

REPUBLIC OF KENYA



OFFICE OF THE AUDITOR-GENERAL

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REPORT

DATE: 23 JUN 2019

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TUESDAY

OF

TABLED
BY:

MAJORITY WHIP

CLERK-AT
THE-TABLE:

THE AUDITOR-GENERAL

ON

**THE FINANCIAL STATEMENTS OF
YOUTH ENTERPRISE
DEVELOPMENT FUND**

**FOR THE YEAR ENDED
30 JUNE 2017**

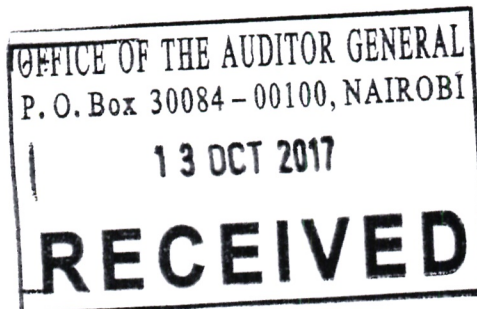




ANNUAL REPORT AND FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30TH JUNE 2017**

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



I.	CORPORATE KEY INFORMATION AND MANAGEMENT	iv
II.	CHAIRMAN'S STATEMENT	ix
III.	REPORT OF THE CHIEF EXECUTIVE OFFICER	ix
IV.	CORPORATE GOVERNANCE STATEMENT	x
V.	MANAGEMENT DISCUSSION AND ANALYSIS	x
VI.	CORPORATE SOCIAL RESPONSIBILITY STATEMENT	xi
VII.	REPORT OF THE BOARD OF DIRECTORS	xi
VIII.	STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES	xii
IX.	STATEMENT OF FINANCIAL PERFORMANCE.....	1
X.	STATEMENT OF FINANCIAL POSITION	2
XI.	STATEMENT OF CHANGES IN NET ASSETS.....	3
XII.	STATEMENT OF CASH FLOWS	4
XIII.	STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS.....	5-8
XIV.	NOTES TO THE FINANCIAL STATEMENTS	9-21
XV.	PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS	22-23

VISION

A sustainable and growing Fund, economically empowering Kenyan Youth.

MISSION

To increase economic opportunities for, and participation by Kenyan youth in nation building through enterprise development and strategic partnerships.

CORE VALUES

- Creativity and innovation
- Equity and fairness
- Professionalism
- Value collaboration
- Patriotism
- Integrity and accountability

(a) Corporate Headquarters

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

(b) Contacts

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

(c) 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
Office of the Auditor General
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

I. CORPORATE KEY 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 Public Service, Youth and Gender Affairs 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 Cabinet Secretary in charge of Public Service, Youth and Gender Affairs.

(b) Principal Objectives

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) The Board of Directors

Composition of the Board of Directors

The Board is made up of 12 Directors, out of whom 5 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.

The following were the members of the Board of Directors for the financial year 2016/17:

Director		Appointment Date
Mr. Ronald Osumba	Chairman	24 June 2016
Ms. Faith N Kibet	Member	31 May 2016
Mr. Suleiman A Ali	Member	31 May 2016
Mr. Benson Kitoo Mutemi	Member	31 May 2016
Ms. Juliet Obaga Nyanga'i	Member	31 May 2016
Ms. Caroline Amondi Oloo	Member	31 May 2016
Ms. Julie Waweru	Member	31 May 2016
Mr. James Kiiru	Member	31 May 2016
Ms. Mercy Muthoni Njeru	Member	15 July 2016
Mr. Albert Kobia Wakamau	Alternate to PS MPSYA	4 May 16 Upto Dec 13 2016
Mr. Dennis Mutuku	Alternate to PS MPSYA	13 Dec 2016
Ms. Edna Atisa	Alternate to PS, National Treasury	16 May 2016
Mr. Josiah Arabu Moriasi	Chief Executive Officer/Secretary	1 Nov 2016

d) Board of Directors 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 quality appropriate to enable it to discharge their duties.

e) Fiduciary Oversight Arrangements

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

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

Audit, Risk and Compliance Committee

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

- Governance
- Risk
- Compliance
- Audit

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

Mr. Benson Mutemi	Chairman
Ms. Caroline A. Oloo -	Member
Mr. Suleiman Abdinur	Member
Ms. Edna Atisa	Member
Ms Julie Waweru	Member
Mr. Albert Kobia	Member Upto Dec 13, 2016
Mr. Emmanuel Odero	Secretary

Operations Committee

The committee reviews and approves the operations related to;

- Human Resources
- Finance

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

Ms. Juliet Nyang'ai	Chairperson
Ms. Julie Waweru	Member
Mr. Suleiman Abdinur	Member
Ms. Edna Atisa	Member
Ms. Faith Kibet	Member
Ms. Mercy Muthoni Njeru	Member
Mr. Josiah Moriasi Arabu	Chief Executive Officer/Secretary

Policy, Strategy & Development Committee

The committee was newly constituted which review and approve the operations related to;

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

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

Ms. Faith Kibet	Chairperson
Ms. Juliet Nyang'ai	Member
Mr. Benson Mutemi	Member
Ms. Mercy Muthoni Njeru	Member
Ms. Caroline A. Oloo	Member
Mr. Albert Kobia	Member upto Dec 13, 2016
Mr. Dennis Mutuku	Member from Dec 13, 2016
Mr. Josiah Moriasi Arabu	Chief Executive Officer/Secretary

f) Key Management Establishment

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

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

g) Fiduciary Management Team

The key management personnel who held office during the year ended 30th June 2017 and who had direct fiduciary responsibility were:

Management Team

Designation	Name of Job Holder
Chief Executive Officer	Mr. Josiah Arabu Moriasi
Lending & Investment Manager	Ms. Judy Kimeto
Ag. Finance Manager	Mr. Robert Mrima
Audit, Monitoring & Evaluation Manager	Mr. Emmanuel Odero
Human Resource Manager	Ms. Truphenah Omung'ala
Public Relations Manager	Mr. Benson Muthendi
Supply Chain Manager	Mr. George Ouma
Company Secretary	Vacant

BOARD OF DIRECTORS



Mr. Ronald Osumba,
Chairman
Tutu Fellow, Aspen
Institute Graduate, Crans
Montana Leader of
tomorrow, Masters in Public
Policy Mgt(MPPM)
(Ongoing) Bachelors in
Business Mgt

**Date of Birth – 18th
August 1979**



James Kiiru
*MA Economics; BA
Economics*

**Year of Birth – 10th
November 1966**



Juliet Nyang'ai
*Advocate of The
High Court of
Kenya, LSK,
FIDA, ICJ,
EALS*



Faith Kibet
*BA (Public
adminstration &
Linguistics) ; Dip
Development studies
Date of Birth - Nov.
1984*



Suleiman Abdi Noor
Ali
**Bachelors in Business
Administration**

**Date of Birth – Dec .
1963**



Caroline Amondi
Oloo
*LLM, LLB, Dip
(KSL); Member
LSK, Fida, MTI-I*

**Date of Birth – 10th
March 1973**



Julie N. Waweru
*BBA (Finance &
Accounting),
MBA (Finance),
Date of Birth –
May 1981*



Dennis Mutuku



Benson Kitoo Mutemi
Bachelor of Education

**Date of Birth – Jan.
1989**



Ms. Edna Atisa
**BA (Economics), MA
(Economics)**

**Date of Birth – 23rd
September 1977**



Mercy Muthoni Njeru, HSC, MKIM, PHD Leadership and governance- ongoing, MBA Strategic Mgt, BBA Acc & Finance, Diploma in Cooperative Mgt, Member Kenya Institute of Management
Date of Birth March 3, 1967



Josiah Arabu Moriasi
Chief Executive Officer

Phd (Finance) Ongoing, MBA (Finance), B.Ed, CPS(K), CIFA(K), DHRM

SENIOR MANAGEMENT TEAM



Josiah Arabu Moriasi
Chief Executive Officer

Phd (Finance) Ongoing, MBA (Finance), B.Ed, CPS(K), CIFA(K), DHRM



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



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



CPA Robert Mrima
Ag. Finance Manager
MBA Finance Ongoing, B.Com (Accounting)



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



Mr. George Ouma

Supply Chain Manager

Vacant

Company Secretary

II. CHAIRMAN'S STATEMENT

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

The Fund has recorded tremendous success in its endeavour to support budding entrepreneurs. Since inception, It has advanced over Kshs. 11.35 billion to about 948,000 youth, some directly and others through partnering financial intermediaries. It has also trained over 360,000 youth in entrepreneurship and supported 5,600 to market their products through organized trade fairs. In addition, the Fund has facilitated 25,900 youth to obtain employment abroad. Many of the initial beneficiaries of the Fund are prominent entrepreneurs who are making a significant contribution to the economic wellbeing of the country.

The Fund continue to use the feedback received from its clients to diversify the products so that they address regional and individual differences. 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 were opened to coordinate services at the grassroots. We are intending to open offices at County level, which will enhance partnership between the Fund and County governments.

In the financial year 2016/2017, The Youth Employment Scheme Abroad (YESA) secretariat at managed to facilitate a total of 5,039 youths to secure jobs abroad. This is a one stop shop where youth obtain information on jobs, acquire travel documents and migration loans as well as training. The secretariat works closely with other stakeholders and government agencies to seek opportunities for youths abroad, market their skills and assist them obtain relevant documents.

Furtherance to the Access to Government Procurement Opportunities program, the Fund allocated Kshs 63.6 Million which is 66.4% based on the total spent in the procurement budget which is way above the 30% threshold required by government with a total 10, 353 youths sensitised on AGPO. Similarly, a total of 60,076 youths were trained on basic business management skills with a view to make them optimise use of the loan facilities as they finance their businesses.

The implementation of the first phase of the Enterprise Resource Planning (ERP) system is almost complete and is expected to be finalised by the end of the first quarter of the next financial year. This is expected to revolutionise how the Fund discharges its mandate with efficiency expected to improve markedly. 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.

III. REPORT OF THE CHIEF EXECUTIVE OFFICER

The Fund maintained an upward trajectory in its achievement of its overall mandate.

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 2016/2017 include;

1. The Fund re-engineered its product offering to align itself with evolving market trends. This led to new products as well as revamping and upscaling existing loan products. A total of Kes 352 Million was disbursed during the year under review.
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 5,039 youths were assisted to secure employment abroad and sensitized on available jobs abroad.
3. The Fund has continued to link the Kenyan Youth to Markets. During the year under review, 2,293 youth were invited and facilitated to participate in various Exhibitions, Trade fairs as well as ASK Shows among others. Youths were afforded an opportunity to showcase their products and meet other like-minded business people for future partnerships.

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

IV. CORPORATE GOVERNANCE STATEMENT

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

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

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

V. MANAGEMENT DISCUSSION AND ANALYSIS

The Fund experienced improved performance of +12.3% compared to prior year largely buoyed by prudent financial management. This is expected to be sustained in the intervening years as the Fund capitalises on the investment in information communication technology which project is expected to be finalised in the next financial year. The project is expected to boost the Fund's operational efficiency across the board. Furthermore, the management is cognisant of the fact that the Fund's financial performance is on the deficit and intends to come up with a turn-around strategy with a committee having been appointed to spearhead the same. The Fund has met its statutory obligations in entirety and does not anticipate any cash outflows resulting from non-compliance.

VI. CORPORATE SOCIAL RESPONSIBILITY STATEMENT

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

- i. Sensitization of youth on economic empowerment, peace and drug abuse in partnership with the National Authority for the Campaign Against Drug Abuse (NACADA), the National Cohesion and Integration Commission (NCIC) and the Ministry of Interior and Coordination of National Government.
- ii. Sponsoring the dissemination of a research report on the millennials. The millennials are a cohort consisting of individuals born between 1982 and 2004. The report presented findings on how the millennials are redefining the work place and recommendations on how human resource managers should plan for them.

VII. REPORT OF THE BOARD OF DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2017 which shows the state of the Fund's affairs.

Results

The results of the Fund for the year ended 30th June 2017 are set out on page 1.

Board of Directors

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

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

Josiah Moriasi Arabu
Chief Executive Officer
Nairobi

Dated.....

VIII. STATEMENT OF BOARD OF DIRECTORS' RESPONSIBILITIES

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


The Directors are responsible for the preparation and presentation of the Fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on June 30, 2017. This responsibility includes: (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period; (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the Fund; (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud; (iv) safeguarding the assets of the Fund; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.


The Directors accept responsibility for the 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 (IPSAS), and in the manner required by the PFM Act, 2012 and (the State Corporations Act). The Directors are of the opinion that the Fund's financial statements give a true and fair view of the state of Fund's transactions during the financial year ended June 30, 2017, and of the Fund's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained for the Fund, which have been relied upon in the preparation of the Fund's financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the Directors to indicate that the Fund will not remain a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The Fund's financial statements were approved by the Board on _____ 2017 and signed on its behalf by:


Director
JULIET O. NYANG'AA


Director
Faith N. Kibet


Director
CHAIRMAN

REPUBLIC OF KENYA

Telephone: +254-20-342330
Fax: +254-20-311482
E-mail: oag@oagkenya.go.ke
Website: www.oagkenya.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 2017

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I have audited the accompanying financial statements of the Youth Enterprise Development Fund set out on pages 1 to 21, which comprise the statement of financial position as at 30 June 2017, and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015.

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

In addition, as required by Article 229(6) of the Constitution, I have not been able to obtain sufficient appropriate audit evidence to confirm that public money has been applied lawfully and in an effective way.

Basis for Disclaimer of Opinion

1. Late Submission of Financial Statements

Contrary to the requirements of Section 84 of the Public Finance Management Act, 2012, the financial statements of Youth Enterprise Development Fund for the year ended 30 June 2017 were not submitted to the Auditor-General within three months after the end of the financial year but on 13 October 2017, which was thirteen days after the prescribed date of submission. No satisfactory explanation has been provided for failure to comply with the law.

2. Programme Expenses

The statement of financial performance for the year ended 30 June 2017 reflects programme expenses totalling Kshs.93,301,378 and as detailed and disclosed in Note 8 to the financial statements. The following unsatisfactory matters have been noted with regard to the programme expenses:

Report of the Auditor-General on the Financial Statements of Youth Enterprise Development Fund for the year ended 30 June 2017

2.1. Lending/Credit Expenses

2.1.1. Disclosed at Note 8 to the financial statements are lending/credit expenses totalling Kshs.31,509,760. These expenses include an amount of Kshs.8,220,000 paid to a firm of advocates to institute recovery proceedings for an outstanding amount of Kshs.100,000,000 and interest of Kshs.342,693 in respect of monies advanced to Rafiki Microfinance Bank for onward lending to youth groups that never happened. However, the payment to the law firm had the following anomalies:

- (i) The contract document which was used to procure the services of the firm of advocates and to support the payment had expired on 30 June 2016 and was therefore not valid.
- (ii) The legal services were procured through direct procurement contrary to the provisions of Section 103 of the Public Procurement and Asset Disposal Act 2015.
- (iii) Although the Fund is a public entity, it sought the services of private advocates without obtaining permission of the Attorney General contrary to the provision of Article 156(4)(b) of the Constitution of Kenya.

2.1.2. The Fund also paid an amount of Kshs.3,710,962 in respect of legal fees covering demand and filing suit against an intermediate defaulter with an outstanding debt of Kshs.7,500,000. The following anomalies were similarly noted with regard to this payment:

- (i) No procurement details were provided for audit examination.
- (ii) The legal service provider was single sourced.
- (iii) The Legal fee paid was more than 50% of the amount demanded or debt to be recovered.
- (iv) Non-compliance with Article 156(4)(b) of the Constitution of Kenya since the Fund did not obtain a no objection approval from the Attorney General to engage private legal service providers.

Consequently, the funds totalling Kshs.11,930,962 spent on the above legal expenses were not applied lawfully and in an effective manner.

2.2. Capacity Building for Youth Enterprises

2.2.1. Disclosed also at Note 8 to the financial statements is an expenditure of Kshs.18,242,599 in respect of capacity building for youth enterprises. The amount includes Kshs.804,932 in respect of sensitization on affirmative funds and which was supported by several cash receipts. However, no documents were attached to the cash receipts to show the procurement method used to obtain goods or services paid for. In addition, an amount of Kshs.91,000 indicated to have been paid to participants had no

listing signed off by recipients or details of how they were identified, invited and basis of setting the amount paid to each participant.

2.2.2. Included in the capacity building for youth enterprises expenditure of Kshs.18,242,599 is an amount of Kshs.3,087,000 paid to a consultancy firm for provision of national sensitization campaign services. The amount represents 70% payment for the contract sum of Kshs.4,410,000. However, the following anomalies have been noted with respect to the payment:

(i) No contract documents were provided for audit examination to show the terms of reference including timelines, deliverables, amounts payable and terms of payment.

(ii) Although the procurement was claimed to have been recommended by an evaluation committee, no documentary evidence in form of evaluation committee minutes and respective professional opinion of the head of procuring unit was provided for audit verification.

(iii) No documentary evidence was provided to show the works or service undertaken. In addition, no interim or final report was provided to show the progress or completion of the project and to justify payment of 70% of the contract sum.

2.3. Market Linkages

2.3.1. Disclosed at Note 8 of the financial statements is an expenditure of Kshs.9,860,632 for market linkages. This amount includes Kshs.1,038,200 paid to a consultant in respect of the Fund's website launch and rapid results initiatives. However, the following anomalies have also been noted regarding the payment:

(i) No supporting documentation was provided for audit verification to show how the service provider was sourced and procured.

(ii) The function was held at a hotel against the approval that had been granted to hold the function at the Fund's boardroom. Approval for change of venue was not provided for audit verification.

(iii) The payment of Kshs.1,038,200 was made on 15 August 2016 while the service was purportedly rendered a day later on 16 August 2016 and therefore the payment was not supported by certification of satisfactory delivery of service.

2.3.2. In addition, the market linkages expenditure of Kshs.9,860,632 includes an amount of Kshs.1,965,000 in respect of supply and delivery of T-shirts which had the following anomalies:

(i) No supporting documentation was provided to show how the five service providers invited to bid for the supply were identified since the Fund had no prequalified suppliers.

(ii) Documentary evidence was not provided for verification on professional opinion made by the head of procuring unit in support of the award of the contract to the selected supplier.

Under the circumstances the validity, propriety and accuracy of the programme expenses of Kshs.93,301,378 can not be confirmed.

3. Investment Property

3.1. As reported in the previous years, the investment property balance of Kshs.35,176,712 shown in the statement of financial position as at 30 June 2017 (2015/2016 – Kshs.18,622,414) and disclosed in Note 20 to the financial statements relates to bus shelters constructed by the Fund in public places on land which did not belong to the Fund. The property does not satisfy the conditions set out under International Public Sector Accounting Standard (IPSAS) 16 paragraphs 7 to 9 and therefore does not qualify to be accounted for as investment property.

3.2. The balance of Kshs.35,176,712 under investment property includes additions for the year (2016/2017) amounting to Kshs.17,272,190 for which procurement documents detailing the sourcing and awarding of contracts were not provided for audit verification. In addition, the depreciation charge for investment property is at a rate of 2% per annum translating to a period of fifty years whereas the agreement between the Fund and the respective County Government gives the Fund a duration of fourteen years for usage. This therefore implies there is an undercharge in depreciation against investment property amounting to Kshs.1,368,222 per annum and an equivalent overstatement in the investment property balance.

4. Property Plant and Equipment

4.1 The following matters in respect of property plant and equipment although reported in the previous years have not been resolved to date :

(i) In the year 2014/2015, the Fund spent Kshs.1,980,000 on purchase of iPad tablets for the board of directors. The directors who were issued with the tablets have since left the service and as a result the physical existence of the tablets cannot be ascertained.

(ii) In the year 2014/2015, the management procured mobile phones for Kshs.400,000. The phones were subsequently written off. Approval for the write offs has not, however, been provided for audit review.

(iii) The Fund acquired 50 laptops, desk top computers and printers in 2014/2015. However, on verification, four laptops valued at Kshs.119,840 each and one printer valued at Kshs.87,000 were found to be missing. Management has to date not provided evidence indicating how it is addressing the issue of loss of these assets.

4.2. The following anomalies have been noted regarding property plant and equipment balance of Kshs.131,320,047 as reflected in the statement of financial position and disclosed in Note 19 of the financial statements:

(i) The balance includes additions in relation to partition works amounting to Kshs.16,486,068 undertaken by a contractor who was procured through restrictive tendering without justification. Further, the bills of quantities as prepared by Directorate of Public Works totalling Kshs.19,196,633 were amended to Kshs.16,487,068 through elimination of some bill items after the tender had been awarded.

(ii) The property plant and equipment figure of Kshs.131,320,047 includes partitions at a cost of Kshs. 35,983,375 for the Lonrho House offices which the Fund ceased using. This effectively overstates the value of property plant and equipment by the Kshs.35,983,375 less accumulated depreciations of Kshs.4,497,922.

(iii) The property plant and equipment balance includes office furniture and ICT equipment additions amounting to Kshs.5,710,700 whose procurement documents were not provided for audit verification. Consequently, it has not been possible to establish how the suppliers were identified and awarded the contracts, and whether value for money was obtained in respect of the expenditure of Kshs.5,710,700.

Under the above circumstances, the accuracy, valuation and validity of property plant and equipment balance of Kshs.131,320,047 cannot be ascertained as at 30 June 2017.

5. Intangible Assets

5.1. The statement of financial position as at 30 June 2017 reflects intangible assets balance of Kshs.64,399,463 out of which assets with a total cost of Kshs.2,670,648 acquired in the financial year 2014/2015 as reported in the previous year still have no supporting documents. In addition, and as reported in the previous year, the intangible assets include cabling and networking acquired at a cost of Kshs. 6,612,686 and additions amounting to Kshs. 1,980,000 which do not qualify as intangible assets in line with International Public Sector Accounting Standard (IPSAS) 31.

5.2. Further, the current year's additions to intangible assets of Kshs.61,736,606 as reflected in Note 21 to the financial statements includes an Enterprise Resource Planning Software (ERPS) acquired at a cost of Kshs.54,960,000. However, procurement and supporting documents relating to the ERPS were not made available for audit verification as they were reportedly being held by Ethics and Anti-Corruption Commission. The enterprise resource planning software though already capitalized in the Fund's books of account is yet to be operational.

Consequently, the accuracy and the valuation of the intangible assets balance of Kshs.64,399,463 can not be confirmed.

6. General Expenses

The statement of financial performance reflects expenditure totalling Kshs.78,742,239 under general expenses. Included in the general expenses is Kshs.31,649,101 for office rent and maintenance as disclosed under Note 14 to the financial statements, which further includes an amount of Kshs.1,322,400 paid in respect of office space at Lonrho house. The space was no longer occupied by the Fund during the year under review thus resulting in an overstatement of the expenditure by that amount.

7. Receivables from Non-Exchange Transactions

The statement of financial position reflects a balance of Kshs.16,536,240 under receivables from non-exchange transactions and as disclosed under Note 17 to the financial statements. The schedule provided in support of the account balance indicated prepayments amounting to Kshs.16,061,713 against the reported balance of Kshs.16,536,240 resulting in a variance of Kshs. 474,527 which has not been explained or reconciled.

8. Receivables from Exchange Transactions

8.1. Trade Debtors

8.1.1. The statement of financial position reflects under current assets receivable from exchange transactions balance of Kshs. 1,894,965,434 and which as disclosed in Note 16 to the financial statements relates to current receivables. The balance consists of trade debtors balance of Kshs. 1,997,889,427 and other exchange debtors of Kshs.2,162,771 less general provision and suspense account of Kshs. 94,241,497 and Kshs.10,845,268 respectively relating to trade debtors for the year 2016/2017. However, out of the trade balance of Kshs.1,997,889,427, only Kshs.673,499,867 is supported by detailed listings leaving unexplained and unreconciled balance of Kshs.1,324,389,560.

8.1.2. In addition, information available indicates that the Fund issued different types of loans to various organizations and individuals as summarized below:

S/No.	Loan type	Schedule Amounts (Kshs.)
1.	Agri Vijana Loans	53,983,462
2.	Chase Bank Receivables	180,184,855
3.	Direct Funding	181,488,470
4.	Utilization fee	342,693
5.	LPO financing	109,558,717
6.	E-Yes/C-Yes	147,941,670
	Total	673,499,867

However, the accuracy of the balance of Kshs. 673,499,867 as at 30 June 2017 can not be confirmed as the amount do not tally with the gross loans advance as reported in the financial statements. Further, no detailed ageing analysis was provided to support the above loan balances.

8.1.3. As reported in the previous year, the total current receivables balance of Kshs.1,894,965,434 as at 30 June 2017 (2016 – Kshs.1,926,331,753) receivable from exchange includes amounts of Kshs.505,408,425 (2016 – Kshs.377,716,868) in respect of interest, penalties and principal from financial intermediaries and Kshs.299,801,000 (2016 – Kshs.208,920,140) relating to long outstanding default penalties whose recoverability is doubtful. Management has not provided any status report or demonstrated efforts made so far to recover the outstanding amounts.

8.2. Welfare Group Loans

As previously reported in 2015/2016, receivables from exchange transactions include loan 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 respectively. These welfare groups have never been traced for purposes of confirming the outstanding loans and their recoverability. The balances have remained the same in the current year.

8.3. Other Exchange Debtors

The current receivables from exchange transactions figure of Kshs.1,894,965,434 include staff imprests of Kshs.4,047,830 under exchange debtors some dating back to August 2011. The staff imprests further include Kshs.2,090,065 and Kshs.292,800 which were irregularly issued to the former Chief Executive Officer and Board Chairman respectively.

8.4. Impairment Loss Provision

The current receivables from exchange transaction balance of Kshs.1,894,965,434 as detailed in Note 16 to the financial statements is net off an impairment of Kshs.94,241,497 and an unidentified and unsupported loan repayment amounting to Kshs.10,845,268. However, the impairment computed at 5% of the outstanding loan balance as at end of the period has not been backed by any previous trend or Fund policy.

8.5. Default Penalty on Loans to Financial Intermediaries

As reported in the year 2015/2016, included in trade debtors balance of Kshs.1,997,889,427 under Note 16 to the financial statements is a receivable from default penalty on loans to Financial Intermediaries of Kshs.300,550,837 for the year 2016/2017 (2015/2016 – Kshs.208,920,140). No comprehensive ageing analysis in support of this amount has been provided for audit verification. It is, however, evident that there has been no settlement of default penalty account by any financial intermediary since inception of the Fund.

8.6. Unsupported Loan Balances

The trade debtors balance of Kshs.1,997,889,427 as at 30 June 2017 (2016 – Kshs.2,026,035,292) disclosed in Note 16 to the financial statements includes an amount of Kshs.180,184,855 owing from Chase Bank Limited, that has not been supported to date by any documentary evidence. The amount originated from unsupported payments made by the bank and for which the bank has never produced documents to support the withdrawals.

8.7. Capital Grants Amortized

The statement of financial performance reflects an amount of Kshs.93,301,378 in respect of capital grants amortized and recognized as income during the year under review. In reference to Note 2(h) to the financial statements and in line with IPSAS 29 financial instruments, no basis has been set to show how the amortized balance of Kshs.93,301,378 was determined. As a result, the accuracy of the amount cannot be confirmed.

8.8. Interest and fees

The statement of financial performance reflects a figure of Kshs.447,094,695 under revenue from exchange transactions. Included in the amount is Kshs.48,544,482 relating to interest and fees charged on loans issued by the Fund. However, no accurate information relating to the loans has been provided by management to enable confirmation of the accuracy and completeness of the interest and fees revenue.

9. Non-Current Receivables

9.1. Credit Guarantee Schemes

As reported in the previous year, included in the statement of financial position are non-current receivables from exchange transactions totalling Kshs.285,000,000 as at 30 June 2017 (2016 – Kshs.269,855,452). The balance relates to Credit Guarantee Scheme of Kshs.250,000,000 in respect of monies advanced to Rafiki Deposit Taking Micro Finance and Indo Africa Finance amounting to Kshs.100,000,000 and Kshs.150,000,000 respectively, which were not and have to date not been secured by deeds of guarantee. No provision for impairment has been included in these financial statements in respect of the Credit Guarantee Scheme balance of Kshs.250,000,000 even though the recovery of these amounts is clearly doubtful based on the court cases between the Fund and the two Intermediaries.

9.2. Non-current Loans

Non-current receivables from exchange transactions disclosed in Note 16 to the financial statements include loans of balance Kshs.35,000,000 as compared to the previous year's

balance of Kshs.19,855,452 resulting in an increase of Kshs.15,144,548 which has not been supported or explained.

Consequently, the accuracy and recoverability of non-current receivables balance of Kshs.269,855,452 disclosed in Note 16 to the financial statements cannot be ascertained.

10. Trade Payables

The statement of financial position reflects as at 30 June 2017 trade and other payables from exchange transactions totalling Kshs.88,465,742. Included in this amount are payables to contractors of Kshs.1,083,600 and Kshs.4,427,445 both outstanding as at 30 June, 2014 and owed to M/s Comnet Technologies Ltd and Sarawet Agencies Ltd respectively and Kshs.1,426,800 and Kshs.3,223,950 both outstanding as at 30 June 2015 owed to East Africa Data Handlers and Saverine Holdings respectively.

No satisfactory explanations have been given for failure to settle the accounts payables in the year in which the expenses were incurred or subsequent financial years.

11. Inventories

11.1 The statement of financial position as disclosed in Note 18 to the financial statements reflects a balance of Kshs.172,330,000 under inventories as at 30 June 2017. 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 account at a cost and therefore non-compliant with IPSAS 12, which require the valuation to be the lower of cost and net receivable value. The realizable value of the hatching machine has been provided below cost based on available information that has put the value at Kshs.60,000 per unit instead of Kshs.190,000 that is the current carrying value.

11.2 As reported in 2015/2016, the inventories balance of Kshs.175,659,930 as at 30 June 2017 also included hatcheries valued at Kshs.172,330,000. As reported in 2014/2015, there were 906 units of hatcheries valued at Kshs.172,140,000 as at 30 June 2015. There were no sales, returns or purchases reported by management during the year 2015/2016 but the stock records reflected 907 units of hatcheries valued at Kshs.172,330,000. The increase both in quantity and value of hatcheries during the year 2015/2016 has to date not been adequately explained.

11.3. Although it is clear the incubator inventory is slow moving and obviously impaired, no provision for impairment has been made against the balance of Kshs.172,330,000 in the financial statements. Further, no stock take has been undertaken since the purchase of these hatcheries in 2012/2013 to verify the existence of the reported 907 units of hatcheries as at the end of 2015/2016 financial year.

11.4. Further, as reported in the previous financial year's audit report, the balance of stock (906) worth Kshs.172,330,000 as at 30 June 2016 are still stored in Kasarani

Stadium and National Youth Service stores in Mombasa attracting storage costs amounting to Kshs.1,153,600 annually. Management is yet to provide the storage contracts between the Sports Stadium Management Board and the Fund for which Kshs.1,153,600 is being incurred annually.

11.5. In the year 2016/2017 there were no sales and no statement of account has been provided on the status of receivables amounting to Kshs.22,789,340 as at end of 2015/2016 financial year.

11.6. In addition, the stock take report for the year ended 30 June 2017 does not indicate the status of items, items numbers (serial numbers) and their location.

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.

12. Board Expenses

12.1. Unsupported Board Meetings Expenditure

The statement of financial performance reflects an amount of Kshs.26,920,968 in respect of board expenses. The amount includes an expenditure of Kshs.9,368,240 which was not supported by board minutes, notices for the meeting and signed attendance registers. As a result, the propriety of the expenditure of Kshs.9,368,240 for board expenses cannot be confirmed.

12.2. Provision of Non-Qualifying Benefits to the Chairman

As reported in the previous year, the Fund purchased a motor vehicle at a cost of Kshs.12,615,448 for the board chairman. The chairman was also allocated a driver, bodyguard and a motor vehicle on full time basis even though he was a non-executive chairman. Information available indicate that the chairman used the vehicle everyday beyond official working hours including weekends. These necessitated payments of meal and overtime allowances to the driver and bodyguard amounting to Kshs.609,471. In addition, an amount of Kshs.705,704 was incurred on fuel and general maintenance of the vehicle in the year 2015/2016.

13. Cash and Cash Equivalents

13.1. Bank Accounts

The Fund operates seventeen bank accounts which includes three at Kenya Commercial Bank and fourteen at Equity Bank. However, authority from the National Treasury to open and operate these accounts as required under Section 28 of Public Finance Management Act, 2012 has not been provided for audit verification.

13.2. Cash and Cash Equivalents

The statement of financial position reflects cash and cash equivalents of Kshs.356,351,222 as at 30 June 2017 and as disclosed in Note 15 of the financial statements. The following anomalies have, however, been noted:

13.2.1 Suspense Account

The balance includes amounts of Kshs.10,845,268 deposited in various bank accounts for the Fund and Mpesa accounts held in a suspense account. The amounts represent direct credits in respect of loan repayment from various youth groups whose loan beneficiaries have not been identified.

13.2.2 Mpesa Account

The cash and cash equivalents balance of Kshs.356,351,222 includes Mpesa Account balance of Kshs.1,973,404 as at 30 June 2017 (2015/2016 – Kshs.7,114,411) as disclosed under Note 15 to the financial statements. However, the Mpesa account cash book balance of Kshs.6,694,619 as reported in the year 2015/2016, hence the opening balance in 2016/2017 is yet to be reconciled to the reported balance of Kshs.7,114,411 as at 30 June 2016. In addition, the bank certificate for the balance in the account was not provided for audit examination and therefore the accuracy of the balance can not be confirmed.

13.2.3. Short Term Deposits – Chase Bank Limited and Kenya Commercial Bank Limited

The cash and cash equivalents balance of Kshs.301,068,394 also includes short term deposits of Kshs.272,172,000 held short term deposits at Chase Bank Ltd and KCB Ltd. Information provided for audit indicates that an amount of Kshs.120,000,000 was withdrawn from Chase Bank account on 13 July 2015 without any supporting documents whatsoever. Placement of call deposits amounting to Kshs.99,814,044 was also made in the same bank account on 12 August 2015. However, documents in support of approvals for placement were not provided for audit verification.

In addition, a short term deposit placement of Kshs.120,000,000 in KCB Account on 13 July 2015 did not have supporting documentation at all.

Further, the management ceased operating the Chase Bank and transferred cash held in the account including two unexplained credits of Kshs.2,349,612.15 and Kshs.972,776.70 on 14 August 2015 and a third unexplained credit of Kshs.1,365,948.35 on 16 September 2016. No explanation was provided for the basis of capturing these unsupported credits.

13.2.4 Unsupported Bank Transactions

As reported in 2014/2015 financial year, included in cash and cash equivalent figure of Kshs.239,534,559 as at 30 June 2015, was an amount of Kshs.219,815,145 held as short term fixed deposits in Chase Bank. In the 2013/2014 financial year, the Fund had reported a balance of Kshs.400,000,000 as at 30 June 2014. Supporting documents were, however, not provided to explain the reduction in the balance by Kshs.180,184,855. Further, it was not possible to confirm existence of the balance of Kshs.219,815,145 as at 30 June 2016 due to lack of supporting documents.

In 2015/2016 financial year, an additional withdrawal of Kshs.120,000,000 was made from Chase Bank account for which no supporting documents were provided for audit verification to demonstrate who was being paid and the reason for payment. Consequently, the propriety of the transactions totalling Kshs.300,184,855 could not be confirmed and as a consequence, the accuracy and validity of cash and cash equivalents balance of Kshs. 301,068,394 as at 30 June 2016 could not be ascertained.

Consequently, the accuracy and completeness of the cash and cash equivalents balance of Kshs.356,351,222 as at 30 June 2017 cannot be confirmed.

14. Comparison Between Budget and Actual Expenditure

Examination of the budget for capital expenditure reveals that the Fund had a budget of Kshs.102,660,000 as tabulated below:

Expenditure item	Budget Kshs.	Actual Kshs.	Variance Kshs.	% Variance
Purchase of vehicles	20,000,000	16,773,000	3,227,000	16%
Purchase of Office Furniture, equipment & office partitioning	16,700,000	17,825,168	(1,125,168)	6.7%
Information Systems development and upgrades	10,000,000	6,292,400	3,707,600	37%
ICT infrastructure and software upgrades, USSD code support	55,960,000	61,736,606	(5,776,606)	10%

Examination of the actual expenditure under each category reveals variances above 10% which should be explained as required under Section 81 (2)(iv) of the Public Finance Management Act, 2012.

15. Undisclosed Material Uncertainty

The Statement of Financial performance reflects a deficit of Kshs.122,593,026 for the year ended 30 June 2017 (2016 – Kshs.139,787,895). The trend of continuous deficit may erode the capital invested in the revolving Fund and impair the ability of the Fund to sustain its services. This material uncertainty which casts significant doubt on the ability of the Fund to sustain its services has, however, not been disclosed in the financial statements.

16. Prior Year Adjustments

The statement of changes in net assets reflects a figure of Kshs.4,122,313 under prior year adjustments. The account balance has not been disclosed in accordance to paragraph 54 of IPSAS 3 Accounting Policies, Changes in Accounting Estimates and Errors and no supporting documents have been provided for audit verification. As a result, it has not been possible to determine the accuracy and nature of adjustment being made by the Fund and the accounting period to which it relates.

Responsibilities of Management and Those Charged with Governance 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations, or have no realistic alternative but to do so.

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

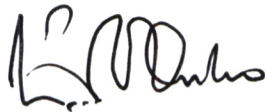
Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor-General's Responsibilities for the Audit of the Financial Statements

My responsibility is to conduct an audit of the Fund's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report that includes my opinion in accordance with the provisions of Section 48

of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. However, because of the matter described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of the Youth Enterprise Development Fund in accordance with ISSAI 30 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.



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

Nairobi

02 May 2019

Youth Enterprise Development Fund Board
Annual Report and Financial Statements
For The Year Ended 30th June 2017

STATEMENT OF FINANCIAL PERFORMANCE

		Kshs 2016-2017	Kshs 2015-2016
Revenue from non-exchange transactions	Note		
Grants from GoK	3	291,488,800	233,057,970
Capital grants amortised		93,301,378	49,590,150
Donations		-	-
		384,790,178	282,648,120
Revenue from exchange transactions			
Interest and fees	5	48,544,482	53,800,921
Interest on investments- Call deposits & bank balances	6	12,434,025	5,953,366
Other income	7	1,326,011	94,000
		62,304,518	59,848,287
Total revenue		447,094,695	342,496,407
Expenses			
Programme expenses	8	93,301,378	49,590,150
Human Capital expenses	9	294,872,513	302,311,913
Board expenses	10	26,920,968	10,570,719
Depreciation & amortisation expense	11	57,911,896	45,686,224
Repairs & maintenance	12	17,938,727	17,273,268
YEDFB Lobby and Advocacy	13	-	49,695
General expenses	14	78,742,239	56,802,333
Total expenses		569,687,721	482,284,302
Deficit for the period		(122,593,026)	(139,787,895)

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30th June 2017

STATEMENT OF FINANCIAL POSITION

Assets	Note	Kshs 2016-2017	Kshs 2015-2016
Current assets			
Cash and cash equivalents	15	356,351,222	301,068,394
Receivables from exchange transactions	16	1,894,965,434	1,926,331,753
Receivables from non-exchange transactions	17	16,536,240	12,172,113
Inventories	18	172,330,000	175,659,930
		2,440,182,895	2,415,232,189
Non-current assets			
Property, plant and equipment	19	131,320,047	125,291,888
Investment Property	20	35,176,712	18,622,414
Intangible assets	21	64,399,463	24,994,451
Long term receivables from exchange transactions	16	285,000,000	269,855,452
		<u>515,896,223</u>	<u>438,764,207</u>
Total assets		<u>2,956,079,118</u>	<u>2,853,996,396</u>
Liabilities			
Current liabilities			
Trade and other payables from exchange transactions	22	88,465,742	79,946,931
Total liabilities		<u>88,465,742</u>	<u>79,946,931</u>
Net assets			
Revolving Fund	25	3,442,119,856	3,230,085,234
Accumulated surplus	24	(574,506,482)	(456,035,769)
Total net assets and liabilities		<u>2,956,079,118</u>	<u>2,853,996,396</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.....

5/10/17

Head of Finance



Date.....

5/10/17

Chairman



Date.....

5/10/17

STATEMENT OF CHANGES IN NET ASSETS

	Reserves		
	Capital replacement development reserve	Accumulated surplus	Total
	Kshs '000	Kshs '000	Kshs '000
Balance as at 30 June 2015	3,029,339,383	(315,814,714)	2,713,524,670.00
Surplus/(Deficit) for the period		(139,787,895)	(139,787,895)
Prior year adjustment		-	-
Change in accumulated fund		(433,160)	
Addition for the year	250,336,000.00	-	250,336,000
Capital grant amortised	(49,590,150)		(49,590,150)
Balance as at 30th June 2016	3,230,085,234	(456,035,770)	2,774,482,625
Surplus/(Deficit) for the period		(122,593,026)	(122,593,026)
Prior year adjustment		4,122,313	4,122,313.00
Change in accumulated fund		-	
Addition for the year	305,336,000.00	-	305,336,000
Capital grant amortised	(93,301,378)		(93,301,378)
Balance as at 30th June 2017	3,442,119,856	(574,506,484)	2,867,613,373

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	2016-2017 Shs	2015-2016 Shs
Surplus (Deficit) for the period		(122,593,026)	(139,787,895)
Adjustments for:			
Depreciation	11	35,580,301	35,701,951
Amortization	11	22,331,595	2,220,079
Prior year adjustment		4,122,313	
Capital grants amortised		(93,301,378)	(49,590,150)
Retirement of Asset			7,764,195
Operating profit before working capital changes		(153,860,194)	(143,691,820)
Increase in receivables from exchange transactions	16	31,366,319	(140,459,559)
Increase in receivables from non- exchange transactions		(4,364,127)	5,811,576
Increase in trade and other payables	22	8,518,811	(25,947,087)
(Increase) decrease in inventory		3,329,930	2,566,061
Net cash used in operating activities		38,850,933	(158,029,008)
Cashflows from investing activities			
Decrease / (Increase) in loans	16	(15,144,548)	132,592,488
Purchase of Fixed & Intangible assets	19	(102,627,174)	(17,440,057)
Purchase of Investment Property		(17,272,190)	(17,378,315)
Net cash flows from (net cash used in) investing activities		(135,043,912)	97,774,116
Cashflows from Financing activities			
Capitalization from G.O.K.	25	305,336,000	250,336,000
Net cash flows from financing activities		305,336,000	250,336,000
Net Decrease in cash		55,282,827	61,533,834
Cash & cash equivalent at the beginning of the period		301,068,394	239,534,559
Cash & cash equivalents at the end of the period	15	356,351,222	301,068,394

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Original budget	Adjustments	Final budget	Actual on	Performance
	2016-2017	2016-2017	2016-2017	comparable basis	difference
Revenue	Kshs '000	Kshs '000	Kshs '000	Kshs '000	Kshs '000
Income from Treasury	291,488,800		291,488,800	291,488,800	-
Capital grants amortised (Expenditure items directly linked to loans)	97,979,425		97,979,425	93,301,378	(4,678,047)
	389,468,225	-	389,468,225	384,790,178	(4,678,047)
			-		
Interest and management fees on loans			-		
Interest earned from FI's	-	-	-	(3,793,832)	(3,793,832)
Mgt fees - C-YES	15,042,500	-	15,042,500	12,042,800	(2,999,700)
Agrivijana fees	3,000,000	-	3,000,000	-	(3,000,000)
Mgt fees - Easy -YES	5,973,303	-	5,973,303	2,493,720	(3,479,583)
Mgt fees - Direct Funding Loans	1,950,000	-	1,950,000	859,300	(1,090,700)
Interest from Direct Funding Loans	30,000,000	-	30,000,000	27,667,043	(2,332,957)
Bid bond		-	-	57,000	57,000
LPO Processing fee	20,410,000	-	20,410,000	3,590,152	(16,819,848)
Tuckshops rental		-	-	521,590	521,590
	76,375,803	-	76,375,803	43,437,774	(32,938,029)
			-		
Interest on Investments -Call deposits and bank balances			-		
Interest earned on Fund Accounts, calls	10,000,000		10,000,000	12,434,025	2,434,025
	10,000,000	-	20,000,000	12,434,025	(7,565,975)
			-		
Other income	-	-	-	1,326,011	1,326,011
			-		
Income from donors and partners	85,385,574		85,385,574	-	(85,385,574)
	85,385,574	-	85,385,574	1,326,011	(84,059,563)
			-		

Total income	561,229,602	-	561,229,602	441,987,987	(129,241,615)
Expenses					
Lending/ credit	25,000,000	6,510,680.00	31,510,680	31,509,760	920
Youth Enterprise Scheme Abroad	5,000,000	(1,990,000.00)	3,010,000	3,009,140	860
Commercial Infrastructure	1,200,000	570,000.00	1,770,000	1,689,265	80,735
Market Linkages	13,000,000	(3,139,000.00)	9,861,000	9,860,632	368
Capacity building for youth enterprises	20,000,000	(1,757,400.00)	18,242,600	18,242,599	-
Audit and Risk	4,640,000	(1,540,000.00)	3,100,000	3,097,926	2,074
Monitoring and Evaluation	10,000,000	(6,738,856.00)	3,261,144	3,261,144	-
Public Relations	13,139,425	4,188,176.00	17,327,601	17,315,435	12,166
Rent	6,000,000	(684,523.00)	5,315,477	5,315,477	-
	97,979,425	(4,580,923)	93,398,502	93,301,378	97,123
Human Capital Expenses					
Staff Training	5,000,000	1,964,222	6,964,222	6,937,372	26,850
Recruitment	3,000,000		3,000,000	2,591,752	408,248
Performance Appraisal and Benchmarki	2,000,000		2,000,000	1,033,370	966,630
Personel salary and emoluments	250,000,000	(4,800,956)	245,199,044	231,321,228	13,877,816
Wages for internship programme	1,500,000	147,774	1,647,774	1,647,774	-
Group life and Personal Accident Cover	4,000,000.00	(1,300,000)	2,700,000	999,003	1,700,997
Staff Uniforms	2,000,000.00	(2,000,000)	-	-	-
Medical Expenses	24,000,000		24,000,000	19,491,082	4,508,918
Employee Survey	300,000.00	2,750,000	3,050,000	3,044,870	5,130
Staff Welfare	10,000,000.00	1,000,000	11,000,000	10,355,883	644,117
Gratuity CEO's	1,060,200		1,060,200	-	1,060,200
Gratuity CO & Contract off	19,000,000		19,000,000	17,174,318	1,825,682

Pension Fee Administration	300,000		300,000	275,861	24,139
	322,160,200	(2,238,960)	319,921,240	294,872,513	25,048,727
Board Expenses					
Board Allowance	8,000,000	4,000,000	12,000,000	11,597,258	402,742
Board Transport	4,500,000	6,256,839	10,756,839	10,720,439	36,400
Chairperson Honorarium	960,000		960,000	960,000	-
Board Exposure Visits	1,500,000	(1,500,000)	-	-	-
Board Training & Med.&Accident Insu	3,500,000	(1,067,879)	2,432,121	2,432,121	-
Board International Transport	1,000,000	(500,000)	500,000	119,350	380,650
Board Retreat	2,000,000	20,000	2,020,000	1,091,800	928,200
	21,460,000	7,208,960	28,668,960	26,920,968	1,747,992
Depreciation					
Property, plant and equipment	35,580,301	-	35,580,301	35,580,301	-
Intangible assets	22,331,595	-	22,331,595	22,331,595	-
	57,911,896	-	57,911,896	57,911,896	-
Repairs & Maintenance					
Motor vehicle fuel and repairs	15,000,000	1,653,638	16,653,638	16,653,638	-
Motorcycles fuel and repairs	10,800,000	(8,234,578)	2,565,422	1,285,090	1,280,332
	25,800,000	(6,580,940)	19,219,060	17,938,727	1,280,332
Administrative expenses					
Travelling Costs	5,400,000	657,597	6,057,597	6,057,597	-
Telephone Costs	4,800,000	(1,111,235)	3,688,765	3,566,498	122,267
Office Rent and Maintainance	21,880,000	9,769,101	31,649,101	31,649,101	-
Newspapers/Magazines/Journals	900,000	(900,000)	-	-	-
Office Stationery	8,000,000	178,144	8,178,144	8,178,144	-
Audit Fees	1,400,000		1,400,000	1,392,000	8,000
Legal Fees	3,000,000	283,509	3,283,509	3,283,509	-
Insurance for Motor Vehicle and Equipments	6,000,000	(2,011,653)	3,988,347	2,927,467	1,060,880
Soft Ware Support & Equipment Maintainance	2,000,000	2,941,043	4,941,043	3,435,575	1,505,468

Internet & Network Connectivity/ Web:	4,000,000	1,558,957	5,558,957	5,558,957	-
Courier/Postal Services	3,000,000		3,000,000	2,110,874	889,126
Security Guards(Hq & Region)	1,920,000		1,920,000	1,148,560	771,440
Office utilities	2,000,000	(1,100,000)	900,000	84,670	815,330
Regional Office AIE	12,000,000		12,000,000	11,601,775	398,225
Bank Charges	1,529,977		1,529,977	1,297,190	232,787
Provision for bad debts			-	(6,485,802)	6,485,802
Enhancing funds image	16,000,000		16,000,000	312,954	15,687,046
Change in Inventory	3,329,930		3,329,930	3,329,930	-
	93,829,977	10,265,463	104,095,440	76,119,069	27,976,371
Total expenditure	619,141,498	4,073,600	623,215,098	567,064,551	56,150,545
Surplus /(Deficit) for the period	(57,911,896)	-	(57,911,896)	(125,076,563)	(185,392,160)

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.

d) Investment property – IPSAS 16

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

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

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

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

e) Property, plant and equipment – 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 5 years.

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. The fund has eighteen court cases at various levels of determination.

Contingent assets

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

u) Financial Risk Management –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, 2017 is made up as follows;

	2016/17	2015/2016
Fully performing	2,085,723,937	2,094,753,148
Impaired	94,241,497	101,434,058
Total	2,179,965,434	2,196,187,206

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, 2017.

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30th June 2017

	2016-2017	2015-2016
	Shs	Shs
3. Grants from GoK		
Income from Treasury	291,488,800	233,057,970
Capital grants amortised (Expenditure items directly linked to loans)	93,301,378	49,590,150
	384,790,178	282,648,120
4. Donations	-	-
5. Interest and management fees on loans		
Interest earned from FI's	(3,793,832)	7,782,825
Mgt fees - C-YES	12,042,800	10,905,500
Agrivijana fees	-	2,206,117
Default penalty-FI's	5,106,708.31	-
Mgt fees - Easy -YES	2,493,720	3,018,100
Mgt fees - Direct Funding Loans	859,300	671,650
Interest from Direct Funding Loans	27,667,043	20,389,330
Utilisation fee on loan guarantee scheme	-	342,693
Bid bond	57,000	75,500
LPO Processing fee	3,590,152	8,298,955
Tuckshops rental	521,590	110,250
Interest on KCB 1	-	-
	48,544,482	53,800,921
6. Interest on Investments -Call deposits and bank balances		
Interest earned on Fund Accounts	12,434,025.14	5,953,366
	12,434,025	5,953,366
7. Other income		
Sale of Tender documents	63,000	94,000
Sundry Income	1,263,011.00	-
	1,326,011	94,000
8. Programme expenses (Program Support expenditure)		
Lending/ credit	31,509,760	7,882,420
Youth Enterprise Scheme Abroad	3,009,140	784,050
Commercial Infrastructure	1,689,265	2,535,981
Market Linkages	9,860,632	14,131,069
Capacity building for youth enterprises	18,242,599	3,200,557
Audit and Risk	3,097,926	1,621,530
Monitoring and Evaluation	3,230,144	5,598,181
Programme Support Expenditure- Regional Rent	5,315,477	13,836,362
Programme Support Expenditure- Lobbying/resource	31,000	-
Programme Support Expenditure- PR	17,315,435	-
	93,301,378	49,590,150

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30th June 2017

9. Human Capital expenses	2016-2017	2015-2016
	Shs	Shs
Staff Training	6,937,372	1,998,916
Recruitment	2,591,752	302,858
Performance Appraisal and Benchmarking	1,033,370	440,650
Personel salary and emoluments	231,321,228	249,987,565
Wages for internship programme	1,647,774	1,730,097
Group life and Personal Accident Cover	999,003	1,398,605
Medical Expenses	19,491,082	23,140,303
Employee Survey	3,044,870	181,080
Staff Welfare	10,355,883	4,464,492
Gratuity	17,174,318	18,034,871
Mainstreaming,Sensitization & Surveys	-	78,559
Knowledge Skills Management	-	262,300
Pension Fee Administration	275,861	291,617
	294,872,513	302,311,913
10. Board Expenses		
Board Allowance	11,597,258	5,233,434
Board Transport	10,720,439	2,779,995
Chairperson Honorarium	960,000	640,000
Board Exposure Visits	-	-
Board Retreat	1,091,800	123,180
Board Training & Med.&Accident Insu.&Misc.	2,432,121	1,423,050
Board International Transport	119,350	371,060
	26,920,968	10,570,719
11. Depreciation and amortization expense		
Property, plant and equipment	35,580,301	35,701,951
Intangible assets	22,331,595	9,984,274
	57,911,896	45,686,224
12. Repairs and maintenance		
Motor vehicle fuel and repairs	16,653,638	13,930,118
Motorcycles fuel and repairs	1,285,090	3,343,150
	17,938,727	17,273,268
13. YEDFB Lobby and Advocacy		
Fundraising Engagements	-	2,875
Sponsorship For Fundraising Engagements	-	46,820
	-	49,695

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30th June 2017

14. General Expenses	2016-2017	2015-2016
	Shs	Shs
Travelling Costs	6,057,597	2,038,875
Telephone Costs	3,566,498	4,016,898
Office Rent and Maintainance	31,649,101	18,299,280
Newspapers/Magazines/Journals	-	3,720
Office Stationery	8,178,144	8,309,109
Audit Fees	1,392,000	1,392,000
Legal Fees	3,283,509	932,728
Insurance for Motor Vehicle and Equipments	2,927,467	3,287,610
Internet and Network connectivity, Website and DSTV	5,558,957	1,946,941
Soft Ware Support & Equipment Maintainance	3,435,575	1,016,511
Website Maintainance	-	44,550
Courier/Postal Services	2,110,874	2,379,794
Security Guards(Hq & Region)	1,148,560	1,637,970
Office utilities	84,670.00	-
Regional Office AIE	11,601,775	10,295,243
Bank Charges	1,297,190	1,010,673
Provision for bad debts	(7,192,561)	-5,054,354
Enhancing Fund image	312,954	2,488,724
Change in Inventory	3,329,930	2,756,061.00
	78,742,239.30	56,802,333.07
15. Cash and cash equivalents		
Bank		
Kenya Commercial Bank	344,375,159	22,669,257
Equity Bank	9,861,691	(1,089,116)
Safaricom -Mpesa	1,973,404	7,114,411
	356,210,254	28,694,552
Cash-on-hand and in transit	140,968	203,842
Short term deposits		
Kenya Commercial Bank	-	272,170,000.00
	-	272,170,000
Total	356,351,222	301,068,394

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30th June 2017

16. Receivables from exchange transactions	2016-2017	2015-2016
	Shs	Shs
Current receivables		
Trade debtors	1,997,889,427	2,026,035,292
Other exchange debtors	2,162,771	2,645,870
Less: impairment allowance	(94,241,497)	(101,434,058)
Loans repaid unidentified	(10,845,268)	(915,352.00)
Total current receivables	1,894,965,434	1,926,331,753
Non-current receivables		
Loans	35,000,000	19,855,453
Credit guarantee scheme	250,000,000	250,000,000
Less: impairment allowance	-	-
Total non-current receivables	285,000,000	269,855,453
Total receivables	2,179,965,434	2,196,187,206
17. Receivables from non-exchange contracts		
Current receivables		
Prepayments	16,536,240	12,172,113
Total current receivables	16,536,240	12,172,113
18. Inventories		
Consumable stores	-	3,329,930.00
Hatcheries	172,330,000	172,330,000
	172,330,000	175,659,930
Total inventories at the lower of cost and net realizable value		

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30th June 2017

NOTES TO THE FINANCIAL STATEMENTS

19. Property, plant and equipment

Year ended 30 June 2016	Motor Vehicles Shs	Furniture and Fittings Shs	Computers & Accessories Shs	Motorcycles Shs	Total Shs
Cost					
At start of the period	59,380,164	86,407,220	99,873,491	65,578,000	311,238,876
Additions	-	3,257,928	1,662,943	-	4,920,871
Disposals	-	-	(400,000)	-	(400,000)
At end of the period	59,380,164	89,665,148	101,136,434	65,578,000	315,759,747
Depreciation					
At start of the period	35,361,054	19,627,380	52,804,962	47,353,237	155,146,633
Disposals	-	-	(133,200)	-	-
Charge for the period	6,004,778	8,754,721	16,138,736	4,556,191	35,454,425
At end of the period	41,365,831	28,382,101	68,810,498	51,909,428	190,467,859
Net book value as at 30th June 2016	18,014,333	61,283,047	32,325,936	13,668,572	125,291,888
Year ended 30 June 2017	Motor Vehicles Shs	Furniture and Fittings Shs	Computers & Accessories Shs	Motorcycles Shs	Total Shs
Cost					
At start of the period	59,380,164	89,665,148	101,136,434	65,578,000	315,759,747
Additions	16,773,000	17,825,168	6,292,400	-	40,890,568
At end of the period	76,153,164	107,490,316	107,428,834	65,578,000	356,650,315
Depreciation					
At start of the period	41,365,831	28,382,101	68,810,498	51,909,428	190,467,859
Disposals	-	-	-	-	-
Charge for the period	8,696,833	9,888,527	12,859,906	3,417,143	34,862,409
At end of the period	50,062,665	38,270,628	81,670,404	55,326,571	225,330,268
Net book value as at 30th June 2017	26,090,500	69,219,688	25,758,430	10,251,429	131,320,047
20. Investment Property	2015-2016				
	Shs				
Commercial Infrastructure- Building of Bus Shelters/ Stalls					
At start of the period	1,657,985.00				
Additions	17,378,315.22				
Depreciation	(413,885.70)				
	18,622,414.52				
	2016-2017				
	Shs				

Commercial Infrastructure- Building of

Bus Shelters / Stalls

At start of the period- cost	19,036,300
At start of the period- depreciation	(413,886)
Additions	17,272,190
Depreciation	(717,892)
	<u>35,176,712</u>

Youth Enterprise Development Fund Board
Annual Report and Financial Statements.
For The Year Ended 30th June 2016

22. Trade and other payables from exchange transactions	2016-2017	2015-2016
	Shs	Shs
Trade payables	28,338,241	28,727,779
Interest received in advance	-	-
Audit fees	1,392,000	1,392,000
Provision for gratuity	48,197,056	32,507,450
Salary Deductions	10,538,446	17,319,702
Total trade and other payables	88,465,742.43	79,946,931

23. Related party Transactions

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

Key management compensation	2016-2017	2015-2016
	Shs	Shs
Salaries and other short-term employment benefits	15,240,360.00	15,240,360
Directors remuneration and allowances	26,920,968.00	10,570,719
	42,161,328.00	25,811,079.00

24. Accumulated funds

	2016-2017	2015-2016
	Shs	Shs
Balance b/f	(456,035,769)	(315,814,714)
Add : Surplus (Deficit) for the year	(122,593,026)	(139,787,895)
Prior year Adjustment	4,122,313	(433,160)
	(574,506,482)	(456,035,769)

25. Revolving fund

	2016-2017	2015-2016
	Shs	
Balance b/f	3,230,085,234	3,029,339,383
Add: Received during the year	305,336,000	250,336,000
Capital grants amortised	(93,301,378)	(49,590,150)
	3,442,119,856	3,230,085,234

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	Management representation letter	Letter availed as per request	CEO/Head of Finance	Resolved	-
2	Accuracy of Financial statements	Relevant adjustments done; adjusted financials duly approved by the Board	CEO/Head of Finance	Resolved	-
3.	Angua Chicks	This is matter before the courts. The general ledger reflects a balance of Kes 172,330,000	CEO/Head of Proc.	Ongoing	2017/18
4	Wasteful expenditure	8 th Anniversary-Last minute cancellation of the event as directed by the Chair.	CEO/Head of Admin	Recovery of Kshs. 4.1 million from KICC	2017/18
Board expenses-Partly accounted for. Recovery measures instituted under SCAC.		Partly recovered expenses			
Some CVs availed. Terms of references for committees were availed.		2 CVs availed.			
Use of motor vehicle for private use by is being pursued by SCAC.		Recovery underway by SCAC.			
5	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	Resolved	2017/18
	Cash and cash equivalents	Fund is pursuing with Posta where the	CEO/Head of Finance	Ongoing	Contigent on support from

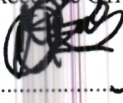
6		deposits took place. Suspense figure has reduced ;identification a continuous process). Equity main /Mpesa – Adjustments made and adjusted financials signed. Short term deposits/unsupported bank transactions – matter is in court.			partners
7	Inventories	Expensing to be adopted in subsequent years. The difference relates to consumables. Revaluation to be done and adjustments made.	CEO/Head of Lending/Head of Procurement	Ongoing	2017/18
8	Receivables from Exchange transactions	The Fund has renegotiated the loans, taken the matter to court and listed defaulting FIs and other loan products with CRBs.	CEO/Head of Lending/Head of Finance	Ongoing	2017/18
		Imprest under recovery by SCAC.		Ongoing	
		Timing difference to account for the difference between Credit and Finance figures.		ERP implementation to clear the difference (Ongoing)	
		The Fund has been using the 5% for the last 3 years. Ageing analysis to be resolved upon ERP use.		Ongoing	
		The 180M is a matter before court.		Ongoing	
9	Non-current receivables	CGS is a matter before court.	CEO/Head of Lending/Head of Finance	Ongoing	2017/18
		Provision of 5% is for the entire loan book.		Ongoing	
10	Investment property	Requisite approvals to build on the Land was availed by partner institutions and is a source of income.	CEO/Head of Commercial Infrastructure /Head of Finance	Board resolution terminated further construction.	-
11	Intangible assets	Documents availed.	CEO/Head of Admin	Resolved	2017/18
		Re-alignment of budget		Ongoing	

		with ledgers.	/Head of Finance		
12	Trade payables	Bills paid. Issues resolved.	CEO/Head of Fin/Proc	Resolved	-
13	Financial performance	Deficit on the decline for the last 3years. Prudent financial management in place.	CEO/ Board	Ongoing	-

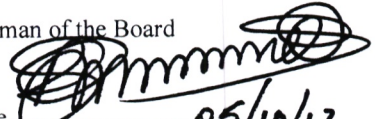
Chief Executive Officer

Chairman of the Board

Date.....

 5/10/17

Date.....


05/10/17