

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - ISIOLO NORTH CONSTITUENCY FOR THE YEAR ENDED 30 JUNE 2018

REPORT ON THE FINANCIAL STATEMENTS

Adverse Opinion

I have audited the accompanying financial statements of National Government Constituencies Development Fund (NGCDF) - Isiolo North Constituency set out on pages 6 to 29, which comprise the statement of assets as at 30 June 2018, the statement of receipts and payments, statement of cash flows and summary statement of appropriation: recurrent and development combined 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, in all material respects, the financial position of National Government Constituencies Development Fund - Isiolo North Constituency as at 30 June 2018, 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 the National Government Constituencies Development Fund Act No. 30 of 2015.

Basis for Adverse Opinion

1.0 Presentation of the Financial Statements

The Fund's financial statements for the year ended 30 June 2018 did not include a separate statement of appropriation recurrent and development, budget execution by programmes and sub programmes which are requirements by the International Public Sector Accounting Standards (Cash Basis) reporting template for Ministries, Departments and Agencies (MDAs) revised in 2018 prescribed by the Public Sector Accounting Standards Board (PSASB).

Further, the template stipulates that the progress on follow up of auditor recommendations should include status of audit issues raised and the date when the issues are expected to be resolved. However, the progress on follow up of auditor recommendations at annex 5 to the financial statements indicated that the issue raised on the certificate for year 2016/2017 were all resolved, but the respective documentary evidence showing how and when the issues were resolved has not been provided for audit review.

Further, the summary of fixed asset register and project management committee (PMC) bank balances have both been referred to as annex 4.

In view of the foregoing, the presentation of the financial statements for the year ended 30 June 2018 does not conform to the Public Sector Accounting Standards Board requirements.

2.0 Accuracy of the Financial Statements

2.1 Variation Between the Financial Statements and the Supporting Schedules Balances

The financial statements for the year under review reflects a balance of Kshs.69,789,208 in respect to two expenditure items while the respective supporting schedules reflects a balance of Kshs.53,775,353 resulting into an unexplained or unreconciled net variance of Kshs.16,013,855 as follows;

No	Item	Financial Statements Balances (Kshs)	Supporting Schedule Balances (Kshs)	Variance (Kshs)
1	Use of Goods and Services	19,217,503	19,217,603	(100)
2	Other Grants and Other Payments	50,571,705	34,557,750	16,013,955
	Total	69,789,208	53,775,353	16,013,855

In the circumstances, the accuracy of the financial statements balances for the year under review could not be ascertained.

2.2 Variation Between the Financial Statements Comparative Balances and the Prior Year Financial Statements

The financial statements for the year under review reflects Kshs.600,000 in respect to the comparative 2016/2017 balance of one (1) item while the audited 2016-2017 financial statements reflects the same balance in respect to two (2) items resulting to no variance as follows;

No	Item	Current Financial Statement Balances (Kshs)	Certified Financial Statement 2016/2017 (Kshs)	Variance (Kshs)
1	Annex 4 – Korbasa Day Secondary School	600,000	0	600,000
2	Annex 4 – Kambi ya Juu Primary School	0	200,000	-200,000
3	Annex 4 – Elsar Secondary School	0	400,000	-400,000
	Total	600,000	600,000	0

In the circumstances, the accuracy of the financial statements balances for the year under review could not be ascertained.

3.0 Project Management Committee (PMC) Bank Balances

Note 6 and 7 to the financial statements reflects Kshs.34,200,000 and Kshs.50,571,705 in respect to transfer to other government entities and other grants and other payments respectively both totalling to Kshs.84,771,705 which includes Kshs.1,200,000 reflected at annex 4 as project Management Committee (PMC) bank balances. However, the respective cashbooks, bank certificate and bank reconciliation statements were not availed for audit review contrary to the requirement of Sections 100 and 90 (1), (3) of the Public Finance Management (National Government) regulations 2015 which stipulates that accounting officers shall keep in all offices concerned with receiving cash or making payments a cash book showing the receipts and payments and shall ensure that bank accounts reconciliations are completed for each bank account held by that Accounting Officer, every month.

In the circumstances, the Fund is in breach of the law and it has not possible to ascertain the accuracy of Kshs,1,200,000 PMC bank balances as at 30 June 2018.

4.0 Other Grants and Other Transfers

4.1 Unaccounted for Bursary

Note 7 to the financial statements reflects Kshs.50,571,705 in respect to other grants and other payments which includes Kshs.6,159,000 and Kshs.25,782,705 in respect to bursary to secondary schools and tertiary institutions respectively both totaling to Kshs.31,941,705. However, only bursaries totaling to Kshs.6,293,800 were acknowledged by the respective beneficiary schools and institutions through issuance of acknowledgement receipts while bursaries totaling to Kshs.25,647,905 were not acknowledged or accounted for by the recipient schools and institutions.

In the circumstance, it has not been possible to ascertain whether the Kshs.25,647,905 bursaries were received by the respective schools and institutions and whether the same was expended as appropriated during the year ended 30 June 2018.

4.2 Sports

Note 7 to the financial statements reflects Kshs.50,571,705 in respect to other grants and other payments which includes Kshs.1,500,000 spent in respect to sports which was spent on hire of coaches, uniform, and refreshments. Further, project management committee minutes, tenders, evaluation committee minutes showing how uniforms were procured and stores records showing how the uniforms were distributed were not provided for audit review.

In the circumstances, it has not been possible to ascertain the propriety and value for money for the Kshs.1,500,000 expenditure for the year ended 30 June 2018.

4.3 Use of Emergency Funds

Note 7 to the financial statements reflects Kshs.50,571,705 in respect to other grants and other payments which includes Kshs.12,050,000 spent in respect to emergency projects. However, application for emergency funding and report on urgent unforeseen situation were

not availed for audit review. Therefore, the expenditure appeared to have been spent on projects that were not emergency in nature contrary to Section 8(3) of the National Government Constituencies Development Fund Act, 2015 which stipulates that expenditure on emergency should be for an urgent, unforeseen need for expenditure which in the opinion of the constituency committee cannot be delayed until the next financial year without harming the public interest of the constituents. Further, report on utilization of emergency funds to the board as required by Section 20 (2) of the same regulation which stipulates that utilization of the emergency reserve shall be reported to the Board within thirty days of the occurrence of the emergency was not provided for audit review.

Further, review of the payment vouchers and the respective supporting documents revealed that Kshs.6,880,000, Kshs.1,790,000 and Kshs.2,400,000 all totalling to Kshs.12,050,000 was spent on tsetse fly control and vaccination of cattle, transport, construction of gabions and construction of Kipsing bridge. However, supporting documents such as muster roll, fuel registers, work tickets, tender documents, evaluation committee minutes were not provided for audit review.

In the circumstances, the Fund was in breach of the law and it has not been possible to ascertain the value for money for the Kshs.12,050,000 reflected in the financial statements for the year under review including whether the expenditure was a proper charge to public funds in the year ended 30 June 2018.

5.0 Transfer to Primary Schools

5.1 Samburu Complex Primary School

Note 6 to the financial statements reflects Kshs.34,200,000 in respect to transfer to other government entities which includes Kshs.9,100,000 in respect to transfers to primary schools which further includes Kshs.900,000 and Kshs.1,300,000 both totalling to Kshs.2,200,000 disbursed to Samburu Complex Primary School for construction of one classroom and an administration block to completion respectively. However, quotations/tender documents, evaluation committee minutes showing how the contractor was procured, bills of quantities, contract agreement and payment records showing amount paid to the contractor were not provided for audit review.

Further, a physical verification done in February 2019 revealed that windows, plastering, floor works, painting works, electrical and plumbing works were not done for the administration block while plastering, floor works, electrical works, painting works and window glazing were not done for the classroom and the contractor was not on site. Therefore, it was not possible to ascertain whether the project could be completed within the budget allocation of Kshs.2,200,000.

In the circumstances, it has not been possible to ascertain whether the Kshs.2,200,000 expenditure was a proper charge to public funds and if value for money on the expenditure has been obtained in the year ended 30 June 2018.

5.2 Wabera Primary School

Note 6 to the financial statements reflects Kshs.34,200,000 in respect to transfer to other government entities which includes Kshs.9,100,000 in respect to transfers to primary schools which further includes Kshs.1,000,000 disbursed to Wabera Primary School for construction of a fence. A physical verification in January 2019 revealed that the fence had been constructed but the project file containing project management committee minutes, project proposals, architectural drawings, bill of quantities, procurement procedures followed, measurement of works done, certificates of works done, cashbook and bank statements showing how funds disbursed were received and spent were not provided for audit review. Therefore, it has not been possible to ascertain whether the fence was constructed as per the bill of quantity including whether the contract was competitively awarded as required by Section 227 of the Constitution of Kenya.

In the circumstances, it has not been possible to ascertain the propriety and value for money for the Kshs.1,000,000 expenditure for the year ended 30 June 2018.

5.3 Akadeli Primary School

Note 6 to the financial statements reflects Kshs.34,200,000 in respect to transfer to other government entities which includes Kshs.9,100,000 in respect to transfers to primary schools which further includes Kshs.3,600,000 disbursed to Akadeli Primary School for construction of two (2) classrooms to completion. However, a physical verification in the month of January 2019 revealed that doors, window grills, floor works, plastering and painting had not been done. Also the roofing of one classroom was partially complete and the contractor was not on site. Further, project management committee minutes, architectural drawings, bill of quantities, procurement procedures followed, measurement of work done and certificates of works done were not provided for audit review. In addition, quotations/tender documents, evaluation committee minutes showing how the contractor was procured, contract agreement and payment records showing amount paid to the contractor were also not provided for audit review.

In the circumstances, it has not been possible to ascertain the propriety and value for money for the Kshs.3,600,000 expenditure for the year ended 30 June 2018.

6.0 Transfer to Secondary Schools

Note 6 to the financial statements reflects Kshs.34,200,000 in respect to transfer to other government entities which includes Kshs.19,600,000 in respect to transfer to secondary schools which further includes Kshs.1,500,000 paid to three secondary schools for laboratory equipping. However, records showing how the equipment were purchased and taken-on-charge in the stores were not provided for audit review. Further, the laboratory equipments were not provided by the three schools for physical verification during a visit to the schools in the month of January 2019.

In the circumstances, it has not been possible to ascertain the propriety, security and value for money for the Kshs.1,500,000 expenditure for the year ended 30 June 2018.

7.0 Strategic Plan

Note 9 to the financial statements reflects Kshs.4,300,000 in respect to the Fund's strategic plan. However, the strategic plan, constituency committee minutes approving the strategic plan, tenders, evaluation committee minutes showing how the supplier was selected were not provided for audit review. In addition, records showing how the funds were received and spent have not been provided for audit review.

In the circumstances, it has not been possible to ascertain the propriety and value for money for the Kshs.4,300,000 expenditure for the year ended 30 June 2018.

8.0 Domestic Travel and Subsistence

Note 5 to the financial statements reflects Kshs.19,217,603 in respect to use of goods and services which includes Kshs.798,000 spent on domestic travel and subsistence. However, approved request showing reasons/purpose of journeys, program of activities and back to office report were not provided for audit review.

In the circumstances, it has not been possible to ascertain whether the Kshs.798,000 expenditure was a proper charge to public funds and whether it has equivalent value for money in the year ended 30 June 2018.

9.0 Other Operating Costs Expenses

Note 5 to the financial statements reflects Kshs.19,217,603 in respect to use of goods and services which includes Kshs.870,000 in respect to other operating costs which further includes Kshs.800,000 spent on public participation. However, the respective programme of activities, minutes of public participation deliberation and report of public participation was not provided for audit review.

In the circumstances, it has not been possible to ascertain whether the Kshs.800,000 expenditure was a proper charge to public funds and whether it has equivalent value for money in the year ended 30 June 2018.

10.0 Fuel, Oil and Lubricants

Note 5 to the financial statements reflects Kshs.19,217,603 in respect to use of goods and services which includes Kshs.3,635,323 in respect to fuel, oil and lubricants. However, fuel registers, work tickets and detailed orders showing how the fuel was consumed were not provided for audit review.

In the circumstances, it has not been possible to ascertain whether the Kshs.3,635,323 expenditure was a proper charge to public funds and whether it has an equivalent value for money in the year ended 30 June 2018.

11.0 Insurance

Note 5 to the financial statements reflects Kshs.19,217,603 in respect to use of goods and services which includes Kshs.241,120 in respect to insurance cover for the Fund's motor vehicle. However, motor vehicle insurance policy stating the terms and conditions, tenders/quotations, evaluation committee minutes showing how the insurance services has been procured has not been provided for audit review.

In the circumstances, it has not been possible to ascertain propriety and value for money for the Kshs.241,120 expenditure for the year ended 30 June 2018.

12.0 Committee Allowances

Note 5 to the financial statements reflects Kshs.19,217,603 in respect to use of goods and services which includes Kshs.12,693,930 in respect to committee allowance which further includes Kshs.5,590,000 spent on monitoring and evaluation which was not supported by programme of activities showing activity dates, projects visited, mode of transport and back to office reports.

In the circumstances, it has not been possible to ascertain the accuracy and value for money for the Kshs.5,590,000 expenditure including whether it is a proper charge to public funds in the year ended 30 June 2018.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Government Constituencies Development Fund - Isiolo North Constituency 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 Budgetary Control and Performance

1.1 Receipts

The summary statement of appropriation recurrent and development combined reflects approved budgeted receipts of Kshs.126,801,436 and actual receipts of KShs.113,485,917 (89%) resulting in net under receipts of Kshs.13,315,519 or 11%.

Further, the statement of receipts and payments and the summary statement of appropriation: recurrent and development combined reflects transfer from NGCDF board of Kshs.112,284,482 and Kshs.113,485,917 respectively resulting in unexplained and unreconciled difference of Kshs.1,201,435.

In overall, the Fund failed to actualize its budget by Kshs.13,315,519 or 11% an indication that some programmes and activities that had been planned were not implemented. There is need therefore for Constituency Development Fund management to review its budget making process with a view to formulating a realistic budget that would be actualized for service delivery to the residents of Isiolo North Constituency.

1.2 Expenditure

The summary statement of appropriation recurrent and development combined reflected approved budgeted payments of Kshs.126,801,436 and actual payments of KShs.112,501,270 resulting in net under expenditure of Kshs.14,300,166 as follows;

Items	Current year Final Budget Figures (Kshs)	Actual Expenditure Figures (Kshs.)	(Under)/Over Expenditure (Kshs.)	Budget Absorption %
Expenditure				
Compensation of Employee	4,040,000	3,749,562	290,438	93%
Use of goods and services	14,143,379	19,217,503	-5,074,124	136%
Transfer to other Government	60,301,636	34,200,000	26,101,636	57%
Other Grant and Transfers	48,161,421	50,571,705	-2,410,284	105%
acquisition of Assets	155,000	462,500	-307,500	298%
Other Payments		4,300,000	-4,300,000	-100%
Total	126,801,436	112,501,270	14,300,166	89%

In overall, the National Government Constituency Development Fund – Isiolo North Constituency under spent its budget by Kshs.14,300,166 or 11% of the total budgeted allocation. The funds could have been allocated to other deserving areas that would improve delivery of goods and services to the residents of Isiolo North Constituency. This may also be an indication of improper planning and defective budgetary preparation process. The residents of the constituency did not get expected services equivalent to the Kshs.14,300,166 under expenditure for the year ended 30 June 2018.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, because of the significance of the matters discussed in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources section of my report, based on the audit procedures performed, I confirm that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1.0 Project Implementation

1.1 Irregular Implementation of Projects

Note 6 and 7 to the financial statements reflects Kshs.34,200,000 and Kshs.50,571,705 in respect to transfer to other government entities and other grants and other payments respectively both totalling to Kshs.84,771,70. However, project file containing, bank statements, project management committee minutes, Bills of Quantities (BQs) quotations/ tenders, evaluation committee minutes and inspection and acceptance committee minutes, partial and final completion certificate from the department of public works were not provided for audit contrary to Section 15(1) of the National Government Constituency Fund regulations 2016 which stipulates that project management committee should implement projects in consultation with the relevant departments of government, maintain proper records of all minutes, accounting documents and other records in relation to projects being implemented, account for funds, undertake project closure, labelling and handover upon completion.

In the circumstances, the Fund was in breach of the law and it has not been possible to ascertain whether the Kshs.84,771,705 expenditure was a proper charge to public funds and whether it has an equivalent value for money in the year ended 30 June 2018.

1.2 Project Implementation Status

Note 6 and 7 to the financial statements reflects Kshs.34,200,000 and Kshs.50,571,705 in respect to transfer to other government entities and other grants and other payments respectively both totalling to Kshs.84,771,705 which was disbursed during the year under review to undertake various projects in the constituency. However, the Fund management did not avail project implementation status report to show projects completed, ongoing and not started. In the absence of an updated project implementation status report, the progress of work on the projects funded during the year under review and their status as at 30 June 2018 cannot be confirmed.

In the circumstance, it has not been possible to ascertain whether, the Constituency Development Fund management's prioritized and implemented projects worth Kshs.84,771,705 which resulted to a higher impact into improving service delivery to the citizen of Isiolo North Constituency.

2.0 Reallocation of Funds

Note 6 to the financial statements reflects Kshs.34,200,000 in respect to transfer to other government entities which includes Kshs.19,600,000 spent in respect to transfer to secondary schools which further includes Kshs.4,000,000 disbursed to Kipsing day secondary school for construction of a dining hall to completion. However, during physical verification in the month of January 2019 it was observed that the funds were used for construction of three (3) units staff houses. Further, the expenditure was not included in the approved budget and supplementary approval from the board for the same was not provided for audit review contrary to the requirement of Section 6 (2) of the National Government

Constituencies Development Fund Act, 2015 which requires that once funds are allocated for a particular project, they shall remain allocated for that project and may only be re-allocated for any other purpose with the approval of the Board. No explanation was provided why funds were reallocated to other uses without the Board's approval.

In the circumstances, it has not been possible to ascertain the propriety and value for money for the Kshs.2,060,000 expenditure for the year ended 30 June 2018.

3.0 Fixed Assets

Annex 4 to the financial statements reflects Kshs.9,612,000 balance in respect to summary for fixed assets. However, office equipment, furniture and fittings, ICT equipment, software and other ICT assets and other machinery and equipments valued at Kshs.1,812,500 were not tagged for ease of tracking and identification contrary to Section 132 (b) of the Public Finance Management (County Government) regulation which require accounting officer to ensure that movement and conditions of assets can be tracked.

In the circumstances, the Fund was in breach of the law and the valuation, ownership, existence, completeness, location and security of the non-current assets balance of Kshs.1,812,500 as at 30 June 2018 could not be ascertained.

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

REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

The audit was conducted in accordance with ISSAI 1315 and ISSAI 1330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal control, risk management and governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and Those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (Cash Basis) and for maintaining effective internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, and for its assessment of the effectiveness of internal control, risk management and governance.

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 applicable basis of accounting unless the management either intends to liquidate the Fund or 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 provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the Fund's financial statements described above, management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Fund's financial reporting process, reviewing the effectiveness of how the entity monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

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

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion with limited assurance as to whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them in accordance with the

provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's use of the 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 as a going concern or to sustain its services. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Fund to cease to continue to sustain its services.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information and business activities of the Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

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



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

Nairobi

16 April 2019