

REPORT OF THE AUDITOR-GENERAL ON NATIONAL GOVERNMENT CONSTITUENCIES DEVELOPMENT FUND - MARAKWET EAST 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 - Marakwet East Constituency set out on pages 6 to 33, which comprise the statement of financial assets as at 30 June 2017, and the statement of receipts and payments, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I 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 - Marakwet East 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.

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 reflects transfers to other government units balance of Kshs.41,709,020 relating to funds disbursed to various project management committees (PMCs). However, actual expenditure returns and acknowledgement letters from project management committees were not availed for confirmation.

Under the circumstances, it was not possible to confirm whether the funds totaling Kshs.41,709,020 were actually received and utilized for the budgeted projects in the year under review.

2.0 Other Grants and Transfers

2.1 Bursary to Secondary Schools and Tertiary Institutions

The statement of receipts and payments reflects other grants and transfers of Kshs.49,410,946 which include bursary disbursements amounting to Kshs.17,627,843

for secondary schools and Kshs.7,925,280 for tertiary institutions. However, minutes of the bursary subcommittee indicating how the beneficiaries were identified and confirming two co-opted members one from the area education office seconded by the Ministry of Education as required by Constituency Development Fund circular reference No. Vol 1/111 dated 13 September 2010, were not availed for audit review.

Under the circumstances, the regularity of the total bursary disbursements of Kshs.25,553,123 could not be confirmed.

2.2 Security Projects

Included in other grants and transfers figure of Kshs.49,410,946 is disbursements to security projects figure of Kshs.8,890,000. However, the actual expenditure returns from project management committees were not availed for audit verification. Therefore, it was not possible to confirm whether the money was used for the budgeted projects.

Under the circumstances, regularity of the expenditure of Kshs.8,890,000 on security projects could not be confirmed.

2.3 Emergency Projects

Included also in other grants and transfers figure of Kshs.49,410,946 is disbursements to emergency projects balance of Kshs.7,764,827. However, the actual expenditure returns from project management committees were not availed for audit verification. Therefore, it was not possible to confirm whether the money was used for the budgeted projects.

Consequently, the regularity of the expenditure of Kshs.7,764,827 on emergency projects could not be confirmed.

2.4 Sports Projects

Other grants and transfers figure of Kshs.49,410,946 further includes disbursements to sports projects balance of Kshs.743,829 as disclosed in note 7 to the financial statements. However, the actual expenditure returns together with procurement records from the project management committees to show how the funds were utilized were not availed for audit verification. Therefore, it was not possible to confirm whether the money was used for the budgeted projects.

Under the circumstances, regularity of the expenditure of Kshs.743,829 on sports projects could not be confirmed.

2.5 Environmental Projects

Other grants and transfers figure of Kshs.49,410,946 further includes disbursements to emergency projects balance of Kshs.1,959,167 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. Therefore, it was not possible to confirm whether the money was used for the budgeted projects.

Consequently, the regularity of the expenditure of Kshs.1,959,167 on environment projects could not be confirmed

3.0 Cash and Cash Equivalents

3.1 Bank Balances

The statement of assets reflects a bank balance of Kshs.8,026,844. The bank reconciliation statement for the month of June 2017 reflects un-presented cheques amounting to Kshs.2,931,772 which had not been reversed in the cash book. In addition, details indicating when the un-presented cheques were subsequently cleared by the banks were not provided for audit review.

Consequently, the accuracy and completeness of the bank balance of Kshs.8,026,844 could not be confirmed.

3.2 Project Management Committee Balances

Note 15 to the financial statements shows project management committee account balances of Kshs.10,290,191 as summarized in annex 5 to the financial statements in respect of unutilized funds with the project management committees. However, cash books, bank confirmation certificates and bank reconciliation statements from the project management committees were not availed for audit review.

Under the circumstances, the accuracy, completeness and existences of the project management committees balance of Kshs.10,290,191 as at 30 June 2017 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of National Government Constituency Development Fund - Marakwet East 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 and Other Matter sections, I have determined that there are no other key audit matters to communicate in my report.

Other Matter

1.0 Budget Control and Performance

Report of the Auditor-General on the Financial Statements of National Government Constituencies Development Fund - Marakwet East Constituency for the year ended 30 June 2017

1.1 Budget Performance

During the year under review, the Fund had an approved budget of Kshs.141,718,646 against an expenditure of Kshs.101,743,530 or 72 % resulting in an under-expenditure of Kshs.39,975,116 or 28% of the approved budget as detailed below:

Project Name	Approved Amount (Kshs.)	Actual Expenditure (Kshs.)	Budget Utilization Difference (Kshs)	Utilization (%)
Compensation of employees	2,956,000	2,738,318	217,682	7
Use of goods and Services	12,704,151	7,734,646	4,969,505	61
Transfers to other government units	53,009,020	41,709,020	11,300,000	79
Other grants and transfers	73,049,475	49,362,946	23,686,529	68
Acquisition of assets	0.00	198,000	(198,000)	0
Total	141,718,646	101,743,530	39,975,116	72

Overall, from the above analysis, it is evident that the CDF under-spent on most of its budget lines with other grants and transfers with the highest amount of unutilized allocation of Kshs.23,686,529 followed by transfers to other government units of Kshs.11,300,000, use of goods and services of Kshs.4,969,505 and compensation of employees of Kshs.217,682. The management has not explained the failure to utilize all the funds budgeted for despite receiving the entire budgeted amount of Kshs.141,718,646 from the National Government Constituencies Development Board. In addition, no evidence has been provided to confirm whether the over expenditure totaling Kshs.198,000 on acquisition of assets was approved by the board.

Consequently, the citizens of Marakwet East constituency were denied the benefits that would have accrued from the projects that were to be implemented.

2.0 Project Implementation

During the financial year, Marakwet East disbursed Kshs.70,431,034.43 to ninety (90) projects. Out of these five (5) projects with an amount of Kshs.1,700,000 were complete and in use, thirty six (36) projects with a budget of Kshs.45,302,014.01 were ongoing while forty nine (49) projects with an amount of Kshs.23,429,020.42 were either new or not started, as follows:

No.	Year	Completed projects Project Name	Activity		Disbursement to PMCs	Status	Remark
1	2016/2017	Tenderwa primary school	Windows, doors and painting of two classes	30/06/2017	200,000.00	complete	complete in use

2	2016/2017	Maina pri school	Plastering, flooring, doors and windows of 3 classes	30/06/2017	500,000.00	complete	handed over
3	2016/2017	Kabetwa primary school	Construction of Gate	30/06/2017	300,000.00	complete	handed over
4	2016/2017	Queen of peace cheseger pri school	window glasses, painting and wiring of 5 classrooms	30/06/2017	400,000.00	complete	In use
5	2016/2017	Chesongoch small home	Painting, window glasses of 2 classrooms	30/06/2017	300,000.00	complete	handed over
				Sub Total	1,700,000.00		
On Going Projects							
6	2016/2017	Bursary Secondary Schools	Payment of bursary to needy students in secondary schools	30/06/2017	16,533,014.01	ongoing	ongoing
7	2016/2017	Bursary Tertiary Schools	Payment of bursary to needy students in tertiary institutions	30/06/2017	9,969,000.00	ongoing	ongoing
8	2016/2017	Kararia primary school	plastering in & out of 2 classes	30/06/2017	400,000.00	ongoing	plastered in
9	2016/2017	Kabiego primary school	plastering of four classes	30/06/2017	400,000.00	ongoing	plastering
10	2016/2017	Kilangata primary school	Wiring flooring and painting of three classrooms	30/06/2017	200,000.00	ongoing	flooring complete
11	2016/2017	Kapkeny primary school	Roofing, cubes, plaster and flooring of dormitory third phase	30/06/2017	900,000.00	ongoing	materials on site
12	2016/2017	Kaptora pri school	Roofing, plaster, flooring, doors and windows of dormitory third phase	30/06/2017	900,000.00	ongoing	not paid
13	2016/2017	Chugor pri school	Construction of septic tank to completion	30/06/2017	500,000.00	ongoing	not paid
14	2016/2017	Itum primary school	Plastering, painting, doors and windows one classroom last phase	30/06/2017	200,000.00	ongoing	complete in use
15	2016/2017	Chesoi school for deaf	Plastering, flooring, windows and doors of one classroom	30/06/2017	250,000.00	ongoing	roofing
16	2016/2017	Kapkuto pri school	Skirting, window glasses and verandah of 1 classroom	30/06/2017	200,000.00	ongoing	not paid
17	2016/2017	Ratia primary	Painting, verandah and wiring of 2 classrooms	30/06/2017	200,000.00	ongoing	plastered
18	2016/2017	Kimongo pri school	plastering, doors and windows, flooring and painting 8 classes	30/06/2017	700,000.00	ongoing	materials on site
19	2016/2017	Chemisto primary school	doors, windows, painting of three classrooms	30/06/2017	600,000.00	ongoing	tendering
20	2016/2017	Mungwa primary school	Doors, windows, painting and plaster of four classrooms	30/06/2017	600,000.00	ongoing	tendering
21	2016/2017	Boroko primary school	plaster, flooring, doors, windows of 4 classrooms	30/06/2017	800,000.00	ongoing	not paid

22	2016/2017	Kamogo primary school	Flooring, painting, doors and windows of 2 classrooms	30/06/2017	300,000.00	ongoing	roofing
23	2016/2017	Maron primary school	Plaster, painting, doors, windows and flooring of four classrooms	30/06/2017	400,000.00	ongoing	tendering
24	2016/2017	Chorwa primary school	Roofing, plaster, flooring and windows of dormitory	30/06/2017	900,000.00	ongoing	cubicles
25	2016/2017	Kapkobil primary school	Wiring, flooring, verandah, skirting, painting and fascia board of Dormitory	30/06/2017	500,000.00	ongoing	not paid
26	2016/2017	Chemworor primary school	Construction of 1 classroom to completion	30/06/2017	500,000.00	ongoing	roofing
27	2016/2017	St. Augustine kapyego sec school	Doors, windows, plaster, flooring, of dining hall	30/06/2017	500,000.00	ongoing	roofing
28	2016/2017	St. mary`s mon sec school	Plaster, doors, windows, flooring of staff houses	30/06/2017	800,000.00	ongoing	lintel
29	2016/2017	Sambirir girls sec school	Walling, roofing and verandah of library and ICT	30/06/2017	500,000.00	ongoing	first floor slab
30	2016/2017	Sambirir com. Library	For roofing & doors, windows, plaster of a library	30/06/2017	1,250,000.00	ongoing	roofing
31	2016/2017	Sambirir boys sec school	Painting, wiring, verandah of dormitory	30/06/2017	500,000.00	ongoing	painted
32	2016/2017	Kipkaner day sec school	Wiring, painting, flooring & verandah of administration block	30/06/2017	500,000.00	ongoing	plastered
33	2016/2017	Queen of peace sec sch	Walling and roofing of dormitory	30/06/2017	1,000,000.00	ongoing	slab
34	2016/2017	Cheptobot chief`s office	Roofing, plastering, doors, windows and painting of a chiefs office	30/06/2017	500,000.00	ongoing	painted
35	2016/2017	Tenderwa Asst, chief`s office	Roofing, plastering, doors, windows and painting of a chiefs office	30/06/2017	500,000.00	ongoing	plastered in
36	2016/2017	Kipkaner chief`s office	Roofing, plastering painting and flooring	30/06/2017	500,000.00	ongoing	window level
37	2016/2017	Kiptumbur chief`s office	Plastering, painting, flooring and pit latrine	30/06/2017	200,000.00	ongoing	roofing
38	2016/2017	Sambirir chief`s office	Roofing, plastering, painting doors & windows	30/06/2017	500,000.00	ongoing	roofing
39	2016/2017	Chebilil chief`s office	Plastering, painting, of chiefs office	30/06/2017	200,000.00	ongoing	roofing
40	2016/2017	Kipchumwa chief`s office	Roofing & plaster doors and windows of office	30/06/2017	500,000.00	ongoing	roofing
41	2016/2017	Mogil day sec school	Walling and roofing of dining hall	30/06/2017	1,400,000.00	ongoing	3 course walling
				Sub Total	45,302,014.01		
New and Not started Projects							

42	2016/2017	Boroko primary school	Purchase and supply of sport equipment to schools	30/06/2017	50,000.00	new	not paid
43	2016/2017	Muswon primary school	Purchase and supply of sport equipment to schools	30/06/2017	50,000.00	new	not paid
44	2016/2017	Chesetan primary school	Purchase and supply of sport equipment to schools	30/06/2017	50,000.00	new	not paid
45	2016/2017	Kapero primary school	Purchase and supply of sport equipment to schools	30/06/2017	50,000.00	new	not paid
46	2016/2017	Kaptobendo primary school	Purchase and supply of sport equipment to schools	30/06/2017	50,000.00	new	not paid
47	2016/2017	Maron primary school	Purchase and supply of sport equipment to schools	30/06/2017	50,000.00	new	not paid
48	2016/2017	Mkeno primary school	Purchase and supply of sport equipment to schools	30/06/2017	50,000.00	new	not paid
49	2016/2017	Koisabul primary school	Purchase and supply of sport equipment to schools	30/06/2017	50,000.00	new	not paid
50	2016/2017	Kalya primary school	purchase and planting of tree seedlings	30/06/2017	50,000.00	new	not paid
51	2016/2017	Kapkain primary school	purchase and planting of tree seedlings	30/06/2017	50,000.00	new	not paid
52	2016/2017	Kapkeny primary school	purchase and planting of tree seedlings	30/06/2017	50,000.00	new	not paid
53	2016/2017	Wewo primary school	purchase and planting of tree seedlings	30/06/2017	35,000.00	new	not paid
54	2016/2017	Chelimwo primary school	purchase and planting of tree seedlings	30/06/2017	35,000.00	new	not started
55	2016/2017	Kapchelaga primary school	construction of one classroom to completion	30/06/2017	500,000.00	new	tendering
56	2016/2017	Kaptobendo pri school	construction of classroom to completion	30/06/2017	500,000.00	new	tendering
57	2016/2017	Cheptobot pri school	construction of classroom to completion	30/06/2017	500,000.00	new	plastered
58	2016/2017	Mokwony pr school	Construction of 1 classroom to completion	30/06/2017	500,000.00	new	not paid
59	2016/2017	Muswon pri school	Plastering, flooring, doors and windows of three classrooms	30/06/2017	500,000.00	new	not paid
60	2016/2017	St. peter`s korion pri school	construction of one classroom to completion	30/06/2017	500,000.00	new	not paid
61	2016/2017	Matum pri school	Construction of 1 new class to completion	30/06/2017	500,000.00	new	tendering
62	2016/2017	Chelimwo pri school	Flooring, doors and window panes of 2 classrooms	30/06/2017	400,000.00	new	tendering
63	2016/2017	Embomir pri school	Plaster, painting flooring, doors, windows of 2 classes	30/06/2017	300,000.00	new	not started
64	2016/2017	Liter primary school	Plaster, painting flooring, doors, windows of 2 classes	30/06/2017	400,000.00	new	tendering

65	2016/2017	Kapkain primary school	Construction of Gate	30/06/2017	300,000.00	new	painting
66	2016/2017	Mkeno primary school	plaster, flooring, doors, windows of 4 classrooms	30/06/2017	500,000.00	new	tendering
67	2016/2017	Cheptany primary school	Construction of 1 classroom to roofing	30/06/2017	500,000.00	new	lintel
68	2016/2017	Wewo primary school	Construction of 1 classroom to completion	30/06/2017	500,000.00	new	window level
69	2016/2017	Meuno primary school	Construction of 1 classroom to roofing	30/06/2017	500,000.00	new	tendering
70	2016/2017	Kerbut primary school	Construction of 1 classroom to completion	30/06/2017	500,000.00	new	tendering
71	2016/2017	Endiwa primary school	Construction of 1 classroom to roofing	30/06/2017	500,000.00	new	not paid
72	2016/2017	Kimitel primary school	Construction of 1 classroom to completion	30/06/2017	500,000.00	new	materials on site
73	2016/2017	Kreel primary school	Construction of 1 classroom to completion	30/06/2017	500,000.00	new	wall plate
74	2016/2017	Sebero primary school	Construction of 1 classroom to completion	30/06/2017	500,000.00	new	roofing
75	2016/2017	Kalya primary school	Construction of 1 classroom to completion	30/06/2017	509,020.42	new	roofing
76	2016/2017	Mogil primary school	Roofing, flooring, shutters of 3 classrooms	30/06/2017	600,000.00	new	not paid
77	2016/2017	Tirap primary school	Construction of 1 classroom to completion	30/06/2017	500,000.00	new	not paid
78	2016/2017	Kasokotow Primary school	Construction of 1 classroom to completion	30/06/2017	500,000.00	new	lintel
79	2016/2017	Metipsoo primary school	Construction of 1 classroom to completion	30/06/2017	500,000.00	new	plastered in
80	2016/2017	Kapyego police station	Construction of 4 staff houses	30/06/2017	1,000,000.00	new	not started
81	2016/2017	Murkutwa AP Camp	Construction of staff houses Kshs.2,000,000, toilets Kshs.500,000 and office block Kshs.1,000,000	30/06/2017	3,500,000.00	new	plastered
82	2016/2017	Tuturung Assistant chiefs office	Construction of assistant chiefs office up to roofing stage	30/06/2017	500,000.00	new	window level
83	2016/2017	Chesoi pri school	Flooring, window glasses, and wiring of four classes	30/06/2017	800,000.00	not paid	not started
84	2016/2017	St.michael sec school embobut	Flooring, doors, windows, plaster and painting of 4 classrooms	30/06/2017	500,000.00	not paid	not started
85	2016/2017	Mokoro chief s office	Construction of 2 toilets	30/06/2017	200,000.00	not paid	painted in

86	2016/2017	Ketut chief's office	Roofing, plastering, painting and windows of chiefs office	30/06/2017	200,000.00	not paid	intel
87	2016/2017	Endul Assistant chief's office	Painting, & fixing of window glasses	30/06/2017	200,000.00	not paid	not started
88	2016/2017	Kamogo chief's office	For painting, fixing of ceilings & window glasses	30/06/2017	400,000.00	not paid	not started
89	2016/2017	Kapsicha Assistant chiefs office	Construction of assistant chiefs office up to roofing stage	30/06/2017	500,000.00	not paid	not started
90	2016/2017	Marakwet East sub-county headquarters	Purchase of 6acres of land for expansion of district headquarters	30/06/2017	3,000,000.00	not paid	not started
				Sub Total	23,429,020.42		
				Grand Total	70,431,034.43		

Projects which are not implemented as planned impact negatively on the delivery of services to the people of Marakwet East Constituency. There may be need for the Fund management therefore to re-look at its budget formulation with a view to focusing on priority areas.

3.0 Project verification

During the year under review, nine (9) projects costing Kshs.8,100,000 were verified in the month of May 2018 and the following observations were made as summarized below:

S/No	Project Name	Project Activity	Amount Paid As At 30.06.2017	Level of Completion As At 24.05.2018	Remarks
1	Chechan Primary School	Construction of 1 classroom	500,000	Not Complete and not In use	construction of 1 classroom, however, two classrooms were constructed for the same amount using bricks, roofed using gull sheet, finishing incomplete (no flooring, no plastering, no doors and no painting)
2	Lukuget Primary School	Construction of 1 classroom	500,000	No building.	Received Kshs.500,000 for the construction of one classroom. However, the funds were diverted for another project (Fencing and gate Construction) which was done without approval. Gate was not painted. Materials were on site – poles and barbed wire. The project is 75% complete.

S/No	Project Name	Project Activity	Amount Paid As At 30.06.2017	Level of Completion As At 24.05.2018	Remarks
3	Ishmael Chelanga Sec. School	Construction of laboratory	1,000,000	Not Complete and not In use	The laboratory is not complete – no doors, windows and flooring not yet on the slab.
4	St. Michael Sec. School	Construction of 4 NO. classrooms	1,000,000	Not Complete and not In use	St. Michael Sec. School received Kshs.1,000,000 for construction of 4 classrooms on 16/10/2016. The project is incomplete – no roofing, no windows, no doors, no flooring, no plastering. The project seem to have been abandoned.
5	Mungwa Pry School	Completion of 4 classroom	600,000	Complete and in use	Plastering, windows and doors are complete in all 4 classes except painting
6	Cheptob ot Pry School	Construction of 1 classroom	500,000	Complete and in use	The building is complete and in use
7	Kapyego Secondary School	Construction of dining hall	2,000,000	Not Complete and not In use	Walling, Slab and roofing are complete
8	Chewese w Boys School	Construction of dormitory	1,000,000	Not Complete and not In use	The foundation has been dug but not filled with materials on site.
9	Queen of Peace Secondary School	Construction of a dormitory	1,000,000	Not Complete and not In use	The construction is up to the window level; the wall has all the partitions.
		Total	8,100,000		

Consequently, the people of Marakwet East constituency may not have received value for money for Kshs.8,100,000 spent on the nine (9) uncompleted projects.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of Constituencies Development Fund - Keiyo North Development Fund in accordance with ISSAI 30 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. 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 and Other Matter sections, I have determined that there are no other Key Audit Matters to communicate in my report.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards (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 Fund's ability to sustain services, disclosing, as applicable, matters related to sustainability of services and using the going concern basis of accounting unless the management either intends to cease operations. 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 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.
- 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 separate 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

01 August 2018