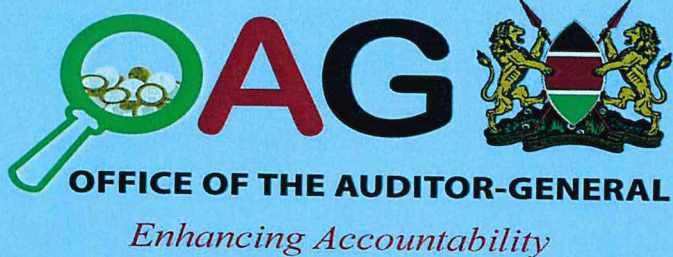


REPUBLIC OF KENYA



# REPORT

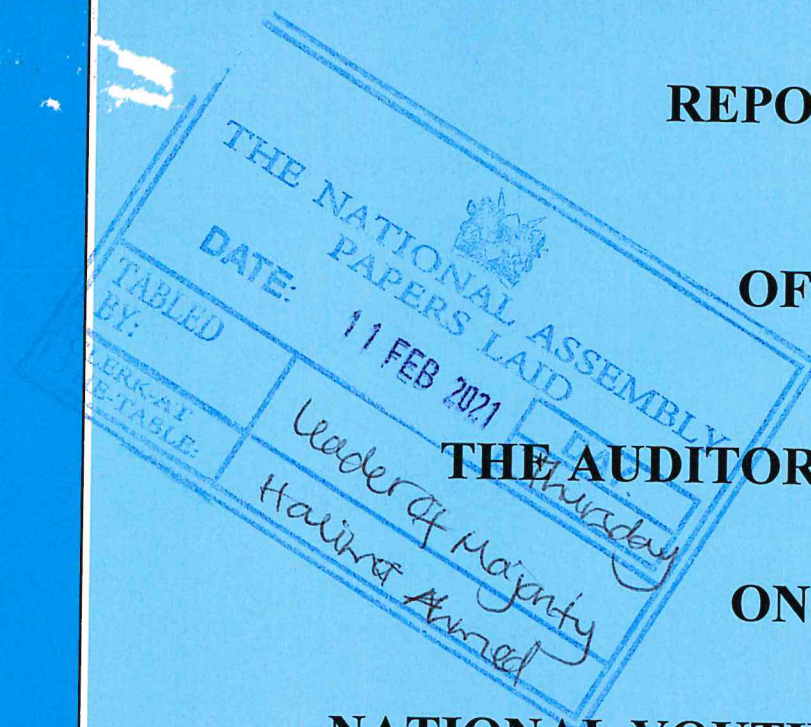
OF

**THE AUDITOR-GENERAL**

ON

**NATIONAL YOUTH SERVICE –  
MECHANICAL AND TRANSPORT FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2019**





# THE PRESIDENCY



## MINISTRY OF PUBLIC SERVICE AND GENDER

STATE DEPARTMENT OF PUBLIC SERVICE

NATIONAL YOUTH SERVICE

MECHANICAL AND TRASPORT FUND

ANNUAL REPORT AND REVISED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2019

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

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## **KEY ENTITY INFORMATION AND MANAGEMENT**

### **BACKGROUND**

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

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

#### **Mandate**

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

#### **Principle Activities**

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

#### **Vision**

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

#### **Mission**

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

#### **Core values**

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

#### **Strategic Objective**

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

#### **Key Strategic Priorities**

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





## KEY ENTITY INFORMATION AND MANAGEMENT (Continued)

### Designation

- |   |                           |
|---|---------------------------|
| • Principal Secretary, State Department of Public | MARY .W. KIMONYE (MS) MBS |
| • Director General NYS                            | MATILDA SAKWA (MS) EBS    |
| • Officer in Charge-MTB                           | MAURICE MAZERA, HSC       |
| • Head of accounting Unit                         | ELIAS K MACHARIA          |
| • Principal Accountant in Charge MTB              | HARRISON.M. RIOBA         |
| • Accountant II                                   | PAUL WANGAI               |

### Entity Headquarters

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

### Entity Contacts

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

### Entity Bankers

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

### Bank Details

Account No.1128674548  
Account Name: NYS Mechanical Fund  
Account Type: Current

### Independent Auditors

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

### Principal Legal Advisor

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



## STATEMENT REPORT OF THE ADMINISTRATOR OF MECHANICAL AND TRASPORT FUND (MTF)

Section 4 of the public audit act, 2003 and section 81, 82, and 84 of public finance management act, 2012 requires the accounting officer, receiver of revenue and administrator of national public funds to prepare and sign accounts for each financial year relating to their areas of responsibilities within three months and transact them to the Auditor general for audit

the responsibility of the administrator of mechanical and transport fund(MTF), including the responsibility for propriety and regularity of public finance , for keeping proper financial and accounting records, for safeguarding the assets within their responsibility and for ensuring fund entrusted to them are applied only for the purposes intended and approved by parliament , set out in public finance management act, 2012, various other laws, government financial regulation and procedure and treasury circular issued from time to time.

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

I further accept responsibility for the attached annual account records which have been prepared in conformity with treasury direction and appropriate government financial regulation and procedures.

I am of the opinion that the attached financial statement present fairly the financial state of affairs the nation youth service mechanical transport fund (MTF) as at 30<sup>th</sup> June, 2019



MARY .W. KIMONYE (Ms.), MBS  
PRINCIPAL SECTRARY  
STATE DEPARTMENT OF PUBLIC SERVICE





## **REPORT OF THE PROJECT MANAGER**

I present the NYS mechanical and transport fund report and statements for the financial year ended 30<sup>th</sup> June 2019

In the year under review NYS-MTF reported a loss –Kshs 466,338,193 up by 65 % from Kshs 319,175,353 in the previous financial year. Cost of fuel. Lubricants by DG NYS were factor in the statement of financial performance. Revenue grew by 2% from Kshs 333,434,186 to Kshs 358,463,947. This was due to the subsidies price of 20 shilling per passengers during peak hours by Linda abiria buses and minibuses.

The fund domestic debt drew from Kshs 1,176,568,516 to 1,287,081,404 as at the closure of the financial year ended 30th June 2019. which will leave the outstanding debt at Kshs 1,509,396,267 which is a composition of commercial debt of Kshs 1,222,314,863 and domestic debt of Kshs 1,328,708,140 under domestic debt is an amount of Kshs 635,899,313 which is money lent to pay for TVETs.

The key challenge facing the operating of the fund is involvement of NYS in undertaking presidential Directive of Linda abiria which is generating less income for the fund and incurring high cost of repairs and maintenances for the buses and minibuses.

Relocating of vehicles, machines and equipment from projects such upgrading of informal settlement among others national projects. Another challenges is the frequent breakdown occasioned by aging fleet (the management has set up an asset recovery team that is working on equipment that have been lying idle yet have an economic value)

With the management board in place, in line with the legal notice that established the fund, it is hoped that there will be improvement in the operation of the fund.



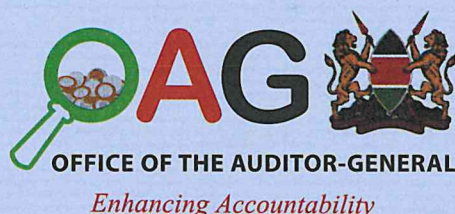
**MAURICE MAZERA, HSC  
OFFICER IN-CHARGE  
MECHANICAL AND TRANSPORT BRANCH**





# REPUBLIC OF KENYA

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



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

## **REPORT OF THE AUDITOR-GENERAL ON NATIONAL YOUTH SERVICE – MECHANICAL AND TRANSPORT FUND FOR THE YEAR ENDED 30 JUNE, 2019**

### **REPORT ON THE FINANCIAL STATEMENTS**

#### **Disclaimer of Opinion**

I have audited the accompanying financial statements of the National Youth Service - Mechanical and Transport Fund set out on pages 1 to 25, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of cash flows and the statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

#### **Basis for Disclaimer of Opinion**

##### **1. Statement of Changes in Net Assets**

Paragraph 21 of IPSAS 1 – Presentation of Financial Statements - provides that a complete set of financial statements comprises, among other statements, the statement of changes in net assets. However, the financial statements submitted for audit did not include the Statement of Changes in Net Assets. In the circumstances, the financial statements were not complete.

##### **2. Inaccurate Comparative Balances**

The revised financial statements reflect various comparative figures which differed with the 2017/2018 financial year audited figures as follows:

Item	Revised Financial Statements Kshs.	Audited Financial Statements Kshs.	Difference Kshs.
Total Revenue	333,434,186	351,337,186	(17,903,000)
Total Expenses	652,609,539	504,227,904	148,381,635



Item	Revised Financial Statements Kshs.	Audited Financial Statements Kshs.	Difference Kshs.
Total Current Assets	1,803,142,765	2,306,628,736	(503,485,971)
Fund Balance	7,134,175,160	8,434,951,013	(1,300,775,853)

No explanation or supporting documentation have been provided to show that the financial statements for the financial year 2017/2018 were restated. Consequently, the accuracy of the balances reflected in the financial statements for the financial year ended 30 June, 2019 could not be confirmed.

### 3. Unsupported Adjustments in the Revised Financial Statements

The supporting documents for adjustment of the following balances reflected in the revised financial statements were not provided for audit:

Item	Initial Balance Kshs.	Revised Balance Kshs.	Difference Kshs.
Inventories	601,564,368	255,027,237	346,537,131
Trade Payables	15,178,418	15,120,143	58,275

Consequently, the accuracy of the financial statements for the year ended 30 June, 2019 could not be confirmed.

### 4. Cash and Cash Equivalents

As disclosed in Note 14 to the financial statements, the statement of financial position reflects a balance of Kshs.13,307,759 in respect of cash and cash equivalents. However, the bank reconciliation statement reflected an amount of Kshs.11,370,961 relating to receipts in bank not in cashbook which included Kshs.4,754,539 which had been outstanding for more than six (6) months. No explanation has been provided for failure to establish the source and purpose of the direct deposits.

Under the circumstances, the accuracy of the reported cash and cash equivalents balance of Kshs.13,307,758 could not be confirmed.

### 5. Unsupported Income

The statement of financial performance reflects total income of Kshs.358,423,947 as revenue earned during the financial year 2018/2019. Included in the revenue balance is Kshs.270,552,129, Kshs.12,502,869 and Kshs.74,131,789 relating to domestic hire, hire of buses and hire of water rigs, plant and equipment respectively. However, the following observations were made:

#### 5.1 Income from Domestic Hire

The Fund has leased motor vehicles and transport equipment to the National Youth Service. However, no lease agreement, schedule or listing of distribution of the leased motor vehicles and machinery leased to each field station showing the duration of hire



and rates charged for each vehicle or equipment were availed in support of the reported figure of revenue for domestic hire. Further, the invoices availed for audit review had no control numbers or any accountability references and therefore, the completeness and accuracy could not be established. In addition, there is no policy document or contract agreement between the National Youth Service and the Mechanical and Transport Fund showing the applicable rates and mode of leasing for the assets.

Under the circumstances, the accuracy and completeness of the amount of Kshs.270,552,129 relating to revenue from domestic hire could not be confirmed.

## **5.2 Income from Commuter Buses**

The buses operate as Public Service Vehicles but the mode of operation revealed that the daily receipts summaries used to record the revenue had no verification checks on the accuracy and reliability of the data by a responsible officer such as route commanders and the accountant in charge to reconcile the collections to the receipts. In addition, the money received as per the daily receipts summaries could not be traced in the miscellaneous receipts book on a daily basis or as a batch and hence the banking of the collections could not be verified.

Further, the bank deposits slips provided in support of the receipts did not show the date the funds were received from commuter buses or reconciled to the specific daily receipts to which they related to, making it difficult to confirm the accuracy and completeness of the recorded and the banked revenue. Although the schedule given to support the revenue earned from commuter buses agreed with the amounts recorded in the financial statements, the revenue recorded in the daily control sheets could not be reconciled to the bankings and the cash book.

As a result, the accuracy and completeness of the Kshs.12,502,869 reported revenue relating to hire of buses could not be ascertained.

## **5.3 Hire of Water Rigs, Plant and Equipment**

Information availed for audit examination in support of the income, revealed that income was recognized based on miscellaneous receipts issued and not amount invoiced contrary to the accruals principle of accounting which requires that revenue should be recognized when earned and not received. Further, the quotations and the invoices issued did not have control checks such as pre-numbering hence susceptible to manipulation or change without proper authority. There were no official quotation receiving registers, acknowledgements and acceptance from the requisitioning entity marked on the documents as proof or confirmation of figures neither were there executed contracts in support of the amounts charged to various customers.

Consequently, the accuracy and completeness of the reported income from hire of water rigs, plant and equipment of Kshs.74,131,789 could not be confirmed.

## **6. Unsupported and Unauthorized Council Expenses**

The statement of financial performance reflects an amount of Kshs.17,565,851 relating to Council expenses. As disclosed under Note 12 to the financial statements, the

amount constitutes payments for the full council meetings and subcommittee meetings retreat cost and induction of council members. However, information availed in support of the payments showing the dates, venues of the meetings, nature of the meetings, number of days, rates payable and invitation letters for the Council Members were not availed for audit verification.

Further, the expenditure related to the National Youth Service Governing Council and not the Mechanical and Transport Fund. The Fund's enabling legal framework and Legal Notice No. 15 of 2011 has no provision for the Governing Council and payments are therefore, not supported by any legal justification and approval from the Accounting Officer of the parent ministry.

As a result, the propriety, validity and accuracy of the expenditure of Kshs.17,565,851 relating to Council expenses for the year ended 30 June, 2019 could not be confirmed.

## **7. Sundry Creditors**

The statement of financial position as at 30 June, 2019 reflects a balance of Kshs.8,579,223 relating to sundry creditors. As reported in the prior years report, the balance has been outstanding for over five (5) years and there is no clear justification on why the amount has not been settled to date. Further, the balance which had been classified as a non-current liability in financial year 2016/2017 was re-classified to current liabilities in financial year 2017/2018 without any justification.

## **8. Unsupported Commercial Debt**

The statement of financial position for the year ended 30 June, 2019 reflects a balance of Kshs.222,314,863 in respect of receivables from external operations. However, the breakdown of the commercial debts showing the outstanding invoices issued relating to the services rendered by the fund and the periods, were not availed for audit verification. Further, review of individual files provided in support of these debts, revealed that the terms of the quotation for equipment hire charges are strictly payable upfront before commencement of works. Therefore, the Fund Management should not authorize the works commencement before payment is received. No explanation was provided to show how the equipment were mobilized for private works before receiving the payments.

It was also noted that the quotations and invoices issued have no control checks to ensure accountability as they have no sequence numbers, official receiving stamp and acceptance acknowledgement from the requisitioning entity. Further, the other debts receivables of Kshs.30,408,557 include an outstanding balance of Kshs.2,464,500 in respect of a customer, while summation of the invoices attached to the customer's file reflect a revenue of Kshs.2,635,584 with no receipts recorded to date. In addition, the amount recognized as revenue for the year under review for the particular customer was Kshs.2,239,940 resulting in an unexplained and unreconciled variance of Kshs.395,644.

Under the circumstances, the accuracy and validity of the commercial debts figure of Kshs.222,314,863 as at 30 June, 2019 could not be ascertained.

## **9. Unauthorized Lending**

The statement of financial position reflects a figure of Kshs.1,287,669,763 relating to receivables from the National Youth Service. Included in the amount is Kshs.635,899,313 borrowed by the National Youth Service during the financial year 2017/2018 and yet to be refunded as at 30 June, 2019. It was also observed that an additional Kshs.74,196,000 was borrowed on 15 November, 2018 without proper authority from the Cabinet Secretary and refunded on 5 March, 2019.

Under the circumstances, the Fund is in breach of the Government financial regulations.

## **10. Prepayments**

The statement of financial position reflects an amount of Kshs.38,488,596 relating to the closing balance of prepayments by clients as at 30 June, 2019. However, the figure of Kshs.40,996 for clients deposits reflected under Note 20 to the financial statements, have been carried forward for over four (4) years and no explanation has been provided on why services in respect of this prepayment have not been offered yet. Further, the breakdown and supporting documents for the prepayment of Kshs.4,880,005 relating to Embu County Government reflected under Note 20 to the financial statements has not been provided for audit verification.

Consequently, the accuracy and completeness of the figure for prepayments of Kshs.38,488,596 could not be confirmed.

## **11. Inventory**

The statement of financial position as at 30 June, 2019 reflects a figure of Kshs.255,027,237 relating to inventories (spares). However, physical verification of stocks as at March, 2020 revealed that tyres of unquantifiable amount were being held in the stores since 2017 and had not been captured in the stores ledger cards or taken on charge in the inventory records. Under the circumstance, the inventory, though belonging to the Fund had not been included in the total inventory value as at 30 June, 2019 and hence the stock value reported in the financial statement is understated and inaccurate.

Further, the inventory balance as at 30 June, 2019 includes spares procured in the financial year 2014/2015 amounting to Kshs.175,780,240 which have had no movement or consumption during the year 2017/2018 and 2018/2019 hence may be obsolete or have no use. There is need to adhere to assets management as per Regulation 139 of the Public Finance Management (National Government) Regulations, 2015.

In addition, the closing inventory of Kshs.255,027,237 for the year ended 30 June, 2019 has no supporting documents with regard to the quantities and the inventory valuation, neither was there evidence or disclosure of the criteria used to value the inventories reported in the statement of financial position in line with paragraph 15 of IPSAS 12 which requires that inventory be reported at the lower of cost or net realizable value.

Consequently, the accuracy and completeness of the figure of Kshs.255,027,237 for inventories could not be confirmed.

## **12. Non-Current Assets**

The statement of financial position as at 30 June, 2019 reflects a total non-current assets balance of Kshs.4,951,705,420 which includes an amount of Kshs.3,213,778,096 relating to plant and heavy machinery. However, the Fund's Management has not valued the plant and heavy machinery for financial reporting purposes since inception.

In addition, the statement of financial position as at 30 June, 2016 and the non-current assets movement schedule under Note 3 reflected a total net book value of Kshs.6,263,076,867 while the computed figure using appropriate rates showed a balance of Kshs.6,366,028,632. The resulting variance of Kshs.102,951,765 has not been analyzed or explained to date.

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

Also, physical verification of assets owned by the Fund revealed that assets procured during the year at a cost of Kshs.12,962,212 which included ten (10) motor cycles, twenty-one (21) diesel generators and ten (10) water pumps could not be verified. Evidence that the Fund Management complied with the public procurement law and procedures to purchase the items and the distribution list for the items were not provided for audit verification. Logbooks or ownership documents for assets amounting to Kshs.43,821,753 were not availed for audit verification. Five (5) of the twenty-seven (27) buses used for commuter services were not in use due to maintenance challenges hence grounded. No evidence has been provided to show that procurement of spares to reinstate the vehicles back in service is ongoing.

Consequently, the accuracy of the figure for net non-current assets of Kshs.4,951,705,420 could not be confirmed.

## **13. Procurement and Payment for Servicing of Motor Vehicles and Machinery**

The statement of financial performance reflects a figure of Kshs.54,803,862 relating to stores and service expenses for the year. Analysis of the ledger shows various payments to twelve (12) service providers totalling to Kshs.16,122,656 were made in the final week of the financial year. However, the details relating to requisitions, procurement process approvals, professional opinions and certificate of inspection and acceptance for services were not provided to the Fund.

Under the circumstances, the propriety, accuracy and authenticity of the expenditure of Kshs.16,122,656 could not be confirmed.



#### **14. Stores and Service Direct Procurement Through Cash**

The statement of financial performance and Note 5 of the financial statements reflects an amount of Kshs.54,803,862 in respect of stores and services. Examination of the accounting records indicated that the Fund paid an amount of Kshs.8,042,746 for various supplies in cash through the Officer in Charge being direct payments for services without compliance with Section 104 of the Public Procurement and Asset Disposal Act, 2015. Further, the payments were not supported with appropriate user requisitions, approvals and certificate of inspection and acceptance for services rendered to the Fund. No explanation has been provided for noncompliance with the law on procurement for goods and services.

#### **15. Prior Year Audit Issues**

Although a number of issues reported in the prior years' audit reports remained unresolved as at 30 June, 2019, Management did not disclose the progress on follow up of the auditor's recommendations on the matters in the financial statements as required by the Public Sector Accounting Standards Board. The matters remained unresolved as at 30 June, 2019.

### **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

#### **Conclusion**

I do not express a conclusion on the lawfulness and effectiveness in the use of public resources as required by Article 229(6) of the Constitution. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

### **REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE**

#### **Conclusion**

I do not express a conclusion on the effectiveness of internal controls, risk management and governance as required by Section 7(1)(a) of the Public Audit Act, 2015. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for my audit conclusion.

#### **Responsibilities of Management and those Charged with Governance**

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

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

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

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

Those charged with governance are responsible for overseeing the financial reporting process, reviewing the effectiveness of how the entity 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 International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

In addition, my responsibility is to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

I also consider internal control, risk management and governance processes and systems in order to give an assurance on the effectiveness of internal controls, risk management and governance in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit conclusion on lawfulness and effectiveness in use of public resources, and on effectiveness of internal controls, risk management and governance.

I am independent of the National Youth Service – Mechanical and Transport Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya.

  
**Nancy Gathungu**  
**AUDITOR-GENERAL**

**Nairobi**

**26 January, 2021**



**STATEMENT OF FINANCIAL PERFORMANCE  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019	2017-2018
		Kshs	Kshs
<b>Revenue From Hiring Charges</b>	1		
Hire Of Buses	a	12,502,869	16,858,960
Hire Of Water Rigs, Plant And Equipment	b	74,131,789	37,686,912
Domestic Hire	c	270,552,129	265,727,084
Hire Of Small Vehicles	d	1,153,160	
Other Income	e	84,000	
Personnel Allowances			13,161,230
<b>Total Revenue</b>		<b>358,423,947</b>	<b>333,434,186</b>
<b>Expenses</b>			
Depreciation And Amortization Expense	2	490,252,975	490,110,780
Finance Costs	3	111,748	14,944
Fuel And Lubricants	4	149,637,241	125,890,826
Stores And Service	5	54,803,862	
Cost Of Tyres And Others	6	53,149,607	22,490,809
Repairs And Maintenance	7	24,315,631	637,377
Welding Expenses	8	2,462,600	
Stationery & Other Office Expenses	9	8,079,585	
Administration			74,350
Office Equipment			229,223
Revaluation Expenses	10	4,779,505	
Drilling Expenses	11	3,444,976	
Council Expenses	12	17,565,851	
Personnel Allowance	13	16,198,559	13,161,230
<b>Total expenses</b>		<b>824,802,140</b>	<b>652,609,539</b>
<b>Other gains/(losses)</b>		<b>-466,378,193</b>	<b>-319,175,353</b>



MARY.W. KIMONYE (Ms), MBS  
PRINCIPAL SECRETARY  
STATE DEPARTMENT OF PUBLIC SERVICE



MATILDA SAKWA (Ms), EBS  
DIRECTOR GENERAL  
NATIONAL YOUTH SERVICE



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





**STATEMENT OF FINANCIAL POSITION  
FOR THE YEAR ENDED 30 JUNE 2019**

	Notes	2018-2019 Kshs	2017-2018 Kshs
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	14	13,307,759	214,012,630
Receivables from NYS units	15	1,287,669,763	1,177,156,763
Receivables from external operations	16	222,314,863	191,906,306
Inventories	17	255,027,237	220,067,066
<b>Total current assets (A)</b>		<b>1,778,319,622</b>	<b>1,803,142,765</b>
<b>Non-current assets</b>			
Small vehicles, Commercial trucks, & plant and machinery	18	4,951,705,420	5,365,334,394
<b>Total Non-current assets (B)</b>		<b>4,951,705,420</b>	<b>5,365,334,394</b>
<b>Total assets (total current assets total non-current assets) (A+B)</b>		<b>6,730,025,042</b>	<b>7,168,477,159</b>
<b>Current liabilities</b>			
Trade and other payables	19	15,120,143	0
Prepayments	20	38,488,596	25,722,776
Sundry creditors	21	8,579,223	8,579,223
<b>Total Current liabilities (C)</b>		<b>62,187,962</b>	<b>34,301,999</b>
Fund balance (D)	22	6,667,837,080	7,134,175,160
<b>Total fund balance and current liabilities (C+D)</b>		<b>6,730,025,042</b>	<b>7,168,477,159</b>



MARY.W. KIMONYE, (Ms) MBS  
PRINCIPAL SECTARY  
STATE DEPARTMENT OF PUBLIC SERVICE



MATILDA P. SAKWA (Ms), EBS  
DIRECTOR GENERAL  
NATIONAL YOUTH SERVICE



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



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**MECHANICAL AND TRANSPORT BRANCH**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2019**

	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cash flows from operating activities</b>		
<b>Surplus/loss for the year</b>	-466,378,193	-319,175,353
Depreciation	490,252,975	490,110,780
Increase/decrease in stock	-34,960,171	67,001,766
Increase /decrease in domestic debt	-110,513,000	-862,299,627
Increase /decrease in external debt	-30,408,557	246,881,408
Increase/decrease in prepayment	12,765,820	7,089,930
Increase/decrease in trade creditors	15,120,143	0
Increase /decrease in difference	40,112	21,950,397
	<b>-124,080,871</b>	<b>-348,440,699</b>
<b>Net cash flows from operating activities</b>		
<b>Cash flows from investing activities</b>		
Purchase of small motor vehicles	-76,624,000	-92,430,000
<b>Net cash flows used in investing activities</b>	<b>-76,624,000</b>	<b>-92,430,000</b>
<b>Cash flows from financing activities</b>		
<b>Net cash flows used in financing activities</b>		
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>-200,704,871</b>	<b>-440,870,699</b>
<b>Cash at hand cash equivalent as at 1<sup>st</sup> JULY 2018</b>	<b>214,012,630</b>	<b>654,883,329</b>
<b>Cash and cash equivalent as at 30<sup>th</sup> JUNE 2019</b>	<b>13,307,759</b>	<b>214,012,630</b>





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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30 JUNE 2019

	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	Over/under budget
	2018-2019	2018-2019	2018-2019	2018-2019	2018-2019	
Revenue	Kshs	Kshs	Kshs	Kshs	Kshs	-(under) +(over)%
Hire of buses	25,712,700		25,712,700	13,656,029	-12,056,671	-52%
Hire of water rig and other plants and equipment's	22,413,260		22,413,260	74,171,789	+51,758,529	394%
Domestic hire	342,440,000		342,440,000	270,552,129	-71,887,871	78%
Gains on disposal (A.I.A)	5,000,000		5,000,000	84,000	-4,916,000	2%
<b>Total income</b>	<b>395,565,960</b>		<b>395,565,960</b>	<b>358,463,947</b>	<b>-37,102,013</b>	
Expenses						
Repairs, maintenance of vehicles & machines and equipment	168,480,056		168,480,056	149,637,241	+18,842,815	89%
Fuel, oil and lubricants	16,335,000	150,000,000	166,335,000	134,731,700	+31,603,300	81%
Operation expenses	39,523,335		39,523,335	12,970,838	+26,552,497	33%
Administration and council expenses	100,100,000		100,100,000	33,764,410	66,335,590	34%
Water drilling & geo survey	24,336,200		24,336,200	3,444,976	20,891,224	14%
Purchase of motor vehicle	167,725,000		167,725,000	72,624,000	95,101,000	43%
Purchase of generators	9,875,000		9,875,000	0	9,875,000	0%
<b>Total expenditure</b>	<b>526,374,591</b>		<b>677,000,985</b>	<b>407,173,165</b>	<b>-289,470,648</b>	
<b>Deficit for the period</b>	<b>130,808,631</b>	<b>150,000,000</b>	<b>281,435,025</b>	<b>48,709,218</b>	<b>248,281,335</b>	

Budget notes

1. The fund was able to generated Ksh 358,463,947 against the budgeted of Ksh 395,565,960, this applying it missing the target by 8%
2. The fund missed the target of A.I.A because there was no disposal of old motor vehicles and machines; management is waiting for valuation report.
3. The budget was approved late hence the votes for repairs and maintenance, operation were not fully utilized
4. The fund used to rely on exchequer for the purchase of fuel and lubricant, the total cost was increase by Ksh 150 million and affected in the fund budget
5. The due delay of approval of the budget the fund was able to utilize 43% to purchase small vehicle to replace the aging fleet
6. The fund did not manage to purchase the generators during the financial year.





## **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **1. GENERAL INFORMATION**

Mechanical and transport fund is established under legal notice No 15<sup>th</sup> of 30<sup>th</sup> January, 2011. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to provide mechanical and transport services, these include provision of equipment for development and maintenance of infrastructure and wide range of mechanical and technical services to both the public and private sector

### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION**

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

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *MTF*.

The financial statements have been prepared in accordance with the PFM Act and International Public Sector Accounting Standards (IPSAS). The accounting policies adopted have been consistently applied to all the years presented.



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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)**

**ADOPTION OF NEW AND REVISED STANDARDS**

**1. Relevant new standards and amendments to published standards effective for the year ended 30 June 2018**

**2. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2018**

Standard	Effective date and impact:
<b>IPSAS 41:</b> Financial Instruments	<b>Applicable: 1<sup>st</sup> January 2022:</b> The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by: <ul style="list-style-type: none"> <li>• Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held;</li> <li>• Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and</li> <li>• Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy.</li> </ul>
Other	<b>Applicable: 1<sup>st</sup> January 2021:</b>

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Standard	Effective date and impact:
Improvements to IPSAS	<p>a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks</p> <p>b) IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved</p> <p>c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets.</p> <p>d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard</p>

**3. Early adoption of standards**

The entity did not early – adopt any new or amended standards in year 2020.



**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a) Revenue recognition**

**Hiring charges of vehicle, plant and equipment**

The Mechanical and transport fund recognizes revenues from hiring of buses, hire of small vehicles/lorries hire of equipment & heavy machines when the event occurs and the asset recognition criteria are met. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, deferred income is recognized instead of revenue. Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

- The income to the fund is generated through revenue accruing from hire of service equipment for commercial and domestic hires. The rate applicable for hire of equipment is contained in the exchequer and Audit act (cap 4-12, mechanical and transport fund regulation, 2003 legal notice No .53 part B.)
- Domestic hire comprises hire of all hire charge incurred by National Youth Services units that use mechanical transport fund machines & equipment on hire
- Commercial hire comprise if hire of equipment at Tana basin road project, private institution, private individual or any other organisation that may be in need of the equipment for hire.
- Domestic debt arise as a result of outstanding invoice for services rendered to NYS units at the end of the reporting period
- Commercial debt arise as result of outstanding invoice for external clients /Tana road project at the end of the financial period yet service have been provided
- The cash flow statement has been prepared using indirect method



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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(Continued)**

**Legal status**

The Fund was gazetted as NYS mechanical and transport fund according to legal notice no 135 of 30<sup>th</sup> January, 2011 and operationalized in financial year 2011/2012 which puts the fund on legal frame work of commercial undertaking of hire on equipment and machines

**Property, plant and equipment**

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus or deficit as incurred.

<b>Non-current assets</b>	<b>Rate of Depreciation</b>	<b>Useful life</b>	<b>Compositions per class of non-current assets</b>
Heavy machinery	5%	20 years	Distributor , Wide Loader, Vibrating Roller, Motor Grader, Excavator, Farm Machines and Roller etc.
Commercial Trucks and Buses	7%	14 year 3 months	Buses and Minibus , Dongfeng ,Recovery, workshop Steyr and shacman truck , Vibrating Roller, Motor Grader, Excavator, Farm Machines and Roller etc.
Small vehicles	10%	10 years	Pickups, Prado land cruiser, Nissan, Peugeotts and Mercedes etc.

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**Inventories**

Stock as assets are in form of spares parts and serviceable parts to be consumed in the servicing, repairs and maintenance of heavy machinery, commercial trucks and buses and small vehicles. The value of stock indicated in the accounts relate to chine phase I and phase II which constitutes 99% of the stock and the other stocks are spare parts for locally available vehicles. The spare parts are valued at cost. The cost of inventory is its fair value.



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**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**b) Budget information**

The original budget for FY 2019-2019 was approved by cabinet secretary ministry of public service, gender and youth affairs.

The entity'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.

A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented under section xxx of these financial statements.

**i) Provisions**

Provisions are recognized when the Entity 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 Entity 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.

**Contingent liabilities**

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

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and cash at bank at 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.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### j) Comparative figures

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

### k) 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, 2020.

## II. SIGNIFICANT JUDGMENTS AND SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Entity'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. 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: e.g.

### Estimates and assumptions

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

#### Useful lives and residual values

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

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

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NOTES TO THE FINANCIAL STATEMENTS

INCOME

(a) HIRE OF BUSES

Description	2018-2019	2017-2018
	Kshs	Kshs
<b>Hiring Charges</b>		
Commuter buses	6,659,600	
Hiring of buses	5,843,269	
<b>Total revenue from hire of buses</b>	<b>12,502,849</b>	<b>16,858,960</b>

- Commuter buses was presidential directive to alleviate transport crisis in some high populated density areas within the city during peak hours by charging Kenya shilling twenty per passenger. The program started on March 2018 and its on going
- Hiring of buses revenue of Kshs. 5,843,269 was earned from both public and private sector charged per kilometre using public work charge rate. The prices are different for public and private sector as per public work charge rate.

(b) HIRE OF WATER RIG, PLANT AND EQUIPMENT

Description	2018-2019	2017-2018
	Kshs	Kshs
<b>Hiring Charges</b>		
Hire of water rig, plants and equipment	74,131,789	55,589,912
Adjustment for sales omitted		588,360
Wrong posting		(18,491,360)
	<b>74,131,789</b>	<b>37,686,912</b>

- Hire of water rigs, plant and equipment Kshs. 74,171,789 these are hire from digging of various boreholes, roads construction and other activities by both private and public organisations. Wrong matching of revenue correction of kshs 18,491,360 earned in 2016/2017 and recognising revenue omitted during the financial year ksh. 588,360.

(c) HIRE OF DOMESTIC

Description	2018-2019	2017-2018
	Kshs	Kshs
<b>Hiring Charges</b>		
Hire of domestic	270,552,129,	265,727,084



**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

- II. Hire of domestic of Kshs. 270,552,129, these are hire of small vehicles used in transporting management and staffs, hire of lorries, minibuses and buses used for transporting staffs, servicemen, women to various units and attending National celebrations, during recruitment and distributing monthly goods from the central stores to all others NYS units. MTB does the work of transporting staffs, servicemen, women and monthly distribution of stores on behalf of the DG NYS.

**(d) HIRE OF SMALL VEHICLES**

Description	2018-2019	2017-2018
	Kshs	Kshs
Hire of small vehicles & lorries	1,153,160	
<b>Total hire of small vehicles &amp; lorries</b>	<b>1,153,160</b>	

- III. The hire of small vehicles/ Lorries Kshs. 1,153,160, this is hired of Lorries by public organisation to distribute relief.

**(E) OTHER INCOME**

Description	2018-2019	2017-2018
	Kshs	Kshs
Sale of used oil	84,000	
<b>Total hire of small vehicles &amp; lorries</b>	<b>84,000</b>	

- IV. A.I.A for sales of used oil from motor, plant and vehicle oil.

**2. DEPRECIATION OF NON-CURRENT ASSETS**

NON-CURRENT ASSETS	2018-2019	2017-2018
Heavy Machinery	206,000,399.49	207,323,052
Commercial Trucks And Buses	37,731,916.50	22,877,530
Small Vehicles	246,520,658.73	259,,910,198
<b>Total depreciation after adjustment</b>	<b>490,252,974.72</b>	<b>490,110,780</b>

The depreciation is on straight line basis and is based on the cost of the non-current assets adjusted as at the end of the financial year. The cost of fully depreciation is less from both the total cost and accumulated depreciation.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

**3. FINANCE COSTS**

Description	2018-2019	2017-2018
	Kshs	Kshs
Bank charges	111,748	14,944
<b>Total finance costs</b>	<b>111,748</b>	<b>14,944</b>

The finance cost is made up of monthly charges for printing bank statement, coinage charges these are charges when depositing bulk coins from commuter buses and charges of certificate balance as at 30<sup>th</sup> June 2019.

**4. FUEL AND LUBRICANTS**

Description	2018-2019	2017-2018
	Kshs	Kshs
Fuel and lubricants	149,637,241	125,890,826
<b>Total Fuel and lubricants</b>	<b>149,637,241</b>	<b>125,890,826</b>

The cost of fuel is Ksh 113,126,198 and lubricants Ksh 36,511,043 were delivered at the MTF fuelling stations. The fuel and lubricants were used by motor vehicles, plant and machines undertaking both commercial and domestic hire. The fuel and lubricants were supplied by the National oil but requisitioned by MTB but paid by Director General National Youth Service through the exchequer. The Ksh149, 637,241. This payment by Director General for purchase of fuel and lubricant will be deducted from domestic debt for the year.

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**5. STORES AND SERVICE**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Stores and services</b>	54,803,862	637,377
<b>Total repair and maintenance</b>	<b>54,803,862</b>	<b>637,777</b>

This is the cost of china spare parts issues to repair china vehicles and servicing of the machines and equipment's. The MTB sources for servicing of plant, trucks and equipment because the workshop is not equipped with machines used to service the machines but management are considering that even if the machines are quite expensive

**6. COST OF TYRES AND OTHERS**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Cost of tyres &amp; batteries and others small tools</b>	53,149,607	22,490,809
<b>Total repair and maintenance</b>		

This is the cost of purchasing tyres and batteries for both small, Lorries, trucks and plant and machines for the fund during the financial year. The amount includes tyres which had been bought by the Director General National youth service of Ksh 10.402,000. The cost were omitted in the previous statement of financial performance.



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NOTES TO THE FINANCIAL STATEMENTS (Continued)

7. REPAIR AND MAINTENANCE

Description	2018-2019	2017-2018
	Kshs	Kshs
Repair and Maintenance	24,315,631	637,377
<b>Total repair and maintenance</b>	<b>24,315,631</b>	<b>637,777</b>

The cost of repair and maintenance of Ksh 24,315,613, this is the cost of taking small vehicles to Toyota Kenya and other deals to service Prado, Isuzu and other small new model vehicles which cannot be done at our workshop. The expenses are usually in form of standing imprest.

8. WELDING EXPENSES

Description	2018-2019	2017-2018
	Kshs	Kshs
Welding expenses	2,462,600	

This is the cost of purchasing gas for welding buses during panel beating. The gas is used to join together vehicle sheet when wore out

9. STATIONERY AND OFFICE EXPENSES

Description	2018-2019	2017-2018
	Kshs	Kshs
Stationery and other office expense	8,079,585	
	<b>8,079,585</b>	

Previous the fund used to rely on director general in purchase of stationery and other expenses but during 2018/2019 the fund bought printing papers, tonners and printers. The fund also bought the airtime and newspapers for the management.

10. REVALUATION EXPENSES

Description	2018-2019	2017-2018
	Kshs	Kshs
Revaluation expenses	4,779,505	
<b>Total repairs and maintenance</b>	<b>4,779,505</b>	

The amount was the A.I.A for the ministry of public work for the purpose of revaluing mechanical and transport motor vehicle, plant and machines. The amount was expensed since the engineers from public work did the revaluation exercises.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

11. DRILLING EXPENSES

Description	2018-2019	2017-2018
	Kshs	Kshs
Drilling expenses	3,444,976	
<b>Total drilling expenses</b>	<b>3,444,976</b>	

This the cost of drilling materials used for drilling boreholes for state department of correction service and other public institution during the year.

12. COUNCIL EXPENSES

Description	2018-2019	2017-2018
	Kshs	Kshs
Council expenses	17,565,851	
<b>Total council expenses</b>	<b>17,565,851</b>	

The amount is cost incurred by the NYS council during the year. The amount constitutes payment to the full council meeting and sub-committee meeting retreat cost and induction cost to council members during the financial year. The cost was incurred by MTF since the DG NYS had no provision vote on her budget to crate for the council but the DG NYS has committed to refund back the amount.

13. PERSONNEL ALLOWANCE

Description	2018-2019	2017-2018
	Kshs	Kshs
Personnel allowance	16,198,559	
<b>Total drilling expenses</b>	<b>16,198,559</b>	

The cost is for paying those drivers who the clients has deposit money for hire and personnel allowance into MTF bank account. The amount also includes allowances which were paid to senior management for NYS who were executing council sub-committee functions.



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**14. CASH AND CASH EQUIVALENT**

Description	2018-2019	2017-2018
	Kshs	Kshs
Cash and cash equivalent	13,307,759	214,012,630
<b>Total cash and cash equivalent</b>	<b>13,307,759</b>	<b>214,012,630</b>

The fund has cash and cash equivalent of Ksh 13,307,759 as at 30<sup>th</sup> June 2019. The fund had no outstanding imprest as at 30<sup>th</sup> June 2019. The balance was expected to rise due to client deposit in bank statement but have not been posted in the cash book. The fund balance was less due to internal borrowing of Ksh 635,899,313 to pay the NYS TVET debts to avoid disruption of training program for servicemen and women at various TVET institution in the country.

**15. RECEIVABLES FROM DOMESTIC DEBT**

	2018-2019	2017-2018
	Kshs	Kshs
<b>Balance B/f</b>	<b>1,177,156,879</b>	<b>314,857,249</b>
Add advance toward TVET program non-operation debt	Nil	635,899,313
Add receivable for the year	270,552,128.	265,727,084
Adjustment for sales omitted		588,360
Wrong posting		(18,491,360)
Outstanding		2,956,000
Less debt repayment		(1,588,860)
Prior years fuel and lubricant paid DG NYS		
Tyres purchase by DG Ksh 10,402,000		
Purchase of fuel and lubricants Ksh 149,637,241	(160,039,241)	(22,790,910)
<b>Closing balance c/d</b>	<b>1,287,669,763</b>	<b>1,177,156,879</b>

1. The domestic debt arises when the hire is to any of the NYS units; there are in form hire of small vehicle, hire of Lorrie's hire of plant, equipment and drilling borehole at the NYS units. The amount of Ksh 160,039,241 been amount spent to purchase fuel, lubricant and tyre for the MTF vehicles.

2. The Directors General NYS wrote to the principal secretary to seek authority to internally borrow (Ksh 635,899,313 )funds from MFT to pay the NYS TVET debts to avoid disruption of training program for servicemen and women at various TVET institution in the country. The money has since been paid back to the MTF. The for the advancement payment was done on 27th April 2020- Ksh, 635,000,000 bank statement attached to support the payment and the balance of Ksh 899,313 shall be process under the current year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

16. RECEIVABLES FROM COMMERCIAL CLIENTS

Description	2018-2019	2017-2018
	Kshs	Kshs
Balance B/F Tana road project	191,906,306	424,987,103
Less payment during the period	Nil	(251,660,913)
Total outstanding tana road project ( a)	191,906,306	173,326,190
Balance B/F for Other debt		13,800,611
Add min road advance payment for revaluation exercise		4,779,505
Total other debt receivables (b)list attached for the debtors	30,408,557	18,580,116
<b>Total commercial receivable (a+b)</b>	<b>222,314,863</b>	<b>191,906,306</b>

**Tana road project payment**

1<sup>st</sup> payment on 7<sup>th</sup> July 2017 Kshs 251,660,913 bank statement attached to support the payment

2<sup>nd</sup> payment on 10<sup>th</sup> July 2019 Ksh 166,375,665 bank statement attached to support the payment

**Other debtor** of Ksh 13,800,611 some of debt go as far back as 1990/1191 financial year. MTF has received several advisories from the attorney general stating that it is not legally feasible to recover the said debts due to the express provision of the limitation of action Act Cap 22 law of Kenya which provide that the limitation period for contracts is six years. In view of this legal provision, the only alternative is to apply to treasury to have these debts written off. Ksh 4,779,505 was paid for valuation services for old fund equipment, china phase I equipment and vehicles, china phase tool and farm implements and equipment and china phase II equipment's.

17. INVENTORIES

Description	2018-2019	2017-2018
	Kshs	Kshs
China phase 1&11	220,067,066	287,068,832
add purchased spares locally	100,000,000	
Less grant stock	Nil	(67,001,766)
Stocks used during the year	65,039,829	
<b>Total inventories at the cost</b>	<b>255,027,237</b>	<b>220,067,066</b>

The most of the stock balance relates to spares part that take a long period of time to break and therefore take long duration at the stores before been utilizes. The inventory also includes spare parts that are bulk in nature and are rare in market hence require a lot of time to order and receive them when required. Local purchases include of serviceable item oil filters, water separators, air cleans and others.



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18. PROPERTY, PLANT AND EQUIPMENT

	Plant & Machinery	Commercial Trucks	Motor vehicles	Total
Cost	Kshs	Kshs	Kshs	Kshs
At 1 July 2018	4,951,510,586	3,142,820,107	439,686,856	8,534,017,549
Additions			76,624,000	76,624,000
Disposals				
Fully depreciated /adjustments	21,097,412	199,957,257	138,991,691	360,046,360
<b>Cost of assets At 30<sup>th</sup> June 2019</b>	<b>4,930,413,175</b>	<b>2,942,862,850</b>	<b>377,319,165</b>	<b>8,250,595,189</b>
<b>Depreciation and impairment</b>				
At 1 July 2018	1,491,211,832	1,411,296,929	266,174,393	3,168,683,154
Depreciation as at 30 <sup>th</sup> June 2019	246,520,659	206,000,399	37,731,917	490,252,975
Fully depreciated as at 30 <sup>th</sup> June 2019	(21,097,412)	(199,957,257)	(138,991,691)	(360,046,360)
<b>Accumulated depreciation as 30<sup>th</sup> June 2019</b>	<b>1,716,635,079</b>	<b>1,417,340,071</b>	<b>164,914,619</b>	<b>3,298,889,769</b>
<b>Net book value as at 30<sup>th</sup> June 2019</b>	<b>3,213,778,096</b>	<b>1,525,522,779</b>	<b>212,404,546</b>	<b>4,951,705,421</b>

- I. During the financial year MTF purchased 9 new small vehicles replace the aging fleet, etc.  
new model was land cruisers which were to be used by NYS officers in charges of 9 stations.
- II. The revaluation report for non-current is been finalise hence the non-current assets will have  
new value in subsequent financial statements
- III. During the year we had vehicles which were fully depreciated deleted from the cost and  
accumulated depreciation

**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

**19. TRADE PAYABLE**

<b>Description</b>	<b>2018-2019</b>	<b>2017-2018</b>
	<b>Kshs</b>	<b>Kshs</b>
Nan mart investment	106,885	
Greenland suppliers	132,100	
Ammitai services	411,300	
Abana uplink	256,950	
Abana uplink	146,295	
Betacamp	125,000	
Jamawa & sons	88,400	
Waithaka suppliers	3,645,000	
Greenland suppliers	1,248,200	
Huskys	168,467	
Waithaka motors	1,539,900	
Southern e.a limited	1,551,050	
Three building	2,087,000	
Staff outstanding allowances	3,613,596	
<b>Total Trade payables</b>	<b>15,120,143</b>	

Trade payables Ksh 11,065,547 are trades who supplied spares part during the period of 1<sup>st</sup> July 2018 to 30<sup>th</sup> June 2019 and they were not paid as at 30<sup>th</sup>



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**20. PREPAYMENT**

Description	2018-2019	2017-2018
	Kshs	Kshs
Client deposit	40,996	40,996
Kerra-marakwet road project	16,785,260	16,785,260
Embu county	4,880,005	8,896,520
Anole	58,275	
Taita taveta county	1,496,460	
Prison ruri	14,000,000	
Public work	1,227,600	
<b>Total trade and other payables</b>	<b>38,488,596</b>	<b>25,722,776</b>

- During the year there were no activities at kerra Marakwet due to security challenges. The client monies remained intact
- The fund received Kshs 14,000,000 from state department of corrections services for installing irrigation line at Ruri prison. Funds were received toward the end of the financial year 30<sup>th</sup> June 2019 no activities was undertaken
- The fund received Ksh 1,227,600 from public work for fuel during demolition of unwanted structures the exercise was postponed by a cabinet meeting.
- The fund has clients closing balances from Embu county government of 4, 880, 005, anole Ksh 58,275 and Taita taveta ksh 1,496,460

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21. Sundry creditors

Description	2018-2019	2017-2018
	Kshs	Kshs
National cereal board	696,150	696,150
Roll fast Africa	47,480	47,480
Mah engineering	170,314	170,314
Fore crest	4,297	4,297
Ministry of information	5,879,376	5,879,376
Lamu port	116,341	116,341
Tseikuru airport	1,523	1,523
Mansa guda	1,162,000	1,162,000
Ministry of special programmes	501,742	501,742
Boni project allowance	0	0
Kerra Marakwet allowance	0	0
Total amount	8,579,233	8,579,223

According to IPSAS the presentation of sundry creditors is as current liabilities(short term liabilities and do not accrue interest on their outstanding balance), these monies are for those clients who deposited cash for service to be rendered and at the end of the project MTF still has monies owing to them. These clients have not claimed their monies to date.

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22 . FUND BALANCE

Description	2018-2019	2017-2018
	Kshs	Kshs
Balance b/f	7,134,175,160	7,425,396,694
Additional during the year	76,624,000	92,430,000
Stock grant		-67,001,766
<b>Loss for the year</b>	-466,378,193	-319,175,353
<b>Prior year adjustment</b>	-76,583,887	2,525,585
<b>Closing fund balance after adjustment</b>	<b>6,667,837,080</b>	<b>7,134,175,160</b>

- I. During the accumulated loss was Ksh 466,378,193 which is high than the previous year balance due to charging of fuel, lubricants and tyre cost. The adjusted accumulated loss for 2018/2017 will be fund balance will be Ksh 319,175,353.
- II. During the financial year MTF purchased 9 new small vehicles replace the aging fleet, etc. new model was land cruisers which were to be used by NYS officers in charges of 9 stations costing Kshs. 76,624,000

