,597.86	3,145,282,435.86
Add: Capital/seed fund	11,000,000.00	<u>11,000,000.00</u>
Add: Previous Year Adj Error	<u>(39,807,203.75)</u>	<u>(17,306,838.00)</u>
<b>Total Kshs</b>	<b><u>3,110,168,394.11</u></b>	<b><u>3,138,975,597.86</u></b>

#### 6. Accumulated Funds

	2013/2014	2012/2013
	Kshs	Kshs
Balance B/F	500,200,380.86	658,012,017.16
Add Loss/Surplus the year	<u>(138,127,239.07)</u>	<u>(157,811,636.30)</u>
<b>Total</b>	<b><u>362,073,141.79</u></b>	<b><u>500,200,380.86</u></b>



7. **Repairs and maintenance**

Repair and maintenance is composed of all the expenses incurred in repairing and servicing vehicles, machines and equipment.

8. **LIABILITES 2013/2014**

<b>DIRECTOR GENERAL NYS</b>	<b>Kshs</b>
<b>Balance B/F 2012/2013</b>	<b>NIL</b>
Add liabilities for Year 2013/2014 AIE (Vote Book Expenses As per closing F/Y 2013/2014)	11,630,000.00
<b>TOTAL</b>	<b>11,630,000.00</b>
Less Transfer to Domestic debts Balance C/F <u>Nil</u>	11,630,000.00
Other liabilities Balance B/F	8,579,222.75
Balance C/F	8,579,222.75

