

REPUBLIC OF KENYA



Enhancing Accountability

REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 09 APR 2025

Wednesday

OF

TABLED

BY:

Hon. Naam Wazom
Deputy Majority Party Whip
Halima Ahmed

THE AUDITOR-GENERAL

ON

MECHANICAL AND TRANSPORT FUND

FOR THE YEAR ENDED

30 JUNE, 2024

STATE DEPARTMENT FOR ROADS

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MECHANICAL AND TRANSPORT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

30TH JUNE 2024

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

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

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1. Acronyms and Definition of Key Terms

A: Acronyms

AGPO	Access to Government Procurement Opportunities
BETA	Bottom-Up Economic Transformation Agenda
CE(M)	Chief Engineer Mechanical
CEO	Chief Executive Officer
CBK	Central Bank of Kenya
CM&TE	Chief Mechanical and Transport Engineer
CPA	Certified Public Accountant
EBK	Engineers Board of Kenya
EBS	Elder of the Burning Spear
EDCF	Economic Development Cooperation Fund
ERP	Enterprise Resource Planning
FY	Financial/Fiscal Year
GDC	Geothermal Development Company
HoAGDP	Horn of Africa Gateway Development Project
ICPAK	Institute of Certified Public Accountants of Kenya
ICT	Information and Communication Technology
IEK	Institute of Engineers of Kenya
ILO	International Labour Organization
IHRM	Institute of Human Resource Management
IPSAS	International Public Sector Accounting Standards
KEBS	Kenya Bureau of Standards
KETRB	The Kenya Engineering Technology Registration Board
KIHBT	Kenya Institute of Highway and Buildings Technology
KURA	Kenya Urban Roads Authority
MBA	Master's in Business Administration
MC	Management Committee
MCDAs	Ministries, Counties, Departments and Agencies
MTD	Mechanical and Transport Directorate
MTDEMS	Mechanical and Transport Directorate Equipment Management System
MTF	Mechanical and Transport Fund
MTPF	Mechanical Transport and Plant Fund
NaMaTA	Nairobi Metropolitan and Transport Authority

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NMS	Nairobi Metropolitan Services
NT	National Treasury
NTSA	National Transport and Safety Authority
OAG	Office of the Auditor General
OCOB	Office of the Controller of Budget
OGW	Order of the Grand Warrior
OSHA	Occupational Safety and Health Act of 2007
PFMA	Public Finance Management Act of 2012
PPE	Property Plant & Equipment
PSASB	Public Sector Accounting Standards Board
PSC	Public Service Commission
PSV	Public Service Vehicle
SAGA	Semi-Autonomous Government Agency
SC	State Corporations
SCFO	Senior Chief Finance Officer
SLDP	Strategic Leadership Development Programme
SPSE	Senior Principal Superintendent Engineer
WB	World Bank
NYS	National Youth Service

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B: Definition of Key Terms

Cabinet Secretary- the Cabinet Secretary for the time being responsible for matters relating to Mechanical and Transport.

Charges- All sums received or receivables, charged or chargeable for any service or facility provided by the Directorate.

Chief Mechanical and Transport Engineer (CM&TE)- the Officer-in-Charge of The Fund, the Secretary to the Management Committee and the Head of the Directorate.

Comparative Year- Means the prior period.

State Department- the State Department for Roads being responsible for matters relating to Mechanical and Transport.

Directorate- the Mechanical and Transport Directorate responsible for matters relating to Mechanical and Transport Services and executor of the Mechanical and Transport Fund.

Equipment- workshop tools equipment and machines used at workshops to service and repair plant.

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

Financial Year- the period of twelve months ending on the 30th June in each year.

Fund- the Mechanical and Transport Fund established under Section 3 of the Exchequer and audit (Mechanical and Transport Fund) Regulations, 2003 as specified in the first schedule.

ICT Authority – the agency that governs all government ICT policies .

Management Committee- the Mechanical and Transport Fund Management Committee appointed by the Officer Administering the Fund under Section 6 of the Rules Procedures and Guidelines for the Operation of the Mechanical and Transport Fund.

Ministry- the Ministry for the time being responsible for matters relating to Mechanical and Transport Directorate.

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Officer Administering the Fund- the Accounting Officer of the Ministry for the time being responsible for matters relating to Mechanical and Transport Services, or a person appointed by him in writing for that purpose.

Plant and Equipment- all types of road construction and maintenance plants (bulldozers, graders, rollers, etc) static plants (stone crushers, concrete mixers, etc), and road vehicles (tipper lorries/ dump trucks, flatbeds, horse/low loaders, pickups etc).

Rates- all sums which may under the provision of the Fund be levied for or in respect of any plant or service rendered by the department or any technical consultancy performance by any staff of the Directorate or facility provided by the Directorate.

Wide Area Network- A large network of information that connects multiple locations across a specific geographic region, country, or even the world.

2. Key Fund Information and Management

(a) Background information

The Directorate was started on 12th May, 1945 as a civilian works department with a fleet of equipment left behind by Soldiers after the Second World War. The Directorate was officially established in 1949 as the Mechanical Transport and Plant Fund (Renewal and Maintenance) managed by the department with a mission to acquire and maintain vehicles and plants for the construction and maintenance of roads on a hire basis to the Public Works Division. The hire rates catered for cost maintenance of vehicles and plant and their subsequent renewal on the lapse of their economic life.

The MTPF was inherited on 2nd December 1963 when Kenya became a Republic. Its mandate of Chief Technical Advisor to the government in all Mechanical and Transport related matters to repair and maintain public Sector Vehicles and Equipment for Roads and other related Infrastructure Developments a dictate that has continued to steer the Directorate to greater heights to date.

MTPF was operational until the 1982/83 Financial Year when it was suspended as a result of inefficiencies of the Roads Division to meet its obligation of payment for the use of vehicles and plant. This was mainly due to the unavailability of sustainable funding for road maintenance at that time.

In 2003 through Legal Notice No. 140 under the Exchequer and Audit Act (CAP 412), the Mechanical and Transport Fund (MTF) was established whose purpose was to provide for an effective and efficient funding system for provision of Mechanical, Transport and Plant Services. The Directorate is tasked with the responsibility of operationalizing the Mechanical and Transport Fund (MTF) which is anchored on Article 206(1) of The Constitution of Kenya, Clause 24(4) of the Public Financial Management Act, 2012, and is anchored in the Executive Order No. 2 of 2023.

Instituted as the Principal Adviser to the Government on issues relating to Mechanical and Automotive Engineering, The Mechanical and Transport Directorate (MTD) is responsible for provision, maintenance and renewal of Mechanical Transport and Plant Services. It is also responsible for the standardization for vehicles, plant and equipment.

(b) Principal Activities

The principal activities of Mechanical and Transport Fund (MTF) are provided for through Legal Notice No. 140 of 2003 under the Exchequer and Audit Act (CAP 412).

They include:

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1. Principal government advisor on issues pertaining mechanical and transport;
2. Hire of Equipment in support of social economic needs;
3. Development of standards in the roads and transport sector.

The purpose 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.

Core Mandate

The Directorate's Mandate is to provide Technical Advice to the Government on Mechanical and Transport services in line with the Vision, Mission and Core Values of the Directorate.

Vision

To become a world class provider of mechanical, transport and plant services

Mission

To provide quality mechanical, transport and plant services as well as standardization of vehicles, plant and equipment to enhance the development and maintenance of roads and other related infrastructure.

Core Values

In implementing the Strategic Plan, Mechanical and Transport Directorate is guided by a set of fundamental values that shape the culture to achieve transformative leadership in quality service delivery. They include:

i. Integrity

Integrity of staff establishes trust thus providing the basis of reliance and their judgement.

ii. Objectivity

The Directorate exhibits the highest level of professionalism in providing Mechanical, Transport and Advisory services to its clients. It provides a balanced assessment in all relevant circumstances and will not be unduly influenced by their own interest or by others in decision making process.

iii. Teamwork, discipline, respect and courtesy among staff

The Directorate embraces teamwork, discipline, respect and courtesy to achieve its collective goals.

iv. Competence

The Directorate applies the knowledge, skills and experience needed in the performance of its functions. It seeks to provide timely and high-quality services to its clients in a transparent and accountable manner.

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v. Commitment and Dedication to Duty

The Directorate remains committed and dedicated to duty towards its internal and external customers.

vi. Invention and Innovation

The Directorate spearhead research and development to enhance invention and innovation in processes and products.

(c) Key Management

The Mechanical and Transport Directorate's day-to-day management is under the following key organs:

No	Designation	Name
1.	Chief Engineer (Mechanical) CE(M)	Eng. Richard G. Thitai, OGW
2.	Deputy CE(M) (SPSE) Technical & Development	Eng. Peter Wanjohi
3.	Deputy CE(M) (SPSE) Operations & Administration	Eng. Fredrick Oanya
4.	Head of Accounts and Finance	CPA Benard Cheruiyot
5.	Heads of Operations	Eng. Benedict Mutunga
6.	Head of Maintenance & Fabrications/Workshop Manager	Eng. Simeon Nyakundi

(d) Fiduciary Management

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

No.	Designation	Name
1.	Secretary / CE(M)	Eng. Richard G. Thitai, OGW
2.	Deputy CE(M) (SPSE)	Eng. Peter Wanjohi
3.	Deputy CE(M) (SPSE)	Eng. Fredrick Oanya
4.	Head of Accounts and Finance	CPA Benard Cheruiyot

(e) Fiduciary Oversight Arrangements

The following were the fiduciary oversight committees

- Audit and Risk Committee
- Mechanical and Transport Fund Management Committee

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(f) Fund Headquarters

P.O. Box 30043-00100,
03 Dunga Close Road,
Industrial Area,
Nairobi, KENYA

(g) Fund Contacts

Telephone: (254) 02551960/1-5
E-mail: cmte@mechanical.go.ke
Website: <https://transport.go.ke/mechanical-transport-mtd>

(h) Fund Bankers

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



(i) Independent Auditor

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

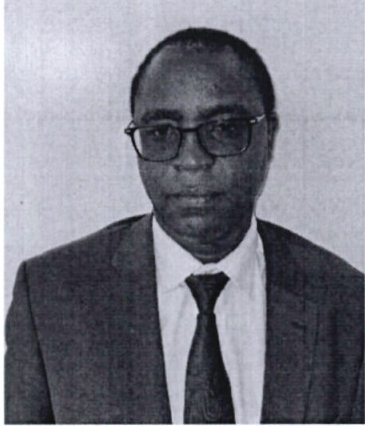

(j) Principal Legal Adviser

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

3. The Board of Directors/ MTF Management Committee

Ref	Committee Members	Details
1.	 <p>Mr. Mongo Chimwaga, EBS</p>	<p>He is an experienced Administration and Management practitioner with over 25 years' experience in Public Policy Formulation, Dissemination, Implementation and Coordination in the Public Service.</p> <p>He has a Master of Science in Human Resource Management from Masai Mara University, a Bachelor of Arts in Economics and Government by University of Nairobi.</p> <p>He has undertaken several professional courses eg. Project management training, Brussels, Belgium</p> <p>He has been the Secretary Administration for The State Department for Information and Communication Technology, and the State Department for Youth Affairs.</p> <p>Has been a alternate board member, Council Member and Director of several organisation's eg. KETRB, ICT authority, NYS.</p> <p>He is a Member of the Institute of Human Resource Management of Kenya.</p>
2.	 <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).</p> <p>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).</p> <p>Served as a Board of Management (BOM) Member, Loreto High School Limuru. Seconded to IGAD Secretariat in Djibouti and was Head of Infrastructure</p>



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		and Regional Coordinator for 6 years. Over 31 years' experience in the infrastructure sector especially in the roads sub-sector. Currently the Chief Engineer of roads in the State Department for Roads.
3.	 <p>Mr. Philip Wachira.</p>	<p>Bachelor of Arts (BA Hons) from the University of Nairobi majoring in Economics and Public Administration. Master 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 26 years all in the Finance Docket. Currently, Head of Finance at the State Department for Roads 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 Directorates within the State Department for Roads.</p>
4.	 <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 of Planning, State Department for Roads. 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 the Board of Management of the Mechanical Transport Fund.</p>

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5.	 <p>Mr. David Ngugi</p>	<p>Holds a Master’s Degree in Procurement and Logistics from Jomo Kenyatta University of Agriculture and Technology. A Bachelors Degree in Economics from Moi University.</p> <p>He has completed various certifications including a Diploma in Management (Purchasing and Supplies Option) and a CPA (Part I).</p> <p>His 20-year career spans roles such as Head of Supply Chain Management Services in government departments and agencies and is a registered member of the Kenya Institute of Supplies Management (KISM)</p>
6.	 <p>Eng. Maurice S. Nabende.</p>	<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 35 years all in Engineering and Management Levels. Currently, Director – Kenya Institute of Highways and Building Technology - State Department for Roads since 2017.</p>
7.	 <p>Mr. James Gatere</p>	<p>The member has a 25 years’ career experience in the Civil Service. He has a Bachelor’s Degree in Education from Kenyatta University.</p> <p>He attained a Master’s Degree in Educational Administration from Moi University.</p> <p>Higher National Diploma in Human Resource Management. Attended Senior Management Course (SMC), Senior Leadership Development Course (SLDP) and Project Development and Management (PDM) at the Kenya School of Government.</p>

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<p>8.</p>	 <p>Mrs. (CPA) Sophie Mwangashi.</p>	<p>Has worked in the civil service, for over 31 years. Worked as an Audit examiner at the Auditor General’s office for 2 years and as an accountant for 29 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 State Department for Roads. 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>
<p>9.</p>	 <p>Eng. Richard G. Thitai, OGW.</p>	<p>Bachelor of Science (Mechanical Engineering) from the University of Nairobi. Holder of Executive Master of Business Administration (MBA) from Jomo Kenyatta University of Agriculture and Technology. Professional Engineer - Registered with Engineers Registration Board (EBK). Member Institution of Engineers of Kenya (IEK). Attended Senior Management Course (SMC), Senior Leadership Development Course (SLDP) and Project Development and Management (PDM) at the Kenya School of Government. Attended Proactive Management Course at ESAMI -Arusha. Currently a Board member of Ihwagi Secondary school – Nyeri. Civil Service career spanning 31 years all in Engineering and Management Levels with 6 years as head of State House Mechanical department. Currently the chief Mechanical Engineer – Mechanical Directorate - State Department for Roads.</p>

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4. Key Management Team

	Management	Details
1.	 <p>Eng. Richard G. Thitai OGW</p> <p>Holder of Executive Masters of Business Administration (MBA) from Jomo Kenyatta University of Agriculture and Technology. Bachelor of Science (Mechanical Engineering) from the University of Nairobi. Professional Engineer - Registered with Engineers Registration Board (EBK). Member Institution of Engineers of Kenya (IEK). Received training from ESAMI on Fleet Operation, Maintenance and Management at Kampala, Uganda and Attended a program on Advanced Financial and Asset Management Programme at Victoria, Seychelles by ESAMI.</p>	Chief Engineer (Mechanical) CE(M)
2.	 <p>Eng. Peter Wanjohi</p> <p>Bachelor of Science (Mechanical Engineering) from the University of Nairobi. Professional Engineer - Registered with Engineers Registration Board (EBK). Member Institution of Engineers of Kenya (IEK).</p>	Deputy CE(M) (SPSE) Technical & Development

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3.	 <p>Eng. Fredrick Oanya</p> <p>Bachelor of Science in Mechanical Engineering (The University of Nairobi). A registered Professional Engineer with IEK and EBK</p>	Deputy CE(M) (SPSE) Operations & Administration
4.	 <p>CPA Benard Cheruiyot</p> <p>PhD (Business Administration - Finance) Currently a Candidate. Masters in Business Administration (Finance) from Kenyatta University. Bachelor of Commerce (Accounting Options) from Kenyatta University. A Certified Public Accountant and a member of ICPAK. Undertook the Senior Management Course in 2015</p>	Head of Accounts and Finance

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5.	 <p style="text-align: center;">Eng. Benedict Mutunga</p> <p>Master of Engineering, Material Science and Engineering. (Shibaura Institute of Technology). Bachelor of Science in Mechanical Engineering from The University of Nairobi. A registered Professional Engineer with IEK and EBK. He has several publications on Material Science, Engineering, and Induced Crystallization of Germanium thin films among others</p>	Head of Operations
6.	 <p style="text-align: center;">Eng. Simeon Nyakundi</p> <p>Master's in Business Administration (Strategic Management) from JKUAT. Bachelor of Technology in Production Technology (Moi University). A registered Professional Engineer with IEK and EBK.</p>	Head of Maintenance & Fabrications/Workshop Manager

5. Chairman's Statement

It is with great pride and optimism that I present the Chairman's statement for the Mechanical and Transport Fund for the Financial Year 2023/24. This year has been one of notable achievements underscoring our commitment to excellence in managing and advancing the Mechanical and Transport Fund.

During the year under review, the Directorate through the Fund, procured equipment worth 29.4 Million and received equipment worth Kshs 200 million from the exchequer (State Department for Roads) hence an increase in asset base significantly enhancing our portfolio's strength. These investments have expanded our operational capabilities and improved our overall asset utilization and return on investment.

The Directorate in line with the Digital Agenda and the Bottom-up agenda, has in-house designed and developed the Mechanical and Transport Directorate Equipment Management Systems (MTDEMS) to enhance operational effectiveness. The development of this system confirms the Fund's willingness to employ cost-cutting measures by use of internal capabilities in improving its operations. The system will assist the Directorate in establishing a comprehensive inventory of the construction machinery and equipment, and supervisory vehicles providing an efficient monitoring tool that enhances decision-making. The Integration process of the system with the E-citizen portal is a feasible proposition to conform to the Presidential Directive on Automating Government services.

We experienced a substantial increase in revenue, driven by both enhanced asset performance and strategic market positioning by working closely with the Private sector, County Governments, and other Government agencies. This growth reflects our effective management and high demand for our services.

Despite our successes, the global supply chain landscape remained volatile, impacting the timely acquisition of critical components and parts. We navigated these disruptions with strategic sourcing and supplier diversification to mitigate delays and maintain operational continuity.

The general fluctuations in economic conditions posed risks to our financial stability and project timelines. We addressed these uncertainties through prudent financial management and adaptive strategies to safeguard our long-term goals.

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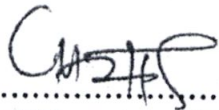
Looking ahead we will continue to invest in cutting-edge technologies to drive further efficiency and maintain our competitive edge. This includes expanding our research and development initiatives to explore new solutions and improvements in mechanical and transport systems.

Our commitment to environmental responsibility will be a key driver in our future projects. We aim to enhance the sustainability of our operations by integrating eco-friendly practices and supporting initiatives that reduce our carbon footprint.

We plan to explore new markets and diversify our portfolio to capture emerging opportunities and mitigate risks. Our strategic expansion efforts will be guided by and through market analysis with a focus on high-potential areas.

In conclusion, the Mechanical and Transport Fund has delivered a commendable performance in year under review, reflecting the dedication and hard work of our team. While we face ongoing challenges, our strategic initiatives and forward-thinking approach position us well for continued success. I extend my gratitude to our stakeholders, partners, and employees for their unwavering support and contribution to our achievements.

Thank you for your continued confidence in the Mechanical and Transport Fund.



.....
Mr. Mungo Chimwaga, EBS
Chairman Mechanical & Transport Fund

6. Report of the Chief Executive Officer

The Mechanical and Transport Directorate is the administrator of the Mechanical and Transport Fund. In the Financial Year under review 2023/24, the Directorate achieved various milestone oversight by the MTF Management committee by exploring innovative ways to enhance our income streams and cash flows. We have engaged development partners to mobilize funds which include Sumitomo Corporation and the World Bank through Horn of Africa Gateway Development Project (HoAGDP). The World Bank has begun the process of procuring equipment worth about Kshs. 314 million to recapitalize the fund. Furthermore, the Fund has implemented innovative cost-cutting measures by deploying technology to unlock revenue streams and also enhance accountability.

In the year under review, the Fund implemented various strategies in view of attracting stakeholders to subscribe to our cost-cutting services. In addition, the Directorate is considering engaging professional consultancy services to finalize its draft strategic plan. The Directorate in consultation with the Public Service Commission (PSC) participated in the review and reorganization of staff establishment for the State Department for Roads. However, the report was submitted to PSC for approval and has been subjected to staff workload analysis.

Through the State Department for Roads, the Directorate received development funds that went into renovating our regional workshops thus improving the overall capacity of the Directorate. The Directorate also received equipment worth Kshs 200 million hence an increase in asset base. We have also resuscitated the process of debt recovery in Kisii County and Nairobi Metropolitan Services pending debt by engaging the Pending Bill verification committee that was appointed by the National Treasury during the year under review.

The Secretariat also prioritized on several equipment repair and body fabrication in our workshop using available capacity and resources to reduce on costs. This has resulted in a tremendous positive effect on the attainment of the Directorate's objectives by increasing the efficiency and effectiveness of service delivery.

I have further ensured my staff are adequately trained on integrity, and ethics and are kept abreast with the ever-changing technological architecture.

To achieve the Digital Agenda and the Bottom-up Economic Transformation Agenda the Directorate in conjunction with the ICT Authority designed and developed the Mechanical and Transport Directorate Equipment Management System (MTDEMS) thus saving on cost by use of our internal capacity. This has assisted the Directorate in coming up with an online

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comprehensive inventory of heavy engineering construction machinery and other heavy equipment providing an efficient monitoring tool that enhances our decision-making. The system will later be integrated with E-citizen portal to conform to the Presidential Directive on Automating Government services.

The Directorate is also set to transform to a Semi-Autonomous Government Agency (SAGA) 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 Directorate into modern operational status and unlock the Directorate's potential in revenue generation and ultimately attainment of long-term objectives.

We have also commenced a memorandum with key stakeholders focusing on e-mobility in line with the Bottom-up Economic Transformation Agenda (BETA). In this regard, we have developed reference specifications for guiding the Ministries, Counties, Departments, and Agencies (MCDAs) in the procurement of electric motorbikes, saloon cars, pickup trucks, and Sports Utility Vehicles (SUVs). Moreover, the Directorate is developing collaboration modalities with organisation's in the e-mobility, green hydrogen, and fuel-efficient vehicles spaces. Japan Bank for International Cooperation has expressed interests to advance a loan for Recapitalization, Training, and Centre for Resource Development.

I wish to take this opportunity to give my sincere appreciation to the Management Committee for the support and guidance extended to the secretariat throughout the year. I commend the MTD staff for their unwavering effort that ensured the Fund remained steadfast in delivering its mandate. I also extend my gratitude to the State Department for Roads, National Treasury and Development partners for financing our projects and Programmes. Finally, I wish to thank all other stakeholders for their critical contribution that facilitated continuous improvement of the Fund.



.....
Eng. Richard G. Thitai, OGW
Chief Engineer (Mechanical)

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

Over the past review period, the Mechanical and Transport Fund has demonstrated a commendable performance in meeting its predetermined objectives. The key achievements and challenges are summarized as follows:

The Fund has successfully enhanced operational efficiency through the implementation of advanced maintenance schedules and optimization of transport logistics. This has resulted in reduction in downtime and operational costs.

All major projects, have been undertaken on time and within budget. This includes successful upgrades to key mechanical systems and the expansion of the transport fleet.

The Fund has met all safety and regulatory standards, achieving a reduction in safety incidents and ensuring full compliance with industry regulations.

Some challenges have been experienced in the course of the year under review. Firstly, resource constraints were observed which was addressed through strategic realignment and improved procurement processes. Secondly, the technological field is very dynamic and urgent updates required. This was mitigated by adopting interim solutions and accelerating the integration of new systems.

The Fund has effectively aligned its performance with the strategic goals of the organization. Key performance indicators have shown positive trends, reflecting the Fund's commitment to continuous improvement and excellence.

In conclusion, the Mechanical and Transport Fund has made significant strides in achieving its predetermined objectives. Continued focus on overcoming challenges and optimizing performance will further enhance its contributions to the organization.

The MTF has five (5) strategic pillars within the current strategic plan for the FY 2023-2025. These pillars are as follows

- i. Standardized government fleet
- ii. Well maintained vehicles, plant and equipment.
- iii. Maintenance and renewal of funds through imposition of fees and hire charges
- iv. Human resource capacity building
- v. Modernized and equipped workshops and offices

The Directorate develops its annual work plan based on the above five pillars. Assessment of the Management Committee's performance against the annual work plan is done on a quarterly basis. The Fund achieved its performance targets set for the financial year 2023/24 regarding these five pillars as indicated below.

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S/No	STRATEGIC PILLAR	OBJECTIVE	KEY PERFORMANCE INDICATORS	ACTIVITIES	ACHIEVEMENTS	UNIT OF MEASURE
1	To Standardize Government Fleet	Standard Specifications	Register of Std Specs	Develop and provide technical specifications	251	No
		New Specifications	Register of New Specs	Provision of specifications for new equipment for clients	57	No
		Technical Evaluations	Register of Tenders	Evaluation of tenders for procurement and lease of vehicle, plant and equipment.	47	No
		Pre-Delivery Inspections	Register of PDI	Offering Pre-delivery Inspection to clients	1,354	No
		Valuations & Inspections for VPE	Reports	Inspections of vehicles, plant and equipment for conformance to technical specifications.	4,883	No
2	To Have Well Maintained Key Vehicles, Plant & Equipment	Maintenance & Serviceability of VPE	Logbooks Service Reports	Develop preventive maintenance schedule Repair of vehicles and equipment.	307	No
		Renewal of VPE	LPOs Delivery notes	Procurement of new equipment as per procurement plan	17	No
		Boarding of VPE	FO58 Boarded list	Boarding and Disposal of VPE as per the Disposal plan	0	No
		Lease Agreements	Lease letters	Provision of Lease letters to Clients	541	No
3	To Have Maintenance & Renewal Funds Through Imposition of Fees & Hire	Receipts from Equipment Leasing	Bank Statement MR receipts	Hiring out equipment to Contractors, MDA's and private clients	407.93	Kshs
		Receipts from sale of boarded VPE	Bank Statement MR receipts	Boarding and sale of VPE beyond economic life	0	Kshs
		Receipts from Technical Services	Bank Statement MR receipts	Provision of consultancy services	41.83	Kshs
4		To Manage and Train human capital on various	No. of Trained Staff	Provide staff with relevant training courses	206	No

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	Administration & Human Resource Capacity Building	courses for skills improvement in their relevant professions	Students Attached	Provide students with attachment opportunities	111	No
5	To Develop & Improve Regional & County Mechanical Workshop	Central Workshop & Office refurbishment	Completion Certificates	Construct and equip Central Workshop	0	No
		Regional Workshop & Office refurbishment	Completion Certificates	Refurbishment of Regional offices	45	No

8. Corporate Governance Statement

The Mechanical and Transport Fund upheld the highest standards of corporate governance to ensure transparency, accountability, and effective oversight. This statement provides an overview of our governance practices for the Financial Year 2023/24.

During the Year under review, the Management Committee held a total of four meetings including a field visit of the Meru Project. Attendance by the members of the committee was always well attended as first meeting had a 6/9 attendance, second meeting at 8/10, third meeting (field visit) at 3/8 and fourth meeting at 7/8. Attendance to meeting is closely monitored to ensure active participation and effective governance.

Our succession plan is designed to ensure continuity and stability at the Management Committee. It includes a structured process for identifying and developing internal candidates for key leadership roles. The plan is enshrined in the Rules, Procedures and Guidelines for the Operation of the Mechanical & Transport Fund.

The Management Committee is guided by guidelines and regulations, which outlines the roles, responsibilities, and its governance practices. Members are appointed by the Accounting officer to ensure achievement of the Fund's strategic goals. The removal of members follows established procedures, including compliance with legal requirements and consideration of performance and conduct.

Newly appointed members to the Committee are inducted in order to familiarize themselves with the Fund's operations, policies, and governance framework.

The Management Committee has a robust conflict of interest policy to ensure that any potential conflicts are disclosed and managed appropriately. During any meeting, members are required to declare any personal or financial interests that may conflict with their duties to the Fund.

The Fund is committed to maintaining high ethical standards and a code of conduct that governs the behaviour of members and employees. The code addresses integrity, honesty, and compliance with laws and regulations, and is regularly reviewed and communicated to all stakeholders.

The Fund encourages whistleblowing to encourage the reporting of unethical behaviour, illegal activities, or breaches of policies. The Management Committee encourages protection for whistleblowers and ensures that reports are investigated thoroughly and confidentially.

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In fostering of efficiency and transparency, stakeholders are provided with timely, accurate, and relevant information about the Fund's performance and governance. This includes regular updates through financial reports field visits, circulars and direct communication with stakeholders.

In conclusion, our commitment to strong corporate governance practices underpins our achievements and success. We remain dedicated to maintaining transparency, accountability, and ethical conduct in all aspects of our operations. Thank you for your continued trust and support.

Sincerely,

.....
Mr. Mongo Chimwaga, EBS
Chairman, Mechanical & Transport Fund

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9. Management Discussion and Analysis

The Fund has undertaken various activities in its delivery of services. County Governments have been key clients and over the last five years, the Fund has been able to generate income through the hire of equipment to County Governments as shown below: -

INCOME ON PROJECTS FOR 2018 - 2023	
REGION	AMOUNT
KISII	550,000,000
NYAMIRA	545,000,000
NYANDARUA	104,000,000
KIAMBU	150,000,000
MAKUENI	21,000,000
MERU	782,000,000
ELGEYO MARAKWET	69,000,000
WEST POKOT	48,000,000
TAITA TAVETA	3,800,000

Other clients have been Government agencies, private clients and institutions.

The Mechanical and Transport Fund has demonstrated a strong commitment to complying with relevant statutory requirements throughout the reporting period. This includes adherence to regulations governing financial reporting, taxation, and operational standards. Regular internal audits and external reviews ensure that all statutory obligations are met, and the Fund has not encountered any significant compliance issues or breaches. The Fund's adherence to statutory requirements is also reflected in the timely submission of financial statements and other regulatory reports.

During the year under review we experienced fluctuations in the economic environment of inflation or changes in interest rates, which impacted the Fund's financial stability and operational costs. Disruptions in the operations of the directorate through equipment failures and maintenance challenges affected service delivery and operational efficiency. Changes in laws and regulations relating to transportation and mechanical operations necessitated adjustments in the Fund's operations and financial planning. The Fund actively managed these risks through a comprehensive risk management framework, including regular risk assessments and strategic planning.

The economy has experienced moderate growth during the reporting period, with positive trends in key indicators such as GDP, employment rates, and consumer spending. However, there have been concerns related to inflationary pressures and fluctuations in commodity prices, which could impact the cost of materials and operational expenses for the Fund. The overall economic environment has been supportive of infrastructure and transportation investments, which benefited the Fund's activities.

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The mechanical and transport sector has shown resilience and steady performance over the reporting period. Advances in technology and increased investment in infrastructure have positively impacted the sector. However, challenges such as supply chain disruptions and rising costs of raw materials have posed some difficulties. The sector's outlook remains positive with ongoing projects and government initiatives aimed at enhancing transportation infrastructure and mechanical services.

Looking ahead, the Mechanical and Transport Fund is focusing on several key developments:

- Enhanced partnerships beyond the County Governments have to be pursued aggressively through improved market outreach and public relations programs. These will go a long way to enhance our clientele portfolio.
- The Fund aims to integrate advanced technologies in mechanical operations and transport management to enhance performance and reduce operational costs.
- There is a strategic emphasis on adopting sustainable practices and technologies to minimize environmental impact and support long-term operational sustainability.
- Efforts are being made to diversify funding sources and revenue streams to broaden the revenue pool ensuring financial stability and reduced dependency on a single source of income.

These future developments are aligned with the Fund's strategic objectives and are expected to contribute to its growth and operational effectiveness.

10. Environmental and Sustainability Reporting

i) Sustainability strategy and profile

The management is working to harmonize the 5-year draft strategic plan and align it to that of the State Department for Roads as anchored on Vision 2030 and the Sustainable Development Goals (No. 9 on Industry, Innovation and Infrastructure and 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 attainment of these goals.

GOALS	OBJECTIVES	STRATEGIES
Efficient and Effective service delivery	Acquisition of more equipment.	40% of MTF annual accruals is normally set aside for the purchase of vehicles, plant and equipment. During the year under review however, the Directorate purchased equipment worth Kshs 29.4 million. We also received equipment worth Kshs 200 million from the exchequer (State Department for Roads)
		The Division embarked on vehicle body fabrication to reduce cost of a complete body unit and enhance utilization of our competence. The Fund is in the process of mobilizing more resources from our development partners for recapitalization.
	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.
	Develop and Adopt Information Communication Technology in MTF operations	Through the HoAGDP Project, the Fund is in the process of implementing relevant software (ERP) for MTF reporting system (MECH)
The Directorate has acquired funding through HoAGDP to procure, installed and connected ICT Equipment in field stations to headquarters through Wide Area Network (MECH).		

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	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 practiced prudent financial and asset management system.
		The Fund is actively seeking development partners to help renew fleet and improve efficiency in revenue collection.
	Increase Sources of Revenue	The Fund strives to ensure maximum utilization of consultancy services, workshop facilities and equipment for services at a fee.
		Through the Draft strategic plan, we sought to diversify our operations including consultancy services i.e. inspection of exhaust emission for vehicles, locomotives, generators; regulating the construction of bus bodies and trailers, regulation of private and public garages, Manufacture of small machines like block making Machines, trailers plough, safes etc.
		During the period under review, the fund sought to dispose obsolete and uneconomical to repair equipment.

ii) Environmental performance

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

- As the Principal advisor of Government in matters relating to Mechanical and Transport Services, the Division is continually researching on improving technical specifications issued to other MCDAs in view of adopting green technology and e-mobility. The Directorate has been working towards developing technical specifications for electric vehicles, biogas driven

and those that use better standards of fuels to help environmental conservation efforts.

- Additionally, on the Regulation and reduction of emissions and promoting renewable energies, the Directorate 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, carbon monoxide, nitrogen oxide and other compound elements.
- As the implementing agency of KS1515, the Directorate is also tasked with inspecting imported second hand vehicles and ensuring they meet the required pollution emission standards to minimize environmental degradation.
- The Directorate undertakes valuation and inspection of unserviceable motor vehicles, plant and equipment in lieu of boarding and disposal. This helps eliminate and dispose motor vehicles that are not roadworthy to further reduce the amount of pollutants emitted to our environment as well as improving our road safety.
- The Directorate alongside Kenya Bureau of Standards (KEBS) and National Transport and Safety Authority (NTSA), carries out testing of road speed limiters to ensure strict compliance regulations for all Public Service Vehicles (PSV) and trucks.
- The Directorate as part of the multi-agency team inspects to tag-axle conversions and develops technical specifications for weigh bridges used for axle-load controls thus protecting roads.
- The Directorate implement Preventive Maintenance Schedules and Repairs to help improve fleet condition thereby minimizing environment pollution.
- The Directorate was involved in GDC projects for geothermal exploration to generate green energy in Nakuru and Baringo regions.
- The Directorate was involved in trees planting in view of environmental conservation and increasing the forest cover in the Country.

iii) *Employee welfare*

Currently, the Directorate has a staffing level of 989 in post as per June 2024 staff register against authorized establishments of 2,675, in April 2023 the Ministry of Public Service, Gender and

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Affirmative Action, State Department for Public Service, Management Consultancy Service in collaboration with the State Department for Roads carried an exercise to reorganize the structure and review the staff establishment for the state department for roads, a report was submitted to the Public Service Commission, in reply the Commission advised a comprehensive workload analysis datelining staffing requirement be carried out and resubmitted the report the Commission for consideration on review of the staff establishment. The state department for roads has embarked on the exercise which is being spear headed by officers from the State Department for Public Service Management Consultancy Services and the Public Service Commission.

The exercise is aimed at addressing the issue of shortage in the Directorate and the required staffing level, this will facilitate replacement and filling various vacant posts in the Directorate.

In the year under review, the Directorate has been able to train 65No. of its staff across various cadres funded by the World Bank program of Horn of Africa Gateway Development Project and 3.No. funded by Mechanical and Transport Fund. The Directorate periodically conducts the training needs assessment and trains staff across all cadres. Further, it is working towards achieving gender parity and cultural diversity in its replacement processes to be addressed by Public Service Commission as outlined in the Public Service Commission's Policies and Regulations of 2016.

The Directorate strives to maintain the health and safety of employees, customers, neighbours by having a clean surrounding and protecting the environment as part of our organizational culture. Our aspirations are to have zero accidents, zero errors and zero harm by continually adhering to the provisions of the Constitution of Kenya, 2010, the Labour Laws of Kenya, the ILO Conventions, best practices and the Occupational Safety and Health Act of 2007 (OSHA).

iv) *Market place practices-*

The Directorate made strides in the following strategic areas

a) *Responsible competition practice.*

By provision of equipment to strengthen local contractors, the Fund facilitated growth of local contractors thus stabilizing user fees in the industry.

b) *Responsible Supply chain and supplier relations*

The Directorate maintained good business practices by treating its own suppliers responsibly, honouring contracts in time, embracing Access to Government Procurement Opportunities (AGPO) for special groups.

c) *Responsible marketing and advertisement*

The Directorate maintained its gazetted rates uniformly across the country and has made this information publicly available to all. The Division therefore upheld openness, honesty and transparency, operating with the highest level of ethical standards.

d) *Product stewardship*

The management continuously worked to identify market gaps and needs thereby introducing new technical specifications for electric light trucks, motorbikes and saloon cars in line with the e- mobility government agenda.

11. Report of the Management Committee

The MTF Management Committee submit their report together with the audited financial statements for the year ended June 30, 2024, which show the state of the Fund's affairs.

i) Principal Activities

The principal activities of the Fund are:

- Principal government advisor on issues pertaining mechanical and transport;
- Hire of Equipment in support of social economic needs;
- Development of standards in the roads and transport sector.

ii) Results

The results of the Fund for the year ended June 30, 2024, are set out on page 1 to 5 with its notes.

iii) Management Committee

The members of the Management Committee who served during the year are shown on page vii. During the year 2023/24 the Chairmanship of the committee changed as follows.

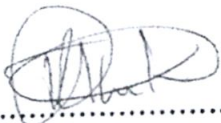
Eng. Francis Gitau who was appointed as Director General Nairobi Metropolitan and Transport Authority (NaMaTA) was succeeded by Eng. Luka Kimeli. Later during the year, Eng. Kimeli was replaced by SA, Mr. Mongo Chimwaga, EBS who was appointed as Chairman to the MTF on March 2024.

During the period under review, Mrs. Joyce Kirigo Gichomo retired and Mr. Nathan Soita was transferred to a different Ministry.

iv) Auditors

The Auditor-General is responsible for the statutory audit of the Mechanical and Transport Fund in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015 for the year ended June 30, 2024.

By Order of the Management Committee



.....
ENG. Richard G. Thitai, OGW

CE(M)/ Secretary MTF Management Committee

12. Statement of Management Committee Responsibilities

Section 81 of the Public Finance Management Act, 2012 require the Management Committee to prepare financial statements in respect of the Mechanical and Transport Fund which give a true and fair view of the state of affairs of the Fund at the end of the Financial Year/period and the operating results of the Directorate for the year under review. The Management Committee are also required to ensure that the Directorate keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Management Committee is also responsible for safeguarding the assets of the Fund.

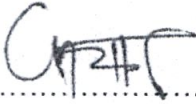
The Management Committee is responsible for the preparation and presentation of the Mechanical and Transport Fund financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the Financial Year ended on June 30, 2024. This responsibility includes: (i) Maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) Safeguarding the assets of the Fund; (v) Selecting and applying appropriate accounting policies; and (vi) Making accounting estimates that are reasonable in the circumstances.

The Management Committee accept responsibility for the Mechanical and Transport Fund financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and PFM Regulations, (National Government) 2015 PPAD Act, 2015, PPAD Regulation, 2020. The Management Committee is of the opinion that the Mechanical and Transport Fund's financial statements give a true and fair view of the state of Fund's transactions during the Financial Year ended June 30, 2024, and of the Fund's financial position as at that date. The Management Committee further confirms the completeness of the accounting records maintained for the MTF, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

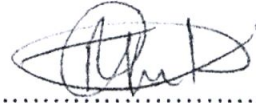
In preparing the financial statements, nothing has come to the attention of the Management Committee to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the Financial Statements

The Mechanical and Transport Fund financial statements were approved by the Management Committee on _____ 2024 and signed on its behalf by:



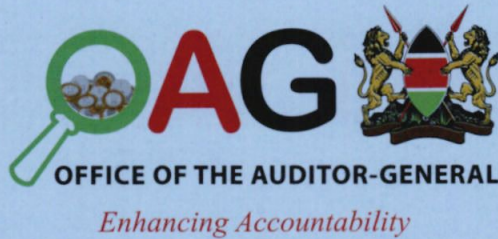
.....
Mr. Mongo Chimwaga, EBS
Chairperson MTF Management Committee.



.....
Eng. Richard G. Thitai, OGW
Chief Engineer (M) / Secretary, MC.

REPUBLIC OF KENYA

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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, 2024 - STATE DEPARTMENT FOR ROADS

PREAMBLE

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

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

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

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

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of Mechanical and Transport Fund set out on pages 1 to 25, which comprise the statement of financial position, 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 Mechanical and Transport Fund as at 30 June, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with the Public Finance Management Act, 2012.

Basis for Qualified Opinion

1. Inaccuracies in Property, Plant and Equipment

The statement of financial position and as disclosed in Note 19 to the financial statements reflects a balance of Kshs.2,392,334,017 in respect of property, plant and equipment. However, the balance excludes unknown value for buildings and other structures. No explanation was given why the buildings have not been valued and included in the assets register.

Further, the Fund does not have title deeds for the lands on which the buildings are erected and no explanation was provided why Management has not acquired land title deeds or efforts made towards acquiring them. Further, the security of land without title deeds could not be confirmed.

In the circumstances, the fair value and completeness of the assets balance could not be confirmed.

2. Long Outstanding Receivables from Exchange Transactions

The statement of financial position and as disclosed in Note 17 to the financial statements reflects current portion of receivables from exchange transactions balance of Kshs.107,720,940. Included in this amount is Kshs.48,710,152 and Kshs.36,337,417 owed by Kisii County Government and the Nairobi Metropolitan Services respectively, being amount that have been outstanding for more than one year. Further, the Fund did not provide an approved debt collection policy for audit and the recoverability of receivables balance is doubtful.

In the circumstances, the accuracy and recoverability of receivables balance 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 the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe

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

Emphasis of Matter

1. Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final receipts budget and actual amounts on comparable basis of Kshs.420,000,000 and Kshs.463,754,152, respectively, resulting in over-funding of Kshs.23,935,906 or 7% of the budget. However, the Fund spent an amount of Kshs.378,476,792 against actual receipts of Kshs.463,754,152 resulting in an under-utilization of Kshs.85,277,360 or 18% of the actual receipts.

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

2. Long Outstanding Trade and Other Payables

The statement of financial position and as disclosed in Note 20 to the financial statements reflects an amount of Kshs.6,573,543 in respect of trade and other payables. However, the amount has been outstanding for more than one year. Failure to settle payables when due may attract accumulated penalties and interest on outstanding amount resulting to avoidable costs.

My opinion is not modified in respect of these matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Issues

In the audit report of the previous year, several issues were raised under Emphasis of Matter and in the Report on financial statements, Report on Lawfulness and Effectiveness in Use of Public Resources sections and Report on Effectiveness of Internal Controls, Risk Management and Governance. The issues remained unresolved contrary to the provisions of Section 149(2)(l) of the Public Finance Management Act, 2012 which require the Accounting Officers designated to try to resolve any issues resulting from an audit that remain outstanding.

Other Information

The Oversight Committee is responsible for the other information set out on page vii to xxxvi which comprise of Key Fund Information and Management, The Board of Directors /Management Committee, Key Management Team, Chairman's, Report of the Chief

Executive Officer, Statement of Performance Against Predetermined Objectives, Corporate Governance Statement, Management Discussion and Analysis, Environment and Sustainability Reporting, Report of Management Committee and Statement of Management Committee Responsibilities.

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

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

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 3000 and ISSAI 4000. The standards require 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 effects of the matter described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance, 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

Understaffing Against the Approved Staff Establishment

During the year under review, the Fund had an in-post of nine hundred and forty-eight (948) employees against the approved staff establishment of two thousand six hundred and seventy-five (2,675) staff members resulting in understaffing of one thousand seven

hundred and twenty-seven (1,727) officers as provided in the Authorised Staff Establishment dated 16 November, 2016. The understaffing in key areas may impair service delivery to the public. Further, shortage of staff may result to overworked workforce resulting to demoralization.

In the circumstances, the effectiveness of the internal controls on management of staff could not be confirmed.

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 the Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with 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 governance.

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

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

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

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

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


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

20 December, 2024

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

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

Description	Notes	2023/2024	2023/2023
		Kshs	Kshs
Revenue From Exchange Transactions			
Rendering Of Services	6	402,883,124	218,735,142
Sale Of Boarded Items	7	-	29,977,156
Rental Revenue from Facilities & Equipment	8	1,758,512	-
Other Income	9	59,112,516	43,706,288
Total Revenue		463,754,152	292,418,586
Expenses			
Use Of Goods & Services	10	206,214,286	121,205,550
Employee Costs	11	15,098,229	14,802,797
Board Expenses	12	500,000	3,531,456
Depreciation & Amortization Expense	13	228,276,358	255,620,992
Repairs & Maintenance	14	114,990,921	88,529,514
Contracted Services	15	41,673,356	45,201,318
Total Expenses		606,753,150	528,891,627
Deficit		(142,998,998)	(244,328,166)

The notes set out on pages 6 to 25 form an integral part of these Financial Statements. The Financial Statements set out on pages 1 to 25 were signed on behalf of the Mechanical & Transport Fund by:



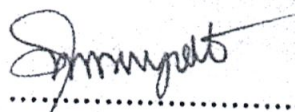
Eng. A. M. Mbugua, CBS
Accounting Officer

Date 30/9/2024



Eng. R. G. Thitai, OGW
Chief Engineer (Mechanical)

Date 30/9/2024



CPA Benard Cheruiyot
Branch Accountant
ICPAK M/No: 14826

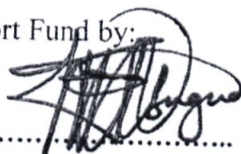
Date 30/9/2024


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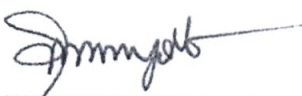
15 Statement of Financial Position as at 30 June 2024

Description	Notes	2023/2024	2022/2023
		Kshs	Kshs
Assets			
Current Assets			
Cash and Cash equivalents	16	187,329,645	126,189,495
Receivables from Exchange Transactions	17	107,720,940	92,902,694
Inventories	18	10,958,785	26,671,659
Total Current Assets		306,009,370	245,569,850
Non-Current Assets			
Property, Plant and Equipment	19	2,392,334,017	3,420,988,046
Total Non- Current Assets		2,392,334,017	3,420,988,046
Total Assets		2,698,343,387	3,666,557,896
Liabilities			
Current Liabilities			
Trade and Other Payables	20	6,573,543	12,704,373
Refundable Deposits	21	853,924	1,133,874
Total Current Liabilities		7,427,467	13,838,247
Represented by:			
Government Grant	22	1,735,000,418	1,520,002,832
Reserves		1,098,914,500	1,523,369,468
Accumulated Deficit		(142,998,998)	(244,328,166)
Net Assets		2,690,915,920	2,799,043,651
Total Net assets and Liabilities		2,698,343,387	2,812,881,898

The financial statements set out on pages 1 to 25 were signed on behalf of the Mechanical & Transport Fund by:


.....
Eng. J. M. Mbugua, CBS
Accounting Officer


.....
Eng. R. G. Thitai, OGW
Chief Engineer (Mechanical)


.....
CPA Benard Cheruiyot
Branch Accountant
ICPAK M/No: 14826

Date 30/9/2024

Date 30/9/2024

Date 30/9/2024

**Mechanical and Transport Fund
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16. Statement of Changes in Net Assets for the year ended 30 June 2024

Description	Accumulated reserve	Development Grants	Total
	Kshs	Kshs	Kshs
As at July 1, 2022	1,343,242,666	1,520,002,832	2,863,245,498
Deficit for the year	(244,328,166)	-	(244,328,166)
As at June 30, 2023	1,098,914,500	1,520,002,832	2,618,917,332
As at July 1, 2023	1,098,914,500	1,520,002,832	2,618,917,332
Deficit for the year	(142,998,998)	-	(142,998,998)
PPE Donated from SDoR	-	200,000,000	200,000,000
WB Donated Computers & ICT equipment	-	14,997,586	14,997,586
As at June 30, 2024	955,915,502	1,735,000,418	2,690,915,920

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

Description	Notes	2023/2024	2022/2023
		Kshs	Kshs
Cash Flows from Operating Activities			
Receipts			
Rendering Of Services		402,883,124	218,735,142
Sale Of Goods		-	29,977,156
Rental Revenue from Facilities & Equipment		1,758,512	-
Other Income		59,112,516	35,851,163
Total Receipts		463,754,152	284,563,461
Payments			
Use Of Goods & Services		206,214,286	121,205,550
Employee Costs		15,098,229	14,802,797
Board Expenses		500,000	3,531,456
Repairs & Maintenance		114,990,921	88,529,514
Contracted Services		41,673,356	45,201,318
Total Payments		378,476,792	273,270,635
Net Cash Flows from Operating Activities	23	90,504,510	43,367,808
Cash Flows from Investing Activities			
Purchase Of PPE Assets		(29,364,360)	-
Purchase Of Office Equipment		-	(592,760)
Proceeds From Sale of PPE		-	(29,977,156)
Purchase Of Furniture		-	(94,990)
Purchase Of Computer		-	(477,491)
Interest On Deposits		-	1,886,691
Net Cash Flows From/ (Used In) Investing Activities		(29,364,360)	(29,255,706)
Cash Flows from Financing Activities		-	-
Net Cash Flows from Financing Activities		-	-
Net Increase in Cash & Cash Equivalents		61,140,150	4,211,041
Cash And Cash Equivalents At 1 July, 2023	16	126,189,495	121,978,454
Cash And Cash Equivalents At 30 June, 2024	16	187,329,645	126,189,495

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

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
	Kshs	Kshs	Kshs	Kshs	Kshs	
	a	b	C=(a+b)	d	e=(c-d)	f=d/c*100
Revenue						
Rendering of Services	694,500,000	(309,500,000)	385,000,000	402,883,124	(17,883,124)	105%
Rental Revenue from Facilities and Equipment	-	1,500,000	1,500,000	1,758,512	(258,512)	117%
Sale of goods	15,000,000	(15,000,000)	-	-	-	-
Other Income	40,500,000	(7,000,000)	33,500,000	59,112,516	(10,794,270)	132%
Total Income	750,000,000	(330,000,000)	420,000,000	463,754,152	(23,935,906)	107%
Expenses						
Use of Goods and Services	282,379,751	(72,379,751)	210,000,000	206,214,286	3,785,714	98%
Employee costs	22,200,000	(5,200,000)	17,000,000	15,098,229	1,901,771	89%
Board Expenses	4,000,000	(3,400,000)	600,000	500,000	100,000	83%
Repairs & Maintenance	180,509,906	(62,509,906)	118,000,000	114,990,921	3,009,079	97%
Contracted Services	60,910,343	(16,510,343)	44,400,000	41,673,356	2,726,644	94%
Total Expenditure	550,000,000	(160,000,000)	390,000,000	378,476,792	11,523,208	97%
Surplus for the period	-	-	-	85,277,360	-	-
Capital Expenditure	200,000,000	170,000,000	30,000,000	29,364,360	(635,640)	98%

Budget notes

1. The final budget of Kshs 750 Million was adjusted to Kshs 420 Million to conform to supplementary II in accordance with the printed estimates FY 2023/2024.
2. The Fund surpass its revenue targets during the financial year under review. This is due the fact that the fund received money for works to be done towards the end of the financial year from Meru County.
3. The Revenue from sale of boarded items was not realized due to the State Department Asset Disposal Committee not approving the exercise on time.

**Mechanical and Transport Fund
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19. Notes to the Financial Statements

1. General Information

Mechanical and Transport Fund is established by and derives its authority and accountability from Legal Notice No. 140 under the Exchequer and Audit Act (CAP 412). The Fund is wholly owned by the Government of Kenya and is domiciled in Kenya. The Fund's principal activity is hire of plant and machinery and offering of mechanical technical services.

2. Statement of Compliance and Basis of Preparation

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Mechanical and Transport Fund. The financial statements have been prepared in accordance with the PFM Act, and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.

3. Adoption of New and Revised Standards

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

There were no new and amended standards issued in the Financial Year.

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

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Notes to the Financial Statements (Continued)

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an Fund.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non- Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45- Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
IPSAS 46 Measurement	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p>

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

iii. Early adoption of standards

The Mechanical and Transport Fund did not early – adopt any new or amended standards in the Financial Year 2023/24.

**Mechanical and Transport Fund
Annual Report and Financial Statements
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Notes to the financial statements (continued)

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Fees

The Fund recognizes revenues from fees when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the Fund and the fair value of the asset can be measured reliably.

Transfers from other government entities

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

ii) Revenue from exchange transactions

Rendering of services

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

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 Fund.

**Mechanical and Transport Fund
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**Notes to the Financial Statements (Continued)
Summary of Significant Accounting Policies (Continued)**

Rental income

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

b) Budget information

The original budget for the Current FY 2023/24 was approved by the management committee on July 2023. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the Fund upon receiving the respective approvals in order to conclude the final budget. In this regard, the Fund recorded a reduction in appropriations of Kshs 325 Million on the 2023/24 budget following the governing body's approval.

The MTF's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on a cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the Fund recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

**Mechanical and Transport Fund
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

d) 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.

e) Intangible assets

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

f) Financial instruments

IPSAS 41 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The Mechanical and Transport Fund does not have any hedge relationships and therefore the new hedge accounting rules have no impact on the Fund's financial statements.

A financial instrument is any contract that gives rise to a financial asset of one Fund and a financial liability or equity instrument of another Entity. At initial recognition, the Fund measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

a) Financial assets

Classification of financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost, fair value through net assets/ equity or fair value through surplus and deficit on the basis of both the Fund's management model for financial assets and the contractual cash flow characteristics of the financial asset.

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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

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

Subsequent measurement

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

Amortized cost

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

Fair value through net assets/ equity

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

**Mechanical and Transport Fund
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

Trade and other receivables

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

Fair value through surplus or deficit

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

b) Financial liabilities

Classification

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

g) Inventories

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

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

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

**Mechanical and Transport Fund
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

h) Provisions

Provisions are recognized when the Fund has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Fund expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of financial performance net of any reimbursement.

i) Social Benefits

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

j) Contingent liabilities

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

k) Contingent assets

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

l) Nature and purpose of reserves

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

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

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

m) Changes in accounting policies and estimates

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

n) Related parties

The Mechanical and Transport Fund regards a related party as a person or a Fund with the ability to exert control individually or jointly, or to exercise significant influence over the Mechanical and Transport Fund, or vice versa. Members of key management are regarded as related parties and comprise the Directors/Fund Managers, Fund Accountant and Accounting Officer.

o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the Financial Year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorised public officers and/or institutions which were not surrendered or accounted for at the end of the Financial Year.

p) Comparative figures

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

q) Subsequent events

There have been no events subsequent to the Financial Year end with a significant impact on the financial statements for the year ended June 30, 2024.

5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Fund's financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period.

**Mechanical and Transport Fund
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Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. State all judgements, estimates and assumptions made:

i. Estimates and assumptions.

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

ii. Useful lives and residual value

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

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

**Mechanical and Transport Fund
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for the year ended June 30, 2024.**

Notes to the Financial Statements (Continued)

Summary of Significant Accounting Policies (Continued)

6. Rendering of Services

Description	2023/2024	2022/2023
	KShs	KShs
Hire of Equipment	402,883,124	218,735,142
Total Revenue from The Rendering Of Services	402,883,124	218,735,142

These are receipts from hire of excavators, tippers, rollers, soil stabilizer, graders etc. being the principal activities of the fund.

7. Sale of Goods

Description	2023/2024	2022/2023
	Kshs	Kshs
Sale of Boarded Items	-	29,977,156
Total revenue from the sale of goods	-	29,977,156

There was no sale of boarded items during the year under review.

8. Rental Revenue from Facilities and Equipment

Description	2023/2024	2022/2023
	Kshs	Kshs
Contingent Rentals* ¹	1,758,512	-
Total Rentals	1,758,512	-

This amount was received from Safaricom Ltd for masts erected within the institution's premises.

9. Other Income

Description	2023/2024	2022/2023
	Kshs	Kshs
Miscellaneous incomes (Technical Services)	42,517,026	33,964,472
Bank interest	1,777,244	1,886,691
Increase in Receivables	14,818,246	7,855,125
Total Other income	59,112,516	43,706,288

**Mechanical and Transport Fund
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Notes to the Financial Statements (Continued)

10. Use of Goods and Services

Description	2023/2024	2022/2023
	Kshs	Kshs
Electricity	5,104,094	3,975,508
Water	1,638,832	1,199,279
Subscriptions	4,592,240	659,300
Advertising* ²	721,984	401,000
Conferences & Delegations* ³	5,698,069	5,861,680
Consumables* ⁴	4,546,678	3,135,243
Postage	343,769	172,911
Printing & Stationery* ⁵	5,594,306	7,167,071
Telecommunication* ⁶	3,171,040	14,154,203
Bank Charges	325,923	356,573
Other General Expenses* ⁷	174,477,351	84,122,782
Total	206,214,286	121,205,550

Other General Expenses* ⁷	2023/2024	2022/2023
	Kshs	Kshs
Asset Valuations (Devolution)	16,984,420	-
Fuel	77,389,734	45,781,815
Seedlings	100,000	-
Gravel	11,000,000	-
Monitoring & Evaluation	-	447,000
Book Allowance	15,000	-
Purchase Of Coffins	248,000	263,000
Purchase Of Uniforms	1,173,381	124,100
Supplies For Production	1,107,608	-
Travel, Subsistence & Other Allowances	66,459,298	37,506,867
Total	174,477,351	84,122,782

Advertising* ²	2023/2024	2022/2023
	Kshs	Kshs
Trade Shows & Exhibitions	574,984	-
Publicity & Awareness	147,000	401,000
	721,984	

**Mechanical and Transport Fund
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Notes to the Financial Statements (Continued)

Printing & Stationery* ⁵	2023/2024	2022/2023
	Kshs	Kshs
Printing & Publishing	566,315	1,170,300
General Office Supplies	5,027,991	5,996,771
Total	5,594,306	7,167,071

Conferences & Delegation* ³	2023/2024	2022/2023
	Kshs	Kshs
Catering Services	4,397,151	4,815,624
Board Committees & Conferences	1,300,918	-
Tuition Fees	-	1,046,056
Total	5,698,069	6,257,680

Telecommunication* ⁶	2023/2024	2022/2023
	Kshs	Kshs
Internet Connections	48,102	10,719,573
Telephone	2,928,938	3,434,630
CCTV Upgrade	194,000	-
Total	3,171,040	14,154,203

Consumables* ⁴	2023/2024	2022/2023
	Kshs	Kshs
Supplies & Accessories For Computers	4,194,984	2,414,278
Sanitary & Cleaning Materials	351,694	720,965
Total	4,546,678	3,135,243

11. Employee cost

Description	2023/2024	2022/2023
	Kshs	Kshs
Salaries & Wages	15,098,229	14,802,797
Total	15,098,229	14,802,797

**Mechanical and Transport Fund
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Notes to the Financial Statements (Continued)

12. Board Expenses

Description	2023/2024	2022/2023
	Kshs	Kshs
Sitting Allowances	500,000	3,531,456
Total	500,000	3,531,456

13. Depreciation Expense

Description	2023/2024	2022/2023
	Kshs	Kshs
Property, Plant & Equipment	228,276,358	255,620,992
Total depreciation	228,276,358	255,620,992

14. Repairs and Maintenance

Description	2023/2024	2022/2023
	Kshs	Kshs
Property & Equipment	1,432,699	113,150
Machinery & Fittings* ⁸	38,455,832	54,253,623
Motor Vehicles	7,535,234	3,041,786
Computers & Accessories	1,478,205	2,767,090
Tyres & Tubes	44,494,254	17,309,769
Oils & Lubricants	21,594,697	11,044,096
Total Repairs and Maintenance	114,990,921	88,529,514

Machinery & Fittings* ⁸	2023/2024	2022/2023
	Kshs	Kshs
Machinery & equipment	38,424,337	54,253,623
Furniture & fittings	31,495	-
Total	38,455,832	54,253,623

The variations above are as a result of additional projects being undertaken in Meru, Nyamira and Elgeyo Marakwet Counties

15. Contracted Services

Description	2023/2024	2022/2023
	Kshs	Kshs
Security services	41,673,356	45,201,318
Total	41,673,356	45,201,318

The above variations are as a result of unpaid claims as indicated in the pending bills report for the year under review.

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Notes to the Financial Statements (Continued)

16. Cash and Cash Equivalents

Description	2023/2024	2022/2023
	Kshs	Kshs
Current Account	187,329,645	126,189,495
Total Cash And Cash Equivalents	187,329,645	126,189,495

Money received from Meru, Elgeyo Marakwet and Nyamira for the ongoing works.

17. Receivables from Exchange Transactions (Current)

Description	2023/2024	2022/2023
	Kshs	Kshs
Receivables		
Kisii County Government	48,710,152	48,710,152
Nairobi Metropolitan Services	36,337,417	36,337,417
GDC Baringo	22,673,371	7,855,125
Total Current Receivables	107,720,940	92,902,694

i. Accounts receivables from Kisii County Government and NMS have been submitted to National Government Pending Bills committee during the FY under review

ii. Receivables from GDC Baringo emanated from hire of equipment at the end of FY under review

18. Inventories

Description	2023/2024	2022/2023
	Kshs	Kshs
Consumable stores* ⁷	993,729	4,285,672
Spare parts,Oils and Lubricants	7,162,256	22,671,659
Tyres	2,612,800	-
Batteries	190,000	-
Total inventories at the lower of cost and net realizable value	10,958,785	26,957,331

The above inventories relate to items procured during the end of the financial year awaiting collection by the regional offices

Consumable stores* ⁷	2023/2024	2022/2023
	Kshs	Kshs
Sanitary materials	66,624	2,300,291
Stationery and printer supplies	669,380	-
Fuel	257,725	1,985,381
Total inventories at the lower of cost	993,729	4,285,672

**Mechanical and Transport Fund
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Notes to the Financial Statements (Continued)

19. Property, Plant and Equipment

Cost	Plant & Machinery	Motor Vehicles	Computers & ICT Equipment	Furniture & Office Equipment	Total
	Kshs	Kshs	Kshs	Kshs	Kshs
As At 1st July 2022	5,578,122,310	303,369,308	42,723,087	59,469,420	5,983,684,125
Additions	-	-	477,491	4,201,505	4,678,996
Disposals	(29,977,156)	-	-	-	(29,977,156)
As at 30th June 2023	5,548,145,154	303,369,308	43,200,578	63,670,925	5,958,385,965
Additions	222,375,360	6,989,000	14,997,586	-	244,361,946
As at 30th June 2024	5,770,520,514	310,358,308	58,198,164	63,670,925	6,202,747,911
Depreciation					
At 1st July 2023	2,505,853,444	75,829,585	25,171,577	13,755,769	2,620,610,375
Acc. Depreciation	(3,264,667,070)	(234,528,723)	(33,026,587)	(49,915,156)	(3,582,137,536)
Annual Depreciation	(213,527,046)	(8,910,211)	(3,775,736)	(2,063,365)	(228,276,358)
As at 30th June 2024	2,292,326,398	66,919,374	21,395,841	11,692,404	2,392,334,017

Note:

See Appendix 2 for Depreciation Schedule

**Mechanical and Transport Fund
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Notes to the Financial Statements (Continued)

20. Trade and Other Payables

Description	2023/2024	2022/2023
	Kshs	Kshs
Trade payables (pending claims)* ⁸	6,573,543	12,704,373
Total trade and other payables	6,573,543	12,704,373

Trade payables (pending claims)* ⁸	2023/2024	2022/2023
	Kshs	Kshs
Telecom Kenya	6,573,543	6,573,543
Gyto Success Ltd	-	3,766,900
Teknohub Ltd	-	2,363,930
Total Trade and Other Payables	6,573,543	12,704,373

21. Refundable Deposits

Description	2023/2024	2023/2024
	Kshs	Kshs
Other Deposits (Tender Refunds)	853,924	1,133,874
Total	853,924	1,133,874

Other deposits relate to tender refunds deposited as a bid deposit for purchase of boarded items.

22. Government Grant

Description	2023/2024	2023/2024
	Kshs	Kshs
A loan agreement was entered into between the Governments of the Republic of Korea and the Republic of Kenya on 15th April, 2005 concerning Economic Development Cooperation Fund (EDCF) 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. The EDCF Loan arrangement dated 10th May, 2005 concerned the financing and the implementation of Road Maintenance Equipment Renewal Project. The loan Repayment was negotiated by the National Government to repay in forty (40) semi-annual consecutive instalments 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.	1,963,016,500	1,963,016,500
The National Government advanced the Mechanical and Transport Fund Kshs. 1,500,000,000.00 in the Financial year 2013-2014 to purchase Road	1,500,000,000	1,500,000,000

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Maintenance Equipment following a directive to transfer 80% of MTF fleet to County Government. (Transfer of Kshs. 2,184,609,668 worth of fleet done during the FY 2022/2023).		
Transfer 80% of MTF fleet to County Government. (Kshs. 2,184,609,668 worth of fleet transferred during the FY 2022/2023).	(2,184,609,668)	(2,184,609,668)
Grant from Government of Japan	241,596,000	241,596,000
Plant and Equipment from State Dept. of Roads	200,000,000	-
Donation of computers from World Bank	14,997,586	-
Total	1,735,000,418	1,520,002,832

The differences in Plant Machinery and Equipment in the closing balances is as a result of erroneous inclusion in the master inventory of plant and machinery worth Ksh 2,184,609,668 which had been transferred in the devolved units yet the transfer process had not been completed.

23. Cash Generated from Operations

Description	FY 2023/2024	FY 2022/2023
	Kshs	Kshs
Surplus for the year before tax	(142,998,998)	(244,328,166)
Adjusted for:		
Depreciation	228,276,358	255,620,992
Working capital adjustments		
Decrease in inventory	15,998,546	17,756,208
Increase in receivables	(14,818,246)	(7,855,125)
Decrease in payables	4,046,850	(5,916,566)
Net cash flow from operating activities	90,504,510	43,367,808

24. Currency

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

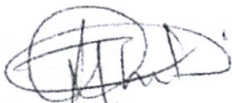
**Mechanical and Transport Fund
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20. Appendices

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

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

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
101	Inaccuracies in the Financial Statement	<i>The management has amended the financial statement to reflect its true position as per the signed financial statement</i>	Resolved	July 2024
102	Receivables from non-exchange transactions	<i>This was as a result of unintentional error that didn't affect the financial statement. The figure of Kshs 48,710,152 was captured correctly in the financial statement.</i>	Resolved	Feb 2024
103	Inaccuracies in Property, Plant and Machinery	<i>The management has amended the financial statement to reflect its true position as per the signed financial statement</i>	Resolved	July 2024
104	Unauthorized Over-Expenditure on Fuel, Oil and Lubricants	<i>The management has amended the financial statement to reflect its true position as per the signed financial statement</i>	Resolved	July 2024



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Eng. Richard G. Thitai, OGW
Chief Engineer (Mechanical)

Date: 30/9/2024