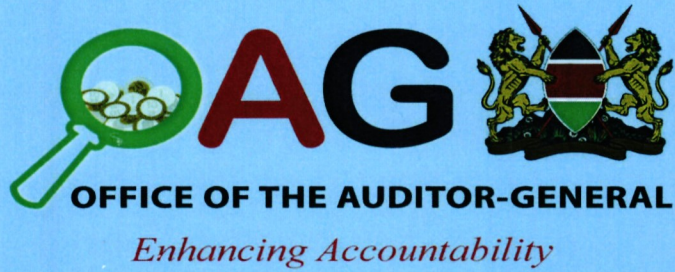


REPUBLIC OF KENYA



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REPORT

OF

THE AUDITOR-GENERAL

ON

YOUTH ENTERPRISE DEVELOPMENT FUND

FOR THE YEAR ENDED
30 JUNE, 2019

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 11 FEB 2021

DAY:

TABLED BY:

CLERK AT THE TABLE:



ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2019**

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

| | |
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|  THE NATIONAL ASSEMBLY PAPERS LAID | |
| DATE: 11 FEB 2021 | Day |
| TABLED BY: | |
| CLERK-AT THE TABLE: | |

**Youth Enterprise Development Fund
Annual Reports and Financial Statements
For the Year Ended June 30, 2019**

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KEY ENTITY INFORMATION AND MANAGEMENT

a) Background Information

The Youth Enterprise Development Fund was formed on 11th May 2007 by Legal Notice No.63. The Fund falls under Ministry of Public Service, Youth and Gender Affairs which is responsible for general policy and strategic direction of the Fund. The Fund is domiciled in Kenya.

b) Principal Activities

The principal purpose/mission of the Youth Enterprise Development Fund is to increase economic opportunities for, and participation by Kenyan youth in nation building.

The Fund was established in order to;

- Provide loans to and for on-lending to youth enterprises
- Attract and facilitate investment in micro, small and medium enterprises oriented commercial infrastructure that will be beneficial to youth enterprises
- Support youth oriented micro, small and medium enterprises to develop linkages with large enterprises
- Facilitate marketing of products and services of youth enterprises both in the domestic and the international markets
- Provide business development services to youth enterprises
- Facilitate employment of youth in the international labour market

(c) Key Management

The Youth Enterprise Development Fund's day-to-day management is under the following key offices:

- Board of Directors
- Chief Executive
- Management

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2019 and who had direct fiduciary responsibility are were;

| | |
|--|---|
| Chief Executive Officer | Mr. Josiah Arabu Moriasi |
| Lending & Investment Manager | Ms. Judy Kimeto |
| Finance Manager | Mr. Benedict Atavachi |
| Audit, Monitoring & Evaluation Manager | Mr. Peter Mwangi Kanyari Upto Dec. 31, 2018 |
| Human Resource Manager | Ms. Truphenah Omung'ala |
| Public Relations Manager | Mr. Benson Muthendi |
| Supply Chain Manager | Mr. George Ouma –Upto Sep. 13, 2018 |

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(e) Fiduciary Oversight Arrangements

To carry out its mandate the Fund is run by a Board of Directors who discharge their duties through the following board committees;

- Audit, Risk and Compliance Committee
- Operations Committee
- Policy, Strategy & Development Committee

Audit, Risk and Compliance Committee

Audit Risk, and Compliance Committee is responsible for monitoring and reviewing the effectiveness of internal controls and business risk system of the Fund. The terms of Reference include;

- Governance
- Risk
- Compliance
- Audit

The **members** who serve on the committee include;

| | |
|--------------------------|---------------|
| Mr. Benson Mutemi | Chairman |
| Ms. Caroline A. Oloo | Member |
| Mr. Suleiman Abdinur | Member |
| Ms. Edna Atisa | Member |
| Ms Julie Waweru | Member |
| Mr. Peter Mwangi * | Secretary |
| Note: Mr. Emmanuel Odera | Exited Member |

Operations Committee

The committee reviews and approves the operations related to;

- Human Resources
- Finance

The **members** who serve on the committee include;

| | |
|--------------------------|-----------------------------------|
| Ms. Juliet Nyang'ai | Chairperson |
| Ms. Julie Waweru | Member |
| Mr. Suleiman Abdinur | Member |
| Ms. Edna Atisa | Member |
| Ms. Faith Kibet | Member |
| Ms. Mercy Muthoni Njeru | Member |
| Mr. James Kiiru | Member |
| Mr. Raymond O. Ouma | Member |
| Mr. Roy Telewa Sasaka | Member |
| Mr. Josiah Moriasi Arabu | Chief Executive Officer/Secretary |

Policy, Strategy & Development Committee

The committee reviews and approves the operations related to;

- Investments
- Partnerships
- Innovation and Technology
- Infrastructure
- Product Development

**Youth Enterprise Development Fund
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The **members** who serve on the committee include;

| | |
|--------------------------|-----------------------------------|
| Ms. Faith Kibet | Chairperson |
| Ms. Juliet Nyang' ai | Member |
| Mr. Benson Mutemi | Member |
| Ms. Mercy Muthoni Njeru | Member |
| Ms. Caroline A. Oloo | Member |
| Mr. James Kiiru | Member |
| Mr. Raymond O Ouma | Member from March 29, 2018 |
| Mr. Roy Telewa Sasaka | Member |
| Mr. Josiah Moriasi Arabu | Chief Executive Officer/Secretary |

(f) Corporate Headquarters

P.O. Box 48610 - 00100
Renaissance Business Park
Elgon Road, Upper Hill
Nairobi, KENYA

(g) Contacts

Telephone: (254) 20 2211672/8
E-mail: info@youthfund.go.ke
Website: www.youthfund.go.ke

(h) Bankers

1. Equity Bank of Kenya
Community Branch, NHIF Building, Ragati Road
P.O. Box 75104
City Square 00200
Nairobi, Kenya
2. Kenya Commercial Bank
KENCOM House, Moi Avenue
P.O. Box 48400
GPO 00100, Nairobi Kenya

(i) Independent Auditors



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

**Youth Enterprise Development Fund
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(j) Principal Legal Adviser

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

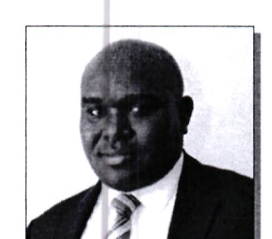

I. BOARD OF DIRECTORS

| | |
|---|---|
|  <p>Mr. Ronald Osumba, Chairman Tutu Fellow, Aspen Institute Graduate, Crans Montana Leader of tomorrow, Masters in Public Policy Mgt(MPPM) (Ongoing) Bachelors in Business Management Served upto June 24, 2019 Date of Birth – 18th August 1979</p> |  <p>James Kiiru MA Economics; BA Economics Year of Birth – 10th November 1966 Served upto May 30, 2019</p> |
|  <p>Juliet Nyang'ai Advocate of the High Court of Kenya, LSK, FIDA, ICJ, EALS. Bachelors in Laws (LLB), DIP KSL, Higher dip forensic psychology & criminology, MSC Management & leadership studies, CPS Kasneb on going. Date of Birth – 8th September 1983 Served upto May 30, 2019</p> |  <p>Faith Kibet BA (Public adminstration & Linguistics) ; Dip Development studies Date of Birth - Nov. 1984 Served upto May 30, 2019</p> |
|  <p>Suleiman Abdi Noor Ali Bachelors in Business Administration Date of Birth – Dec . 1963 Served upto May 30, 2019</p> |  <p>Caroline Amondi Oloo LLM, LLB, Dip (KSL); Member LSK, Fida, MTI-I Date of Birth – 10th March 1973 Served upto May 30, 2019</p> |

**Youth Enterprise Development Fund
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| | | | |
|--|--|---|---|
|  | <p>Julie N. Waweru BBA (Finance & Accounting), MBA (Finance), Date of Birth – May 1981 Served upto May 30, 2019</p> |  | <p>Roy Sasaka PhD (Operations optimization) ongoing, MBA (Operations Mgt), BA (Communication & Political Science), B.Com (Supply Chain), CIPS-UK, KISM and IHRM-Kenya. Date of Birth: October 10, 1987</p> |
|  | <p>Benson Kitoo Mutemi Bachelor of Education Date of Birth – Jan. 1989 Served upto May 30, 2019</p> |  | <p>Ms. Edna Atisa BA (Economics), MA (Economics) Date of Birth – 23rd September 1977 Served upto May 30, 2019</p> |
|  | <p>Mercy Muthoni Njeru, HSC, MKIM, PHD Leadership and governance- ongoing, MBA Strategic Mgt, BBA Acc & Finance, Diploma in Cooperative Mgt, Member Kenya Institute of Management Date of Birth March 3, 1967</p> |  | <p>Josiah Arabu Moriasi Chief Executive Officer Phd (Finance) Ongoing, MBA (Finance), B.Ed, CPS(K), CIFA(K), DHRM Date of Birth-May 17, 1978</p> |

SENIOR MANAGEMENT TEAM

| | | | |
|---|---|--|---|
|  | <p>Josiah Arabu Moriasi Chief Executive Officer Phd (Finance) Ongoing, MBA (Finance), B.Ed, CPS(K), CIFA(K), DHRM Date of Birth-May 17, 1978</p> |  | <p>Ms. Judy Kimeto Lending & Investment Manager Bachelor's degree in Business Administration, MBA; currently pursuing professional courses in Finance and Accounts Date of Birth- 1979</p> |
|---|---|--|---|

**Youth Enterprise Development Fund
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For the Year Ended June 30, 2019**



Ms. Truphena Omung'ala
Human Resources Manager
B.COM, M.Com (Business Administration)
Diploma in Human Resource Mgt., Diploma in Labour Market, currently pursuing CPS and Advanced Diploma in Psychology.
Date of birth- August 20, 1966



Mr. Benson Muthendi
Public Relations Manager
B.Ed(Hons) in Arts, Diploma in Public Relations Mgt., Diploma in Management, Certificate in Communication Technologies, Finalizing M.A in sociology & Community Development
Date of birth- May 1, 1969



CPA Benedict Atavachi
Finance Manager
MBA (Finance), B.Com (Accounting)
Certified Public Accountant CPA(K)
Date of birth- December 12, 1973



CPA Peter Mwangi Kanyari, Senior Internal Auditor CPA (K),
BBA (Accounting), CFE, Dip Internal Audit, Currently Pursuing MBA Finance.
Date of birth- February 2, 1975
Served upto Dec 31, 2018



Mr. George Ouma
Supply Chain Manager
B.COM, MBA(Entrepreneurship), Dip. In supply chain management.
Date of birth- May 30, 1966
Served upto Sep. 13, 2018

Vacant

Company Secretary

**Youth Enterprise Development Fund
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II. CHAIRMAN'S STATEMENT

The Fund, a flagship project of Vision 2030, is on a mission to economically empower the youth of Kenya through provision of credit and equipping the youth with appropriate skills to creatively engage in economically viable activities. These services include affordable loans, entrepreneurship skills training, mentorship, market support, linkages and provision of trading premises. The Fund also facilitates youth to obtain jobs abroad.

The Fund has recorded tremendous success in its endeavour to support budding entrepreneurs. Since inception, It has advanced over Kshs. 12.8 billion to about 1,159,393 youth, some directly and others through partnering financial intermediaries. It has also trained over 460,000 youth in entrepreneurship and supported 8,191 to market their products through organized trade fairs. In addition, the Fund has facilitated 28,250 youth to obtain employment abroad. Many of the initial beneficiaries of the Fund are prominent entrepreneurs who are making a significant contribution to the economic wellbeing of the country.

The Fund continue to use the feedback received from its clients to diversify the products so that they address regional and individual differences. On this note, we have re-engineered our products in order to serve the diverse needs of our clients. We have also introduced new products which have filled the gap in outreach cutting across the various sectors of our economy. Such new products include Asset Financing loans, Agri-bizz loans and Talanta loans. The new products target sectors like the creative industry which had been neglected before as well as supporting the Big Four Agenda of the national government. This has led to increased uptake of our loans and improved repayment while at the same time creating employment and changing livelihoods of our youth.

Notably, the Fund has continued to explore ways of generating more revenues to achieve long term self-sustainability. In that regard, the Fund is a NITA approved trainer for pre-departure training which is mandatory for youth seeking employment abroad. The program has huge potential to raise revenues which the Fund is keen to tap into.

In the financial year 2018/2019, The Youth Employment Scheme Abroad (YESA) secretariat at managed to facilitate a total of 1,200 youths to secure jobs abroad. This is a one stop shop where youth obtain information on jobs, acquire travel documents and migration loans as well as training. The secretariat works closely with other stakeholders and government agencies to seek opportunities for youths abroad, market their skills and assist them obtain relevant documents.

The Fund allocated Kshs 43.6 Million towards the Access to Government Procurement Opportunities (AGPO) program and successfully attained the set target and therefore in compliance to the directive on 30 % budget allocation to the AGPO program.

The implementation of the Enterprise Resource Planning (ERP) system being at the final stages, the Fund intends to host the services on the web for ease of access by our clients. This is expected to revolutionise how the Fund discharges its mandate with efficiency expected to improve markedly.

**Youth Enterprise Development Fund
Annual Reports and Financial Statements
For the Year Ended June 30, 2019**

III. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Fund maintained the steady upward trajectory in its achievement of its overall mandate. Worth of note is that the Fund has narrowed its financial deficit markedly compared to prior year.

In its quest to achieve its mandate, the Fund has continued with various activities geared towards empowering the Kenyan Youth. Some of the Milestones achieved during the FY 2018/19 include;

1. The Fund continuously monitors performance of its products with a view to enhance market relevance. Having recently re-engineered its product offering, it is on the overdrive to enhance product research towards realising the same objectives. This has seen increased interest in the Fund's products.
2. The enlistment of the Fund as a NITA approved trainer under the Youth Employment Scheme Abroad (YESA) which is geared to assist Kenyan Youth who do not have the passion to pursue entrepreneurship but want to be employed. During the year under review, a total of 1,200 youths were assisted to secure employment abroad and sensitized on available jobs abroad. The Fund has continued to link the Kenyan Youth to Markets. During the year under review. A total of 991 youth were invited and facilitated to participate in various Exhibitions, Trade fairs as well as ASK Shows among others. Youths were afforded an opportunity to showcase their products and meet other like-minded business people for future partnerships.
3. The Fund the Fund started an SME Mentorship program with a total of 156 graduates for the year under consideration. This program will go a long way in improving the success rate of youth start-ups.

Fiscal discipline was observed with all our expenditure being in line with approved budgets. All these was achieved against budgetary constraints.

IV. CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the long-term strategic direction and sustainable growth of the Fund. It is committed to observing the highest standards of corporate governance and has set transparent and clear policies, procedures, structures and systems, which achieve effective, prudent, integrated and consistent management and oversight of the Fund's activities. These enhance risk management, internal controls and cost effectiveness of the Fund in line with the Fund's Vision, Mission and Strategy.

The Board's conduct is regulated by the provisions of the Board Charter. It defines the governance parameters within which the Board exists and operates, sets out specific responsibilities of the Board, members of the Board and Board Committees. It also stipulates the policies and practices of the Board in respect of induction, appointments, conflict of interest, Code of conduct, performance evaluation and remuneration of the Directors among others.

The day-to-day running of the Fund is delegated to the Chief Executive Officer but the Board is provided with full, appropriate and timely information so that they can maintain full and effective control over the activities of the Fund.

The term of the Board came to an end in May 2019. Consequently, the financial statements for the year ended June 30, 2019 were not reviewed by the Board.

**Youth Enterprise Development Fund
Annual Reports and Financial Statements
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V. MANAGEMENT DISCUSSION AND ANALYSIS

The Fund experienced improved performance compared to prior year largely buoyed by prudent financial management. This is expected to be sustained in the intervening years as the Fund capitalises on the investment in information communication technology which project is expected to be finalised in

the next financial year. The project is expected to boost the Fund's operational efficiency across the board. Furthermore, the management is cognisant of the fact that the Fund's financial performance is on the deficit and intends to come up with a turn-around strategy with a committee having been appointed to spearhead the same. The Fund has met its statutory obligations in entirety and does not anticipate any cash outflows resulting from non-compliance. Performance across majority of mandate areas were exceeded compared to the set targets.

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

During the year under review, the YEDF took part in various CSR activities which include;

1. Tree planting exercise on June 25, 2019 at National Youth Service Tumaini Farm in Nyandarua County. The exercise was launched by the Permanent Secretary state department of Youth flagged off by other heads of departments and sagas in the ministry. During the exercise a total of 5,000 tree seedlings were planted.
2. Greening Kenya Campaign in December 2018 which is a government campaign aimed at increasing the country's forest cover from the current 7% to 8%. The campaign was jointly launched by the cabinet secretaries Prof. Margaret Kobia Ministry of Public Service, Youth and Gender, Dr. Fred Matiangi Ministry of interior and Hon. Keriako Tobiko of Ministry of Environment. The campaign target was to plant 100 million trees by the year 2022.

VII. REPORT OF THE BOARD OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2019 which show the state of the entity's affairs.

Results

The results of the Fund for the year ended 30th June 2019 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page iv to v.

Surplus remission

The Fund did not make any surplus during the year and hence no remittance to the Consolidated Fund.

Auditors

The Auditor General continues in office in line with the State Corporations Act (Cap 446) and the Public Audit Act, 2015.

By Order of the Board



Benson Muthendi
Chief Executive Officer
Nairobi

Dated.....23.09.2020.....

**Youth Enterprise Development Fund
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VIII. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

Section 81 of the Public Finance Management Act, 2012 and section 14 of the State Corporations Act, require the Directors to prepare financial statements in respect of that entity, which give a true and fair view of the state of affairs of the entity at the end of the financial year/period and the operating results of the entity for that year/period. The Directors are also required to ensure that the entity keeps proper accounting records which disclose with reasonable accuracy the financial position of the entity. The Directors are also responsible for safeguarding the assets of the entity.

The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2019. 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 entity; (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 entity; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the entity's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that the entity's financial statements give a true and fair view of the state of entity's transactions during the financial year ended June 30, 2019, and of the entity's financial position as at that date. The Directors

further confirm the completeness of the accounting records maintained for the entity, which have been relied upon in the preparation of the entity's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the entity 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 entity's financial statements were approved by the Board on _____ 2019 and signed on its behalf by:

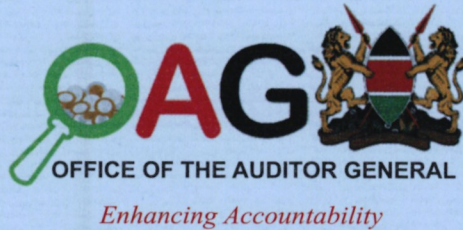
Chairperson

Director

Director

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 YOUTH ENTERPRISE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2019

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of Youth Enterprise Development Fund set out on pages 1 to 23, which comprise the statement of financial position as at 30 June, 2019, and the statement of financial performance, the statement of changes in net assets, 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. Unsupported Cash Flow Statement

The statement of cash flows reflects a balance of Kshs.176,921,415 under cash and cash equivalents. However, the net operating profit before working capital changes includes prior year adjustments of Kshs.2,160,330 and accumulated depreciation charges of Kshs.2,302,953 all totalling to Kshs.4,463,283 which have not been explained.

Under the circumstances, the accuracy of the cash and cash equivalents balance of Kshs.176,921,415 as at 30 June, 2019 could not be confirmed.

2. Non-Compliance with IPSAS Accrual Basis of Accounting –Tuck Shops Rental

As disclosed in Note 2 to the financial statements, the statement of financial performance reflects a balance of Kshs.42,096,471 under revenue from exchange transactions which includes interest and fees of Kshs.41,199,302. Included in the interest and fees amount is Kshs.202,075 relating to rental income generated from tuck shops. However, information and records availed for audit indicated that rent revenue

from tuck shops was recognized when received and not when earned contrary to International Public Sector Accounting Standards (IPSAS) accrual basis of accounting.

Further, Information and records availed for audit verification indicated that during the year under review, the Fund owned one hundred and fifty-nine (159) tuck shops all of which were occupied by tenants as evidenced by lease agreement and the occupation was for the entire twelve (12) months. Based on the number, revenue earned was expected to be Kshs.4,476,000 as compared to the reported revenue of Kshs.202,075 leading to an understatement of revenue by Kshs.4,273,925. No explanation was provided for the variance.

Consequently, the accuracy and completeness of the interest and fees of Kshs.41,199,302 for the year ended 30 June, 2019 could not be confirmed.

3. Depletion of Revolving Fund

The statement of financial position as at 30 June, 2019 reflects a revolving fund balance of Kshs.3,802,458,856. However, although the amount is supposed to represent the loans advanced to the youth and any balance held in the bank account, the current assets balance of Kshs.2,708,619,514 has a shortfall of Kshs.1,093,839,342 to match the revolving fund. This implies the Fund Management has over time utilized Kshs.1,093,839,342 of the revolving fund for recurrent operations expenditure thereby affecting the sustainability of the Fund. Further, no reallocation approvals were availed for audit verification to support utilization of conditional grants on recurrent expenditure.

Under the circumstance, sustainability of the revolving Fund is at risk and therefore, doubtful.

4. Statement of Changes in Net Assets

The statement of changes in net assets under accumulated surplus reflects a figure of Kshs.5,000,000 described as change in accumulated fund for which no supporting documentation or explanations were provided for audit verification. Further, as reported previously, the opening balance on the statement of changes in net assets balance as at 30 June, 2016 totalled Kshs.2,774,049,064 after recasting which was at variance with the recorded balance of Kshs.2,774,482,625 resulting in a variance of Kshs.432,999 which has not been explained or reconciled to date.

Consequently, the accuracy of the statement of changes in net assets for the year ended 30 June, 2019 could not be confirmed.

5. Accumulated Surplus

The statement of financial position and Note 20 reflects an accumulated deficit balance of Kshs.1,021,008,021. However, the balance does not agree with the accumulated deficit balance as per the statement of changes in net assets of Kshs.1,023,847,695. The resultant difference of Kshs.2,839,675 between the two sets of figures has not been explained or reconciled. Further, Note 20 to the financial statements reflect a prior year adjustment of Kshs.2,160,330 that has neither been supported nor explained.

Consequently, the accuracy of accumulated deficit balance of Kshs.1,021,008,021 as at 30 June, 2019 could not be confirmed.

6. Undisclosed Material Uncertainty

The statement of financial performance reflects a deficit of Kshs.163,200,489 for the year ended 30 June, 2019 (2017/2018 - Kshs.281,140,720). The trend of the Fund continuing to incur deficits as has occurred over the last four years may erode the capital invested in the revolving Fund and impair the ability of the Fund to sustain its core duty and services, as intended in its formation. This material uncertainty which casts significant doubt on the continued ability of the Fund to discharge its mandate in the foreseeable future has, however, not been disclosed in the financial statements.

7. Revenue from Exchange Transactions - Interest and Fees

The statement of financial performance reflects a balance of Kshs.327,755,495 under revenue from exchange transactions which includes an amount of Kshs.41,199,302 relating to interest and fees charged on loans issued by the Fund. However, no accurate information relating to the quantity of loans that gave rise to the reported interest has been provided by Management to enable confirmation of the accuracy and completeness of the interest and fees revenue.

Under the circumstances, the accuracy and validity of the interest fee of Kshs.41,199,302 for the year ended 30 June, 2019 could not be confirmed.

8. Irregular Payment of Commuted Leave for Cash

The statement of financial performance reflects a balance of Kshs.211,377,152 relating to human capital expenses. The amount includes two payments amounting Kshs.739,726 paid for leave commutation for forty-five (45) days based on two (2) leave application forms filed in the personal file of an officer. However, the payments had the following anomalies;

- i. The leave commutation was not approved by the immediate supervisor of the officer neither was it approved by the responsible officer in the human resources department.
- ii. The leave commutation application form was authorized and approved by one officer for both the immediate supervisor of the applying officer and user department and the human resource manager.
- iii. The commutation amount was computed based on gross pay of the applying officer which was Kshs.493,150 instead of basic pay of Kshs.335,000 resulting to an overpayment of Kshs.237,226. This is contrary to Section E.4(3) of the Public Service Commission Human Resource Policies and Procedures Manual for the Public Service approved in May, 2016.
- iv. The pending leave days were not validated by the Human Resource Manager as required before the payment was effected hence the accuracy and validity of the days paid could not be confirmed.

Consequently, the accuracy and authenticity of the expenditure of Kshs.739,726 included in the balance of Kshs.211,377,152 for human capital expenses could not be confirmed.

9. Inadequately Supported Travel Costs

The statement of financial performance reflects a balance of Kshs.104,452,900 relating to general expenses which includes an amount of Kshs.4,445,925 in respect of travelling costs. The travel costs include an amount of Kshs.160,000 relating to surrenders of imprests issued to various officers to carry out various activities. However, the surrenders were not adequately supported as details of invitations to the venues where the activities were being undertaken and attendance registers were not availed for audit verification.

10. Non-Current Assets

10.1. Intangible Assets

The statement of financial position as at 30 June, 2019 reflects intangible assets balance of Kshs.47,231,782 which includes an unsupported payment in the previous year of Kshs.14,124,652. The amount relates to Enterprise Resource Planning Software (ERPS) acquired at a cost of Kshs.54,960,000. However, procurement and payments supporting documents relating to the ERPS were not availed for audit verification as they were reportedly being held by the Ethics and Anti-Corruption Commission (EACC).

Further, and as disclosed in Note 17 to the financial statements, the additions during the year of Kshs.14,448,138 includes an amount of Kshs.9,338,300 relating to purchase of hardware which should have been categorized under property, plant and equipment (computers and accessories) under Note 15 to the financial statements. The effect of the wrong classification is that depreciation has been charged at the rate of 25% instead of 33.33% hence resulting in understatement by 8.3% equivalent to Kshs.775,078.

In addition, as reported in the financial year 2016/2017, the statement of financial position reported balance of intangible assets of Kshs.47,231,782 includes assets acquired in the financial year 2014/2015 at a total cost of Kshs.2,670,648 which have no supporting documents. The amount also includes cabling and networking acquired at a cost of Kshs.6,612,686 and additions amounting to Kshs.1,980,000 which do not qualify as intangible assets in line with the International Public Sector Accounting Standard (IPSAS) 31.

Consequently, the accuracy, completeness, existence and the valuation of the intangible assets balance of Kshs.47,231,782 could not be confirmed.

10.2. Property, Plant and Equipment

As disclosed in Note 19 to the financial statements, the statement of financial position reflects a balance of Kshs.65,470,483 under property, plant and equipment which includes partitions at a cost of Kshs.35,983,375 for the Lonrho House offices which the Fund ceased using in the year 2015/2016.

Further, examination of records in relation to motor vehicles and motor cycles revealed that as at the time of audit, five (5) out of eighteen (18) motor vehicles and one hundred and five (105) out of two hundred and ten (210) motor cycles owned by the Fund were grounded. Management continues to reflect the grounded assets as part of property plant and equipment even though they are not in use. No provision for impairment has been provided in the financial statements.

In addition, as previously reported, the property, plant and equipment value of Kshs.65,470,483 (2017/2018 - Kshs.121,562,744) had the following anomalies;

- i. In the year 2014/2015, the Fund spent Kshs.1,980,000 on purchase of iPad tablets for the Board of Directors. The Directors who were issued with the tablets have since left the service and as a result the physical existence of the tablets cannot be ascertained.
- ii. In the year 2014/2015, the Management procured mobile phones for Kshs.400,000. The phones were subsequently written off. Approval for the write offs has not been provided for audit review.
- iii. The Fund acquired 50 laptops, desktop computers and printers in 2014/2015. However, on verification, four laptops valued at Kshs.119,840 each and one printer valued at Kshs.87,000 were found to be missing. Management has to date not provided evidence indicating how it is addressing the issue of loss of these assets.

Under the circumstance, the accuracy, valuation and existence of property, plant and equipment balance of Kshs.65,470,483 could not be ascertained.

11. Investment Property

As reported in the previous years, the investment property balance of Kshs.32,858,742 reflected in the statement of financial position as at 30 June, 2019 relates to bus shelters constructed by the Fund in public places on land which does not belong to the Fund. The property does not satisfy the conditions set out under International Public Sector Accounting Standard (IPSAS) 16 and therefore does not qualify to be accounted for as investment property.

Further, the depreciation charge for investment property is at a rate of 2% per annum translating to a period of fifty years whereas the agreement between the Fund and the respective County Government gives the Fund a duration of fourteen years for usage. This therefore implies there is an undercharge in depreciation against investment property amounting to Kshs.1,867,294 per annum for the duration of three years all totaling to Kshs.7,469,176 and an equivalent overstatement in the investment property balance over the same period.

Consequently, the accuracy, ownership and fair statement of the investment property balance of Kshs.32,858,742 could not be ascertained.

12. Trade Debtors

12.1. Unsupported Trade Debtors Balances

As disclosed in Note 12 to the financial statements, the statement of financial position reflects a balance of Kshs.2,303,216,545 under receivables from exchange transactions. The balance consists of trade debtors balance of Kshs.2,485,960,200 and other exchange debtors of Kshs.2,618,998 less impairment allowance and suspense account of Kshs.124,428,960 and Kshs.60,933,693 respectively relating to trade debtors for the year 2018/2019. The balance of Kshs.2,303,216,545 as at 30 June, 2019 could not be confirmed as the amount was not supported by detailed listings. Further, no detailed ageing analysis was provided to support the above loan balances and impairment figure applied on the revolving fund balance.

Also, as reported in the previous year, the balance of Kshs.2,303,216,545 under receivables from exchange transactions includes unquantified amounts of interest, penalties and principal from financial intermediaries. The amount also includes unknown and unquantified amounts of long outstanding default penalties owed by finance intermediaries whose recoverability is doubtful.

12.2. Loans to Untraceable Welfare Group

As reported in prior years, receivables from exchange transactions includes loan balances totaling Kshs.150,000 and Kshs.500,000 disbursed in 2007 to Cooper Group in Ijara District and Nomads Welfare in Dujis and Garissa respectively. These welfare groups have never been traced for purposes of confirming the outstanding loans and their recoverability. The balances have remained the same in the current year.

12.3. Other Exchange Debtors

The receivables from exchange transactions balance of Kshs.2,303,216,608 includes staff imprests of Kshs.3,739,667 under exchange debtors, some dating back to August, 2011. The staff imprests further include Kshs.1,994,848 and Kshs.292,800 which were irregularly issued to the former Chief Executive Officer and Board Chairman respectively.

12.4. Provision of Impairment Allowances

As disclosed in Note 12 to the financial statements, the receivables from exchange transactions balance of Kshs.2,303,216,545 is net of an impairment allowance of Kshs.124,428,960, and an unidentified and unsupported loan repayment of Kshs.60,933,693. However, the impairment allowance computed at 5% of the outstanding loan balance of Kshs.2,488,579,198 was not backed by any previous trend or Fund policy.

12.5. Unsupported Loan Balances

The trade debtors balance of Kshs.2,485,960,200 as at 30 June, 2019 includes an amount of Kshs.180,184,855 owed by Chase Bank Limited, that has not been supported to date by any documentary evidence. The amount originated from unsupported payments made by the bank and for which the bank has not produced documents to support the withdrawals.

12.6. Default Penalty on Loans to Financial Intermediaries

As reported in the year 2017/2018, included in trade debtors balance of Kshs.2,485,960,200 is a receivable from default penalty on loans to financial intermediaries of Kshs.300,550,837 for the year 2016/2017. No comprehensive ageing analysis in support of this amount has been provided for audit verification. It is, however, evident that no settlement of default penalty account has been made by any financial intermediary since inception of the Fund.

Consequently, the accuracy, completeness and existence of the receivables from exchange transactions balance of Kshs.2,303,216,545 as at 30 June, 2019 could not be confirmed.

13. Current Receivables

As reported in the previous year, included in the receivables from exchange transactions balance of Kshs.2,303,216,545 is an amount of Kshs.245,000,000 relating to Credit Guarantee Scheme in respect of monies advanced to Rafiki Deposit Taking Micro Finance and Indo Africa Finance amounting to Kshs.95,000,000 and Kshs.150,000,000 respectively, which to date have not been secured by deeds of guarantee. No provision for impairment has been included in these financial statements in respect of the Credit Guarantee Scheme balance of Kshs.245,000,000 even though the recovery of these amounts is doubtful based on the court cases between the Fund and the two Intermediaries.

Consequently, the accuracy, validity and recoverability of receivables from exchange transactions of Kshs.245,000,000 could not be ascertained.

14. Trade Payables

The statement of financial position reflects a balance of Kshs.72,729,725 under trade and other payables from exchange transactions, which includes payables totalling to Kshs.5,511,045 relating to four (4) contractors outstanding as at 30 June, 2014 and Kshs.4,650,750 outstanding as at 30 June, 2015. However, no satisfactory explanations have been given for failure to settle the accounts payable in the year in which the expenses were incurred or subsequent financial years.

The trade and other payables from exchange transactions balance of Kshs.72,729,725 also includes payables to contractors of Kshs.1,083,600 and Kshs.4,427,445 both outstanding as at 30 June, 2014 owed to two contractors respectively, and

Kshs.1,426,800 and Kshs.3,223,950 both outstanding as at 30 June, 2015 owed to two service providers respectively. No satisfactory explanation has been given for failure to settle the accounts payables in the year in which the expenses were incurred or subsequent financial years.

Consequently, the existence and validity of the trade payables balance of Kshs.72,729,725 as at 30 June, 2019 could not be ascertained.

15. Inventories

As disclosed in Note 14 to the financial statements, the statement of financial position reflects a balance of Kshs.172,330,000 under inventories. The balance relates to automatic hatching machines that were procured in the financial year 2012/2013. The inventory continues to be carried at cost in the books of accounts which is non-compliant with IPSAS 12, which requires that the valuation be the lower of cost and net receivable value. The realizable value of the hatching machine has been provided below cost at Kshs.60,000 per unit instead of Kshs.190,000 that is the current carrying value.

Also, as reported in the previous year, the inventories balance of Kshs.175,659,930 as at 30 June, 2017 also included 907 units of hatcheries valued at Kshs.172,330,000 which was the same as at 30 June, 2016. In 2014/2015, there were 906 units of hatcheries valued at Kshs.172,140,000 as at 30 June, 2015 even though there were no sales, returns or purchases reported by Management during the year 2015/2016. The stock records however, reflected 907 units of hatcheries valued at Kshs.172,330,000. The increase both in quantity and value of hatcheries during the year 2015/2016 has to date not been adequately explained.

Further, although it is clear the incubator inventory is slow moving and is thereby impaired, no provision for impairment has been made against the balance of Kshs.172,330,000 in the financial statements. In addition, physical verification exercise undertaken in June, 2019, indicated the total number of hatcheries as 886 units even though there has been no disposal or sale since the financial year 2014/2015.

Additionally, as reported in the previous year's audit report, the balance of stock (907) worth Kshs.172,330,000 as at 30 June, 2019 stored at Kasarani Stadium and the National Youth Service stores in Mombasa continues to attract storage costs amounting to Kshs.1,153,600 annually. Management is yet to provide the storage contracts between the Sports Stadium Management Board and the Fund.

Under the circumstances, it is not possible to confirm that the inventories balance of Kshs.172,330,000 as reflected in the financial statements is fairly stated.

16. General Expenses

Note 10 to the financial statements reflects a figure of Kshs.104,452,900 under general expenses. The figure includes Kshs.8,434,670 relating to legal fees which includes two payments to legal service providers totalling to Kshs.5,179,200. Examination of these payments revealed the following anomalies;

- i. The quotation forms for provision of these services were opened by an Adhoc Committee of three (3) members on a date not indicated in the opening minutes. Legality of the constitution of the Opening Committee could not be verified as no appointment letters from the Chief Executive Officer were availed for audit verification to support compliance with Section 78(1) of the Public Procurement and Asset Disposal Act, 2015.
- ii. The quotation forms were opened by a three (3) member committee on a date that was not indicated in the opening minutes and whose membership could not be verified as there were no appointment letters.
- iii. The approval of the professional opinion was granted on 28 June, 2018, the same day the contract was signed. The service provider issued an invoice and the Management certified the invoices for payment on the same date the contract was signed. The payment was made before the services were rendered.
- iv. No documentation was availed for audit verification in support of the adhoc tender evaluation committee that was purportedly appointed by the Chief Executive Officer to carry out the evaluation.

No explanation has been provided for non-compliance with the law on procurement.

17. Unresolved Prior Year issues

As disclosed under the progress on follow up of auditor's recommendations section of the financial statements, various prior year's audit issues remained unresolved as at 30 June, 2019. Management has not provided reasons for the delay in resolving the prior year's audit issues.

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 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 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, risk management and overall governance.

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

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

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

Those charged with governance are responsible for overseeing the 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 about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them, and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution. 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 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

27 January, 2021

Youth Enterprise Development Fund Board
Annual Report and Financial Statements
For The Year Ended 30th June 2019

STATEMENT OF FINANCIAL PERFORMANCE

| | | Kshs 2018-2019 | Kshs 2017-2018 |
|--|-------------|----------------------|----------------------|
| Revenue from non-exchange transactions | Note | | |
| Grants from GoK | 1 | 285,659,024 | 291,488,600 |
| | | 285,659,024 | 291,488,600 |
| Revenue from exchange transactions | | | |
| Interest and fees | 2 | 41,199,302 | 42,147,864 |
| Interest on investments- Call deposits & bank balances | 3 | 804,081 | 6,053,366 |
| Other income | 4 | 93,088 | 300,908 |
| | | 42,096,471 | 48,502,137 |
| Total revenue | | 327,755,495 | 339,990,737 |
| Expenses | | | |
| Programme expenses | 5 | 43,296,283 | 79,082,079 |
| Human Capital expenses | 6 | 211,377,152 | 298,230,210 |
| Board expenses | 7 | 27,320,561 | 23,579,885 |
| Depreciation & amortisation expense | 8 | 83,185,903 | 57,495,155 |
| Repairs & maintenance | 9 | 21,323,185 | 23,182,216 |
| General expenses | 10 | 104,452,900 | 139,561,912 |
| Total expenses | | 490,955,984 | 621,131,458 |
| Deficit for the period | | (163,200,489) | (281,140,720) |

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30th June 2019

STATEMENT OF FINANCIAL POSITION

| Assets | Note | Kshs 2018-2019 | Kshs 2017-2018 |
|---|------|-----------------------------|-----------------------------|
| Current assets | | | |
| Cash and cash equivalents | 11 | 176,921,415 | 51,572,363 |
| Receivables from exchange transactions | 12 | 2,303,216,545 | 2,313,976,608 |
| Receivables from non-exchange transactions | 13 | 56,151,594 | 951,594 |
| Inventories | 14 | 172,330,000 | 172,330,000 |
| | | 2,708,619,554 | 2,538,830,565 |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 65,470,483 | 121,562,744 |
| Investment Property | 16 | 32,858,742 | 34,473,178 |
| Intangible assets | 17 | 47,231,782 | 53,367,590 |
| Long term receivables from exchange transactions | 13 | - | - |
| | | <u>145,561,007</u> | <u>209,403,512</u> |
| Total assets | | <u>2,854,180,562</u> | <u>2,748,234,078</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables from exchange transactions | 18 | 72,729,725 | 85,427,423 |
| Total liabilities | | <u>72,729,725</u> | <u>85,427,423</u> |
| Net assets | | | |
| Revolving Fund | 21 | 3,802,458,856 | 3,518,453,856 |
| Accumulated surplus/Deficit | 20 | (1,021,008,021) | (855,647,202) |
| Total net assets and liabilities | | <u>2,854,180,562</u> | <u>2,748,234,078</u> |

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

Benson W. Muthendi

Ag Chief Executive Officer

Date..... 23.09.2020

Benedict S Atavachi

Finance Manager

ICPAK Member Number..... 3081.....

Date.....

STATEMENT OF CHANGES IN NET ASSETS

| | Reserves | | |
|-------------------------------------|--|---|----------------------|
| | Capital development reserve Kshs '000 | replacement Accumulated surplus Kshs '000 | Total Kshs '000 |
| Balance as at 30 June 2017 | 3,442,119,856 | (574,506,484) | 2,867,613,372.00 |
| Surplus/(Deficit) for the period | | (281,140,720) | (281,140,720) |
| Prior year adjustment | | - | - |
| Change in accumulated fund | | - | |
| Addition for the year | 76,334,000.00 | - | 76,334,000 |
| Capital grant amortised | - | | - |
| Balance as at 30th June 2018 | 3,518,453,856 | (855,647,205) | 2,662,806,651 |
| Surplus/(Deficit) for the period | | (163,200,489) | (163,200,489) |
| Prior year adjustment | | | |
| Change in accumulated fund | | (5,000,000) | (5,000,000) |
| Addition for the year | 284,005,000.00 | - | 284,005,000 |
| Balance as at 30th June 2019 | 3,802,458,856 | (1,023,847,695) | 2,778,611,161 |

Explanatory note : These are Capital reserves and not available for distribution.
 They form the revolving Fund wherefrom loans are disbursed.

Youth Enterprise Development Fund Board
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For The Year Ended 30th June 2019

STATEMENT OF CASH FLOWS

| | Note | 2018-2019 Shs | 2017-2018 Shs |
|--|------|---------------------|----------------------|
| Surplus (Deficit) for the period | | (163,200,489) | (281,140,720) |
| Adjustments for: | | | |
| Depreciation | 8 | 60,299,003 | 32,338,630 |
| Amortization | 8 | 22,886,900 | 25,156,525 |
| Prior year adjustment | | (2,160,330) | - |
| Prior year adjustment-Accumulated depreciation | | (2,302,953) | - |
| Operating profit before working capital changes | | (84,477,869) | (223,645,565) |
| Increase in receivables from exchange transactions | 12 | 10,760,064 | (419,011,175) |
| Increase in receivables from non- exchange transactions | | (55,200,000) | 15,584,646 |
| Increase in trade and other payables | 18 | (12,697,698) | (3,038,319) |
| Net cash used in operating activities | | (57,137,634) | (406,464,848) |
| Cashflows from investing activities | | | |
| Decrease /(Increase) in loans | 12 | - | 285,000,000 |
| Purchase of Fixed & Intangible assets | 15 | (15,986,107) | (36,002,446) |
| Purchase of Investment Property | | (1,054,337) | - |
| Net cash flows from (net cash used in) investing activities | | (17,040,444) | 248,997,554 |
| Cashflows from Financing activities | | | |
| Capitalization from G.O.K. | 21 | 284,005,000 | 76,334,000 |
| Net cash flows from financing activities | | 284,005,000 | 76,334,000 |
| Net Decrease in cash | | 125,349,053 | (304,778,859) |
| Cash & cash equivalent at the beginning of the period | | 51,572,363 | 356,351,222 |
| Cash & cash equivalents at the end of the period | 11 | 176,921,415 | 51,572,363 |

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30 June 2019

| STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS | | | | | | | |
|---|---|---------------------------------------|--|---|------------------------------------|---------------|--|
| | Original budget 2018-2019 Kshs '000 | Adjustments 2018-2019 Kshs '000 | Final budget 2018-2019 Kshs '000 | Actual on comparable basis 2018-2019 Kshs '000 | Variance 2018-2019 Kshs '000 | % Variance | Explanation of Variance |
| Revenue | | | | | | | |
| Income from Treasury | 291,488,800 | - | 291,488,800 | 285,659,024 | (5,829,776) | -2.00% | Budget cutdown due to government fiscal deficits |
| | 291,488,800 | - | 291,488,800 | 285,659,024 | (5,829,776) | | |
| Interest and management fees on loans | | | | | | | |
| Interest earned from FT's | - | - | - | - | - | | |
| Mgt fees - C-YES, Eyes; LPO and other loan processing fees | 31,383,965 | - | 31,383,965 | 10,086,079 | (21,297,886) | -67.86% | Low uptake fuelled by stiff competition from mobile digital lenders |
| Interest and fees from Direct Funding Loans | 9,145,500 | - | 9,145,500 | 25,825,494 | 16,679,994 | 182.38% | Aggressive lending initiatives amidst product popularity |
| Bid bond | 90,000 | - | 90,000 | 31,500 | (58,500) | -65.00% | Low uptake fuelled by stiff competition from mobile digital lenders and other financial institutions |
| Management Fee from Commercial Infrastructure | 4,800,000 | - | 4,800,000 | 202,075 | (4,597,925) | -95.79% | Low uptake fuelled by stiff competition from mobile digital lenders and other financial institutions |
| YESA Homecare | | | | 4,724,500 | 4,724,500 | | |
| YESA Predeparture | | | | 422,742 | 422,742 | | |
| | 45,419,465 | - | 45,419,465 | 41,292,390 | (9,274,317) | | |
| Interest on Investments -Call deposits and bank balances | | | | | | | |
| Interest earned on Fund Accounts, calls | 3,500,000 | - | 3,500,000 | 804,081 | (2,695,919) | -77.03% | Authority to place calls not received from Treasury |
| | 3,500,000 | - | 3,500,000 | 804,081 | (2,695,919) | | |
| Other income | | | | | | | |
| Income from donors and other income generating activities | 84,002,750 | - | 84,002,750 | - | (84,002,750) | -100.00% | No donations received; fundraising strategy at initial stages of implementation |

| | | | | | | |
|---|--------------------|-------------------|--------------------|--------------------|----------------------|--|
| | 84,002,750 | - | 84,002,750 | - | (84,002,750) | |
| Total income | 424,411,015 | - | 424,411,015 | 327,755,495 | (101,802,762) | |
| Expenses | | | | | | |
| Lending/ credit | 8,240,000 | 6,824,000.00 | 15,064,000 | 14,699,258 | 364,742 | Prudent spending coupled with austerity measures 2.42% |
| Youth Enterprise Scheme Abroad | 500,000 | 1,500,000.00 | 2,000,000 | 1,872,100 | 127,900 | Prudent spending coupled with austerity measures 6.40% |
| Commercial Infrastructure | 1,382,000 | 138,200.00 | 1,520,200 | 1,499,505 | 20,695 | Prudent spending coupled with austerity measures 1.36% |
| Market Linkages | 2,376,000 | 237,600.00 | 2,613,600 | 2,330,355 | 283,245 | Prudent spending coupled with austerity measures 10.84% |
| Capacity building for youth enterprises | 2,779,650 | 757,965.00 | 3,537,615 | 3,443,680 | 93,935 | Prudent spending coupled with austerity measures 2.66% |
| Research Unit | 500,000 | - | 500,000 | 451,390 | 48,610 | Prudent spending coupled with austerity measures 9.72% |
| Monitoring and Evaluation | 9,587,200 | 2,428,720.00 | 12,015,920 | 12,011,085 | 4,835 | Prudent spending coupled with austerity measures 0.04% |
| Resource Mobilization | 7,200,000 | 200,000.00 | 7,400,000 | 6,988,910 | 411,090 | Prudent spending coupled with austerity measures 5.56% |
| | 32,564,850 | 12,086,485 | 44,651,335 | 43,296,283 | 1,355,052 | |
| Human Capital Expenses | | | | | | |
| Staff Training | 4,000,000 | 1,900,000.00 | 5,900,000 | 5,774,675 | 125,325 | Prudent spending coupled with austerity measures 2.12% |
| Recruitment | 500,000 | - | 500,000 | 499,700 | 300 | 0.06% Hiring freeze by govt due to pending merger |
| Performance Appraisal and Benchmark | 700,000 | - | 700,000 | 589,300 | 110,700 | Prudent spending coupled with austerity measures 15.81% |
| Personel salary and emoluments | 254,812,000 | (85,312,000.00) | 169,500,000 | 168,290,723 | 1,209,277 | Prudent spending coupled with austerity measures 0.71% |
| Wages for internship programme | 2,400,000 | (110,000.00) | 2,290,000 | 2,261,132 | 28,868 | Prudent spending coupled with austerity measures 1.26% |
| Group life and Personal Accident Cover | 2,000,000 | - | 2,000,000 | 1,115,828 | 884,172 | Prudent spending coupled with austerity measures 44.21% |
| Medical Expenses | 21,400,000 | (2,400,000.00) | 19,000,000 | 12,075,172 | 6,924,828 | Prudent spending coupled with austerity measures 36.45% |
| Employee Survey | 600,000 | - | 600,000 | 451,660 | 148,340 | Prudent spending coupled with austerity measures 24.72% |
| Staff Welfare | 4,500,000 | 3,250,000.00 | 7,750,000 | 7,737,831 | 12,169 | Prudent spending coupled with austerity measures 0.16% |
| Gratuity CEO's | 1,860,000 | - | 1,860,000 | 1,339,200 | 520,800 | Prudent spending coupled with austerity measures 28.00% |

| | | | | | | | |
|--|--------------------|----------------------|--------------------|--------------------|---------------------|---------|--|
| Gratuity CO & Contract off | 15,000,000 | (2,000,000.00) | 13,000,000 | 10,851,716 | 2,148,284 | 16.53% | Prudent spending coupled with austerity measures |
| Mainstreaming, Sensitization & Surveys | 175,000 | 17,500.00 | 192,500 | 167,200 | 25,300 | 13.14% | Prudent spending coupled with austerity measures |
| Knowledge Skills Management | 260,000 | - | 260,000 | 223,015 | 36,985 | 14.23% | Prudent spending coupled with austerity measures |
| Pension Fee Administration | 73,675 | 7,368.00 | 81,043 | - | 81,043 | 100.00% | Prudent spending coupled with austerity measures |
| Board Expenses | 308,280,675 | (84,647,132) | 223,633,543 | 211,377,152 | 12,256,391 | | |
| Board Allowance | 8,000,000 | 2,900,000.00 | 10,900,000 | 9,840,720 | 1,059,280 | 9.72% | Prudent spending coupled with austerity measures |
| Board Transport | 3,800,000 | 2,760,000.00 | 6,560,000 | 5,140,248 | 1,419,752 | 21.64% | Prudent spending coupled with austerity measures |
| Chairperson Honorarium | 960,000 | - | 960,000 | 960,000 | - | 0.00% | Prudent spending coupled with austerity measures |
| Board Exposure Visits | 1,000,000 | 50,000.00 | 1,050,000 | 1,026,895 | 23,105 | 2.20% | Prudent spending coupled with austerity measures |
| Board Training & Med.&Accident Insu | 1,000,000 | 3,200,000.00 | 4,200,000 | 4,121,229 | 78,771 | 1.88% | Prudent spending coupled with austerity measures |
| Board International Transport | 2,200,000 | (852,000.00) | 1,348,000 | 1,235,465 | 112,535 | 8.35% | Prudent spending coupled with austerity measures |
| Board Retreat | 1,000,000 | 4,002,000.00 | 5,002,000 | 4,996,004 | 5,996 | 0.12% | Prudent spending coupled with austerity measures |
| Depreciation | 17,960,000 | 12,060,000.00 | 30,020,000 | 27,320,561 | 2,699,439 | | |
| Property, plant and equipment | - | - | - | 60,299,003 | (60,299,003) | | Non-cash expenses |
| Intangible assets | - | - | - | 22,886,900 | (22,886,900) | | Non-cash expenses |
| Repairs & Maintenance | - | - | - | 83,185,903 | (83,185,903) | | |
| Motor vehicle fuel and repairs | 6,528,000 | 9,544,747 | 16,072,747 | 14,601,296 | 1,471,451 | 9.15% | Prudent spending coupled with austerity measures |
| Motorcycles fuel and repairs | 5,040,000 | 2,004,000 | 7,044,000 | 6,721,889 | 322,111 | 4.57% | Prudent spending coupled with austerity measures |
| Administrative expenses | 11,568,000 | 11,548,747 | 23,116,747 | 21,323,185 | 1,793,562 | | |
| Travelling Costs | 1,200,000 | 3,270,000.00 | 4,470,000 | 4,445,925 | 24,075 | 0.54% | Prudent spending coupled with austerity measures |
| Telephone Costs | 2,700,000 | 770,000.00 | 3,470,000 | 3,256,245 | 213,755 | 6.16% | Prudent spending coupled with austerity measures |
| Office Rent and Maintenance | 23,520,000 | 11,552,000.00 | 35,072,000 | 32,828,991 | 2,243,009 | 6.40% | Prudent spending coupled with austerity measures |
| Newspapers/Magazines/Journals | 65,700 | 6,570.00 | 72,270 | 42,875 | 29,395 | 40.67% | Prudent spending coupled with austerity measures |

| | | | | | | | |
|--|--------------------|-------------------|--------------------|----------------------|---------------------|--------|--|
| Office Stationery | 3,600,000 | 2,480,000.00 | 6,080,000 | 6,067,010 | 12,990 | 0.21% | Prudent spending coupled with austerity measures |
| Audit Fees | 2,908,800 | 290,880.00 | 3,199,680 | 3,184,925 | 14,755 | 0.46% | Prudent spending coupled with austerity measures |
| Legal Fees | 7,520,000 | 1,252,000.00 | 8,772,000 | 8,434,670 | 337,330 | 3.85% | Prudent spending coupled with austerity measures |
| Insurance for Motor Vehicle and Equipment | 1,776,000 | 177,600.00 | 1,953,600 | 1,555,765 | 397,835 | 20.36% | Prudent spending coupled with austerity measures |
| ICT Accessories , Maintenance & Repairs | 800,000 | 6,011,501.00 | 6,811,501 | 6,179,754 | 631,747 | 9.27% | Prudent spending coupled with austerity measures |
| Internet & Network Connectivity,Website & DSV | 2,680,000 | 3,268,000.00 | 5,948,000 | 5,259,558 | 688,442 | 11.57% | Prudent spending coupled with austerity measures |
| Courier/Postal Services | 1,200,000 | 120,000.00 | 1,320,000 | 804,685 | 515,315 | 39.04% | Prudent spending coupled with austerity measures |
| Security Guards(Hq & Region) | 480,000 | 48,000.00 | 528,000 | 492,320 | 35,680 | 6.76% | Prudent spending coupled with austerity measures |
| Office utilities | 400,000 | 40,000.00 | 440,000 | 402,229 | 37,771 | 8.58% | Prudent spending coupled with austerity measures |
| Bank Charges and preparation of financial statements | 611,990 | 1,307,849.00 | 1,919,839 | 1,895,719 | 24,120 | 1.26% | Prudent spending coupled with austerity measures |
| Provision for bad debts | | - | | 6,697,614 | (6,697,614) | | Non-cash expense |
| Enhancing funds image | 4,575,000 | 18,357,500.00 | 22,932,500 | 22,904,615 | 27,885 | 0.12% | Prudent spending coupled with austerity measures |
| Change in Inventory | | - | | - | - | | |
| Total expenditure | 54,037,490 | 48,951,900 | 102,989,390 | 104,452,900 | (1,463,510) | | |
| Surplus / (Deficit) for the period | 424,411,015 | - | 424,411,015 | 490,955,984 | (66,544,969) | | |
| | - | - | - | (163,200,489) | (35,257,793) | | |

I. NOTES TO THE FINANCIAL STATEMENTS

1. General Information

The Youth Enterprise Development Fund Board is established by and derives its authority and accountability from Legal Notice No. 63. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is;

- Provide loans to and for on-lending to youth enterprises
- Attract and facilitate investment in micro, small and medium enterprises oriented commercial infrastructure that will be beneficial to youth enterprises
- Support youth oriented micro, small and medium enterprises to develop linkages with large enterprises
- Facilitate marketing of products and services of youth enterprises both in the domestic and the international markets
- Provide business development services to youth enterprises
- Facilitate employment of youth in the international labour market

2. Statement of compliance and basis of preparation

The financial statements have been prepared on a historical cost basis and financial instruments at fair 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 entity'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 Note 3.

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

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

3. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Recurrent Grants from Government of Kenya

This is in respect of assistance from the Government of Kenya through the Ministry of Devolution and Planning. It is recognized as revenue when received. Where the fund receives an official commitment from the government or timing differences occur between the time the Government sends the funds and actual receipt; the grants are accrued.

ii) Revenue from exchange transactions

Interest and Management fee on Loans

Interest income is recognized when it falls due using simple interest rates determined at the time the loan is approved and where the loan runs over two accounting periods, the interest earned is pro-rated.

Management income is a one time off charged at the time of disbursement of the loan. This is usually deducted at the disbursement and revenue recognized.

b) Budget information

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

between the actual comparable amounts and the amounts presented as a separate additional financial statement in the statement of comparison of budget and actual amounts.

c) Taxation

Youth Enterprise Development Fund is exempt from income taxes under the income Tax Act.

d) Investment property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction and measured using the cost model and are depreciated at a rate of 2% p.a straight line basis.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of de-recognition.

Transfers are made to or from investment property only when there is a change in use.

e) Property, plant and equipment

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

Property, plant and equipment are depreciated on a straight line basis over their estimated useful lives at the following rates having adopted this policy this year from reducing balance in the prior years:

| | | |
|---------------------------|---|--------|
| Motor vehicles | : | 25% |
| Furniture and Fittings | : | 12.5% |
| Office Equipment | : | 12.5% |
| Computers and accessories | : | 33.33% |
| Motor cycles | : | 25% |

A full year's depreciation is charged in the year of acquisition and none is charged in the year of disposal.

f) Leases

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

g) Intangible assets

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

The useful life of the intangible assets is assessed as either finite or indefinite.

Amortization is calculated on a straight line basis over estimated useful lives not exceeding a period of 5 years.

h) Financial instruments

Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Entity determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Entity has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Impairment of financial assets

The Entity assesses at each reporting date whether there is objective evidence that a financial asset or a entity of financial assets is impaired. A financial asset or a entity of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the entity of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a entity of debtors are experiencing significant financial difficulty

- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

i) 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 condition are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method
- Finished goods and work in progress: cost of direct materials and labor 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 Entity.

k) The revolving fund

The revolving fund represents money that has been set aside for onward lending to the Youth. This Fund grows by the annual allocations from the government under the development Vote and may reduce as a result of acquisition of assets and support of core programmes.

m) Employee benefits

Retirement benefit plans

The Fund operates a defined contribution pension scheme where the employees contribute 7.5% of the basic salary and the employer contributes 15% of the basic salary. In addition, employees contribute towards the N.S.S.F at the prevailing rates.

The employer's contributions are charged to the Staff emoluments.

n) Foreign currency transactions

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

Related parties

The Fund regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Fund, or vice versa. Members of key management are regarded as related parties and comprise the Chief Executive officer, Senior Managers, mayoral Chairman and Directors. There were no related party transactions for the year under review apart from remuneration for the employment services rendered to the Fund.

r) 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 various commercial banks at the end of the financial year.

s) Comparative figures

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

t) Significant judgments and sources of estimation uncertainty

No significant judgements have had to be made by the Directors in preparing these financial statements. Estimates made in the provision for bad debts are based on general provision and may change when specific provision is made.

Estimates and assumptions

The Fund based its assumptions and estimates on parameters available when the 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

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

Provisions

Provisions were raised and management determined an estimate based on the information available. Former employees have sued the Fund for wrongful dismissal in a court of law and currently awaiting determination of the suit.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

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.

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 Entity in the notes to the financial statements. Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

u) Financial Risk Management

The Fund activities expose it to financial as well as credit risk. The fund's risk management framework is set out by the Board and implemented by Management focussing on unpredictability of changes in operating environment and seek to minimise the potential adverse effects by setting acceptable levels of risk.

Credit risk

This is the main risk faced by the Fund. The fund's overall risk management programme focuses on the likelihood of borrowers failing to meet their debt obligations and seeks to minimize the same.

Collateral

For C-YES and E-YES Loans, no security is given by the youth to the fund. However, for the financial intermediaries, collateral in the form of Bank guarantees, promissory notes and cash flow assignments are given. For Vuka and LPO Financing, collateral including chattels mortgage and immovable property are given. Furthermore, the Fund has listed financial institutions and individuals with non-performing loans with Credit reference Bureaus.

The amount that best represents maximum exposure to credit risk as at June 30, 2019 is made up as follows;

| | 2018/2019 | 2017/2018 |
|-------------------------|----------------------|----------------------|
| Fully performing | 2,425,026,507 | 2,430,333,766 |
| Impaired | 124,428,960 | 117,731,346 |
| Total | 2,300,597,547 | 2,312,602,421 |

v) Events after the Reporting Period

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, 2019.

3 Currency

The financial statements are presented in Kenya Shillings (Kshs).

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| | 2018-2019 | 2017-2018 |
|--|--------------------|--------------------|
| | Shs | Shs |
| 1. Grants from GoK | | |
| Income from Treasury | 285,659,024 | 291,488,800 |
| | 285,659,024 | 291,488,800 |
| 2. Interest and management fees on loans | | |
| Interest earned from FI's | - | 359,589 |
| Mgt fees - C-YES | 7,656,500 | 10,000,500 |
| Mgt fees - Easy -YES | 145,750 | 704,950 |
| Mgt fees - Direct Funding Loans | 1,009,226 | 2,453,190 |
| Interest from Direct Funding Loans | 24,816,268 | 19,476,154 |
| Utilisation fee on loan guarantee scheme | - | 5,000,000 |
| Bid bond | 31,500 | 57,000 |
| LPO Processing fee | 2,107,627 | 3,715,800 |
| Tuckshops rental | 202,075 | 305,680 |
| Processing fee Agribizz | 66,314 | 30,000 |
| Processing fee Talanta | 16,800 | 45,000 |
| YESA Pre-Departure | 422,742 | - |
| YESA Home care | 4,724,500 | - |
| | 41,199,302 | 42,147,864 |
| 3. Interest on Investments -Call deposits and bank balances | | |
| Interest earned on Fund Accounts | 804,081 | 6,053,366 |
| | 804,081 | 6,053,366 |
| 4. Other income | | |
| Sale of Tender documents | - | 28,000 |
| Sundry Income | 93,088.00 | 272,908 |
| | 93,088 | 300,908 |
| 5. Programme expenses (Program Support expenditure) | | |
| Lending/ credit | 14,699,258 | 37,030,989 |
| Youth Enterprise Scheme Abroad | 1,872,100 | 2,197,740 |
| Commercial Infrastructure | 1,499,505 | 1,690,335 |
| Market Linkages | 2,330,355 | 3,975,481 |
| Capacity building for youth enterprises | 3,443,680 | 20,652,965 |
| Research Unit | 451,390 | - |
| Monitoring and Evaluation | 12,011,085 | 7,677,855 |
| Programme Support Expenditure- Lobbying/resource | 6,988,910 | 3,424,095 |
| | 43,296,283 | 76,649,460 |

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| 6. Human Capital expenses | 2018-2019 | 2017-2018 |
|---|--------------------|--------------------|
| | Shs | Shs |
| Staff Training | 5,774,675 | 9,272,461 |
| Recruitment | 499,700 | 63,925 |
| Performance Appraisal and Benchmarking | 589,300 | 2,944,970 |
| Personel salary and emoluments | 168,290,723 | 213,928,000 |
| Wages for internship programme | 2,261,132 | 2,348,392 |
| Group life and Personal Accident Cover | 1,115,828 | 2,472,795 |
| Staff Uniforms | - | 1,495,600 |
| Medical Expenses | 12,075,172 | 33,291,997 |
| Employee Survey | 451,660 | 926,035 |
| Staff Welfare | 7,737,831 | 9,622,359 |
| Gratuity | 12,190,916 | 16,169,245 |
| Mainstreaming,Sensitization & Surveys | 167,200 | 442,350 |
| Knowledge Skills Management | 223,015 | 306,820 |
| Pension Fee Administration | - | 130,000 |
| Team Building | - | 4,815,260 |
| | 211,377,152 | 298,230,210 |
| | | |
| 7. Board Expenses | | |
| Board Allowance | 9,840,720 | 9,994,120 |
| Board Transport | 5,140,248 | 7,588,100 |
| Chairperson Honorarium | 960,000 | 960,000 |
| Board Exposure Visits | 1,026,895 | - |
| Board Retreat | 4,996,004 | 2,310,560 |
| Board Training & Med.&Accident Insu.&Misc. | 4,121,229 | 2,727,105 |
| Board International Transport | 1,235,465 | - |
| | 27,320,561 | 23,579,885 |
| | | |
| 8. Depreciation and amortization expense | | |
| Property, plant and equipment | 60,299,003 | 32,338,630 |
| Intangible assets | 22,886,900 | 25,156,525 |
| | 83,185,903 | 57,495,155 |
| | | |
| 9. Repairs and maintenance | | |
| Motor vehicle fuel and repairs | 14,601,296 | 19,118,897 |
| Motorcycles fuel and repairs | 6,721,889 | 4,063,319 |
| | 21,323,185 | 23,182,216 |

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| 10. General Expenses | 2018-2019 Shs | 2017-2018 Shs |
|---|--------------------|--------------------|
| Travelling Costs | 4,445,925 | 5,437,067 |
| Telephone Costs | 3,256,245 | 4,249,673 |
| Office Rent and Maintainance | 32,828,991 | 36,376,847 |
| Newspapers/Magazines/Journals | 42,875.00 | 3,180 |
| Office Stationery | 6,067,010 | 12,801,827 |
| Audit Fees | 3,184,925 | 3,824,619 |
| Legal Fees | 8,434,670 | 9,016,822 |
| Insurance for Motor Vehicle and Equipments | 1,555,765 | 3,744,310 |
| Internet and Network connectivity, Website and DSTV | 5,259,558 | 3,179,899 |
| Soft Ware Support & Equipment Maintainance | 6,179,754 | 4,172,828 |
| Website Maintainance | - | 16,091 |
| Courier/Postal Services | 804,685 | 3,678,149 |
| Security Guards(Hq & Region) | 492,320 | - |
| Office utilities | 402,229.00 | 1,490,846.00 |
| Bank Charges | 1,895,719 | 119,157 |
| Provision for bad debts | 6,697,614 | 23,489,849 |
| Enhancing Fund image | 22,904,615 | 30,393,367 |
| | 104,452,900 | 141,994,531 |

11. Cash and cash equivalents

| Bank | 2018-2019 Shs | 2017-2018 Shs |
|------------------|--------------------|-------------------|
| Current | 176,766,398 | 22,639,409 |
| Cash -in-hand | 54,112 | 20,091,750 |
| Safaricom -Mpesa | 100,905 | 8,720,332 |
| | 176,921,415 | 51,451,491 |

Detailed Analysis of the cash and cash equivalents

| Financial Institution | Account number | 2018-2019 Shs |
|---|----------------|--------------------|
| a) Current account | | |
| Equity bank | | |
| Equity Youth Enterprise Developmnt Fund - Nyeri | 180263475534 | - |
| Equity Youth Enterprise Developmnt Fund - Garisa | 180263505110 | - |
| Equity Youth Enterprise Development Fund -Loan | | |
| Repayment Account | 180291347977 | 1,255,609 |
| Equity Youth Enterprise Developmnt Fund - Main | 180290708175 | 38,227,522 |
| Equity Youth Enterprise Developmnt Fund - Direct | | |
| Funding product | 180299437260 | 23,827,146 |
| Equity Youth Enterprise Developmnt Fund- Operations | | |
| account | 180299434252 | 1,367,429 |
| Equity Youth Enterprise Developmnt Fund - Meru | 180263475552 | 50 |
| Equity Youth Enterprise Developmnt Fund - Nakuru | 180263473232 | 0 |
| Equity Youth Enterprise Developmnt Fund - Nairobi | 180263475071 | - |
| Equity Youth Enterprise Developmnt Fund - Eldoret | 180263475346 | 6,760 |
| Equity Youth Enterprise Developmnt Fund - Machakos | 180263475406 | 237,660 |
| Equity Youth Enterprise Developmnt Fund - Kakamega | 180263474890 | - |
| Equity Youth Enterprise Developmnt Fund - Mombasa | 180263475461 | - |
| Equity Youth Enterprise Developmnt Fund - Kisumu | 180263474481 | 30 |
| Subtotal | | 64,922,206 |
| Kenya Commercial Bank | | |
| KCB Main Account | 1107099390 | 85,079,971 |
| KCB Repayment Account | 1107099544 | 464,574 |
| LPO Account | 1154767485 | 26,299,648 |
| Subtotal | | 111,844,192 |
| b.) Others | | |
| Cash at hand | | 54,112 |
| Mpesa | 17592349-17 | 100,905 |
| Subtotal | | 155,017 |
| Grand total | | 176,921,415 |

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| 12. Receivables from exchange transactions | 2018-2019 | 2017-2018 |
|--|----------------------|----------------------|
| | Shs | Shs |
| Current receivables | | |
| Trade debtors | 2,485,960,200 | 2,468,474,997 |
| Other exchange debtors | 2,618,998 | 1,374,187 |
| Less: impairment allowance | (124,428,960) | (117,731,346) |
| Loans repaid unidentified | (60,933,693) | (38,141,229.60) |
| Total receivables | 2,303,216,545 | 2,313,976,608 |
| 13. Receivables from non-exchange contracts | | |
| Current receivables | | |
| Grant receivable from parent ministry | 55,000,000 | - |
| Prepayments | 1,151,594.00 | 951,594 |
| Total current receivables | 56,151,594 | 951,594 |
| 14. Inventories | | |
| Hatcheries | 172,330,000 | 172,330,000 |
| | 172,330,000 | 172,330,000 |
| Total inventories at the lower of cost and net realizable value | | |

NOTES TO THE FINANCIAL STATEMENTS

15. Property, plant and equipment

| Year ended 30 June 2018 | Motor Vehicles | Furniture and Fittings | Computers & Accessories | Motorcycles | Total |
|--|----------------------|------------------------|-------------------------|------------------|--------------------|
| | Shs | Shs | Shs | Shs | Shs |
| Cost | | | | | |
| At start of the period | 76,153,164 | 107,490,316 | 107,428,834 | 65,578,000 | 356,650,315 |
| Additions | - | 9,450,527 | 12,427,267 | - | 21,877,794 |
| Disposals | - | - | - | - | - |
| At end of the period | 76,153,164 | 116,940,843 | 119,856,101 | 65,578,000 | 378,528,109 |
| Depreciation | | | | | |
| At start of the period | 50,062,665 | 38,270,628 | 81,670,404 | 55,326,571 | 225,330,268 |
| Disposals | - | - | - | - | - |
| Charge for the period | 6,522,625 | 9,833,777 | 12,715,837 | 2,562,857 | 31,635,096 |
| At end of the period | 56,585,290 | 48,104,405 | 94,386,241 | 57,889,428 | 256,965,364 |
| Net book value as at 30th June 2018 | 19,567,875 | 68,836,438 | 25,469,860 | 7,688,572 | 121,562,744 |
| Year ended 30 June 2019 | | | | | |
| Cost | | | | | |
| At start of the period | 76,153,164 | 116,940,843 | 119,856,101 | 65,578,000 | 378,528,109 |
| Additions | - | - | 1,537,969 | - | 1,537,969 |
| At end of the period | 76,153,164 | 116,940,843 | 121,394,070 | 65,578,000 | 380,066,078 |
| Depreciation | | | | | |
| At start of the period | 56,585,290 | 48,104,405 | 94,386,241 | 57,889,428 | 256,965,364 |
| Disposals | - | - | - | - | - |
| Charge for the period | 13,488,567 | 14,617,605 | 21,835,486 | 7,688,572 | 57,630,230 |
| At end of the period | 70,073,857 | 62,722,010 | 116,221,727 | 65,578,000 | 314,595,594 |
| Net book value as at 30th June 2019 | 6,079,308 | 54,218,833 | 5,172,343 | - | 65,470,483 |
| 16. Investment Property | 2017-2018 | | | | |
| | Shs | | | | |
| Commercial Infrastructure- Building of Bus Shelters/ Stalls | | | | | |
| At start of the period- cost | 36,308,490.22 | | | | |
| At start of the period- depreciation | (1,131,777.79) | | | | |
| Additions | - | | | | |
| Depreciation | (703,534.00) | | | | |
| | 34,473,178.43 | | | | |
| | 2018-2019 | | | | |
| | Shs | | | | |

Commercial Infrastructure- Building of

Bus Shelters/ Stalls

| | |
|------------------------------|-------------------|
| At start of the period- cost | 36,308,490 |
| Additions | (1,835,312) |
| Depreciation | 1,054,337 |
| | (2,668,773) |
| | <u>32,858,742</u> |

NOTES TO THE FINANCIAL STATEMENTS

17. Intangible assets

The fund has two computer softwares: The ABN vote book system and the Microsoft Dynamics NAV. The ABN was purchased by the Fund for the purposes of tracking loan repayments and interest thereon by Youthgroups and Financial Intermediaries.

The Fund also maintains a comprehensive Management Information System. The modules in this system are the Finance module, Procurement, HR and payroll. Loans module and Asset management module.

Year ended 30 June 2018

| Cost | Shs |
|--|---------------------------------|
| At start of the period | 111,657,974 |
| Additions | 14,124,652 |
| Less Fully amortised Intangible Assets | <u> </u> |
| At end of period | <u>125,782,626</u> |
| Amortization | |
| At start of the period | 47,258,511 |
| Charge for the period | <u>25,156,525</u> |
| At end of the period | <u>72,415,036</u> |
| Net book value as at 30 June 2018 | <u><u>53,367,590</u></u> |

Year ended 30 June 2019

| Cost | Kshs |
|--|---------------------------------|
| At start of the period | 125,782,626 |
| Additions | 14,448,138 |
| Less Fully amortised Intangible Assets | <u> </u> |
| At end of period | <u>140,230,764</u> |
| Amortization | |
| At start of the period | 72,415,036 |
| Over charge depreciation in prior year | (2,302,954) |
| Charge for the period | <u>22,886,900</u> |
| At end of the period | <u>92,998,982</u> |
| Net book value as at 30 June 2019 | <u><u>47,231,782</u></u> |

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| 18. Trade and other payables from exchange transactions | 2018-2019 Shs | 2017-2018 Shs |
|---|----------------------|-------------------|
| Trade payables | 51,435,289 | 26,839,618 |
| Audit fees | 2,784,000 | 1,392,000 |
| Provision for gratuity | 19,564,082 | 57,535,152 |
| Salary Deductions | (1,053,646) | (339,348) |
| Total trade and other payables | 72,729,725.34 | 85,427,423 |

19. Related party Transactions

The following were the key related party transactions during the year.

| Key management compensation | 2018-2019 Shs | 2017-2018 Shs |
|---|----------------------|----------------------|
| Salaries and other short-term employment benefits | 15,240,360.00 | 15,240,360 |
| Directors remuneration and allowances | 27,320,561.00 | 23,579,885 |
| | 42,560,921.00 | 38,820,245.00 |

20. Accumulated funds

| | 2018-2019 Shs | 2017-2018 Shs |
|--------------------------------------|-------------------------------|-----------------------------|
| Balance b/f | (855,647,202) | (574,506,482) |
| Add : Surplus (Deficit) for the year | (163,200,489) | (281,140,720) |
| Prior year Adjustment | (2,160,330) | - |
| | <u>(1,021,008,021)</u> | <u>(855,647,202)</u> |

21. Revolving fund

| | 2018-2019 Shs | 2017-2018 |
|-------------------------------|-----------------------------|-----------------------------|
| Balance b/f | 3,518,453,856 | 3,442,119,856 |
| Add: Received during the year | 284,005,000 | 76,334,000 |
| | <u>3,802,458,856</u> | <u>3,518,453,856</u> |

The balance outstanding in the Revolving Fund is part of the monies which are disbursed as loans to youth groups through Financial Intermediaries and direct lending.

22. Transfers from Ministries , Departments & Agencies

| Name of the Entity Sending the Grant | Amount recognized to Statement of Comprehensive Income | Amount deferred under deferred income | Amount recognised in capital fund. |
|---|--|---------------------------------------|------------------------------------|
| Ministry of Public Service , Youth & Gender | 285,659,024 | - | 284,005,000 |

PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

The following is the summary of issues raised by the external auditor, and management comments that were provided to the auditor. We have nominated focal persons to resolve the various issues as shown below with the associated time frame within which we expect the issues to be resolved.

| Reference No. on the external audit Report | Issue / Observations from Auditor | Management comments | Focal Point person to resolve the issue (Name and designation) | Status: (Resolved / Not Resolved) | Timeframe: (Put a date when you expect the issue to be resolved) |
|--|-----------------------------------|---|--|-----------------------------------|--|
| 1. | Angua Chicks | This is matter before the courts. The general ledger reflects a balance of Kes 172,330,000 | CEO/Head of Proc. | Ongoing | 2019/20 |
| 2. | Wasteful expenditure | 8 th Anniversary-Last minute cancellation of the event as directed by the Chair. Board expenses-Partly accounted for. Recovery measures instituted under SCAC. Some CVs availed. Terms of references for committees were availed. Use of motor vehicle for private use by is being pursued by SCAC. | CEO/Head of Admin | Ongoing | 2019/20 |
| 3. | Property, Plant & Equipment | Ipads – Recovery on course efforts ongoing Mobile phones – Board minutes availed Compensation from insurer received. | CEO/ Head of ICT officer/Head of Admin | Ongoing | 2019/20 |
| 4. | Cash and cash equivalents | Fund is pursuing with Posta where the deposits took place. Suspense figure has reduced ;identification a continuous process). Equity main /Mpesa – Adjustments made and adjusted financials signed. Short term deposits/unsupported bank transactions – matter is in court. | CEO/Head of Finance | Ongoing | Contigent on support from partners |
| 5. | Inventories | Expensing to be adopted in subsequent years. The difference relates to consumables. | CEO/Head of Lending/Hea | Ongoing | 2019/20 |

| | | Revaluation to be done and adjustments made. | d of Procurement | | |
|----|--|---|-------------------------------------|---------|---------|
| 6. | Receivables from Exchange transactions | The Fund has renegotiated the loans, taken the matter to court and listed defaulting FIs and other loan products with CRBs. Imprest under recovery by SCAC. Timing difference to account for the difference. The Fund has been using the 5% for the last 3 years. Ageing analysis to be resolved upon ERP use. The 180M is a matter under in court. | CEO/Head of Lending/Head of Finance | Ongoing | 2019/20 |
| 7. | Non-current receivables | CGS is a court matter as well. Provision of 5% is for the entire loan book. Adjustments made and financials approved. | CEO/Head of Lending/Head of Finance | Ongoing | 2019/20 |
| 8. | Intangible assets | Documents availed. Accounting treatment to be aligned with budget in subsequent years. | CEO/Head of Admin /Head of Finance | Ongoing | 2019/20 |
| 9. | Financial performance | Deficit shrinking for the last 3years. Prudent financial management in place. | CEO | Ongoing | - |
| | | | | | |

Chief Executive Officer

Chairman of the Board

Date.....

Date.....

23.09.2020

Appendix II: Inter-entity confirmation letter

REPUBLIC OF KENYA



02 AUG 2019


THE PRESIDENCY
 MINISTRY OF PUBLIC SERVICE, YOUTH AND GENDER AFFAIRS
 STATE DEPARTMENT OF PUBLIC SERVICE AND YOUTH

The Chief Executive Officer
 Youth Enterprise Development Fund
 P.O. Box 48610-00100, Nairobi


The State Department for Youth wishes to confirm the amounts disbursed to you as at 30 June 2019 as indicated in the table below. Please compare the amounts disbursed to you with the amounts you received and populate them in column E in the table below. Then please sign and stamp this request in the space provided and return it to us by 6th August 2019.

| Confirmation of amounts received Youth Enterprise Development Fund as at 30 June 2019 | | | | | | | | |
|---|----------------|----------------------|---|------------------------|------------------------------|--------------------------|--|-----------------------------|
| Ref | Date Disbursed | Recurrent (KShs) (A) | Amounts Disbursed by Youth Enterprise Development Fund as at 30 June 2019 | | | | Amount Received by (SAGA/SC /Fund/Project) as at 30 th June 2019 (KShs) (E) | Difference (KShs) (F)=(D-E) |
| | | | Date Disbursed | Development (KShs) (B) | Inter-Ministerial (KShs) (C) | Total (KShs) (D)=(A+B+C) | | |
| | Sept. 2018 | 72,872,200 | 8/2/19 | 152,670,000 | Nil | 225,542,200 | 225,542,200 | - |
| | 10/12/18 | 72,872,200 | | - | Nil | 72,872,200 | 72,872,200 | - |
| | 19/3/19 | 72,872,200 | 8/2/19 | 76,335,000 | Nil | 149,207,200 | 149,207,200 | - |
| | 4/6/19 | 67,042,424 | 10/6/19 | 55,000,000 | Nil | 122,042,424 | 67,042,424 | 55,000,000 |
| TOTAL | | 285,659,024.00 | | 284,005,000 | | 569,664,024 | 514,664,024 | 55,000,000 |

I confirm that the amounts shown above are correct as of the date indicated. *Note: the transaction relating to 10/6/19 was received on 10/6/19 from Head of Accounts*

Name: Florence Kirumba _____ Signature: 
 For: PRINCIPAL SECRETARY
 Date: 30th July 2019

Yours' Sincerely
 Insert Name of responsible officer and sign

Name: Emanuel Atieno Sign:  Date: 02/08/2019

CC: Director General Accounting Services and Quality Assurance, National Treasury