

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND-KEIYO NORTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2017

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund-Keiyo North Constituency set out on pages 5 to 26, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and summary statement of appropriation 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 have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion section of my report, the financial statements do not present fairly, the financial position of National Government Constituencies Development Fund-Keiyo North Constituency as at 30 June 2017, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Cash Basis) and do not comply with Public Finance Management Act, 2012 and the National Government Constituency Development Act, 2015.

In addition, as required by Article 229(6) of the Constitution, based on the procedures performed, I confirm that public money has not been applied lawfully and in an effective way.

Basis for Adverse Opinion

1.0 Unsupported Expenditure

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers to other government units figure of Kshs.40,608,750 relating to funds disbursed to various project management committees (PMCs). However, actual expenditure returns from PMCs were not availed for audit confirmation.

Under the circumstances, it was not possible to confirm whether the funds totaling Kshs.40,608,750 was actually received and utilized for the budgeted projects in the year under review.

2.0 Other Grants and Transfers

2.1 Security Projects

Included in other grants and transfers figure of Kshs.41,131,880 is disbursements to security projects amount of Kshs.3,000,000. However, the actual expenditure returns from those project management committees were not availed for audit verification.

Under the circumstances, it was not possible to confirm whether the money was used for the budgeted projects and therefore the validity and propriety of the expenditure of Kshs.3,000,000 could not be confirmed.

2. 2 Emergency Projects

Included also in other grants and transfers figure of Kshs.41,131,880 is disbursements to emergency projects balance of Kshs.6, 993,000. However, the actual expenditure returns from those project management committees were not availed for audit verification. Under the circumstances, it was not possible to confirm whether the money was used for the budgeted projects and therefore the validity and propriety of the expenditure of Kshs.6,993,000 could not be confirmed.

2. 3 Sports Projects

Other grants and transfers figure of Kshs.41,131,880 further includes disbursements to sports projects amount of Kshs.1,992,540 as disclosed in note 7 to the financial statements. However, the actual expenditure returns from the project management committees to show how the funds were utilized were not availed for audit verification.

Under the circumstances, it was not possible to confirm whether the money was used for the budgeted projects.

3.0 Project Management Committee Balances

Note 15.4 and Annex 5 to the financial statements reflects project management committee balances of Kshs.7,318,573 as at 30 June 2017 in respect of unutilized funds with the project management committees. However, an amount of Kshs.1,545,257 relating to unutilized funds in the Constituency Development Fund environment project account meant for environment projects has been excluded. In addition, cash books and bank reconciliation statements for the project management committees balances were not availed for audit review. Under the circumstances, the accuracy and completeness of the project management committees balance of Kshs.7,318,573 could not be confirmed.

4.0 Bank Balance

The statement of financial assets as at 30 June 2017 reflects bank balance figure of Kshs.10,153,184. However, the bank reconciliation statement availed for audit reflects un-presented cheques totaling to Kshs.1,352,756.50 out of which cheques amounting to Kshs.279,958 had become stale but had not been reversed in the cashbook. No explanation has been provided for this anomaly. In addition, details showing when the other balance was cleared by the bank was not availed for audit review.

Consequently, the accuracy and validity of the bank balance of Kshs. 10,153,184 could not be confirmed.

5.0 Unaccounted for Transfers from CDF Board

The statement of receipts and payments for the year ended 30 June 2017 reflects transfers from CDF board figure of Kshs.40,948,276 in respect of 50% of projects budgeted for in 2016/2017 financial year. However, receipts relating to unfunded projects in the year 2015/2016 whose funds were released in 2016/2017 financial year have not been included in the transfer from CDF Board total balance of Kshs.40,948,276 hence understating the total receipts for the year. Under the circumstances, the accuracy and completeness of the transfers from CDF Board figure of Kshs.40,948,276 could be confirmed.

7.0 Unfunded projects

The statement of receipts and payments for the year ended 30 June 2017 reflects an amount of Kshs40, 948,276 under transfers from CDF Board which is in respect of 50% of projects budgeted for in 2016/2017 financial year. However, the management has not attached an annex to the financial statement disclosing the total amount of funds owed by the CDF board and a schedule of the projects which were to be funded but did not receive funds.

Under the circumstances, it was not possible to confirm which project never received funds.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of 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. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my adverse opinion.

Key Audit Matters

Key Audit Matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. Except for the matters described in the Basis for Adverse Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

Other Matter

1.0 Budget Performance

Keiyo North CDF approved budget for 2016/2017 financial amounted to Kshs.139,598,460. During the same period the Fund incurred expenditure of Kshs.88,497,001 or 63% of total approved budget resulting in under expenditure of Kshs.51,101,459 or 37% as detailed below:

Receipts	Final Budget	Actual on Comparable basis	Variance	% of utilization
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Approved Budget	139,598,460	98,650,185	40,948,275	71
Payments				
Compensation of Employees	2,732,776	1,569,836	1,162,940	57
Use of goods and services	13,541,494	5,186,535	8,354,959	38
Transfer to other govt entities	57,750,000	40,608,750	17,141,250	64
Other Grants and Transfers	58,874,191	41,131,880	17,742,311	70
Other payments	1,200,000	-	1,200,000	0
Total	139,598,461	88,497,001	51,101,460	63

From the above summary, it is clear that the Fund failed to utilize Kshs.51,101,460 or 37% of its budget allocation. Failure to utilize all the funds as budgeted is an indication that programs or activities were not implemented as planned thus not achieving the intended objective of improving delivery of goods and services to the people of Keiyo North Constituency.

2.0 Projects verification

During the audit, twenty (20) projects with a total expenditure of Kshs.20,950,000 were verified in the month May 2018 and the following observations were noted:

	Project Name	Project activity	Amount Allocated & disbursed	Actual expenditure	Implement ation Status	Remarks
	Incomplete /ongoing Projects					
1	Kendur Agricultural store	Construction of agricultural store	1,050,000	1,050,000	Complete	Not yet put into use
2	St. Francis Kimuroon Secondary	Construction of dormitory	1,000,000	1,000,000	Lintel level	Ongoing
3	Kabulwo Secondary School	Walling, Roofing of Dining hall	2,000,000	2,000,000	Ongoing	Mega project requires more funds to complete
4	Kabulwo Secondary School	Two 10 door toilets	600,000	600,000	Complete	Some doors fallen off
5	Kamariny Primary School	Construction of two classrooms	1,000,000	500,000	Ongoing	Lintel level
6	Kapkoi Secondary School	Construction of six door toilets	200,000	200,000	Ongoing	Pit excavated
7	St. Alphonsus Mutei Girls Sec	Piping, flooring, gas system, painting, furniture of laboratory	1,200,000	1,000,000	Ongoing	Painting not done
8	Katalel Primary School	Purchase of land	800,000	800,000	Land purchased	No title
		Sub Total	7,850,000	7,150,000		

	Project Name	Project activity	Amount Allocated & disbursed	Actual expenditure	Implementation Status	Remarks
	Completed Projects					
9	St. Peters Iten day Sec School	Plastering and painting of classes	850,000	850,000	Complete	In use
10	KMTC Iten	Construction of twin hostels and abolition block	5,500,000	5,500,000	Complete	In use
11	Sergoit Chief office AP camp	Construction of AP camp	700,000	700,000	Complete	In use
12	Kipsoen Technical	Construction of gate	500,000	500,000	Complete	In use
13	AP line Iten	Construction 2 door toilet	400,000	400,000	Complete	In use
14	Yokot Primary school	10 door latrine	300,000	300,000	Complete	In use
15	Kapkonga Secondary School	Plastering, painting & fittings of Laboratory	1,000,000	1,000,000	Complete	In use
16	Chesongonyo footbridge	Construction of a footbridge	350,000	350,000	Complete	Footbridge in use
17	Kobil Primary School	Roofing, Plastering, flooring, painting & fittings of Dormitory	600,000	600,000	Complete	In use
18	Kamongich Chief's	Plastering & painting of Administration police houses & Chiefs office	1,200,000	1,200,000	Complete	In use
19	Kewapsos Dispensary	Roofing, Plastering, flooring, painting & fittings of Dor	1,200,000	1,200,000	Complete	In use
20	Korkitony Secondary School	Plastering, painting & flooring of administration block	1,200,000	1,200,000	Complete	In use
		Subtotal	13,800,000	13,800,000		
		Total	21,650,000	20,950,000		

As noted from the analysis of the twenty (20) projects, the people of Keiyo North constituency may not have received value for money for Kshs.7,150,000 spent on the eight (8) incomplete/ongoing projects.

3.0 Project Implementation

During the financial year 2016/2017, Keiyo North CDF disbursed Kshs.27,950,500 to sixty three (63) projects. Out of these nineteen (19) projects amounting to Kshs.5,500,000 were complete and in use, thirty four (34) projects amounting to Kshs.18,350,000 were ongoing while ten (10) projects amounting to Kshs.4,050,500 were not started, as detailed below.

Financial Year	Project Name	Activity	Estimated cost	Amount allocated	Amount disbursed	status	Completion date	Remarks
	COMPLETED PROJECTS							

Financial Year	Project Name	Activity	Estimated cost	Amount allocated	Amount disbursed	status	Completion date	Remarks
2016/2017	Iten Primary	Construction of 10 door toilets up to completion.	300,000	300,000	300,000	100%	30 Sept 2017	complete and in use
2016/2017	Iten Special school	Walling, roofing plastering and painting of staff house.	500,000	500,000	-	100	30 April 2018	complete not in use
2016/2017	Kapkoii primary	Construction of 6 door toilets up to completion	200,000	200,000	200,000	100%	30 May 2017	In use
2016/2017	Kibargoiyet primary	Plastering and painting of one class	100,000	100,000	100,000	100%	15 May 2017	In use
2016/2017	Kewapsos Primary	Renovation floors and walls of 2 classrooms	300,000	300,000	300,000	100%	30 April 2017	In use
2016/2017	Siroch primary	Plastering and painting of one class	100,000	100,000	100,000	100%	15 May 2017	In use
2016/2017	Anin primary	Construction of 6 door toilets up to completion	200,000	200,000	200,000	100%	20 May 2017	complete and in use
2016/2017	Kipkenda Primary	Painting and fittings of one classroom	100,000	100,000	100,000	100%	30 Sept 2017	In use
2016/2017	Kapkei primary	Painting and fittings of one class	100,000	100,000	100,000	100%	10 April 2017	In use
2016/2017	Singore Primary	Walling, roofing and painting of 8 door toilets.	150,000	150,000	150,000	100%	30 May 2017	In use
2016/2017	Korkitony primary	Plastering, flooring and painting of two classrooms	300,000	300,000	300,000	100%	30 Sept 2017	In use
2016/2017	Kendur primary	Painting of two classes	100,000	100,000	100,000	100%	15 May 2017	In use
2016/2017	Chegilet secondary	Painting and fittings of two classrooms	200,000	200,000	200,000	100% complete	30 Sept 2017	In use
2016/2017	Kapsio primary	Construction of two classrooms up to completion	1,000,000	1,000,000	1,000,000	100% complete	30 April 2018	complete in use
2016/2017	Sergoit primary	Renovation of floors and walls of 4 classes	500,000	500,000	500,000	100% complete	30 April 2018	in use
2016/2017	Kipsabu Primary	Construction of two classrooms upto completion	1,000,000	1,000,000	500,000	100% complete	30 April 2018	in use
2016/2017	Kapkessum Primary	Plastering, painting and fitting of doors of the library.	300,000	300,000	300,000	100% complete	30 April 2018	Not in use
2016/2017	Chebonet secondary	Plastering and painting of one class	100,000	100,000	100,000	100% complete	14 April 2017	In use
2016/2017	Keiyo North DCC's office	Construction of 6 door ablution toilets	641,379	641,379		100% complete	30 April 2018.	complete

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Financial Year	Project Name	Activity	Estimated cost	Amount allocated	Amount disbursed	status	Completion date	Remarks
		up to completion						
2016/2017	Kapkonga secondary	Plastering, painting and fittings of the lab.	1,000,000	1,000,000	1,000,000	100% completion	30 Sept 2017	in use
	Sub Total		6,991,379	6,991,379	5,550,000			
	Ongoing Projects							
2016/2017	Msekekwa Primary	Construction of one classroom up to completion	500,000	500,000	500,000	20%	ongoing	slab level
2016/2017	Katalei primary	Construction of two classrooms up to completion	1,000,000	1,000,000	500,000	50%	30 Sept 2017	one class complete and in use, while the other is at foundation level.
2016/2017	Kaptum primary	Purchase of 40 beds for the boy's dormitory- kshs.300,000 and walling ,roofing, plastering and painting of 6 door toilets- kshs.200,000	500,000	500,000	500,000	50%	ongoing	Toilets are complete and in use while the purchase of beds at tendering stage.
2016/2017	Chelingwa secondary	Fitting of the lab fume chamber	150,000	150,000	150,000	0% ongoing	ongoing	tendering stage
2016/2017	Muno secondary	Construction of one classroom up to completion	500,000	500,000	500,000	20% New	ongoing	slab level
2016/2017	Emkong Primary	Construction of one classroom up to completion	500,000	500,000	500,000	20% to completion	ongoing	slab level
2016/2017	Mindililwo Special school	Plastering and painting of staff house- kshs.100,000 and foundation, walling and roofing of admin block- kshs.500,000	600,000	600,000	600,000	20% to completion	ongoing	staff house complete admin block at tendering stage
2016/2017	Kamariny primary	Construction of toilets kshs.100,000 and construction of two classrooms- kshs.1,000,000 up to completion	1,100,000	1,100,000	600,000	50% to completion	30 Sept 2017	Toilets have been constructed and complete, the lab is at the slab level
2016/2017	Chepkitony primary	Plastering and painting of one class- kshs.150,000 and construction of one class-	650,000	650,000	650,000	50% to completion	30 Sept 2017	one class is complete and in use the other classroom is at

Financial Year	Project Name	Activity	Estimated cost	Amount allocated	Amount disbursed	status	Completion date	Remarks
		kshs.500,000 up to completion						tendering stage .
2016/2017	Kermuk Primary	Plastering and painting of 4 classes	400,000	400,000	400,000	50% to completion	ongoing	flooring have been done
2016/2017	Kiptoit primary	Construction of two classrooms up to completion.	1,000,000	1,000,000	500,000	50% to completion	30 Sept 2017	one class complete and in use
2016/2017	Lamaon primary	Painting and steel doors for 2 classrooms -kshs.100,000 and construction of one class-kshs.500,000	600,000	600,000	600,000	50% to completion	ongoing	The two classes completed while the new class is at lintel level.
2016/2017	St.Francis Kimuroon secondary	Construction of dormitory up to completion	1,000,000	1,000,000	1,000,000	50% to completion	30 Sept 2017	lintel level
2016/2017	Kapkoi secondary	Construction of 6 door toilets up to completion	200,000	200,000	200,000	50% to completion	ongoing	lintel level
2016/2017	Kapchelal secondary	Walling, roofing, plastering and painting of dining hall.	1,000,000	1,000,000		50% to completion	ongoing	tendering stage
2016/2017	Kapsinende primary	Construction of one class up to completion	500,000	500,000		50% to completion	ongoing	lintel level
2016/2017	Berese primary	Construction of one classroom-kshs.500, 000 up to completion and painting of one class-kshs.50, 000.	550,000	550,000	550,000	50% to completion	ongoing	lintel level
2016/2017	Nyalil Primary	Construction of two classrooms - kshs.1,000,000 up to completion and painting of one class-kshs.50,000	1,050,000	1,050,000	1,050,000	60% to completion	ongoing	one new class complete and in use, painting of the other class completed .
2016/2017	Chelingwa primary	Construction of two classrooms - kshs.1, 000,000 and completion of one class-kshs.100, 000.	1,100,000	1,100,000	1,100,000	60% to completion	30 Sept 2017	one class complete and in use
2016/2017	William Murgor Primary	Construction of one classroom-kshs.500,000 and plastering and painting	750,000	750,000	250,000	70% to completion	30th Sept 2017	plastering and flooring on going

Financial Year	Project Name	Activity	Estimated cost	Amount allocated	Amount disbursed	status	Completion date	Remarks
		of one class-kshs.250,000						
2016/2017	Matany Primary	Construction of one classroom up to completion	500,000	500,000	500,000	70% to completion	ongoing	at roofing astage
2016/2017	Sergoit chief's office	Plastering and painting of AP 3 houses - kshs.100,000 construction of toilets - kshs.100,000 and purchase of Cabinet,tables ,and chairs-Kshs.100,000	300,000	300,000		80% completed	30 May 2017	not in use furniture yet to be purchased
2016/2017	Cheberen Primary	Plastering and painting of one class – kshs200, 000 and connection of water to the school.- kshs.150,000	350,000	350,000	350,000	80% to completion	30 Sept 2017	pit latrine in use
2016/2017	Kapteren primary	Renovation of floors and painting of walls of 3 classrooms	300,000	300,000	300,000	80% to completion	ongoing	painting stage
2016/2017	Rimoi primary	Construction of one classroom-kshs.500,000 up to completion and construction of toilets-kshs.200,000	700,000	700,000	700,000	80% to completion	ongoing	Toilets in use and the class at plastering stage .
2016/2017	Komotony Primary	Construction of two classrooms up to completion	1,000,000	1,000,000	1,000,000	80% to completion	ongoing	one class complete and in use the other class is at plastering stage.
2016/2017	Kiptabus primary	Construction of one class up to completion	500,000	500,000	250,000	80% to completion	30 Sept 2017	plastering and flooring on going
2016/2017	Nyawa Primary	Construction of one classroom up to completion	500,000	500,000	500,000	80% to completion	ongoing	plastering and flooring on going
2016/2017	Kiboi primary	Construction of one classroom – kshs.500, 000 and walling of toilet –kshs.-150,000.	650,000	650,000	650,000	80% to completion	ongoing	Toilets complete and in use while the class is at plastering stage.
2016/2017	Bugar Primary	Construction of one classroom up to completion	500,000	500,000	500,000	80% to completion	ongoing	plastering and flooring on going
2016/2017	Kamogich chiefs	Plastering and painting of AP houses-	300,000	300,000	300,000	80% to completion	ongoing	Not in use

Financial Year	Project Name	Activity	Estimated cost	Amount allocated	Amount disbursed	status	Completion date	Remarks
		kshs.150,000 and construction of toilets-kshs.150,000						
2016/2017	Chesitek primary	Construction of one class up to completion	500,000	500,000	500,000	90% to completion	ongoing	painting and glazing stage
2016/2017	Kayoi primary	Plastering, window and door fittings, and painting of administration block	500,000	500,000	500,000	90% to completion	ongoing	Painting ongoing
2016/2017	Iten Day Secondary	Plastering and painting of classes within the tuition block	1,000,000	1,000,000	1,000,000	ongoing	30th Sept 2017	In use
2016/2017	Kessup day secondary	Walling,roofing, plastering of admin block.	800,000	800,000	800,000	Ongoing	ongoing	slab level
2016/2017	Kabulwo secondary	Walling, roofing of the Dining hall	2,000,000	2,000,000		Ongoing	ongoing	roofing stage
2016/2017	Kapkessum secondary	Roofing of the dormitory	250,000	250,000	250,000	Ongoing	30 Sept 2017	finishing state plastering and flooring to be done
2016/2017	Kapchemutwa chief's office	Painting, fitting of window panes of chief's office.	100,000	100,000	100,000	Ongoing	ongoing	tendering stage
	Sub Total		24,400,000	24,400,000	18,350,000			
	Projects Not Started							
2016/2017	Yokot primary	Renovation of floors and painting of walls of 3 classrooms	300,000	300,000	300,000	0%	Not Started	tendering stage
2016/2017	Kaplamai primary	Renovation of floors of 2 classes	200,000	200,000		0%	Not Started	awaiting for funds
2016/2017	Chebonet primary	Renovation of floors and walls of 3 classes	300,000	300,000	300,000	0%	Not Started	tendering stage
2016/2017	Songeto primary	Construction of one classroom up to completion	500,000	500,000		0%	Not Started	at intel level
2016/2017	Kolol Primary	Construction of one classroom up to completion	500,000	500,000		0%	Not Started	At slab level
2016/2017	Kipka primary	Flooring, fixing of doors and windows and painting of one class-	500,000	500,000	500	0%	Not Started	tendering stage

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Financial Year	Project Name	Activity	Estimated cost	Amount allocated	Amount disbursed	status	Completion date	Remarks
		kshs.100,000 and renovation of floors of 4 classes-kshs.400,000						
2016/2017	Cheptarit primary	Plastering and painting of Admin block	400,000	400,000	400,000	0%	Not Started	tendering stage
2016/2017	Kipkulot Primary	Construction of one classroom up to completion	500,000	500,000	500,000	0%	Not Started	tendering stage - Only Bricks at the site
2016/2017	Salaba Primary	Plastering and painting of one classroom - kshs.100,000 and construction of one classroom-kshs.500,000 up to completion	600,000	600,000		0%	Not Started	the one class is complete and in use and the other class at the teneering stage.
2016/2017	Kobil Primary	Plastering and painting of one class and library.	400,000	400,000		0%	Not Started	awaiting for funds
2016/2017	Bugar secondary	Foundation and slab for the administration block	600,000	600,000	600,000	0%	Not Started	tendering stage
2016/2017	Kibargoiyet secondary	Construction of one class – kshs.500,000 and purchase of 20 desk kshs.100,000	600,000	600,000	600,000	0%	Not Started	tendering stage
2016/2017	Irong chiefs office	Foundation, slab and walling of the chief's office	500,000	500,000	500,000	0%	Not Started	tendering stage
2016/2017	AP Camp Kermuk	Construction of 3 AP houses up to completion	700,000	700,000	700,000	0%	Not Started	tendering stage
2016/2017	Kamoi chief's office	Foundation, slab, walling of chief's office	500,000	500,000		0%	Not Started	tendering stage
2016/2017	Chelingwa secondary	Fitting of the lab fume chamber	150,000	150,000	150,000	0%	Not Started	tendering stage
	Sub Total		6,950,000	7,250,000	4,050,500			
	Grand Total		38,341,379	38,641,379	27,950,500			

The management of the Fund should implement and complete all the projects planned for the year for better delivery of services to the people of the Constituency. The projects which were not implemented as planned impact negatively on delivery of services to the people of Keiyo North Constituency.

Responsibilities of Management and Those charged with Governance for the Financial Statements

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Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash 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 Constituencies Development Fund-Keiyo South Development Fund 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.

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, and for the purpose of giving an assurance on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue offering services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the consolidated/ financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue offering services.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

05 March 2019