

REPUBLIC OF KENYA

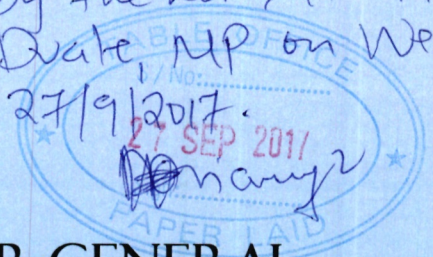


Paper laid

By the LOM, Hon. Aden
Dada, MP on Wednesday

27/9/2017.

27 SEP 2017
D. Mwangi



OFFICE OF THE AUDITOR-GENERAL

REPORT

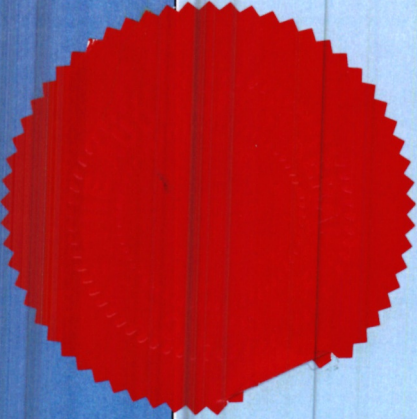
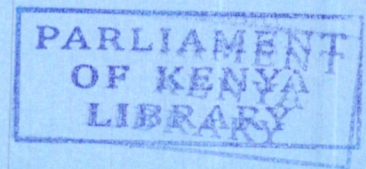
OF

THE AUDITOR-GENERAL

ON

THE FINANCIAL STATEMENTS OF
YOUTH ENTERPRISE DEVELOPMENT FUND

FOR THE YEAR
ENDED 30 JUNE 2015







YOUTH ENTERPRISE DEVELOPMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE FINANCIAL YEAR ENDED
JUNE 30, 2015**

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

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I. 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 is a State Corporation under the Ministry of Devolution and planning and is run by a Board of Directors comprising of a non-executive chairman, Chief Executive officer, permanent secretary in charge of Youth Affairs, Permanent secretary in charge of Finance and other members appointed by the Minister in charge of Youth Affairs.

(b) Principal Activities

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

To achieve this, the fund;

- Provide loans 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 organs:

- Chief Executive Officer;
- General Manger;
- Lending & Investment Manager;
- Finance Manager;
- Company Secretary;
- Supply Chain Manager;
- Human Resources Manager;
- Public Relations Manager; and
- Audit, Monitoring & Evaluation Manager

(d) Fiduciary Management

The key management personnel who held office during the financial year ended 30th June 2015 and who had direct fiduciary responsibility were:

No.	Designation	Name
1.	Ag.Chief Executive Officer	- Catherine Namuye (Ms)
2.	Lending & Investment Manager	- Judy Kimeto (Ms.)
3.	Finance Manager	- Benedict Atavachi
4.	Audit, Monitoring & Evaluation Manager	- Emmanuel Odera
		-
5	Supply Chain Manager	- John Ngeno
6	Human Resources Manager	- Truphena Omung'ala (Ms.)
7	Public Relations Manager	- Benson Muthendi
8	Ag. Company Secretary	- Miriam Boit – Kahiro (Mrs.) up to March 2, 2015

(e) Fiduciary Oversight Arrangements

To carry out its mandate the Fund is run by a Board of directors who discharge their duties through audit committee. The Committees that operated during the year under review are;

- Audit and Risk Committee
- Operations Committee
- General purposes Committee

General purposes Committee

The Committee's main functions include;

- i) Deliberate on the Fund's annual budget and recommend to the Board for approval;
- ii) Review the Fund's management accounts and other financial reports/matters;
- iii) Handle the Human Resources related cases and recommend to the Board for approval;
- iv) Deal with all administration related matters;
- v) Handle matters of Resource Mobilizations and fundraising initiatives;
- vi) Offer policy directions on public relations and marketing matters of the Fund.

The members who served on the committee during the year under review were;

- Michael Wamae –Chairperson
- Clement Ayungo
- Timothy Gakuo - up to March 4,2015
- Stephen Jalenga- w.e.f March 5,2015
- Samuel Macharia
- Catherine Namuye -Secretary/Ag. Chief Executive Officer

Operations Committee (OPC)

The committee's is responsible for ensuring that the fund achieves its core mandate. The committee review and approve the operations related to;

- Lending
- Enterprise development
- Commercial infrastructure
- Youth Employment Scheme Abroad
- Market Access & Linkages
- Monitoring & Evaluation

The members who served on the committee during the year under review were;

- Sabra Omar Hussein-Chairperson
- Clement Ayungo
- Jane Mutinda
- Samuel Macharia
- Catherine Namuye -Secretary/Chief Executive Officer

Audit & Risk Committee (ARC)

Audit & Risk Committee (ARC) is responsible for monitoring and reviewing the effectiveness of internal controls and business risk system of the Fund.

It reviews both internal and external audit reports and recommends to the full board appropriate measures to address any deficiencies noted and follows up on implementation of recommendations made.

The members who served on the committee during the year under review were;

- Nicholas Mwaniki-Chairman
- Clement Ayungo
- Timothy Gakuo
- Jane Mutinda
- Samuel Macharia

Corporate Social Responsibility Committee (CSRC)

The committee is responsible for overseeing the implementation of identified projects as a give back to the community where the Fund operates.

The members who served on the committee during the year under review were;

- Nicholas Mwaniki
- Clement Ayungo - Chairman
- Sabra Omar Hussein
- Jane Mutinda
- Michael Wamae

(a) Entity Headquarters

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

(b) Entity Contacts

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

(c) Entity Bankers

1. Equity Bank of Kenya
Community Branch, NHIF Building, Ragati Road
P.O. Box 75104
City Square 00200
Nairobi, Kenya

2. Kenya Commercial Bank
KENCOM House, Moi Avenue
P.O. Box 48400
GPO 00100
Nairobi, Kenya

(d) Independent Auditors

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

(e) Principal Legal Adviser

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

II. THE BOARD OF DIRECTORS

The following were the members of the Board of Directors for the financial year 2014/15:

1. Bruce Odhiambo
2. Michael Wamae
3. Clement Ayungo
4. Timothy Gakuo
Samuel Macharia
6. Sabra Omar Hussein
7. Jane Mutinda
8. Nicholas Mwaniki
9. Catherine Namuye – Acting Chief Executive Officer



Mr. Bruce Odhiambo,
Chairman Board of Directors



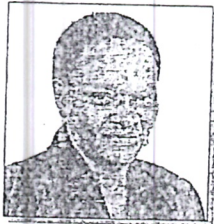
Ms. Catherine Akello Namuye,
Chief Executive Officer
Bachelor's Degree in Social Sciences,
MBA, Awaiting to graduate in
Commerce (Economics & Finance)



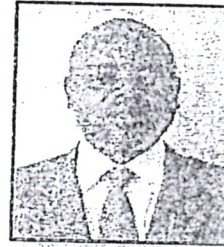
Dr. Kamau Thugge,
P.S The National Treasury



Eng. Peter Oganga Mangiti, P.S
Ministry of Devolution and Planning.



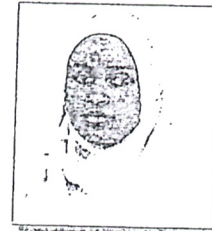
Dr. Jane Mutinda,
PHD –Environmental studies
Masters in Environmental
Education and Bachelor's
Degree in Education



Mr. Stephen Jalenga



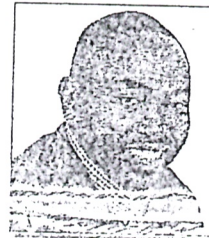
Mr. Clement Ayungo



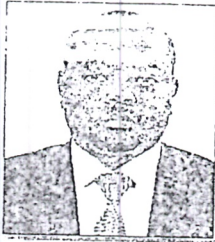
Ms. Sabra Hussein Omar.
B.Com -Procurement & Supply



Mr. Nicholas Mwaniki
Bsc.-Food Science
&Technology, IT



Mr. Samuel Macharia, Alternate, P.S
Treasury
B.Com, MBA



Mr. Michael Wamae
 BA Government. Member of
 Institute of Directors of
 Kenya and a businessman
 with experience in
 Governance & Dev.



Mrs. Miriam Boit Kahiro
 Ag. Company Secretary
 LLB, LLM (International Corporate
 Governance and financial
 regulation, CPS (K) and Advocate
 of the high Court of Kenya

IV. MANAGEMENT TEAM



Ms. Catherine Namuye
 Chief Executive Officer
 Bachelor's Degree in Social
 Sciences, MBA, Awaiting to
 graduate in Commerce
 (Economics and Finance)



CPA Emmanuel Odera CPA (K),
 CPP (UK), CIQA, IIA
 Ag. General Manager.
 B.COM (Accounting), MBA
 Finance, Currently Pursuing PHD
 in Strategic Management



CPA Benedict Atavachi, CPA (K),
 MBA (Finance), BCOM
 (Accounting).
 Finance & Administration
 Manager.



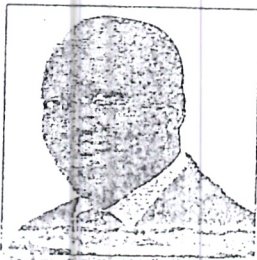
Ms. Judy Kimeto
 Lending & Investment Manager
 Bachelor's degree in Business
 Administration, MBA; Currently
 pursuing professional courses in
 Finance and Accounts



Mr. John Ngeno
 Supply Chain Manager
 B.COM (Marketing), MSc.
 (procurement), Awaiting to
 graduate with a PHD in
 procurement.



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



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



Mrs. Miriam Boit Kahiro
 Ag. Company Secretary
 LLB, LLM (International
 Corporate Governance and
 financial regulation, CPS (K)
 and Advocate of the high
 Court of Kenya

III. CHAIRMAN'S STATEMENT

Eight years ago the Fund, a flagship of Vision 2030, embarked on a journey to economically empower the youth of Kenya by providing business support services. These services include loans, entrepreneurship training, mentorship, market support, linkages and trading premises. The Fund also facilitates youth to obtain jobs abroad.

The Fund has recorded tremendous success in its endeavor to support budding entrepreneurs. It has advanced over Kshs. 10.5 billion to about 300,000 youth enterprises, some directly and others through financial intermediaries. It has also trained thousands of youth in entrepreneurship and supported others to market their products through organized trade fairs. In addition the fund has facilitated 15,000 youth to obtain employment abroad. Many of the initial beneficiaries of the Fund are prominent entrepreneurs who are making a significance contribution to the economic wellbeing of the country.

We continue to use the feedback received from our clients to diversify our products so that they address regional and individual differences. We have introduced sector specific loan products to enable youth utilize their talents, as well as take advantage of the resources in their localities. We have introduced loan products that enable the youth get into modern farming such as greenhouse farming and computerized poultry breeding. Additional regional offices are earmarked for opening to coordinate services at the grassroots with hire of additional officers with motorcycles to ease mobility and to enable them provide services in the remotest parts of Kenya. We are looking forward to opening offices at county level, which will ease partnership between the Fund and county governments.

In order to accelerate the absorption of our youth into foreign labour markets the Fund has established a Youth Employment Scheme Abroad (YESA) secretariat at Lonrho House, Nairobi. It will be a one stop shop where youth will obtain information on jobs, acquire travel documents and migration loans as well as training. The secretariat will work closely with other stakeholders and government agencies to seek opportunities for our youth abroad, market their skills and assist them to obtain relevant documentation.

Under the iTempo program, we identified, trained and empowered **45,500** youths in the last financial year with all the 47 counties having been reached. In the subsequent year, we look forward to train **50,000** youths who will in turn train at least two youths from their constituency. The training will focus on self-belief, self-motivation, entrepreneurship and leadership.

The "I've got ten minutes... do you?" programme is built on tapping volunteers to mentor our youth. The program is expected to take off in the next financial year. Every mentor will volunteer ten minutes to share their experiences with the youth. The youth will also be expected to avail themselves for the ten minutes, and to ask questions on issues that may concern them. The programme is premised on the fact that many young people desire to share time with an adult whom they can ask pertinent questions.

The implementation of an enterprise resource planning (ERP) system that will be linked to refurbished website and enable real-time interaction with all our offices and clients across the country is at an advanced stage. The USSD short code was successfully implemented. Consequently, millions of youth across the country interact with the Fund through their mobile phones. By sending a short message, the youth will be able to query the processing of their loan applications, obtain information, and enter their details into a database that will be used to reach out to them.

IV. REPORT OF THE CHIEF EXECUTIVE OFFICER

High unemployment rate remains one of the greatest challenges facing our country. Currently, 70% of the unemployed people in Kenya are the youth. Youth aged between 18 and 35 are 30.3% of the total population. The education system in Kenya is not geared towards market demand. Consequently, 92% of the unemployed youth have some form of formal education but do not possess any relevant skills

In its quest to achieve its mandate, the fund has continued with various activities geared towards empowering the Kenyan Youths. Some of the Milestones achieved during the FY 2014/2015 include;

1. The fund has continued to disburse loans to both individuals and groups to help start-up enterprises or for expansion purposes. The LPO financing product which was launched in the year proved popular with a total of Kes 127 million having been disbursed. For startups, several products are on offer including the C-YES and E-YES while for expansion purposes, the youth can access our Vuka Loan. During the year, the Fund experienced marked increase in the uptake of its products across the board with the Direct Funding and E-yes products recording 40% and 34% growth respectively compared to the prior year.
2. The Youth Employment Scheme Abroad (YESA) Secretariat which is geared to assist Kenyan Youth who do not have the passion to pursue entrepreneurship but want to be employed. During the year under review, a total of 4,330 youths were assisted to secure employment especially in the Middle East.
3. The Fund has continued to link the Kenyan Youth to Markets. During the year under review, a number of youth were invited and facilitated to participate in various Exhibitions, Trade fairs as well as ASK Shows including Nairobi International Trade fair and Nakuru ASK Show among others. Youths were afforded an opportunity to showcase their products and meet other like-minded business people for future partnerships.

Fiscal discipline was observed with all our expenditure being in line with approved budgets.

All these was achieved against an economic environment that was not certain following the terrorists attacks and the effects it has had on our economic activities.

V. 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.

Composition of the Board

The Board is made up of 9 Directors out of whom 8 are Independent Non-Executive Directors, including the Chairman. The Directors have the required mix of skills, experience, and professional and industry knowledge necessary to meet the Fund's strategic objectives and bring unfettered independent judgment to bear on the issues of strategy, performance, resources, key appointments and standards of conduct.

Board meetings

The Board of Directors meet regularly as required in order to effectively and efficiently monitor the implementation of the Fund's planned strategy, review it in conjunction with its financial performance and approve issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning.

The Notice, Agenda and detailed Board Papers of meetings are circulated on a timely basis to ensure that the Directors receive accurate, timely and clear information in a form and of a quality appropriate to enable it to discharge their duties. The Board Membership is disclosed on Page vi to vii of the Board of Directors Information.

The Board has created the following principal Committees which meet regularly under well-defined and materially delegated terms of reference set by the Board. The committees are:

- Audit and Risk Committee
- Operations Committee
- General purposes Committee

The mandate of each has been extensively covered under fiduciary oversight arrangements on page iii

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

The Fund has taken cognisance of the need to conserve the environment. In this regard therefore, the Fund's staff participated in a clean-up exercise in Kiambu as well planting trees in Kakamega, Vihiga, Busia, Meru and Nyeri Counties.

Furthermore, the Fund held trade fairs and exhibitions where non-loan beneficiaries of the Fund were linked to markets for their products.

Finally, the Fund has earmarked to issue atleast two incubators to the 290 constituencies to help in improving poultry farming in the various constituencies.

VII. REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2015 which show the state of the entity's affairs.

Principal activities

The principal activity of the Youth Enterprise Development Fund as per Legal order No. 63 of 2007 is to increase economic opportunities for, and participation by Kenyan youth in nation building through enterprise development and strategic partnerships. To achieve this, the fund:

- Provide loans 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

Results

The results of the Fund for the year ended June 30, 2015 are set out on page 1.

Directors

The members of the Board of Directors who served during the year are shown on page vi.

Auditors

The Auditor General continues in office in line with the state Corporations Act (Cap 446) and the Public Audit Act, 2003.

By Order of the Board



fn
Catherine A. Namuye
Acting Chief Executive Officer
Nairobi

Date... 27/6/17

VIII. STATEMENT OF DIRECTORS' RESPONSIBILITIES

Chapter 446 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.

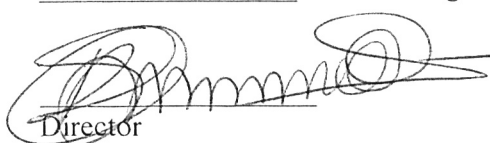
The Directors are responsible for the preparation and presentation of the entity's financial statements, which give a true and fair view of the state of affairs of the entity for and as at the end of the financial year (period) ended on June 30, 2015. This responsibility includes: (i) maintaining adequate 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.

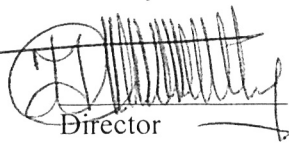
The Directors accept responsibility for the Youth Enterprise Development Fund's financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Public Sector Accounting Standards (IPSASs), and in the manner required by the PFM Act 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, 2015 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 Youth Enterprise Development Fund Board's financial statements were approved by the Board on _____ 2015 and signed on its behalf by:


Director


Director


Director

REPUBLIC OF KENYA

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Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.kenao.go.ke



P.O. Box 30084-00100
NAIROBI

OFFICE OF THE AUDITOR-GENERAL

REPORT OF THE AUDITOR-GENERAL ON YOUTH ENTERPRISE DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE 2015

REPORT ON THE FINANCIAL STATEMENTS

I have audited the accompanying financial statements of the Youth Enterprise Development Fund set out on pages 1 to 23, which comprise the statement of financial position as at 30 June 2015, and the statement of financial performance, statement of changes in net assets, statement of cash flows, and the statement of comparative 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 14 of the Public Audit Act, 2003. I have obtained all the information and explanation which to the best of my knowledge and belief were necessary for the purpose of the audit.

Management's Responsibility for the Financial Statements

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

The management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 13 of the Public Audit Act, 2003.

Auditor-General's Responsibility

My responsibility is to express an opinion on these financial statements based on the audit and report in accordance with provisions of Section 15 of the Public Audit Act, 2003 and submit the audit report in compliance with Article 229(7) of the Constitution of Kenya. The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Those standards require compliance with ethical requirements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

Youth Enterprise Development Fund – Annual Report and Financial Statements for the year ended 30 June 2015

and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

1. Financial performance

The Fund realised a deficit of Kshs.201,614,139 in the financial year 2014/2015 as compared to a deficit of Kshs.176,220,841 reported in the financial year 2013/2014. The deficit seems to be increasing and management seem not to be taking any appropriate action to address this issue.

2.0 Receivables from Exchange Transactions

2.1 Loans to Financial Intermediaries

The statement of financial position as at 30 June 2015 and Note 15 to the financial statements discloses an amount of Kshs.1,785,872,194 in respect of receivables from exchange transactions. As previously reported, an amount of Kshs.313,982,551 is in respect of interest, penalties and principal from financial intermediaries, out of which Kshs.203,815,872.05 relates to long outstanding default penalties whose recoverability is doubtful.

2.2 Welfare Group Loans

As previously reported, receivables from exchange transactions include loans balances totalling Kshs.150,000 and Kshs.500,000 disbursed in 2007 to Cooper Group in Ijara District and Nomads Welfare in Dujis and Garissa. These Welfare Groups could not be traced for purposes of confirming their outstanding loans and their recoverability.

2.3 Other exchange debtors

Included in the statement of financial position receivables from exchange transactions figure of Kshs.1,785,872,194 and as disclosed in notes 15 to the accounts, are imprest balances of Kshs.1,294,290 on staff who have since left the organisation, hence uncollectable. There is no evidence of action being taken to have the amounts recovered.

2.4 Trade debtors

Included in trade debtors is a receivable of Kshs.180,184,855 from Chase Bank. There were no documentary evidence availed to support this receivable.

Also included in the trade debtors are various loan products which were unsupported. These include:-

- Specific Sector Loans (Agri-vijana loans) Kshs.47,211,039.60
- C- Yes Loans – Kshs.877,571,605.88
- Loans through Financial Intermediaries (FI^s) - Kshs.187,400,000
- E-Yes Loans – Kshs.130,353,530.23
- LPO Financing Loans – Kshs.81,483,773.40
- Direct Funding Loans (Vuka) Kshs.165,538,650

These balances could not be confirmed as the Fund did not avail records on opening loan balances as at 1 July 2014, loans given out during the financial year 2014/2015, loans repaid during 2014/2015 and loan balances as at 30/6/2015.

Further, these loans were not properly secured by collateral securities, which makes their recoverability doubtful.

2.5 Credit guarantee schemes

Also included in non-current receivables from exchange transactions of Kshs.417,592,488 is Credit Guarantee Scheme of Kshs.250,000,000 (Rafiki Deposit Micro Finance Kshs.100,000,000 and Indo Africa Finance Kshs.150,000,000) which are not secured by deeds of guarantee.

2.6 Angua chicks (incubator) loans/hatcheries

As reported in the previous years, a contract of Kshs.208,530,000.00 for the supply, installation and commissioning of No.1050 (one thousand and fifty) micro-computer automatic hatching machines was awarded to a supplier in August 2012. The supplier was to deliver the machines within two (2) months of the execution of the agreement. The machines were to be issued to five (5) youth groups in each constituency for purposes of poultry business.

As at 30 June 2015 only 144 hatcheries had been sold i.e. about 13% of the hatcheries of the (1050) which were bought, meaning that demand for them is very low and a greater amount stocked can turn out to be obsolete/dead stock due to fast changing technology.

The balance of stock 906 hatcheries worth Kshs.172,553,770 are still stored in Kasarani Stadium. The Fund paid a cost of Kshs.1,153,600 for the storage of the hatcheries. It was also noted that a total of 144 machines were sold on loan totalling to

Kshs.28,777,140. As at 30 June 2015 the amount repaid was Kshs.3,586,154 resulting in a receivable amount of Kshs.25,092,488 whose recoverability is doubtful.

It was not possible to confirm whether and if so, when the board will be able to recover the amounts in the above paragraphs. Any provision that would have been necessary in relation to these uncertainties have not been incorporated in these financial statements.

3. Ineligible expenditure

Eighth Anniversary Celebrations and Launching of new Products

During the year, the fund incurred amounts of Kshs.42,707,811 on the celebration of the 8th anniversary and launching of new products vide three cheque payments. This event was cancelled at the last minute after several costs were incurred.

It was also not clear how the 370 delegates who were paid Kshs.3,822,000 for transport and accommodation allowances were identified to attend the event.

Consequently, the propriety of both the Kshs.42,701,811 and 3,822,000 expenditure charged to public fund could not be ascertained.

4. Board

The Board did not adhere to the Board calendar. As a result of this, the Board held an excess of fourteen meetings outside the Board calendar. In some instances, Board members had 3 meetings in one day. This led to an increase in board expenditure by Kshs.1,074,000.

Further, it was noted that the Chairman was advanced Kshs.500,000 for a trip he made to America. Documents to support this expenditure have not been availed thus the money is not accounted for to date.

During the year the Board went for training to South Africa at a total cost of Kshs.2,893,275 yet a similar training was available locally at a lower cost. Two members of the Board Clement Ayungo and Jane Mutinda were appointed to the board yet they were serving as public servants in other institutions.

Curriculum vitae of Board members were not availed to determine whether they have the necessary skills and expertise to be members of the various committees. The terms of reference of the various committees of the Board were not availed for audit verification.

The Board's work plan was also not availed.

There is no Board charter which defines the role responsibilities and functions of the board in governance of the organization.

5. Property, Plant and Equipment

During the year, the Fund acquired intangible assets of Kshs.11,605,918. However, payment vouchers to support procurement of intangible assets worth Kshs.2,670,648 were not availed for audit review.

Further, the Fund spent Kshs.1,980,000 to purchase Ipad tablets for the Board of Directors. However, approval was not sought from the parent Ministry for this procurement.

It was further noted that management procured mobile phones for Kshs.400,000. However, Board approval was not availed.

The Fund acquired 50 laptops, desk top computers and printers during the year. However, on further verification, four laptops valued at Kshs.119,840 each and one printer valued at Kshs.87,000 were found to be missing. Management has not provided evidence indicating how it is addressing the issue of loss of these assets.

6. Cash and Cash Equivalent

6.1 KCB –Repayment Account

As previously reported, Kshs.5,875,728 described in the KCB bank reconciliation statement as the difference between cash book and bank balance remains outstanding since 2007. The issue is unresolved to date.

6.2 Suspense account

As previously reported, the Fund's statement reflects an amount of Kshs.7,372,568 deposited in various banks and M-Pesa Accounts held in Suspense Account. The amounts represent direct credits in respect of loan repayment from various youth groups whose loan beneficiaries have not been identified. The issue remains unresolved. Further, the current status as at 30 June 2016 remains unknown.

6.3 Unsupported bank balance

Included in cash and cash equivalent figure of Kshs.239,534,559, is an amount of Kshs.219,815,145 as short term fixed deposits balance held in Chase Bank. In the previous financial year, the Fund reported a balance of Kshs.400,000,000. Supporting documents have not been availed to explain the reduction in the balance by Kshs.180,184,855. Further, it was not possible to confirm the existence of the balance of Kshs.219,815,145 due to lack of supporting documents.

It was also not clear how the management of the Fund decided to invest in Chase Bank instead of a bank where the Government of Kenya has an interest.

7. Inventory

(i) The statement of financial position inventories balance of Kshs.178,225,991 and as shown in note 17 to the accounts included consumables stores balance of Kshs.6,085,991 which as described in note 2(i) to the financial statements ought to be expensed. This has in effect understated the deficit for the year with the equivalent amount.

(ii) The figure for inventory also comprises of hatcheries amounting to Kshs.172,140,000 which are not supported with records and documentation. Inventory control system could not be relied upon as it was inaccurate and incomplete. The Fund did not carry out physical stock to determine the actual value of inventories. Various sections reported different units for the hatcheries held as stock as at 30 June 2015 where finance department reported 906 units, credit 909 units and procurement reported 908 units. This resulted in an unconfirmed figure of stock as at 30 June 2015. It was not possible to verify how these differences were accounted for in the current year in absence of adequate supporting documentation and reconciliations.

In the circumstances, it is therefore not possible to confirm that the inventory figure as stated in the financial statements is fairly stated.

8. Rent

During the audit of the year under review, the Fund leased office space at Renaissance Corporate Park Upper hill. The Government valuer assessed and recommended rent rate of Kshs.90 per sq. ft. per month. However, the Fund went ahead to pay the landlord Kshs.108 per sq. ft. As a result, the Fund is paying a total of Kshs.8,536,752 annually as offered by the landlord instead of the Government valuer's rate of Kshs.7,113,960. The fund is therefore paying Kshs.1,422,792 more for rent.

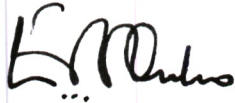
9. Investment Property

Investment Property of Kshs.1,657,985 is composed of commercial infrastructure under which bus shelters were constructed by the fund. The fund does not own the land on which these shelters were constructed. Further, there is no accounting policy in notes to the financial statements stating the recognition of these shelters and/or depreciation and accounting treatment.

Qualified Opinion

In my opinion, except for the effect of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of Youth Enterprise Development Fund as at 30 June 2015, and of its

financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and comply with Public Finance Management Act, 2012.



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

Nairobi

09 January 2017

Youth Enterprise Development Fund Board
Annual Report and Financial Statements
For The Year Ended 30 June 2015
STATEMENT OF FINANCIAL PERFORMANCE

		2014-2015	2013-2014
Revenue from non-exchange transactions	Note		
Grants from GoK	3	233,538,800	224,369,200
Capital grants amortised		110,962,102	136,893,685
Donations		-	786,110
		344,500,902	362,048,995
Revenue from exchange transactions			
Interest and fees	5	50,805,719	41,648,433
Interest on investments- Call deposits & bank balances	6	49,519,397	72,018,053
Other income	7	519,387	153,000
		100,844,503	113,819,486
Total revenue		445,345,405	475,868,481
Expenses			
Programme expenses	8	110,962,102	172,639,423
Human Capital expenses	9	276,190,151	307,866,343
Board expenses	10	23,616,750	16,533,243
Depreciation & amortisation expense	11	54,983,525	32,161,427
Repairs & maintenance	12	24,820,897	22,701,791
General expenses	13	156,386,120	100,187,093
Total expenses		646,959,543	652,089,321
Deficit for the period		(201,614,139)	(176,220,841)

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30 June 2015

STATEMENT OF FINANCIAL POSITION

Assets	Note	2014-2015	Kshs 2013-2014
Current assets			
Cash and cash equivalents	14	239,534,559	780,826,252
Receivables from exchange transactions	15	1,785,872,194	1,366,613,240
Receivables from non-exchange transactions	16	17,983,689	951,594
Inventories	17	178,225,991	180,187,728
		2,221,616,433	2,328,578,814
Non-current assets			
Property, plant and equipment	18	156,092,242	78,841,764
Investment Property	19	1,657,985	-
Intangible assets	20	22,459,539	18,716,896
Long term receivables from exchange transactions	15	417,592,488	587,518,560
		<u>597,802,254</u>	<u>685,077,219</u>
Total assets		<u>2,819,418,688</u>	<u>3,013,656,033</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	21	105,894,018	92,891,122
Total liabilities		<u>105,894,018</u>	<u>92,891,122</u>
Net assets			
Revolving Fund	24	3,029,339,383	3,034,965,485
Accumulated surplus	23	(315,814,714)	(114,200,575)
Total net assets and liabilities		<u>2,819,418,688</u>	<u>3,013,656,033</u>

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

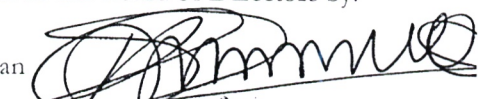
C.E.O

Date.....


27/06/17

Chairman

Date.....


27/06/17

STATEMENT OF CHANGES IN NET ASSETS

	Reserves			
	Capital development	replacement reserve	Accumulated surplus	Total
	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Balance as at 30 June 2013		3,040,414,170	59,913,254	3,100,327,424
Surplus/(deficit) for the period			(176,220,841)	(176,220,841)
Prior year adjustment			2,107,012	2,107,012
Addition for the year	131,445,000		-	131,445,000
capital grant amortised	(136,893,685)		-	(136,893,685)
Balance as at 30 June 2014	3,034,965,485		(114,200,575)	2,920,764,910.00
Surplus for the period			(201,614,139)	(201,614,139)
Prior year adjustment			-	-
change in accumulated fund			-	-
Addition for the year	105,336,000		-	105,336,000
Capital grant amortised	(110,962,102)			(110,962,102)
Balance as at 30 June 2015	3,029,339,383		(315,814,714)	2,713,524,670

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

STATEMENT OF CASH FLOWS

	Note	2014/ 2015 Shs	2013/ 2014 Shs
Surplus (Deficit) for the period		(201,614,139)	(176,220,841)
Adjustments for:			
Depreciation	11	47,120,249	25,859,335
Amortization	11	7,863,275	6,302,092
Prior year adjustment		-	2,107,012
Capital grants amortised		(110,962,102)	(136,893,685)
Operating profit before working capital changes		(257,592,716)	(278,846,087)
Increase in receivables from exchange transactions	15	(419,258,954)	(31,944,299)
Increase in receivables from non- exchange transactions		(17,032,095)	(170,000)
Increase in trade and other payables	21	13,002,896	68,116,235
(Increase) decrease in inventory		1,961,737	15,512,272
Net cash used in operating activities		(421,326,416)	51,514,209
Cashflows from investing activities			
Decrease /(Increase) in loans	15	169,926,072	(51,843,417)
Purchase of Fixed & Intangible assets	18	(135,976,645)	(31,697,954)
Purchase of Investment Property	19	(1,657,985)	-
Net cash flows from (net cash used in) investing activities		32,291,442	(83,541,370)
Cashflows from Financing activities			
Capitalization from G.O.K.	24	105,336,000	131,445,000
Net cash flows from financing activities		105,336,000	131,445,000
Net Decrease in cash		(541,291,691)	(179,428,248)
Cash & cash equivalent at the beginning of the period		780,826,252	960,254,500
Cash & cash equivalents at the end of the period	14	239,534,559	780,826,252

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget 2014-2015 Kshs '000	Adjustment 2014-2015 Kshs '000	Final budget 2014-2015 Kshs '000	Actual on comparable basis 2014-2015 Kshs '000	Performance difference	
					2014-2015 Kshs '000	
Revenue						
Income from Treasury	224,000,000	-	224,000,000	233,538,800	9,538,800	Request for additional funding successful
Capital grants amortised (Expenditure items directly linked to loans)	152,960,000	-	152,960,000	110,962,102	(41,997,898)	Expected revenues not realised ; spent within realised revenues
	376,960,000	-	376,960,000	344,500,902	(32,459,098)	
Interest and management fees on loans						
Interest earned from FI's	4,700,000	-	4,700,000	4,046,247	(653,753)	Lending through Fis was put on halt and reverted to direct lending
Mgt fees - C-YES	23,000,000	-	23,000,000	14,573,700	(8,426,300)	Decreased product relative to target market
Agrivijana fees	2,000,000	-	2,000,000	2,006,704	6,704	Increased uptake due to increased awareness
Processing fee -Hatchery	200,000	-	200,000	218,460	18,460	Product at launch stage ; awareness on going
Mgt fees - Easy -YES	5,500,000	-	5,500,000	5,532,980	32,980	Increased uptake due to increased awareness
Mgt fees - Direct Funding Loans	1,200,000	-	1,200,000	1,219,150	19,150	Increased uptake due to increased awareness
Interest from Direct Funding Loans	6,500,000	-	6,500,000	13,690,849	7,190,849	Increased awareness and marketing
Utilisation fee on loan guarantee scheme	-	-	-	631,997	631,997	Pilot phase
Interest on loan guarantee scheme	1,000,000	-	1,000,000	-	(1,000,000)	Pilot phase
Bid bond	-	-	-	198,000	198,000	Pilot phase
Migration Loan Financing Income	600,000	-	600,000	-	(600,000)	Pilot phase
LPO Processing fee	-	-	-	8,658,632	8,658,632	Increased awareness and marketing
Tuckshops rental	-	-	-	29,000	29,000	Pilot phase
	44,700,000	-	44,700,000	50,805,719	6,105,719	
Interest on Investments -Call deposits and bank balances						
Interest on call deposit	60,000,000	-	60,000,000	48,527,719	(11,472,281)	Increased lending ; less cash available for call deposits

Interest earned on Fund Accounts	-	-	991,678	991,678
	60,000,000	-	60,000,000	49,519,397
				(10,480,603)

Other income	-	-	519,387	519,387
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Income from donors and partners	87,848,000	-	87,848,000	-
	87,848,000	-	87,848,000	519,387
				(87,328,613)

Total income	569,508,000	-	569,508,000	445,345,405
				(124,162,595)

Expenses

Lending/ credit	65,000,000	-	65,000,000	62,797,455	2,202,545	Expected revenues not realised ; spent within realised revenues
Youth Enterprise Scheme Abroad	4,500,000	-	4,500,000	4,334,359	165,641	Expected revenues not realised ; spent within realised revenues
Commercial Infrastructure	3,500,000	-	3,500,000	1,635,538	1,864,462	Expected revenues not realised ; spent within realised revenues
Market Linkages	45,000,000	-	45,000,000	22,567,872	22,432,128	Expected revenues not realised ; spent within realised revenues
Capacity building for youth enterprises	2,000,000	-	2,000,000	1,109,010	890,990	Expected revenues not realised ; spent within realised revenues
YEDF Lobbying and Advocacy	18,500,000	-	18,500,000	13,176,276	5,323,724	Expected revenues not realised ; spent within realised revenues
Audit and Risk	8,500,000	-	8,500,000	1,806,400	6,693,600	Expected revenues not realised ; spent within realised revenues
Monitoring and Evaluation	5,960,000	-	5,960,000	3,535,192	2,424,808	Expected revenues not realised ; spent within realised revenues
Fundraising Engagement	2,000,000	-	2,000,000	-	2,000,000	
	154,960,000	-	154,960,000	110,962,102	43,997,898	
Human Capital Expenses						
Staff Training	5,000,000	-	5,000,000	2,946,345	2,053,655	Expected revenues not realised ; spent within realised revenues
ISO Certification	2,900,000	-	2,900,000	2,203,286	696,714	Final stages faced delays
Performance Appraisal and Benchmarki	1,100,000	-	1,100,000	1,024,535	75,465	Event combined with other activities
Personel salary and emoluments	229,000,000	-	229,000,000	227,670,595	1,329,405	Freeze on employment by Chief of staff
Wages for internship programme	2,200,000	-	2,200,000	1,435,174	764,826	Expected revenues not realised ; spent within realised revenues
Group life and Personal Accident Cover	2,600,000	-	2,600,000	2,568,835	31,165	Prudent spending
Staff Uniforms	1,400,000	-	1,400,000	-	1,400,000	Austerity measures dictated only essential expenditure is approved

Medical Expenses	19,500,000	-	19,500,000	16,694,140	2,805,860	Expected revenues not realised ; spent within realised revenues
Staff Welfare	9,000,000	-	9,000,000	7,885,985	1,114,015	Expected revenues not realised ; spent within realised revenues
Gratuity CEO's	560,000	-	560,000	-	560,000	Expected revenues not realised ; spent within realised revenues
Gratuity CO & Contract off	15,500,000	-	15,500,000	13,761,256	1,738,744	Expected revenues not realised ; spent within realised revenues
Mainstreaming, Sensitization & Surveys	1,000,000	-	1,000,000	-	1,000,000	Expected revenues not realised ; spent within realised revenues
	289,760,000	-	289,760,000	276,190,151	13,569,849	
Board Expenses						
Board Allowance	7,400,000	-	7,400,000	7,210,384	189,616	Expected revenues not realised ; spent within realised revenues
Board Transport	2,100,000	-	2,100,000	2,082,220	17,780	Expected revenues not realised ; spent within realised revenues
Chairperson Honorarium	960,000	-	960,000	960,000	-	realised revenues
Board Exposure Visits	5,000,000	-	5,000,000	4,940,030	59,970	Expected revenues not realised ; spent within realised revenues
Board Training & Med.&Accident Insu	4,300,000	-	4,300,000	4,233,916	66,084	Expected revenues not realised ; spent within realised revenues
Board International Transport	200,000	-	200,000	-	200,000	Expected revenues not realised ; spent within realised revenues
Board Retreat	4,500,000	-	4,500,000	4,190,200	309,800	Expected revenues not realised ; spent within realised revenues
	24,460,000	-	24,460,000	23,616,750	843,250	
Depreciation						
Property, plant and equipment	-	-	-	47,120,250	(47,120,250)	
Intangible assets	-	-	-	7,863,275	(7,863,275)	
	-	-	-	54,983,525	(54,983,525)	
Repairs & Maintenance						
Motor vehicle fuel and repairs	19,000,000	-	19,000,000	18,033,675	966,325	
Motorcycles fuel and repairs	8,000,000	-	8,000,000	6,787,222	1,212,778	
	27,000,000	-	27,000,000	24,820,897	2,179,103	
Administrative expenses						
Travelling Costs	1,800,000	-	1,800,000	1,790,721	9,279	Austerity measures dictated only essential expenditure is approved
Telephone Costs	4,000,000	-	4,000,000	3,766,385	233,615	Enhanced controls to curb non-official use
Office Rent and Maintainance	28,400,000	-	28,400,000	28,278,495	121,505	Austerity measures dictated only essential expenditure is approved
Newspapers/Magazines/Journals	600,000	-	600,000	492,028	107,972	

Office Stationery	6,000,000	-	6,000,000	5,859,393	140,607	Controls put in place to curb non-official printing
Audit Fees	1,400,000	-	1,400,000	1,392,000	8,000	Austerity measures dictated only essential expenditure is approved
Legal Fees	2,000,000	-	2,000,000	1,981,682	18,318	Austerity measures dictated only essential expenditure is approved
Insurance for Motor Vehicle and Equipments	7,000,000	-	7,000,000	6,708,136	291,864	Favorable rates
Email Expenses	1,200,000	-	1,200,000	1,120,824	79,176	Austerity measures dictated only essential expenditure is approved
Soft Ware Support & Equipment Maintainance	300,000	-	300,000	74,357	225,643	Austerity measures dictated only essential expenditure is approved
Website Maintainance	100,000	-	100,000	7,650	92,350	Austerity measures dictated only essential expenditure is approved
Courier/Postal Services	4,000,000	-	4,000,000	3,911,663	88,337	Austerity measures dictated only essential expenditure is approved
Security Guards(Hq & Region)	1,028,000	-	1,028,000	862,500	165,500	Non-deployment as landlords provided the same
Regional Office AIE	10,000,000	-	10,000,000	8,233,162	1,766,838	Austerity measures dictated only essential expenditure is approved
Bank Charges	1,500,000	-	1,500,000	1,241,510	258,490	Austerity measures dictated only essential expenditure is approved
Provision for bad debts	-	-	-	87,558,633	(87,558,633)	Accounting standards dictates provision for the same
Enhancing funds image	4,000,000	-	4,000,000	3,106,980	893,020	Austerity measures dictated only essential expenditure is approved
	73,328,000	-	73,328,000	156,386,120	(83,058,120)	
Total expenditure	569,508,000	-	569,508,000	646,959,543	(77,451,543)	
Surplus /(Deficit) for the period	-	-	-	(201,614,139)	(46,711,052)	

I. NOTES TO THE FINANCIAL STATEMENTS

1. Statement of compliance and basis of preparation – IPSAS 1

The entity's financial statements have been prepared in accordance with and comply with International Public Sector Accounting Standards (IPSAS) and pronouncement of the Public Sector Accounting Standards Board (PSASB). The financial statements are presented in Kenya shillings, which is the functional and reporting currency of the entity. The accounting policies have been consistently applied to all the years presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the indirect method. The financial statements are prepared on accrual basis.

2. Summary of significant accounting policies

a) Revenue recognition

i) Revenue from non-exchange transactions – IPSAS 23

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 – IPSAS 9

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 – IPSAS 24

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.

e) Property, plant and equipment – IPSAS 17

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 reducing balance basis over their estimated useful lives at the following rates:

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 – IPSAS 13

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 – IPSAS 31

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 5years.

h) Financial instruments – IPSAS 29

Financial assets

Initial recognition and measurement

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

Loans and receivables

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

Held-to-maturity

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

Impairment of financial assets

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

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

i) Inventories – IPSAS 12

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Costs incurred in bringing each product to its present location and condition are accounted for, as follows:

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

After initial recognition, inventory is measured at the lower of cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost.

Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the Entity.

k) The revolving fund

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

m) Employee benefits – IPSAS 25

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 – IPSAS 4

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 – IPSAS 20

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

r) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to

known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the financial year.

s) Comparative figures

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

t) Significant judgments and sources of estimation uncertainty – IPSAS 1

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.

u) Financial Risk Management –IPSAS 30

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, 2015 is made up as follows;

	2014/15	2013/2014
Fully performing	2,023,279,826	1,954,131,800
Impaired	106,488,412	18,929,779
Total	2,129,768,238	1,973,061,579

v) Subsequent events – IPSAS 14

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, 2015.

3. Grants from GoK	2014/ 2015	2013/ 2014
	Shs	Shs
Income from Treasury	233,538,800	224,369,200
Capital grants amortised (Expenditure items directly linked to loans)	110,962,102	136,893,685
	344,500,902	361,262,885
 4. Donations	 -	 786,110
 5. Interest and management fees on loans		
Interest earned from FI's	4,046,247	5,866,739
Mgt fees - C-YES	14,573,700	18,677,165
Agrivijana fees	2,006,704	3,332,580
Default penalty-FI's	-	3,453,059
Processing fee -Hatchery	218,460	943,350
Mgt fees - Easy -YES	5,532,980	4,243,840
Mgt fees - Direct Funding Loans	1,219,150	797,360
Interest from Direct Funding Loans	13,690,849	3,952,385
Utilisation fee on loan guarantee scheme	631,997	369,955
Bid bond	198,000	12,000
LPO Processing fee	8,658,632	-
Tuckshops rental	29,000	-
Interest on KCB 1	-	-
	50,805,719	41,648,433
 6. Interest on Investments -Call deposits and bank balances		
Interest on call deposit	48,527,719	67,855,964
Interest on call deposit delays	-	2,271,196
Interest earned on Fund Accounts	991,678	1,890,893
	49,519,397	72,018,053
 7. Other income		
Sale of Tender documents	182,410	153,000
Surcharge	336,977	-
	519,387	153,000
 8. Programme expenses (Program Support expenditure)		
Lending/ credit	62,797,455	52,384,800
Youth Enterprise Scheme Abroad	4,334,359	53,734,569
Commercial Infrastructure	1,635,538	8,486,448
Market Linkages	22,567,872	22,813,873
Capacity building for youth enterprises	1,109,010	2,664,408
YEDF Lobbying and Advocacy	13,176,276	958,200
Research Unit	-	5,809,446
Audit and Risk	1,806,400	17,939,365
Monitoring and Evaluation	3,535,192	7,848,315
	110,962,102	172,639,423

9. Human Capital expenses	2014/ 2015	2013/ 2014
	Shs	Shs
Staff Training	2,946,345	7,362,715
ISO Certification	2,203,286	10,921,411
Performance Appraisal and Benchmarking	1,024,535	-
Personel salary and emoluments	227,670,595	226,944,602
Wages for internship programme	1,435,174	1,665,148
Group life and Personal Accident Cover	2,568,835	2,012,133
Staff Uniforms	-	741,730
Medical Expenses	16,694,140	15,113,323
Employee Survey	542,495	1,174,007
Staff Welfare	7,343,490	7,966,786
Gratuity	13,761,256	33,964,488
	276,190,151	307,866,343
10. Board Expenses		
Board Allowance	7,210,384	7,104,824
Board Transport	2,082,220	1,145,694
Chairperson Honorarium	960,000	680,000
Board Exposure Visits	4,940,030	5,339,037
Board Retreat	4,190,200	-
Board Training & Med.&Accident Insu.&Misc.	4,233,916	1,205,041
Board International Transport	-	1,058,647
	23,616,750	16,533,243
11. Depreciation and amortization expense		
Property, plant and equipment	47,120,250	25,859,335
Intangible assets	7,863,275	6,302,092
	54,983,525	32,161,427
12. Repairs and maintenance		
Motor vehicle fuel and repairs	18,033,675	12,207,208
Motorcycles fuel and repairs	6,787,222	10,494,583
	24,820,897	22,701,791

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13. General Expenses	2014/ 2015	2013/ 2014
	Shs	Shs
Travelling Costs	1,790,721	3,534,350
Telephone Costs	3,766,385	3,239,508
Office Rent and Maintainance	28,278,495	20,595,210
Office Partitioning & Facelift	-	485,000
Newspapers/Magazines/Journals	492,028	535,876
Office Stationery	5,859,393	4,376,602
Audit Fees	1,392,000	1,392,000
Legal Fees	1,981,682	9,123,460
Insurance for Motor Vehicle and Equipments	6,708,136	5,171,667
Email Expenses	1,120,824	1,542,440
Soft Ware Support & Equipment Maintainance	74,357	578,530
Website Maintainance	7,650	15,300
Courier/Postal Services	3,911,663	1,604,865
Security Guards(Hq & Region)	862,500	207,000
Office utilities	-	523,561
Regional Office AIE	8,233,162	8,432,754
Bank Charges	1,241,510	1,265,094
Tax in credit interests Fund Activities	-	403,539
Provision for bad debts	87,558,633	15,368,899
Enhancing Fund image	3,106,980	21,791,438
	156,386,119.58	100,187,093.40
 14. Cash and cash equivalents		
Bank		
Kenya Commercial Bank	17,070,297	100,121,499
Equity Bank	2,330,807	27,988,224
Safaricom -Mpesa	116,252	682,641
	19,517,356	128,792,364
Cash-on-hand and in transit	202,059	33,888
Short term deposits		
Chase Bank	219,815,145	400,000,000
Kenya Commercial Bank	-	252,000,000
	219,815,145	652,000,000
Total	239,534,559	780,826,252

15. Receivables from exchange transactions	2014/ 2015	2013/ 2014
	Shs	Shs
Current receivables		
Trade debtors	1,888,715,248	1,382,421,732
Other exchange debtors	3,645,358	3,121,287
Less: impairment allowance	(106,488,412)	(18,929,779)
Total current receivables	1,785,872,194	1,366,613,240
Non-current receivables		
Loans	167,592,488	337,518,560
Credit guarantee scheme	250,000,000	250,000,000
Less: impairment allowance	-	-
Total non-current receivables	417,592,488	587,518,560
Total receivables	2,203,464,682	1,954,131,800
16. Receivables from non-exchange contracts		
Current receivables		
Prepayments	17,983,689	951,594
Less: impairment allowance	-	-
Total current receivables	17,983,689	951,594
17. Inventories		
Consumable stores	6,085,991	2,727,728.00
Hatcheries	172,140,000	177,460,000
	178,225,991	180,187,728
Total inventories at the lower of cost and net realizable value		

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NOTES TO THE FINANCIAL STATEMENTS

18. Property, plant and equipment

Year ended 30 June 2014	Motor Vehicles	Furniture and Fittings	Computers & Accessories	Motorcycles	Total
	Shs	Shs	Shs	Shs	Shs
Cost					
At start of the period	46,764,716	25,290,617	32,166,355	65,578,000	169,799,688
Additions	-	2,571,250	14,697,210	-	17,068,460
Disposals	-	-	-	-	-
At end of the period	46,764,716	27,661,867	46,863,565	65,578,000	186,868,148
Depreciation					
At start of the period	20,884,073	7,576,766	20,527,189	33,178,422	82,167,050
Disposals	-	-	-	-	-
Charge for the period	6,470,011	2,510,638	8,778,792	8,099,895	25,859,335
At end of the period	27,354,084	10,087,403	29,305,981	41,278,316	108,026,385
Net book value as at 30th June 2014	19,410,633	17,574,464	17,557,584	24,299,684	78,841,764

Year ended 30 June 2015

Year ended 30 June 2015	Motor Vehicles	Furniture and Fittings	Computers & Accessories	Motorcycles	Total
	Shs	Shs	Shs	Shs	Shs
Cost					
At start of the period	46,764,716	27,661,867	46,863,565	65,578,000	186,868,148
Additions	12,615,448	58,745,353	53,009,926	-	124,370,727
Disposals	-	-	-	-	-
At end of the period	59,380,164	86,407,220	99,873,491	65,578,000	311,238,876
Depreciation					
At start of the period	27,354,084	10,087,403	29,305,981	41,278,316	108,026,385
Disposals	-	-	-	-	-
Charge for the period	8,006,376	9,539,977	23,498,981	6,074,921	47,120,249
At end of the period	35,360,460	19,627,380	52,804,962	47,353,237	155,146,033
Net book value as at 30th June 2015	24,019,704	66,779,840	47,068,529	18,224,763	156,092,242
19. Investment Property					
Commercial Infrastructure- Building of Bus Shelters	Shs				
					1,657,985.00

NOTES TO THE FINANCIAL STATEMENTS

20. 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 2014

Cost	Shs
At start of the period	18,930,965
Additions	<u>14,629,494</u>
At end of period	<u>33,560,459</u>
Amortization	
At start of the period	8,541,471
Charge for the period	<u>6,302,092</u>
At end of the period	<u>14,843,563</u>
Net book value as at 30 June 2014	<u><u>18,716,896</u></u>

Year ended 30 June 2015

Cost	Kshs
At start of the period	33,560,459
Additions	<u>11,605,918</u>
At end of period	<u>45,166,377</u>
Amortization	
At start of the period	14,843,563
Charge for the period	<u>7,863,275</u>
At end of the period	<u>22,706,838</u>
Net book value as at 30 June 2015	<u><u>22,459,539</u></u>

21. Trade and other payables from exchange transactions	2014/ 2015	2013/ 2014
	Shs	Shs
Trade payables	48,005,996	45,955,891
Interest received in advance	-	1,860,599
Audit fees	1,392,000	2,592,000
Provision for gratuity	47,381,388	33,927,032
Salary Deductions	9,114,634	8,555,600
Total trade and other payables	105,894,017.83	92,891,122

22. Related party Transactions

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

Key management compensation	2014/ 2015	2013/ 2014
	Shs	Shs
Salaries and other short-term employment benefits	24,616,560.00	24,199,032
Directors remuneration and allowances	23,616,750.00	16,533,243
	48,233,310.00	40,732,275.00

23. Accumulated funds

	2014/ 2015	2013/ 2014
	Shs	Shs
Balance b/f	(114,200,575)	59,913,254
Add : Surplus (Deficit) for the year	(201,614,139)	(176,220,841)
Prior year Adjustment	-	2,107,012
	(315,814,714)	(114,200,575)

24. Revolving fund

	2014/ 2015	2013/ 2014
	Shs	Shs
Balance b/f	3,034,965,485	3,040,414,170
Add: Received during the year	105,336,000	131,445,000
Capital grants amortised	(110,962,102)	(136,893,685)
	3,029,339,383	3,034,965,485

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.

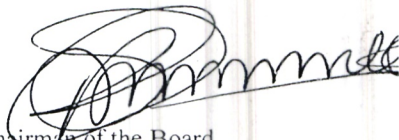
PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS

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	Financial performance	Prudential management has led to improved performance compared to previous year.	CEO/FM	Ongoing	By 30 th June 2016
2	Supply of Micro Computer Automatic Hatching Machines	The Fund has recorded marked improvement in uptake of the product relative to prior years. The credit department is working on a strategy to increase uptake.	LIM	Ongoing	Contingent on determination of court case
3.1	KCB Repayment Account	Co-operation between bankers, finance and credit proved key in identifying depositors	FM	Resolved	
3.2	Suspense Account	Co-operation between bankers, finance and credit proved key in identifying depositors	FM/LIM	Resolved	
4.1	Outstanding imprest	Employees in question have court cases at various stages of adjudication. Their final dues are yet to be paid.	FM/HR/LEGAL	Ongoing	June 2016
4.2	Financial intermediaries	The fund recorded marked improvement in collection with 110M having been repaid. This compares favourably with for the prior year.	LIM	Ongoing	June 2016

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)
4.3	Welfare Group Loans	Meetings with local administrators are scheduled to help trace loanees	LIM	Ongoing	June 2016
4.4	Loans repaid unidentified	Co-operation between bankers, finance and credit proved key in identifying depositors	FM/LIM	Resolved	


 Chief Executive Officer
 Date: 27/6/17


 Chairman of the Board
 Date: 27/06/17