

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:

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 shown 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