

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

Enhancing Accountability

REPORT



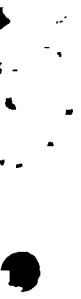
OF

THE AUDITOR-GENERAL

ON

**YOUTH ENTERPRISE
DEVELOPMENT FUND**

**FOR THE YEAR ENDED
30 JUNE, 2020**

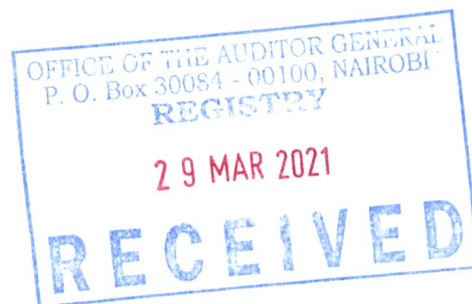




ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDING
JUNE 30, 2020**

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



▲ **Youth Enterprise Development Fund**
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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 ICT, Innovation and Youth 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

(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

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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.

(j) Principal Legal Adviser

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

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c) Board Members



CHAIRMAN: Dr. Victor Mwenda Mwongera. Date of Birth – 12th May 1986. He has a PhD in Aerospace Engineering and Masters in Aerospace Engineering, both from University of Bristol, UK. He is an Aerospace Engineer in the field of unmanned aerial vehicles (Drones). He is currently working at Kenyatta University as a lecturer and Coordinator for the newly christened Aerospace Engineering Programme within the School of Engineering where he mentors youth from various backgrounds. He has also previously worked with University of Bristol as research collaborator and teaching support assistant, Rolls-Royce PLC as an undergraduate engineer and Centum Investments as an investment analyst intern.



Hon. Catherine M. Kasimu. Date of Birth – 1971. She holds a Bachelor of Public Administration and a Diploma in County Governance and Leadership, both from the Kenya College of Accountancy University. She has over 17 years' experience in Public Service Administration at both National and County government levels. She served as a nominated Member of County Assembly, Kitui, between 2013 and 2017. She has previously worked with the then Ministry of Public Works and Housing and is currently in private business.



Ms. Grace Wambui Kibuku. Date of Birth – 7th October 1962. She holds a Bachelor of Arts in Political Science with a focus on International Relations and Diplomacy. She has a Diploma in Information Technology and a certificate in Governance and leadership. She is also a certified professional mediator. Ms. Kibuku has received various accolades including the Devolution Community Awards 2016; Giraffe Heroes Awards 2014; Global Environmental Peace Awards 2010 and the Rotary International District 9200 Humanitarian award and Disaster Management Kenya in 2007-2008. Ms. Kibuku is currently the Managing Director of Green Deserts Global. She is also a Professional Supreme Court annexed mediator, an Agripreneur and a member of the Nakuru Business Association.

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Photo

Dr. Joseph Birundu Mogendi. Date of Birth – 21st September 1982. He holds a PhD in Agriculture, Nutrition and Health from the University of Ghent, Belgium, a Master's Degree in Public Administration from the University of Nairobi and a Bachelors in Food Science and Nutrition from the Jomo Kenyatta University of Agriculture and Technology (JKUAT). Dr. Birundu has obtained vast work experience in both the public and private sector. He has previously worked at the African Population and Health Research Center, GAIN-UN, Bidco Oil Refineries, UNICEF.Somalia, and Ministry of Health, among others.



Mr. Amos Mogeni Isoe. Date of Birth – 14th May 1988. He holds a Bachelor of Commerce degree in Finance and a Diploma in Business Administration, both from the Kenya College of Accountancy University. He is currently pursuing his Certified Public Accountants studies and is an entrepreneur. He has previously worked as a Business Assistant at the Titans Business limited and a Direct Sales Representative at I &M Bank.



Dr. Susan Mambo. Date of Birth - 27th October 1982. She holds a PhD in Health Systems Management, a Master of Public Health and a Bachelor of Science in Environmental Health. She is a professional in grant writing and has completed various courses in senior management, Food Quality Standards and Regulations, Master internship training, Statistical Package for Data Analysis and Bio Safety Risk Assessment. Dr. Mambo is currently the Head of Department, Environmental Health and Disease Control at the Jomo Kenyatta University of Agriculture and Technology. She has previously worked as an Assistant Lecturer, a full time lecturer in the faculty of Public Health, and is a faculty Member at Jomo Kenyatta University of Agriculture and Technology (JKUAT).



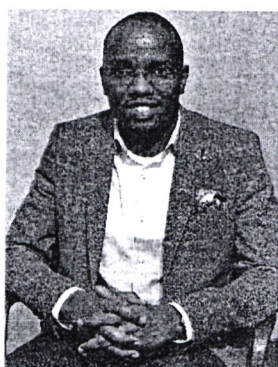
Mr. Samuel K. Kumba. Date of Birth – 19th February 1980. He holds a Master of Public Administration and a Bachelor of Arts in Communication and Media Technology. He has attended trainings in Senior Management, Strategic Leadership Development, Economic and Financial Reporting, Good Governance, Covering Elections, Management of Meetings and Minutes Writing, Quality Management Systems, Implementation of ISO 9001:2008, Fire Marshal and Emergency First Aid and Training and Standard Awareness (ISO 9001:2000). He is currently the Manager Corporate Communications at the Kenya School of Government. He has previously worked as a Senior Writer at the Nation Media Group, A Business Writer for the Financial Post; A Reporter at the Kenya Times Media Trust and a Television Producer of Sauti

Ya Rehema Television and Radio.

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Ms. Ednah Atisa. Date of Birth – 23rd September 1977. She holds a Master of Arts in Economics, Bachelor of Arts (Economics), Post Graduate Diploma in Education and Certificate in personal Management. She has attended trainings in Performance Management in the Public Sector, Strategic Leadership Development, Policy Formulation in the Public Sector and Investment Analysis and Planning. Ms. Atisa is currently a Chief Investment Officer at the National Treasury. She has previously served as an Economist at the same Ministry and as an Assistant Register at the University of Nairobi. She has also served on the boards of Anti FGM Board, National Research Fund, technical University of Kenya, South Eastern Kenya University and Kenya Water Towers Agency



Mr. Roy Sasaka. Date of Birth – 10th October 1987. He is the Chief Executive Officer of the National Youth Council (NYC), a state corporation with official mandate for advisory, research and policy institution on youth affairs in the country. Prior to his appointed, Mr. Sasaka served as the Head of Procurement at the Kenya Deposit Insurance Corporation (KDIC) and as the Deputy Head of Procurement at the Competition Authority of Kenya (CAK), among other public and private sector institutions. Roy holds an MBA in Operations Management, a Bachelor of Arts in Communication and Political Science as well as a Bachelor of Commerce in Procurement and Supply Chain Management, all from the University of Nairobi. He is currently pursuing a PhD with a focus on Operations Optimization from the same institution.



Mr. Raymond O Ouma: Date of Birth September 23rd September, 1983; He is currently pursuing PhD in Development Studies. He holds a Master of Arts in Sociology and Community Development and a Bachelor of Arts in Theology.

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Mr. Benson Muthendi. Date of Birth – 1st May, 1969

Mr. Muthendi helped found the Youth Enterprise Development Fund in 2007. He has extensive experience in youth development, community education and outreach. He holds a Bachelors of Education degree from Moi University, Diplomas in Public Relations and Management, and a certificate in Communication and Learning Technologies from Aharon Ofri, Israel. He is currently finalizing a Master’s degree in Rural Sociology and Community Development. He has been head of the Communication and Training section at the Kenya Institute of Education where he also worked as a radio and TV programmes script writer and producer. He served as the communication and community mobilization officer for GOK/UNICEF ILFE project in Northern Kenya.

MANAGEMENT TEAM

	<p>Ms. Truphena Omung'ala <i>Human Resources Manager</i> <i>B.COM, M.Com (Business Administration)</i> <i>Diploma in Human Resource Mgt., Diploma in Labour Market, currently pursuing CPS and Advanced Diploma in Psychology.</i> <i>Date of birth- August 20, 1966</i></p>		<p>Mr. Benson Muthendi <i>Ag Chief Executive Officer</i> <i>B.Ed(Hons) in Arts, Diploma in Public Relations Mgt., Diploma in Management, Certificate in Communication Technologies, Finalizing M.A in sociology & Community Development</i> <i>Date of birth- May 1, 1969</i></p>
	<p>CPA Benedict Atavachi <i>Finance Manager</i> <i>MBA (Finance), B.Com (Accounting)</i> <i>Certified Public Accountant CPA(K)</i> <i>Date of birth- December 12, 1973</i></p>	<p>CPA Entone Wasonga, Internal Auditor CPA (K),</p>	
	<p>Mr. Charles Matheka <i>Ag Supply Chain Manager</i></p>	<p>Vacant</p>	<p>Company Secretary</p>

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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

I. 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 and continues to focus on attaining its set mandates and in light of this; it recently launched its strategic plan for the next five years 2020-2024 thus creating a baseline for performance measurement and a solid basis for accountability. Similarly, the plan aligns the Fund to government development blue print including but not limited to Vision 2030, Big Four Agenda, and Millenium and Sustainable Development goals.

In efforts to reverse the deficit streak in financial performance and put the Fund on the surplus path; the Fund embarked on austerity measures resulting in marked improvement in financial performance for the year under consideration compared to prior years. This is expected to continue in the intervening periods.

The Fund has recorded tremendous success in its endeavour to support budding entrepreneurs. Since inception, we have advanced over Kshs. 5.6 billion worth of loans to about 1,159,393 youth with loans disbursed during the year totalling Kes 473.3M. 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. This is against backdrop of slowdown in economic activity occasioned by Covid 19 particularly towards close of the financial year.

The Fund continues to use the feedback received from its clients to diversify products so that they address regional and individual differences. On this note, we have re-engineered and continue to do so on 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.

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The Board is approved by the National Employment Authority (NEA) to offer training to youth taking up domestic jobs abroad at a fee thus boosting revenues. Further, the Fund is approved by the National Industrial Training Authority (NITA) to offer specific courses for youth seeking jobs abroad. It has a pool of inhouse NITA-trained officers to boost its training capacity thus putting the Board in a better position to execute this key aspect.

On ease of doing business, improved by 5% compared to prior year. The Fund allocated Kshs 27.7 Million towards the Access to Government Procurement Opportunities (AGPO) program and attained a score of 84 % of the set target. This is due to subdued procurement in light of Covid 19 amidst tight fiscal space.

II. 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 2019/20 include;

1. The Fund has and continuous to remain focussed on achieving its strategic intent. On that strength, the fund came up with a strategic plan for the next five years 2020- 2024. The Fund is therefore aligned to the Vision 2030, Big Four agenda, Millennium and Sustainable Development goals. Furthermore, this sets the baseline for measurement of perfomance and accountability in the defined period.
2. The Fund prides itself in successfully attaining the mandates and objects of its foundation having advanced a total of Kes 5.6 Billion with Kes 473M advanced during the year. . 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. This is against backdrop of slowdown in economic activity occassioned by Covid 19 particularly towards close of the financial year.
3. On ease of doing business, improved by 5% compared to prior year. The Fund allocated Kshs 27.7 Million towards the Access to Government Procurement Opportunities (AGPO) program and attained a score of 84 % of the set target. This is due to subdued procurement in light of Covid 19 amidst tight fiscal space.
4. The Board is approved by the National Employment Authority (NEA) to offer training to youth taking up domestic jobs abroad at a fee thus boosting revenues. Further, the Fund is approved by the National Industrial Training Authority (NITA) to offer specific courses for youth seeking jobs abroad. It has a pool of inhouse NITA-trained officers to boost its training capacity thus putting the Board in a better position to execute this key aspect.

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

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REVIEW OF YOUTH ENTERPRISE DEVELOPEMNT FUND BOARD KENYA
PERFOMANCE FOR FY 2019/2020**

Section 81 Subsection 2 (f) of the Public Finance Management Act, 2012 requires the accounting officer to include in the financial statement, a statement of the national government entity's performance against predetermined objectives.

The Board has four strategic pillars and objectives within its Strategic Plan for the FY 2020/2021-2023/2024. These strategic pillars are as follows:

- Pillar 1: Affordable Credit
- Pillar 2: Business Development Services
- Pillar 3: Resource Mobilization
- Pillar 4: Strengthening Strategic Operations

The Board develops its annual work plans based on the above pillars. Assessment of the Board's performance against its annual work plan is done on a quarterly basis. The Fund achieved its performance targets set for the FY 2019/2020 period for its four strategic pillars, as indicated in the diagram below:

Strategic Pillar	Objective(s)	Key Performance Indicator(s)	Activities	Achievements
Affordable Credit	To increase loan uptake	Amount of loans disbursed to youth entrepreneurs	Loan disbursements	Disbursed Ksh.473.3 Million to youth entrepreneurs
		Amount of loans recovered/repaid back to the revolving fund	Enhanced loan recovery efforts	Recovered Ksh.247.2 Million of loans disbursed
Business Development Services	To facilitate establishment and sustainability of youth owned enterprises	Number of youth sensitized and trained in entrepreneurship skills	Undertake entrepreneurship trainings and sensitizations across the country	Sensitized and trained 63,618 youth in entrepreneurship skills
		Number of youth enrolled and mentored in a business mentorship program	Enrol and mentor youth in a business mentorship program	Enrolled and mentored 800 youth in a business mentorship program
		Number of youth facilitated/supported to access market for their products	Support/facilitate youth to market their products locally/internationally through for example market exhibitions, trade fairs, ASK Shows	Facilitated 773 youth to access market for their products
	To promote youth-owned business innovations	Number of youth supported to access business innovation	Facilitate and support youth to access business innovation and incubation	Supported 1,184 youth to access business innovation

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		and incubation facilities	facilities through partnerships and collaborations with business innovation/incubation hubs	and incubation services
Resource Mobilization	To expand and adopt diverse, cost effective revenue streams	Number of MOUs signed/Strategic Partnerships/Collaboration	Source and engage strategic development partners and collaborations to mobilize/raise funds in-cash or in-kind to fill resource gaps at the Fund	The Fund partnered with the National Employment Authority (NEA) to offer Home Care training to youth taking up domestic jobs abroad at a fee
		Amount mobilized/raised from resource mobilization initiatives	Lobby and mobilize funds in-cash or in-kind from strategic development partners and collaborations	The Fund raised Ksh.72.6 Million through the Home Care Trainings
Strengthening Strategic Operations	To strengthen the Fund's institutional capacity and operational efficiency in service delivery	Status of the Enterprise Resource Planning (ERP) installation	Initiate and complete Phase II of the ERP installation	Phase II of the ERP installation project was initiated and at its final stage of completion
		Number of staff trained to build capacity and enhance competence	Undertake a staff training needs assessment	Staff Training Needs Assessment was undertaken
			Develop a staff training program/calendar	Staff Training program/calendar was developed
			Facilitate training for the identified staff	Trained 38 staff to build capacity and enhance competence
		Absorption capacity of allocated funds	Monitor and ensure compliance of PFM Act 2012	Attained 96.2% absorption capacity of allocated funds
		Development of a risk mitigation framework	Undertake development of a risk mitigation framework	Developed a risk mitigation framework
		Development of YEDF Strategic Plan 2020 – 2024	Initiate development of the Fund's Strategic Plan 2020 –	Developed the Zero Draft of the Fund's Strategic Plan 2020 – 2024 awaiting

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			2024 through seeking relevant approvals	stakeholder validation, launch and dissemination
			Stakeholder validation of the Zero Draft Strategic Plan	
			Launch and dissemination of the Strategic Plan 2020 - 2024	

III. 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.

IV. MANAGEMENT DISCUSSION AND ANALYSIS

The Fund experienced marked improvement in financial performance largely buoyed by prudent financial management with a 74% rise in bottomline compared to prior year. Revenues from exchange transactions increased by 13% and reduction in expenses of 15% during similar period. This resulted into a 13 % growth in the size of the balance sheet. Notably, the fund’s liquidity was at a better position by close of business compared to prior year having improved by 73%.

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 its turnaround strategy seems to bear fruits. The Fund has met its statutory obligations in entirety and does not anticipate any cash outflows resulting from non-compliance. The Fund trained 63,813 youth on entrepreneurship skills and access to Government procurement Opportunities (AGPO). Armed with such key skills, the Fund is hopeful that credit advanced will turn out to be a success in terms of successful businesses.

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Cognisant of credit as the lifeline of business, the Fund advanced a total of Kes 473.1 M in loans and recovered a total of Kes 247.2M. The fund registered marked success in supporting youth to market locally produced goods and services, development of strategic plan, access to technical knowhow and working space. Whereas the Fund did not achieve set targets in most mandate areas, it prides itself in having a better performance compared to prior year across all mandate areas.

V. CORPORATE SOCIAL RESPONSIBILITY STATEMENT/SUSTAINABILITY REPORTING

1. Sustainability strategy and profile

Sustainability of the Board is at the heart of Management as well as the Board of Directors. The prevailing economic conditions within Kenya and the globe at large dictates that organisations have to be innovative in all facets particularly in revenue generation and prudent spending if they are to survive. It is with this in mind that a raft of short term, medium term as well long term measures have been put in place to ensure we are not only sustainable but also grow and exceed expectations of our stakeholders.

Resource mobilisation, one of the four strategic pillars, is tasked with sourcing and engaging strategic development partners and collaborations to mobilize/raise funds in-cash or in-kind to fill resource gaps at the Fund. Notably, the Board partnered with the National Employment Authority (NEA) to offer Home Care training to youth taking up domestic jobs abroad at a fee thus boosting revenues.

Worth of note, the Resource Mobilisation function is firmly anchored in the Fund's organisation structure as a Directorate with direct report to the Accounting Officer. This provides latitude on how to structure the functions for optimal performance.

Spending has and will always be aligned to approve estimates matched against actual cash collections and receipts. This will ensure there is no unnecessary pile-up of pending bills which otherwise would have been avoided. This will serve to strengthen the Board's balance sheet going forward.

2. Environmental performance

Over the years, the Board has actively participated in tree planting exercises in concert with the parent ministry and disposes waste in line with National Environmental Management Authority (NEMA) guidelines and international best practices. Further, the Board is keen in formulating environmental and waste management policy which will guide activities around the twin issues.

3. Employee welfare

This is guided by the Board's Human Resource Manual which takes cognizance of the Constitution of Kenya 2010, Labour Laws, relevant legal status and the Public Service Commission Human Resource policies and procedures manual, 2016. The manual embodies the general conditions and terms outlining the obligations and rights of the Board as an employer and those of its staff.

Recruitment is well captured in the policy thus leaving no room for ambiguity and provides clarity on this key aspect. Our Employee welfare policy takes into an account the gender ratio and the Board abides by it during the recruitment process to ensure full compliance challenges notwithstanding.

Further, the policy gives clear guidelines on promotions and career growth of staff. The Fund strives to expeditiously fill vacancies by promotion of suitable employees. Consideration of promotions is in

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accordance with the provisions of the career guidelines developed for each cadre. Employees who have experience, qualifications and proven merit are first given priority.

On staff performance appraisals system, it is predicated upon principle of work planning, setting of agreed performance targets, feedback and reporting. This process is linked to other human resource systems and processes including employee development, career guidelines, placement, rewards and sanctions. The Board is yet to implement the Rewards and sanctions policy as the same is at draft level and yet to be presented to the relevant committee of the Board of Directors.

The Board is currently in the process of developing safety and health Act of 2007 (OSHA). The committee has come up with a draft which is due to be presented to the relevant Board committee for approval and adoption.

The policy is to be amended from time to time as and when necessary. This changes will require authorization of the Board and relevant Government agencies where necessary and will be communicated to employees in writing by a separate communication.

The other policies besides this HR policy that takes care of the employee's welfare at the Fund and are available include the following:

1. HIV /AIDS Policy
2. Gender Policy
3. Disability policy
4. Whistle blower policy
5. Reward and Recognition in draft form
6. Safety and occupational health Act of 2007 in draft form.
7. Staff welfare policy besides the HR policy.

All these are policies on welfare catering for the interests of staff and they are reviewed from time to time for update.

4. Market place practices

Taking into consideration that YEDF is a social government fund that is not majorly driven by the profit motive, we highly recognize that our activities impact an assortment of stakeholders, including the general public. We therefore integrate all stakeholders in our marketing initiatives and communicate about our projects in an open, honest and authentic way. However, much like other aspects of marketing strategy, we monitor and measure sustainability efforts to our marketing activities and ensure overall success.

As an organization, we strive to meet the needs of the present youth without compromising the ability of future generations. As we design and sell our products, we always aim at reducing negative impacts to the economy, environment, public health, and worker safety. We achieve this by dramatically increasing our productivity through reduction of costs, fostering product and market innovation, and providing customers with more value at less environmental impact. One of the strategies that we have embraced is by online loan applications and disbursing our loans electronically. We also sensitize our customers to ensure that their product reduce negative environmental impact through their packaging, waste generation; toxic substances; greenhouse gases; and other air and water emissions.

5. Community Engagements

During the year under review, the YEDF took part in various CSR activities which include participation in the 5th Edition of the Beyond Zero Half Marathon held on 8th March 2020 in Nairobi County. The initiative by the First Lady, Her Excellency Margaret Kenyatta, aimed to raise funds to refurbish health facilities across the country in an effort to improve provision of quality health care to women and children.

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VI. REPORT OF THE BOARD OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2020 which show the state of the entity's affairs.

Results

The results of the Fund for the year ended 30th June 2020 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

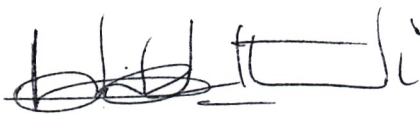
The Fund did not make any surplus during the year and hence no remittance to the Consolidated Fund.

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
Ag Chief Executive Officer
Nairobi



Dated.....

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VII. 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.

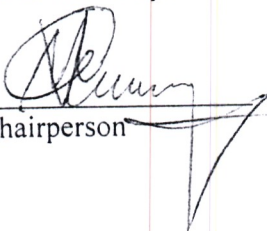
The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year ended on June 30, 2020. This responsibility includes: (i) maintaining adequate financial 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, 2020, 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 _____ 2020 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



Enhancing Accountability

HEADQUARTERS
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NAIROBI

REPORT OF THE AUDITOR-GENERAL ON YOUTH ENTERPRISE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 2020

REPORT ON THE FINANCIAL STATEMENTS

Adverse of Opinion

I have audited the accompanying financial statements of Youth Enterprise Development Fund set out on Pages 1 to 27, which comprise the statement of financial position as at 30 June, 2020, 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.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of the Youth Enterprise Development Fund as at 30 June, 2020, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Public Finance Management Act, 2012.

Basis for Adverse Opinion

1. Undisclosed Material Uncertainty

During the year under review, the Fund continued to register dismal performance where the statement of financial performance reflects a deficit of Kshs.42,663,881 (2019 – deficit of Kshs.163,200,489), a situation the has prevailed over the past five years. This has eroded the capital invested in the revolving Fund and impaired the ability of the Fund to sustain its core mandate and services.

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.

2. Errors on Financial Statements-Unsupported Statement of Cash Flows

As disclosed under Note 16 to the financial statements, the statement of cash flows reflects a closing cash and cash equivalents balance of Kshs.306,863,299. However, the

balance includes an unexplained prior year adjustment of Kshs.84,855 under operating profit before working capital changes.

Under the circumstances, the accuracy of the financial statements for the year ended 30 June, 2020 could not be confirmed.

3. Receivables from Non-Exchange Transactions

As disclosed under Note 18 to the financial statements, the statement of financial position reflects a balance of Kshs.1,151,594 relating to receivables from non-exchange transactions out of which an amount of Kshs.951,593 relates to rental deposits for offices that the Fund vacated in 2017 but the recovery is yet to be made. Management did not provide explanation for not recovering the amounts. No provision for bad and doubtful debts that has been provided for in the financial statements.

Consequently, the validity of the reported balance for receivables from non-exchange transactions amounting to Kshs.951,593 as at 30 June, 2020 could not be confirmed.

4. Tuck Shops Rental Income

As disclosed in Note 7 to the financial statements, the statement of financial performance reflects an amount of Kshs.71,671,267 in respect of interest and fees on loans. Included in the interest and fees amount is Kshs.1,999,500 relating to rental income generated from tuck shops. However, verification of records revealed that, during the year under review, the Fund owned one hundred and fifty-seven (157) tuck shops, all of which were occupied by tenants for the entire twelve (12) months under review as evidenced by lease agreements. Based on the tuck-shops numbers and the monthly rental charge per shop, the expected revenue was Kshs.2,916,000 as compared to the reported revenue of Kshs.1,999,500 leading to an understatement of revenue by Kshs.916,500. The Management did not provide explanation for the difference.

Consequently, the accuracy and completeness of the interest and fees of Kshs.1,999,500 for the year ended 30 June, 2020 could not be confirmed.

5. Unauthorized Utilization of Revolving Fund

The statement of financial position as at 30 June, 2020 reflects a revolving fund balance of Kshs.4,137,798,856. However, although the amount is supposed to represent the total loans advanced to the youth and any balance held in the bank account, the total current assets balance stood at Kshs.3,055,294,822 as at 30 June, 2020, reflecting a shortfall of Kshs.1,082,504,034 to match the revolving fund balance. This implies the Fund Management has over time utilized Kshs.1,082,504,034 of the revolving fund to finance recurrent expenditure thereby negatively affecting the sustainability of the Fund. No reallocation approvals were availed for audit verification to support utilization of conditional grants on recurrent expenditure.

Under the circumstance, accuracy and existence of the revolving fund balance of Kshs.4,137,798,856 as at 30 June, 2020 could not be confirmed.

6. Property, Plant and Equipment

As disclosed in Note 20 to the financial statements, the statement of financial position reflects a balance of Kshs.50,733,824 under property, plant and equipment. However, the Management has not revalued these assets for a long time.

Further, Management has reclassified additions relating to the financial year 2018-2019 amount of Kshs.9,338,300 relating to purchase of hardware under property, plant and equipment (computers and accessories) as disclosed under Note 20 to the financial statements. However corrections on the effect of the wrong classification on depreciation which was charged at the rate of 25% instead of 33.33% hence resulting in understatement by 8.3% cumulatively Kshs.1,550,156 as at 30 June, 2020 has not been made.

Under the circumstance, the accuracy, valuation and existence of property, plant and equipment balance of Kshs.50,733,824 could not be ascertained.

7. Investment Property

As reported in the previous years, the investment property balance of Kshs.30,189,970 reflected in the statement of financial position as at 30 June, 2020 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.

Consequently, the ownership of the investment property balance of Kshs.30,189,970 could not be ascertained.

8. Trade Debtors

8.1 Unsupported Trade Debtors Balances

The statement of financial position reflects a balance of Kshs.2,574,949,929 under receivables from exchange transactions. The balance consists of trade debtors balance of Kshs.2,787,240,570 and other exchange debtors of Kshs.2,667,212 less impairment allowance and suspense account of Kshs.135,448,830 and Kshs.79,509,023 respectively, relating to trade debtors for the year 2019/2020. The balance of Kshs.2,574,949,929 as at 30 June, 2020 could not be confirmed as the amount was not supported by detailed listings of debtors. Further, no detailed ageing analysis was provided to support the above debtors balances and impairment figure applied on the revolving fund balance.

8.2 Other Exchange Debtors

The receivables from exchange transactions balance of Kshs.2,574,949,929 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. The recovery of these advances is doubtful and no provision for impairment has been made in the financial statements.

8.3 Provision of Impairment Allowances

As disclosed in Note 17 to the financial statements, the receivables from exchange transactions balance of Kshs.2,574,949,929 is net of an impairment allowance of Kshs.135,448,830, and an unidentified and unsupported loan repayment of Kshs.79,509,023. However, the impairment allowance of the outstanding loan balance of Kshs.2,785,818,410 was not backed by any rate or policy.

8.4 Unsupported Loan Balances

The trade debtors balance of Kshs.2,574,949,929 as at 30 June, 2020 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 payments made by the bank and for which the bank has not produced documents to support the withdrawals.

8.5 Unsupported Interest on Investment

As disclosed under Note 8 to the financial statements, the statement of financial performance reflects interest on bank balances amounting to Kshs.1,632,801. However, the supporting schedule detailing the list of deposits held and approval for such deposits were not availed for audit verification.

Further, the basis for the computation of the interest paid by the bank to the Fund has not been provided for verification, hence the accuracy and completeness of the reported revenue could not be confirmed.

Under the circumstances, the accuracy of interest on the bank balance amounting to Kshs.1,632,801 for the year ended 30 June, 2020 could not be confirmed.

9. Long Outstanding Trade Payables

The statement of financial position reflects a balance of Kshs.84,314,687 under trade and other payables from exchange transactions, which includes payables to a contractor of Kshs.5,511,045 outstanding since 30 June, 2014 and Kshs.4,650,750 outstanding since 30 June, 2015 all totalling to Kshs.10,161,795. No satisfactory explanation has been given for failure to settle the accounts payables in the year to which the expenses were incurred or subsequent financial years.

Consequently, the existence and validity of the trade payables amount of Kshs.10,161,795 as at 30 June, 2020 could not be ascertained.

10. Revaluation of Inventories

Note 19 to the financial statements reflects a balance of Kshs.172,330,000 in respect of inventories as at 30 June, 2020. The balance relates to automatic hatching machines that were procured in the financial year 2012/2013. The inventory continues to be carried in the books of accounts at cost which is non-compliant with IPSAS 12, which requires the reported figure 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.

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.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Youth Enterprise Development Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Adverse opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matters

Unresolved Prior Year issues

In the audit report of the previous year, several issues were raised under the Report on Financial Statements. However, although the Management has indicated that the issues have been responded to, the matters have remained unresolved as the Public Accounts Committee report was not been availed for audit review.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Non-Compliance with the Public Procurement and Asset Disposal Act, 2015

1.1. Procurement of Legal Services

During the year under review, the Fund paid an amount of Kshs.6,737,000 for legal services being fifty percent (50%) of the contract sum in respect of filing suit to recover Kshs.180,000,000 paid to a consultant. However, the fund used the request for quotation provider even though the contract sum was above the threshold of Kshs.1,000,000 for using the method, in line with Section 105(1) of the Public Procurement and Assets Disposal Act, 2015. In addition, the award was not supported by a professional opinion from the Head of Procurement and approved by the Accounting Officer as required under Section 84 of the Public Procurement and Asset Disposal Act, 2015.

1.2. General Expenses

As disclosed under Note 15 to the financial statements, the statement of financial performance reflects a balance of Kshs.84,758,294 under general expenses which constitutes an amount of Kshs.7,374,500 relating to legal fees which includes two payments to legal service providers totalling 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 Tender 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.

1.3. Intangible Assets

The statement of financial position reflects a figure of Kshs.21,063,085 relating to intangible assets. The figure includes a net book balance figure of Kshs.10,992,000 in relation to an enterprise resource planning software procured at a contract sum of Kshs.85,619,600 in the financial year 2016/2017. A down payment of Kshs.54,960,000 had been made. However, the following anomalies were observed in relation to the contract;

- i) The Enterprise Resource Planning (ERP) software was procured through restricted tendering method without justification as required under Section 102(1) of the Public Procurement and Assets Disposal Act, 2015.
- ii) The contract provided for an implementation period of twelve (12) months, however, as at the time of the audit, only one (1) out of the thirty-three (33) modules has been implemented.
- iii) Despite the project delaying for over three (3) years, no evidence was provided for audit verification to show that an extension was granted or Management prepared a multi-year procurement plan as required under Section 56(4) of the Public Finance Management (National Government) Regulations, 2015.
- iv) The contract was signed without professional opinion from the Head of Procurement Unit to the Accounting Officer as required under Section 84(1) of the Public Procurement and Assets Disposal Act, 2015.
- v) No evidence has been provided for audit verification to confirm that the Accounting Officer notified in writing, the unsuccessful bidders as required under Section 87(3) of the Public Procurement and Assets Disposal Act, 2015.

In the circumstances, Management is in breach of the Law

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for of the matters described in the Basis for Conclusion on

Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

Basis for Conclusion

Grounded Motor Vehicles and Motor Cycles

Review of the Fund's asset management process shows that eight (8) out of eighteen (18) motor vehicles and one hundred and five (105) out of two hundred and ten (210) motor cycles were grounded due to various mechanical reasons. Although the Management made efforts and wrote to the Head of Public Service requesting approval for disposal through letter Ref; YEDF/CEO/838/2018 dated 6 March, 2018 no response had been received as at the time of audit.

As a result, the assets continued to deteriorate and any salvage value that could have been realized may be lost.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standard requires that I plan and perform the audit to obtain assurance about whether processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal 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

The audit objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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


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

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

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

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

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


Nancy Gathungu
AUDITOR-GENERAL

Nairobi

27 May, 2021

Youth Enterprise Development Fund Board
Annual Report and Financial Statements
For The Year Ended June 30, 2020

STATEMENT OF FINANCIAL PERFORMANCE


		Kshs 2019-2020	Kshs 2018-2019
Revenue from non-exchange transactions	Note		
Grants from GoK	6	299,290,000	285,659,024
		299,290,000	285,659,024
Revenue from exchange transactions			
Interest and fees	7	71,671,267	41,199,302
Interest on bank balances	8	1,632,801	804,081
Other income	9	739,250	93,088
		74,043,318	42,096,471
Total revenue		373,333,318	327,755,495
Expenses			
Programme expenses	10	35,050,088	43,296,283
Human Capital expenses	11	224,708,898	211,377,152
Board expenses	12	8,589,832	27,320,561
Depreciation & amortisation expense	13	51,929,240	83,185,903
Repairs & maintenance	14	10,960,847	21,323,185
General expenses	15	84,758,294	104,452,900
Total expenses		415,997,199	490,955,984
Deficit for the period		(42,663,881)	(163,200,489)

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended June 30, 2020

STATEMENT OF FINANCIAL POSITION

Assets	Note	Kshs 2019-2020	Kshs 2018-2019
Current assets			
Cash and cash equivalents	16	306,863,299	176,921,415
Receivables from exchange transactions	17	2,574,949,929	2,303,216,545
Receivables from non-exchange transactions	18	1,151,594	56,151,594
Inventories	19	172,330,000	172,330,000
		<u>3,055,294,822</u>	<u>2,708,619,554</u>
Non-current assets			
Property, plant and equipment	20	50,733,824	65,470,483
Investment Property	21	30,189,970	32,858,742
Intangible assets	22	21,063,085	47,231,782
		<u>101,986,879</u>	<u>145,561,007</u>
		<u>3,157,281,701</u>	<u>2,854,180,562</u>
Total assets			
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	23	84,314,687	72,729,725
		<u>84,314,687</u>	<u>72,729,725</u>
Total liabilities			
Net assets			
Revolving Fund	26	4,137,798,856	3,802,458,856
Accumulated Deficit	25	(1,064,831,842)	(1,021,008,021)
		<u>3,157,281,701</u>	<u>2,854,180,562</u>
Total net assets and liabilities			

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.....12/03/2021.....

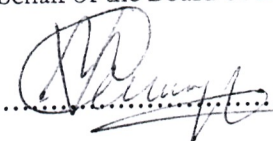

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Benedict S. Atavachi

Finance Manager 3081

ICPAK Member Number

Date.....12/03/2021.....


.....

Dr. Victor M. Mwangera

Chairman, Board of Directors

Date.....12/03/2021.....

Youth Enterprise Development Fund Board
 Annual Report and Financial Statements.
 For The Year Ended June 30, 2020

STATEMENT OF CHANGES IN NET ASSETS

	Reserves		Total Kshs
	Capital replacement development reserve Kshs	Accumulated surplus Kshs	
Balance as at 30 June 2018	3,518,453,856	(855,647,205)	2,662,806,651
Surplus/(Deficit) for the period		(163,200,489)	(163,200,489)
Change in accumulated fund		(2,160,330)	(2,160,330)
Addition for the year	284,005,000	-	284,005,000
Balance as at 30th June 2019	3,802,458,856	(1,021,008,025)	2,781,450,831
Surplus/(Deficit) for the period		(42,663,881)	(42,663,881)
Change in accumulated fund		(1,159,940)	(1,159,940)
Addition for the year	335,340,000	-	335,340,000
Balance as at 30th June 2020	4,137,798,856	(1,064,831,848)	3,072,967,008

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
Annual Report and Financial Statements.
For The Year Ended June 30, 2020

STATEMENT OF CASH FLOWS

	Note	2019-2020 Shs	2018-2019 Shs
Surplus (Deficit) for the period		(42,663,881)	(163,200,489)
Adjustments for:			
Depreciation	13	33,231,183	60,299,003
Amortization	13	18,698,057	22,886,900
Prior year adjustment		(1,159,940)	(2,160,330)
Prior year adjustment-Accumulated depreciation		10,583,095	(2,302,953)
Operating profit before working capital changes		18,688,513	(84,477,869)
Increase in receivables from exchange transactions	17	(271,733,384)	10,760,064
Increase in receivables from non- exchange transactions	18	55,000,000	(55,200,000)
Increase in trade and other payables	23	11,584,961	(12,697,698)
Net cash used in operating activities		(205,148,423)	(57,137,634)
Cashflows from investing activities			
Purchase of Fixed & Intangible assets	20	(18,938,207)	(15,986,107)
Sale of Motor Vehicles		-	(1,054,337)
Purchase of Investment Property		-	-
Net cash flows from (net cash used in) investing activities		(18,938,207)	(17,040,444)
Cashflows from Financing activities			
Grants from Government of Kenya	26	335,340,000	284,005,000
Net cash flows from financing activities		335,340,000	284,005,000
Net Decrease in cash		129,941,884	125,349,053
Cash & cash equivalent at the beginning of the period		176,921,415	51,572,363
Cash & cash equivalents at the end of the period	16	306,863,299	176,921,415

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended June 30, 2020

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS							
	Original budget 2019-2020 Kshs '000	Adjustments 2019-2020 Kshs '000	Final budget 2019-2020 Kshs '000	Actual on comparable basis 2019-2020 Kshs '000	Variance 2019-2020 Kshs '000	% Variance	Explanation of Variance
Revenue	299,290,000	-	299,290,000	299,290,000	-	0.00%	Budget curtdown due to government fiscal deficits
Income from Treasury	299,290,000	-	299,290,000	299,290,000	-		
Interest and management fees on loans	24,826,800	693,915	25,520,715	16,304,020	(9,216,695)	-36.11%	Low loan uptake fuelled by stiff competition from mobile digital lenders
Mgt fees - C-YES, Eyes, LPO and other loan processing fees	28,326,000	(6,300,000)	22,026,000	33,236,247	11,210,247	50.90%	Aggressive lending initiatives amidst product popularity
Interest and fees from Direct Funding Loans	2,880,000	(5,606,085)	2,880,000	1,999,500	(880,500)	-30.57%	Low uptake fuelled by stiff competition from mobile digital lenders and other financial institutions
Management Fee from Commercial Infrastructure	1,628,801	(428,801)	1,200,000	1,632,801	432,801	36.07%	Authority to place calls not received from Treasury
Interest earned on Fund Accounts, calls							
Other income							
Income from donors and other income generating activities	63,779,042	-	63,779,042	20,056,500	(43,722,542)	-68.55%	No donations received; fundraising strategy at initial stages of implementation
Bid bond and other miscellaneous revenue	800,000	(200,000)	600,000	814,250	214,250	35.71%	Low uptake fuelled by stiff competition from mobile digital lenders and other financial institutions
	64,579,042	(200,000)	64,379,042	20,870,750	(43,722,542)		
Total income	421,530,643	(6,234,886)	415,295,757	373,333,318	(42,176,689)		
Expenses							
Lending/ credit	10,000,000		10,000,000	9,621,371	378,629	3.79%	Prudent spending coupled with austerity measures

Youth Enterprise Scheme Abroad	2,872,000	(1,000,000.00)	1,872,000	1,849,090	22,910	1.22%	Prudent spending coupled with austerity measures
Commercial Infrastructure	4,317,000	200,000.00	4,517,000	3,965,350	551,650	12.21%	Prudent spending coupled with austerity measures
Market Linkages	3,500,000	500,000.00	4,000,000	3,267,994	732,006	18.30%	Prudent spending coupled with austerity measures
Capacity building for youth enterprises	7,000,000	-	7,000,000	6,747,095	252,905	3.61%	Prudent spending coupled with austerity measures
Research Unit	450,000	50,000.00	500,000	416,800	83,200	16.64%	Prudent spending coupled with austerity measures
Monitoring and Evaluation	7,500,000	(500,000.00)	7,000,000	6,268,093	731,907	10.46%	Prudent spending coupled with austerity measures
Resource Mobilization	2,750,000	250,000.00	3,000,000	2,914,295	85,705	2.86%	Prudent spending coupled with austerity measures
	38,389,000	(500,000)	37,889,000	35,050,088	2,838,912		
Human Capital Expenses							
Staff Training	3,500,000	250,000.00	3,750,000	3,235,485	514,515	13.72%	Prudent spending coupled with austerity measures
Recruitment	-	503,477.00	503,477	-	503,477	100.00%	Hiring freeze by govt due to pending merger
Performance Appraisal and Benchmark	700,000	260,000.00	960,000	770,458	189,542	19.74%	Prudent spending coupled with austerity measures
Personel salary and emoluments	174,385,000	-	174,385,000	173,024,171	1,360,829	0.78%	Prudent spending coupled with austerity measures
Wages for internship programme	2,261,000	-	2,261,000	2,199,977	61,023	2.70%	Prudent spending coupled with austerity measures
Group life and Personal Accident Cover	2,500,000	-	2,500,000	2,496,659	3,341	0.13%	Prudent spending coupled with austerity measures
Medical Expenses	24,800,000	200,000.00	25,000,000	24,942,258	57,742	0.23%	Prudent spending coupled with austerity measures
Staff Welfare	6,300,000	(300,000.00)	6,000,000	5,967,839	32,161	0.54%	Prudent spending coupled with austerity measures
Gratuity CEO's & Contract Staff	12,726,000	-	12,726,000	11,585,572	1,140,428	8.96%	Prudent spending coupled with austerity measures
Mainstreaming, Sensitization & Surveys	500,000	-	500,000	486,480	13,520	2.70%	Prudent spending coupled with austerity measures
Board Expenses	227,672,000	913,477	228,585,477	224,708,898	3,876,579		
Board Allowance	5,000,000	(2,000,000)	3,000,000	2,963,377	36,623	1.22%	Prudent spending coupled with austerity measures
Board Transport	3,500,000	(1,200,000)	2,300,000	2,264,332	35,668	1.55%	Prudent spending coupled with austerity measures

Chairperson Honorarium	690,000	(210,000)	480,000	441,290	38,710	8.06%	Prudent spending coupled with austerity measures
Board Exposure Visits	-	-	-	-	-	-	-
Board Training & Med.&Accident	2,990,000	(990,000)	2,000,000	1,944,419	55,581	2.78%	Prudent spending coupled with austerity measures
Insu.&Misc.	600,000	400,000	1,000,000	976,414	23,586	2.36%	Prudent spending coupled with austerity measures
Board Retreat	12,780,000	(4,000,000)	8,780,000	8,589,832	190,168	-	-
Depreciation	-	-	-	-	-	-	-
Property, plant and equipment and Intangible assets	52,888,363	(3,361,363.00)	49,527,000	51,929,240	(2,402,240)	-	Non-cash expenses
	52,888,363	(3,361,363.00)	49,527,000	51,929,240	(2,402,240)	-	-
Repairs & Maintenance	-	-	-	-	-	-	-
Motor vehicle and cycle fuel and repairs	13,000,000	(1,000,000)	12,000,000	10,960,847	1,039,153	8.66%	Prudent spending coupled with austerity measures
	13,000,000	(1,000,000)	12,000,000	10,960,847	1,039,153	-	-
Administrative expenses	-	-	-	-	-	-	-
Travelling Costs	960,000	-	960,000	957,350	2,650	0.28%	Prudent spending coupled with austerity measures
Telephone Costs	2,400,000	-	2,400,000	2,308,119	91,881	3.83%	Prudent spending coupled with austerity measures
Office Rent and Maintenance	30,500,000	-	30,500,000	28,682,670	1,817,330	5.96%	Prudent spending coupled with austerity measures
Newspapers/Magazines/Journals	-	51,000	51,000	-	51,000	100.00%	Prudent spending coupled with austerity measures
Office Stationery	3,600,000	-	3,600,000	3,299,985	300,015	8.33%	Prudent spending coupled with austerity measures
Audit Fees	1,516,800	1,392,000	2,908,800	2,881,093	27,707	0.95%	Prudent spending coupled with austerity measures
Legal Fees	8,000,000	600,000	8,600,000	7,374,500	1,225,500	14.25%	Prudent spending coupled with austerity measures
Insurance for Motor Vehicle and Equipment	2,030,000	(30,000)	2,000,000	1,970,274	29,726	1.49%	Prudent spending coupled with austerity measures
Internet & Network Connectivity,Website & DSTV	10,417,000	-	10,417,000	10,381,688	35,312	0.34%	Prudent spending coupled with austerity measures
Courier/Postal Services	1,500,000	(300,000)	1,200,000	1,131,020	68,980	5.75%	Prudent spending coupled with austerity measures
Office utilities	6,839,480	-	6,839,480	6,810,429	29,051	0.42%	Prudent spending coupled with austerity measures
Bank Charges and preparation of financial statements	1,800,000	-	1,800,000	1,759,779	40,221	2.23%	Prudent spending coupled with austerity measures
Provision for bad debts	1,038,000	-	1,038,000	1,019,870	(9,981,870)	-961.64%	Non-cash expense

Enhancing funds image	6,200,000	-	6,200,000	6,181,516	18,484	0.30%	Prudent spending coupled with austerity measures
Change in Inventory	-	-	-	-	-	-	-
	76,801,280	1,713,000	78,514,280	84,758,294	(6,244,014)	-	-
Total expenditure	421,530,643	(6,234,886)	415,295,757	415,997,199	(701,442)	-	-
Deficit for the period	-	-	-	(42,663,881)	(41,475,247)	-	-

Development Cash inflows

Development Grant from the Government of Kenya.	335,336,000		335,336,000.00	335,336,000			
Loan Repayments	633,500,000		633,500,000.00	247,200,000	(386,300,000)	-60.98%	Travel restrictions by Covid 19 affected recovery efforts
Total	968,836,000		968,836,000.00	582,536,000	(386,300,000)	-39.87%	
Investment outlay							
Credit Guarantee Scheme	10,000,000		10,000,000.00	-	(10,000,000)	-100.00%	Product frozen by the board
Group Loans -C YES	326,616,000		326,616,000.00	293,844,000	(32,772,000)	-10.03%	Lending affected by Covid 19 restrictions on movement and travel
Group Loans -E YES	62,000,000		62,000,000.00	3,076,750	(58,923,250)	-95.04%	Lending affected by Covid 19 restrictions on movement and travel
Individual Loans through Vuuka	194,600,000		194,600,000.00	148,288,369	(46,311,631)	-23.80%	Lending affected by Covid 19 restrictions on movement and travel
Individual Loans through Trade Finance	180,000,000		180,000,000.00	13,616,080	(166,383,920)	-92.44%	Lending affected by Covid 19 restrictions on movement and travel
Individual Loans through Agri-bizz	52,500,000		52,500,000.00	10,794,000	(41,706,000)	-79.44%	Lending affected by Covid 19 restrictions on movement and travel
Individual Loans through Talanta	52,500,000		52,500,000.00	1,834,000	(50,666,000)	-96.51%	Lending affected by Covid 19 restrictions on movement and travel
Individual Loans through Asset Finance	30,000,000		30,000,000.00	1,840,000	(28,160,000)	-93.87%	Lending affected by Covid 19 restrictions on movement and travel
Staff Loans Scheme	30,000,000		30,000,000.00	-	(30,000,000)	-100.00%	Lending policy yet to be finalised
Sub total	938,216,000		938,216,000.00	473,293,199	(464,922,801)		
Capital Expenditure							
ICT infrastructure and Software upgrades	30,620,000		30,620,000.00	9,599,907	(21,020,093)	-68.65%	Projects delays due to Covid 19
Sub total	30,620,000		30,620,000.00	9,599,907	(21,020,093)		
Total	968,836,000		968,836,000.00	482,893,106	(485,942,894)		

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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. ADOPTION OF NEW AND REVISED STANDARDS

i. Relevant new standards and amendments to published standards effective for the year ended 30 June 2020

Standard	Impact
IPSAS 40: Public Sector Combinations	<p>Applicable: 1st January 2019</p> <p>The standard covers public sector combinations arising from exchange transactions in which case they are treated similarly with IFRS 3 (applicable to acquisitions only). Business combinations and combinations arising from non-exchange transactions are covered purely under Public Sector combinations as amalgamations.</p> <p><i>Note: The standard is not relevant to the Board</i></p>

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

3 ADOPTION OF NEW AND REVISED STANDARDS (Continued)

ii. New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2020

Standard	Effective date and impact:
<p>IPSAS 41: Financial Instruments</p>	<p>Applicable: 1st January 2022: The objective of IPSAS 41 is to establish principles for the financial reporting of financial assets and liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. IPSAS 41 provides users of financial statements with more useful information than IPSAS 29, by:</p> <ul style="list-style-type: none"> • Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; • Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and • Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. <p><i>Note: The standard is not relevant to the Board</i></p>
<p>IPSAS 42: Social Benefits</p>	<p>Applicable: 1st January 2022 The objective of this Standard is to improve the relevance, faithful representativeness and comparability of the information that a reporting entity provides in its financial statements about social benefits. The information provided should help users of the financial statements and general purpose financial reports assess:</p> <ol style="list-style-type: none"> (a) The nature of such social benefits provided by the entity; (b) The key features of the operation of those social benefit schemes; <p>and</p>

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Standard	Effective date and impact:
	<p>(c) The impact of such social benefits provided on the entity's financial performance, financial position and cash flows. <i>Note: The standard is not relevant to the Board</i></p>
<p>Amendments to Other IPSAS resulting from IPSAS 41, Financial Instruments</p>	<p>Applicable: 1st January 2022:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 5, to update the guidance related to the components of borrowing costs which were inadvertently omitted when IPSAS 41 was issued. b) Amendments to IPSAS 30, regarding illustrative examples on hedging and credit risk which were inadvertently omitted when IPSAS 41 was issued. c) Amendments to IPSAS 30, to update the guidance for accounting for financial guarantee contracts which were inadvertently omitted when IPSAS 41 was issued. <p>Amendments to IPSAS 33, to update the guidance on classifying financial instruments on initial adoption of accrual basis IPSAS which were inadvertently omitted when IPSAS 41 was issued.</p>
<p>Other Improvements to IPSAS</p>	<p>Applicable: 1st January 2021:</p> <ul style="list-style-type: none"> a) Amendments to IPSAS 13, to include the appropriate references to IPSAS on impairment, in place of the current references to other international and/or national accounting frameworks b) IPSAS 13, Leases and IPSAS 17, Property, Plant, and Equipment. Amendments to remove transitional provisions which should have been deleted when IPSAS 33, First Time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs) was approved c) IPSAS 21, Impairment of Non-Cash-Generating Assets and IPSAS 26, Impairment of Cash Generating Assets. Amendments to ensure consistency of impairment guidance to account for revalued assets in the scope of IPSAS 17, Property, Plant, and Equipment and IPSAS 31, Intangible Assets. d) IPSAS 33, First-time Adoption of Accrual Basis International Public Sector Accounting Standards (IPSASs). Amendments to the implementation guidance on deemed cost in IPSAS 33 to make it consistent with the core principles in the Standard <p><i>Note: The standard is not relevant to the Board</i></p>

iii. Early adoption of standards

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

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4. 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.

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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

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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

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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.

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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

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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, 2020 is made up as follows;

	2019/2020	2018/2019
Fully performing	2,706,309,388	2,425,026,057
Impaired	135,448,830	124,428,960
Total	2,570,860,558	2,300,597,547

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, 2020.

5. Currency

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

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	2019-2020	2018-2019
	Shs	Shs
6. Grants from GoK		
Income from Treasury	299,290,000	285,659,024
	299,290,000	285,659,024
7. Interest and management fees on loans		
Mgt fees - C-YES	14,695,700	7,656,500
Mgt fees - Easy -YES	143,900	145,750
Mgt fees - Direct Funding Loans	1,249,406	1,009,226
Interest from Direct Funding Loans	31,986,841	24,816,268
Bid bond	75,000	31,500
LPO Processing fee	1,429,305	2,107,627
Tuckshops rental	1,999,500	202,075
Processing fee Agribizz	-	66,314
Processing fee Talanta	35,115	16,800
YESA Pre-Departure	17,800	422,742
YESA Home care	20,038,700	4,724,500
	71,671,267	41,199,302
8. Interest on bank balances		
Interest earned on Fund Accounts	1,632,801	804,081
	1,632,801	804,081
9. Other income		
Sale of Tender documents	28,000	-
Sundry Income	711,250	93,088
	739,250	93,088
10. Programme expenses (Program Support expenditure)		
Lending/ credit	9,621,371	14,699,258
Youth Enterprise Scheme Abroad	1,849,090	1,872,100
Commercial Infrastructure	3,965,350	1,499,505
Market Linkages	3,267,994	2,330,355
Capacity building for youth enterprises	6,747,095	3,443,680
Research Unit	416,800	451,390
Monitoring and Evaluation	6,268,093	12,011,085
Programme Support Expenditure- Lobbying/resource	2,914,295	6,988,910
	35,050,088	43,296,283

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	2019-2020	2018-2019
	Shs	Shs
11. Human Capital expenses		
Staff Training	3,235,485	5,774,675
Recruitment	-	499,700
Performance Appraisal and Benchmarking	770,458	589,300
Personel salary and emoluments	173,024,171	168,290,723
Wages for internship programme	2,199,977	2,261,132
Group life and Personal Accident Cover	2,496,659	1,115,828
Medical Expenses	24,942,258	12,075,172
Employee Survey	-	451,660
Staff Welfare	5,967,839	7,737,831
Gratuity	11,585,572	12,190,916
Mainstreaming,Sensitization & Surveys	486,480	167,200
Knowledge Skills Management	-	223,015
	224,708,898	211,377,152
12 Board Expenses		
Board Allowance	2,963,377	9,840,720
Board Transport	2,264,332	5,140,248
Chairperson Honorarium	441,290	960,000
Board Exposure Visits	-	1,026,895
Board Retreat	976,414	4,996,004
Board Training & Med.&Accident Insu.&Misc.	1,944,419	4,121,229
Board International Transport	-	1,235,465
	8,589,832	27,320,561
13. Depreciation and amortization expense		
Property, plant and equipment	33,231,183	60,299,003
Intangible assets	18,698,057	22,886,900
	51,929,240	83,185,903
14. Repairs and maintenance		
Motor vehicle fuel and repairs	-	14,601,296
Motorcycles fuel and repairs	10,960,847	6,721,889
	10,960,847	21,323,185

15. General Expenses	2019-2020 Shs	2018-2019 Shs
Travelling Costs	957,350	4,445,925
Telephone Costs	2,308,119	3,256,245
Office Rent and Maintenance	28,682,670	32,828,991
Newspapers/Magazines/Journals	-	42,875
Office Stationery	3,299,985	6,067,010
Audit Fees	2,881,093	3,184,925
Legal Fees	7,374,500	8,434,670
Insurance for Motor Vehicle and Equipments	1,970,274	1,555,765
Internet and Network connectivity, Website and DSTV	6,365,354	5,259,558
Soft Ware Support & Equipment Maintenance	4,016,334	6,179,754
Courier/Postal Services	1,131,020	804,685
Security Guards(Hq & Region)	0	492,320
Office utilities	6,810,429	402,229
Bank Charges	1,759,779	1,895,719
Provision for bad debts	11,019,870	6,697,614
Enhancing Fund image	6,181,516	22,904,615
	84,758,294	104,452,900

16. Cash and cash equivalents

Bank	2019-2020 Shs	2018-2019 Shs
Current	306,250,142	176,766,398
Cash -in-hand	50,424	54,112
Safaricom -Mpesa	562,733	100,905
	306,863,299	176,921,415

Detailed Analysis of the cash and cash equivalents

Financial Institution	Account number	2019-2020 Shs	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	978,191	1,255,609
Equity Youth Enterprise Developmnt Fund - Main	180290708175	6,247,701	38,227,522
Equity Youth Enterprise Developmnt Fund - Direct			
Funding product	180299437260	20,822,683	23,827,146
Equity Youth Enterprise Developmnt Fund- Operations			
account	180299434252	5,393,922	1,367,429
Equity Youth Enterprise Developmnt Fund - Meru	180263475552	50	50
Equity Youth Enterprise Developmnt Fund - Nakuru	180263473232	0	0
Equity Youth Enterprise Developmnt Fund - Nairobi	180263475071	-	-
Equity Youth Enterprise Developmnt Fund - Eldoret	180263475346	0	6,760
Equity Youth Enterprise Developmnt Fund - Machakos	180263475406	0	237,660
Equity Youth Enterprise Developmnt Fund - Kakamega	180263474890	-	-
Equity Youth Enterprise Developmnt Fund - Mombasa	180263475461	-	-
Equity Youth Enterprise Developmnt Fund - Kisumu	180263474481	(217)	30
Subtotal		33,442,330	64,922,206
Kenya Commercial Bank			
KCB Main Account	1107099390	245,235,592	85,079,971
KCB Repayment Account	1107099544	721,234	464,574
LPO Account	1154767485	26,850,985	26,299,648
Subtotal		272,807,811	111,844,192
b.) Others			
Cash at hand		50,424	54,112
Mpesa	17592349-17	562,733	100,905
Subtotal		613,157	155,017
Grand total		306,863,299	176,921,415

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17. Receivables from exchange transactions	2019-2020	2018-2019
	Shs	Shs
Current receivables		
Trade debtors	2,787,240,570	2,485,960,200
Other exchange debtors	2,667,212	2,618,998
Less: impairment allowance	(135,448,830)	(124,428,960)
Loans repaid unidentified	(79,509,023)	(60,933,693)
Total receivables	2,574,949,929	2,303,216,545
18. Receivables from non-exchange contracts		
Current receivables		
Grant receivable from parent ministry	-	55,000,000
Prepayments	1,151,594	1,151,594
Total current receivables	1,151,594	56,151,594
19. 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		

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NOTES TO THE FINANCIAL STATEMENTS

20. Property, plant and equipment

Year ended 30 June 2019

	Motor Vehicles Shs	Furniture and Fittings Shs	Computers & Accessories Shs	Motorcycles Shs	Total Shs
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
Disposals	-	-	-	-	-
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
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Year ended 30 June 2020

	Motor Vehicles Shs	Furniture and Fittings Shs	Computers & Accessories Shs	Motorcycles Shs	Total Shs
Cost					
At start of the period	76,153,164	116,940,843	121,394,070	65,578,000	380,066,078
Additions	-	-	18,938,207	-	18,938,207

At end of the period

	76,153,164	116,940,843	140,332,277	65,578,000	399,004,284
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Depreciation

At start of the period	70,073,857	62,722,010	119,334,182	65,578,000	317,708,049
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Disposals	-	-	-	-
Charge for the period	5,030,995	14,564,699	10,966,717	30,562,411
At end of the period	75,104,852	77,286,709	130,300,899	348,270,460
Net book value as at 30th June 2020	1,048,313	39,654,134	10,031,377	50,733,824

21. Investment Property

2017-2018

Shs

Commercial Infrastructure- Building of Bus Shelters/ Stalls

At start of the period- cost	36,308,490.00
At start of the period- depreciation	(1,835,312.00)
Additions	1,054,337.00
Depreciation	(2,668,773.39)
	32,858,741.61

2019-2020

Shs

Commercial Infrastructure- Building of Bus Shelters/ Stalls

At start of the period- cost	37,362,827
At start of the period- depreciation	(4,504,085)
Additions	-
Depreciation	(2,668,773)
	30,189,968

NOTES TO THE FINANCIAL STATEMENTS

22. Intangible assets

The fund has two computer softwares: The ABN vote book system and the Microsoft Dynamics NAV. 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 2019

Cost	Shs
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
Overcharge for the period	(2,302,954)
Charge for the period	22,886,900
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>

Year ended 30 June 2020

Cost	Kshs
At start of the period	140,230,764
Additions/Reclassification	(9,338,300)
Less Fully amortised Intangible Assets	<u> </u>
At end of period	<u>130,892,464</u>
Amortization	
At start of the period	91,131,322
Charge for the period	<u>18,698,056</u>
At end of the period	<u>109,829,378</u>
Net book value as at 30 June 2020	<u><u>21,063,086</u></u>

23. Trade and other payables from exchange transactions	2019-2020	2018-2019
	Shs	Shs
Trade payables	51,961,897	51,435,289
Audit fees	4,176,000	2,784,000
Provision for gratuity	26,672,465	19,564,082
Salary Deductions	1,504,326	(1,053,646)
Total trade and other payables	84,314,686.74	72,729,725

24. Related party Transactions

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

Key management compensation	2019-2020	2018-2019
	Shs	Shs
Salaries and other short-term employment benefits	21,875,184.00	16,321,876
Directors remuneration and allowances	8,589,832.24	27,320,561
	30,465,016.24	42,560,921

25. Accumulated funds

	2019-2020	2018-2019
	Shs	Shs
Balance b/f	(1,021,008,021)	(855,647,202)
Add : Surplus (Deficit) for the year	(42,663,881)	(163,200,489)
Prior year Adjustment	(1,159,940)	(2,160,330)
	(1,064,831,842)	(1,021,008,021)

26. Revolving fund

	2019-2020	2018-2019
	Shs	Shs
Balance b/f	3,802,458,856	3,518,453,856
Add: Received during the year	335,340,000	284,005,000
	4,137,798,856	3,802,458,856

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.

27. Transfers from Ministries , Departments & Agencies

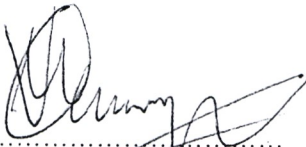
Name of the Entity Sending the Grant	Amount deferred under deferred income	Amount	Amount recognised in capital fund.	Total grant income during the year
		recognized to Statement of Comprehensive Income		
Ministry of ICT, Youth & Innovation		299,290,000	335,340,000	634,630,000

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.

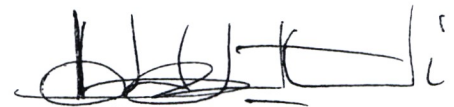
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Focal Point person to resolve the issue (Name and designation)	Status: (Resolved / Not Resolved)	Timeframe: (Put a date when you expect the issue to be resolved)
1.	Investment Property	Depreciation is over the lease period of fourteen years.	CEO/Head of Proc.	Resolved	-
2.	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	Not resolved	2020/21
3	Intangible assets	Relevant ERP related documents availed. ERP implementation ongoing.	CEO/ Head of ICT officer	Not resolved	2020/21
4	Trade Debtors	Supporting schedules o detailed listing of loans availed. Active recoveries of outstanding loans is an ongoing process. Matters before court for balances under Credit Guarantee Scheme.	CEO/Head of Lending/Head of Finance	Not resolved	2020/21
5	Trade payables	Unpaid bills to be paid pending clearance by relevant agencies	CEO/Head of Lending/Head of Finance	Not resolved	2020/21
6	Inventories	Approval to restate incubator inventories values still to be obtained with stock – take placing the values	CEO/Head of Lending/Head of Finance	Not resolved	2020/21

		at 955 pieces totalling Kes 172,330,000			
7	Cash and cash equivalents	Authority sought from National Treasury through parent ministry. Reconciliations processed and duly signed Short term deposits/unsupported bank transactions – matter is in court. Suspense account items identification ongoing	CEO/Head of Finance	Not resolved	2020/21
8	Provision for bad debts	The provision is anchored on approved finance policy which pegs it at 5%	Head of Finance	Resolved	-
9	Financial Performance	Deficit shrinking for the last 3years. Prudent financial management in place.	CEO/Head of Finance	Ongoing	-
10	Late submission of financial statements	Technical hitches in accessing financial data affected timely processing of financials, Currently, all reports are processed and delivered in time,	CEO/Head of Finance/ICT	Resolved	-
11	Program expenses	The law firm was prequalified for financial years 2014/15 and 2015/16. Upon expiry of the contract period, the fund extended the contract to ensure provision of services by the fund was not interrupted	CEO/Head of Lending/Head of Finance	Not resolved	2020/21



Chairman of the Board

Date... 12/03/2021



Chief Executive Officer

Date... 12/03/2021