

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

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## REPORT ON THE FINANCIAL STATEMENTS

### **Adverse Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund (NGCDF) - Isiolo South Constituency set out on pages 6 to 43, which comprise the statement of assets as at 30 June 2018, and 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 South 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 Constituency Development Fund Act, No.30 of 2015.

### **Basis for Adverse Opinion**

#### **1.0 Presentation of the Financial Statements**

The Funds 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 as per 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 progress on follow up of auditor recommendations at annex 4 to the financial statements indicates 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 was not provided for audit review. This is contrary to the PSASB template which 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.

In addition, the PSASB template stipulates that the Sub County Accountant's Institute of Certified Public Accountant of Kenya (ICPAK) membership number be included in the

financial statements but the same has not been included. Also, pages 10 to 23 and page 35 were missing from the financial statement while 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 did not conform to the Public Sector Accounting Standards Board requirements.

## 2.0 Accuracy of the Financial Statements

### 2.1. Variances Between the Financial Statements and Respective Schedule Balances

The financial statements availed for audit reflects variances between the statements of receipts and payments and the respective supporting schedules amounting to Kshs.1,303,976 as summarized below;

| Item                                  | Financial Statement Balances (Kshs.) | Supporting Schedule Balances (Kshs.) | Variance (Kshs.) |
|---------------------------------------|--------------------------------------|--------------------------------------|------------------|
| Compensation of Employees             | 1,072,880                            | 427,185                              | 645,695          |
| Use of Goods and Services             | 5,499,760                            | 11,772,760                           | (6,273,000)      |
| Transfer to other government entities | 33,025,364                           | 24,600,000                           | 8,425,364        |
| Other Grants and Other Payments       | 37,550,624                           | 39,044,707                           | (1,494,083)      |
| <b>Total</b>                          | <b>77,148,628</b>                    | <b>75,844,652</b>                    | <b>1,303,976</b> |

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

### 2.2. Variances Between the Financial Statements Comparative Balances and the Prior Year Audited Accounts.

The financial statements for the year under review reflects a comparative 2016/2017 balance of Kshs.51,136,527 in respect to five (5) items while the audited 2016/2017 financial statements reflects a balance of Kshs.50,337,127 in respect to the five items resulting into an unexplained and unreconciled net variance of Kshs.799,400 as follows:

| Item                            | Current Financial Statement Comparative Balances (Kshs) | Certified Financial Statements 2016/17 (Kshs) | Variance (Kshs) |
|---------------------------------|---|---|-----------------|
| 1 Transfer to Other Govt. Units | 28,025,500  | 12,000,000                                    | 16,025,500      |

|   |   |                   |                   |                     |
|---|---|-------------------|-------------------|---------------------|
|   | (Statement of receipts and Payments)            |                   |                   |                     |
| 2 | Committee Expenses                              | 0                 | 16,025,500        | <b>(16,025,500)</b> |
| 3 | Use of goods and Services (cash flow statement) | 21,981,627        | 5,956,127         | <b>16,025,500</b>   |
| 4 | Committee Expenses (cash flow statement)        | 0                 | 16,025,500        | <b>(16,025,500)</b> |
| 5 | Compensation of employees (Note 4)              | 1,129,400         | 330,000           | <b>799,400</b>      |
|   | <b>Total</b>                                    | <b>51,136,527</b> | <b>50,337,127</b> | <b>799,400</b>      |

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.33,025,364 and Kshs.37,550,624 in respect to transfer to other government entities and other grants and other transfers respectively both totalling to Kshs.70,575,988 which was disbursed to various project management committee (PMC) to implement the budgeted projects. Included in the Kshs.70,575,988 is Kshs.1,500,000 which is reflected at annex 4 as the PMC bank balances. However, the respective cashbooks 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 been possible to ascertain the accuracy of Kshs.1,500,000 PMC bank balances as at 30 June 2018.

### **4.0 Unsupported Expenditure on Projects**

Note 6 and 7 to the financial statements reflects Kshs.33,025,364, Kshs.14,500,000, Kshs.1,736,207 and Kshs.4,568,966 in respect to transfer to other government entities security, sports and emergency projects respectively all totalling to Kshs.53,830,537. However, project files 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 requires project management committee to 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 circumstance, it has not been possible to ascertain whether the Kshs.53,830,537 expenditure was a proper charge to public funds and whether it had equivalent value for money for the year ended 30 June 2018.

## **5.0 Other Grants and Other Transfers**

### **5.1 Unaccounted for Bursary**

Note 7 to the financial statements reflects Kshs.37,550,624 in respect to other grants and other payments which includes Kshs.10,000,000 and Kshs.6,745,451 in respect to bursaries to secondary schools and tertiary institutions respectively both totaling to Kshs.16,745,451. However, only bursaries totaling to Kshs1,476,700 were acknowledged by the respective beneficiary schools and institutions through issuance of acknowledgement receipts while bursaries totaling to Kshs.15,268,751 were not acknowledged or accounted for by the recipient schools and institutions.

In the circumstance, it has not been possible to ascertain that the Kshs.15,268,751 bursary was disbursed to the respected institutions and whether it has been received and expended as appropriated during the year ended 30 June 2018.

### **5.2 Un-accounted for Emergency Funds**

Note 7 to the financial statements reflects Kshs.37,550,624 in respect to other grants and other payments which includes Kshs.4,568,966 in respect to emergency projects. However, the respective supporting schedules reflects an expenditure of Kshs.6,161,000 resulting to an unexplained or unreconciled variance of Kshs.1,592,034. Further, application for emergency funding and report on urgent unforeseen situation were not availed for audit review. Therefore, the expenditure appeared to have been 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.

Also, a review of the payment vouchers and the respective supporting documents revealed that Kshs.1,739,000, Kshs.1,842,000 and Kshs.2,580,000 all totalling to Kshs.6,161,000 were spent on tsetse fly control, construction of gabions and fuel for relief food. However, supporting documents such as muster roll, fuel registers, work tickets, tender documents, and evaluation committee minutes were not provided for audit review.

In the circumstances, the Fund was in breach of the law and it was not possible to ascertain the accuracy, propriety and value for money for the Kshs.4,568,966 emergency expenditure during the year ended 30 June 2018.

### 5.3 Sports

Note 7 to the financial statements reflects Kshs.37,550,624 in respect to other grants and other payments which includes Kshs.1,736,207 in respect to sports which was spent on hire of coaches, uniform, and refreshments. However, 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 whether the Kshs.1,736,207 expenditure was a proper charge to public funds and whether it has equivalent value for money in the year ended 30 June 2018.

### 6.0 Transfer to Other Government Entities

#### 6.1 Transfer to Secondary Schools

Note 6 to the financial statements reflects Kshs.33,025,364 in respect to transfer to other government entities which include Kshs.16,600,000 in respect to transfers to secondary schools. However, the respective supporting schedules reflects an expenditure of Kshs.18,600,000 resulting in an unexplained variance of Kshs.2,000,000. Records made available showed that the Kshs.18,600,000 was disbursed to two secondary schools for implementation of various projects as follows:

| Secondary Schools | Project                |                             |                         |                         |                  |                   |
|-------------------|------------------------|-----------------------------|-------------------------|-------------------------|------------------|-------------------|
|                   | Four Classrooms (Kshs) | Administration block (Kshs) | Sanitation Block (Kshs) | Laboratory Block (Kshs) | Fencing (Kshs)   | Total (Kshs)      |
| Gafarsa           | 3,600,000              | 1,500,000                   | 200,000                 | 3,000,000               | 1,000,000        | 9,300,000         |
| Algani Girls      | 3,600,000              | 1,500,000                   | 200,000                 | 3,000,000               | 1,000,000        | 9,300,000         |
| <b>Total</b>      | <b>7,200,000</b>       | <b>3,000,000</b>            | <b>400,000</b>          | <b>6,000,000</b>        | <b>2,000,000</b> | <b>18,600,000</b> |

Further, quotations/tender documents, evaluation committee minutes showing how the contractors were procured was not provided for audit review. Also, as at the time of the audit in month of February 2019 the classrooms, the administration block, sanitation block and the laboratory in Algani Girls Secondary School and the administration block, fencing and the laboratory in Gafarsa Secondary School were not complete and the contractors were not on site. In addition, records showing how the funds allocated has been received and expended has not been provided for audit review.

In the circumstances, it has not been possible to ascertain the accuracy, propriety and value for money for the Kshs.16,600,000 expenditure for the year ended 30 June 2018.

## **7.0 Use of Goods and Services**

### **7.1 Domestic Travel and Subsistence**

Note 5 to the financial statements reflects Kshs.5,499,760 in respect to use of goods and services which includes Kshs.1,000,000 in respect to domestic travel and subsistence allowance. However, approved request showing reasons/purpose of journeys, program of activities and back to office reports were not provided for audit review.

In the circumstances, it has not been possible to ascertain whether the Kshs1,000,000 expenditure was a proper charge to public funds and whether it has equivalent value for money in the year ended 30 June 2018.

### **7.2 Routine Maintenance Vehicle and Other Transport Costs**

Note 5 to the financial statements reflects Kshs.5,499,760 in respect to use of goods and services which includes Kshs.1,000,000 in respect to routine maintenance – vehicle and other transport costs which further includes Kshs.400,000 spent on repair of a motor vehicle on 21 June 2018. However, pre inspection report showing the defects and estimated cost of repairs has not been provided for audit review.

Further, on 25 June 2018 – three (3) days after the vehicle was repaired, the regional manager ministry of public works workshop was requested to inspect and issue an evaluation report on road worthiness of the vehicle and the recommendation was that the vehicle be disposed at estimated cost of Kshs.730,000. No explanation was provided as to why repairs were made without a defect report and immediately before disposal.

In the circumstances, it has not been possible to ascertain whether the Kshs.400,000 expenditure was a proper charge to public funds and whether it has equivalent value for money in the year ended 30 June 2018.

### **7.3 Fuel, Oil and Lubricants**

Note 5 to the financial statements reflects Kshs.5,499,760 in respect to use of goods and services which includes Kshs.1,000,000 in respect to fuel, oil and lubricants. However, fuel registers, work tickets and detailed orders showing how the fuel was consumed 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.1,000,000 expenditure for the year ended 30 June 2018.

### **7.4 Committee Expenses**

Note 5 to the financial statements reflects Kshs.5,499,760 in respect to use of goods and services which includes Kshs.300,000 in respect to committee allowance. However, the

respective supporting schedules reflects an expenditure of Kshs.8,851,000 resulting to an unexplained and unreconciled variance of Kshs.8,551,000. Further, included in the Kshs.8,851,000 was Kshs.2,529,000 spent in respect to monitoring and evaluation. However, programme of activities showing dates projects were visited, mode of transport and back to office report have not been provided for audit review.

In the circumstances, it has not been possible to ascertain the accuracy, propriety and value for money for the Kshs.300,000 expenditure 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 Constituency Development Fund - Isiolo South 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 Matters**

#### **1.0 Budgetary Control and Performance**

##### **1.1 Receipts**

The summary statement of appropriation: recurrent and development combined reflects approved budgeted receipts of Kshs.100,364,563 and actual receipts of KShs.86,485,252 (86%) resulting in net under receipts of Kshs.13,879,311.

Further, the statement of receipts and payments reflects transfer from NGCDF board of Kshs.86,310,345 however, the summary statement of appropriation: recurrent and development combined reflects Kshs.86,485,252 resulting in unexplained and unreconciled difference of Kshs.174,907.

In overall, the fund failed to actualize its budget by Kshs.13,879,311 or 14% 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 citizens of Isiolo South Constituency.

##### **1.2 Expenditure**

The summary statement of appropriation: recurrent and development combined reflects approved budgeted payments of Kshs.100,364,563 and actual payments of KShs.77,148,628 resulting in net under expenditure of Kshs.23,215,935 as follows;

| <b>Items</b>                          | <b>Current year<br/>Final budget<br/>Figures<br/>(Kshs)</b> | <b>Actual<br/>Expenditure<br/>Figures<br/>(Kshs)</b> | <b>(Under)/Over<br/>Expenditure<br/>(Kshs)</b> | <b>Budget<br/>Absorption<br/>%</b> |
|---------------------------------------|---|--|--|------------------------------------|
| <b>Expenditure</b>                    |   |  |  |                                    |
| Compensation of Employee              | 1,635,206   | 1,072,880  | 562,326  | <b>66%</b>                         |
| Use of Goods and Services             | 9,101,506   | 5,499,760  | 3,601,746                                      | <b>60%</b>                         |
| Transfer to other Government Entities | 38,015,509  | 33,025,364   | 4,990,145                                      | <b>87%</b>                         |
| Other Grant and other Payments        | 51,612,342  | 37,550,624   | 14,061,718                                     | <b>73%</b>                         |
| <b>Total</b>                          | <b>100,364,563</b>  | <b>77,148,628</b>                                    | <b>23,215,935</b>                              | <b>77%</b>                         |

In overall, the National Government Constituency Development Fund - Isiolo South Constituency under spent its budget by Kshs.23,215,935 or 23% of the total budget allocation. There is need therefore for the management to re-look at its budgeting mechanism with a view to focusing on priority areas which will improve service delivery to the residents of Isiolo South Constituency. This may also be an indication of improper planning and defective budgetary preparation process.

In the circumstances the residents of the Isiolo South Constituency did not get expected services equivalent to Kshs.23,215,935 under expenditure during the year ended 30 June 2018.

## **2.0 Project Implementation Status**

Note 6 and 7 to the financial statements reflects Kshs.33,025,364 and Kshs.37,550,624 in respect to transfer to other government entities and other grants and other transfers respectively both totalling to Kshs.70,575,988 which was disbursed to various project management committee (PMC) to implement the budgeted projects.

However, the Fund management did not update the project implementation status report during the financial year. In the absence of an updated 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.70,575,988 which would have resulted to higher impact into improving service delivery to the citizens of Isiolo South Constituency.

## REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the procedures performed, except for the matters described in the Conclusion on Compliance and Effectiveness section of my report, I confirm that, nothing has come to my attention to cause me to believe that public resources has not been applied lawfully and in an effective way.

### **Basis for Conclusion**

#### **1.0 Reallocation of Funds**

Note 7 to the financial statements reflects Kshs.37,550,624 in respect to other grants and other payments which includes Kshs.14,500,000 in respect to security which further includes Kshs.600,000 and Kshs.1,460,000 all totaling to Kshs.2,060,000 for construction of Kinna police post and for peace and conflict resolution respectively. However, the expenditure was not included in the approved budget and supplementary approval of the board for the expenditure 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 Authority.

In the circumstances, the Fund was in breach of the law.

#### **2.0 Fixed Assets**

The summary of fixed assets at Annex 4 to the financial statements reflects assets totaling to Kshs.5,041,000. However, ICT equipment, software and other ICT assets valued at Kshs.41,000 were not tagged for ease of tracking and identification contrary 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

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, based on the procedures performed, except for the matters described in the Adverse opinion section of my report, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall 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 National Government Constituency Development Fund - Isiolo South Constituency'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 National Government Constituency Development Fund - Isiolo South Constituency 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 National Government Constituency Development Fund - Isiolo South Constituency'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 National Government Constituency Development Fund - Isiolo South Constituency'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 National Government

Constituency Development Fund - Isiolo South Constituency'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 National Government Constituency Development Fund - Isiolo South Constituency 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 National Government Constituency Development Fund - Isiolo South Constituency 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 National Government Constituency Development Fund - Isiolo South Constituency 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**