

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

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## **REPORT ON THE FINANCIAL STATEMENTS**

### **Qualified Opinion**

I have audited the accompanying financial statements of National Government Constituencies Development Fund - Msambweni Constituency set out on pages 6 to 30, which comprise the statement of assets and liabilities as at 30 June 2018, and the statement of receipts and payments, statement of cash flows and a 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, except for the effect of the matters described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of National Government Constituencies Development Fund - Msambweni 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 comply with the National Government Constituencies Development Fund Act, 2015.

### **Basis for Qualified Opinion**

#### **1.0 Transfer to Other Government Units**

##### **1.1 Payments for Works Not Done**

The statement of receipts and payments for the year ended 30 June 2018 reflect a transfer to other government units balance of Kshs.35,800,800. This amount includes transfer to primary schools, Kshs.16,400,000, transfer to secondary schools Kshs.5,400,000 and transfer tertiary institutions of Kshs.14,000,000 as detailed in note 6 to the financial statements. However, physical verification during the month of February 2019 revealed that payments totaling to Kshs.890,160 had been paid for works that had either not been done or partly done as detailed below;

	<b>Project Name</b>	<b>Allocation (Kshs)</b>	<b>PMC Payments Kshs</b>	<b>Cost of works not Done Kshs</b>	<b>Project Status</b>	<b>Observations</b>
1	Msambweni primary school - proposed renovation of 4No. classrooms	2,000,000	1,999,999	0	Complete and in use	Payments not supported by certificate of measured works
2	Duncan Ndegwa Primary school- Construction of 3 No. classrooms	3,600,000	3,326,897	91,800	Complete and in use	BOQ provided for pre-painted iron sheets 28G and ridge @ 370,800 but a 30G iron sheet and ridge was used. 3" steel pipes for verandah provided for 11 but only 7 was installed Payment certificate not supported by certificate of measured works
3	Muhaka primary school - Proposed renovations of 4No. Classrooms at Muhaka primary school	2,000,000	1,411,2017	538,920	Complete and in use	Reinforcement which include 8mm square twisted bar ,12mm square twisted bar and 15 no. 3" steel pipes provided for in the BOQ at Kshs.344,250 were not done at all. 28 LM window sill provided for @Kshs.33,600 was not done and 12No.1800*1500 mm windows provided for kshs.72,000 were not done instead 12 No.1500*1500mm which had a provision of 4No. in the BOQ were done. Curred cypruss timber for roofing provided for in the BOQ@Kshs.148,980 and 93LM facia board @12,090 were not replaced instead the same old timber which was there were used. 500No. 28G iron sheets and 36No.heavy gauge ridget provided for at Kshs200,000 and 10,440 were not done instead they used 30G iron sheets and ridge. Payment certificate not supported by measured works.

	<b>Project Name</b>	<b>Allocation (Kshs)</b>	<b>PMC Payments Kshs</b>	<b>Cost of works not Done Kshs</b>	<b>Project Status</b>	<b>Observations</b>
4	Masindeni primary school-proposed construction of 2No.classrooms	2,400,000	2,400,000	136,240	Complete and in use	Reinforcements (8mm and 12mm square twisted high tensile bars) provided for @ 84,240 were not done. 3" steel pipes were provided for 8no. @2500 But only six were done= 15,000, 200No. 28G iron sheets were provided for @180,000 and 18no.28G heavy gauge ridge instead 30G iron sheets and ridge were used. Rain water disposal provided for at Kshs.37,000 were not done at all. Interim payment certificates not supported by certificate of measured works
5	Dori girls Secondary school-proposed construction of 48 capacity dormitory	3,000,000	2,787,931	123,200	Complete and in use	Reinforcement in assorted size Y8 and Y12 provided for at Kshs.87,000 were not done. 228SM 28G iron sheets provided for in the BOQ were not done instead 30G iron sheets were used,12LM UPVC rain water down pipes,4 NO. goose neck bend and 4NO. Goose neck shoe all provided for at Kshs.5,200 were not done,BQ provided for 2no double door leaf @14,000 but only 1 was done = 7,000. 6No.ceiling fan provided for @ 6000 but only 2 were done= 24,000. Interim payment certificates not supported by measured works
	<b>Total</b>	<b>13,000,000</b>	<b>11,926,034</b>	<b>890,160</b>		

Under the circumstances, it has not been possible to confirm regularity of Kshs.890,160 incurred on transfer to other government entities for the year ended 30 June 2018.

## 1.2 Transfer to Youth and Opportunity Centre Project

As reported in the previous year, the statement of receipts and payments for the year ended 30 June 2018 reflect a transfer to other government units balance of Kshs.35,800,800. Included in this amount is Kshs.14,000,000 being transfers to project management committee for construction of Msambweni Youth Opportunity Centre.

Physical verification of the project revealed that project was not complete. The project was at plastering stage with partial works on roofing done. However, the contractor was not on site with evidence the works had stalled for some time.

Further, no evidence was availed to confirm that the ownership of the land had been transferred to the National Government Constituencies Development Fund - Msambweni Constituency as required by Section 2.11(k) of the National Government Constituencies Development Fund Regulation, 2015 which requires that where a project involves of building or land ensure that the ownership is duly verified.

Under the circumstances, the propriety of Kshs.14,000,000 transferred for construction of youth opportunity Centre Project for the year ended 30 June 2018 could not be confirmed.

## **2.0 Other Grants and Transfers**

### **2.1 Unsupported Bursary Payments**

The statement of receipts and payments for the year ended 30 June 2018 reflects other grants and transfers of Kshs.31,966,707 as detailed in note 7 to the financial statement. This amount includes Bursary disbursements of Kshs.22,730,500. Records availed for audit indicated the National Government Constituency Development Fund Msambweni bursary sub-committee approved bursary allocation of Kshs.400,000 to two private colleges without evidence of the applicants enrolment into the institutions.

Consequently, the propriety of Kshs.400,000 bursary disbursed during the year ended 30 June 2018 could not be confirmed.

### **2.2 Emergency**

The statement of receipts and payments for the year ended 30 June 2018 reflects other grants and transfers of Kshs.31,966,707 as detailed in note 7 to the financial statements. This amount includes emergency transfer of Kshs.4,500,000 in respect Munje primary school, Kigwende primary school and Mwaroni primary School. Physical verification during the month of February 2019 indicated that works amounting to Kshs.477,900 were not done as per specifications and Kshs.250,000 spent as provisional sums was not supported with evidence of actual works done as detailed below;

	<b>Project Name</b>	<b>PMC Payments Kshs.</b>	<b>Cost of Works Not Done Kshs</b>	<b>Observations</b>
1.	Mwaroni primary school – Renovation of 3 classrooms	1,500,000	265,600	6CM of vibrated reinforced concrete to columns at Kshs.54,000 was not done; 165 SM Sawn form work to column at Kshs.115,000 was not done; installed only 3 (2") of the required 12No (3") steel pipes to verandah (2500mm) at Kshs.36,000; No window sill was done costing Kshs.33,600; No evidence on how the provisional sums of Kshs.100,000 for project management was utilized.
2.	Munje primary school - Renovation of 3 classrooms	1,500,000	50,000	Supply and fix pre-painted iron sheets 28G with matching ridge costing Kshs.364,500 & Kshs.15,000 respectively but used 30G; = Kshs.379,500 No evidence how the provisional sum of Kshs.50,000 on project management was utilized.
3.	Kingwede Primary School - Renovation of 3 classrooms	1,500,000	162,300	Painting works was approved for 3 coats both internally & externally at 126,900 but only 1 coat was applied; 12 No. 3" steel pipes for verandah 2500mm at a cost of 30,000 but only 6 were installed; =Kshs.99,600 6No. 50mm thick panelled single door 900x2400mm including 4mm thick glass fan light costing 60,000 but only 3 were fitted and they did not include the 4mm thick glass fan light; Kshs.30,000

	<b>Project Name</b>	<b>PMC Payments Kshs.</b>	<b>Cost of Works Not Done Kshs</b>	<b>Observations</b>
				<p>Supply and fix pre-painted iron sheets 28G with matching ridge at a cost of Kshs.240,000 and Kshs.10,800 but 30G was fixed; = Kshs.250,800</p> <p>No rain disposal fittings at a cost of Kshs.30,900 was undertaken (no gutters in place to warrant rain water disposal inclusion in BQ); =Kshs.30,900</p> <p>Supply building coral blocks &amp; seal/fill the entire eaves and plaster and paint at a cost of Kshs.1,800 was not done; Kshs.1,800 =Kshs.382,200</p> <p>No documentary evidence for utilization of Kshs.100,000 provisional sum on project management.</p>
	<b>Total</b>	<b>4,500,000</b>	<b>477,900</b>	

Under the circumstances, it has not been possible to confirm propriety of Kshs.477,900 incurred on transfer to other government entities for the year ended 30 June 2018.

### **2.3 Sports**

The statement of receipts and payments for the year ended 30 June 2018 reflects other grants and other payments of Kshs.31,966,707 as detailed in note 7 to the financial statements. This amount includes Kshs.1,736,206.90 incurred in sports project. However, no evidence of requisition from the teams was availed to confirm how the project was initiated. In addition, the Issue Notes (S11) provided did not indicate the quantities received by the sports team representatives.

Records availed indicated that the Project Management Committee membership composition was observed to be drawn from staff of the Fund and not members elected or nominated from the public. Contrary to Section 15(6) of the National Government Constituency Development Regulations, 2016 which states that a constituency committee shall not convert itself into a project management committee.

Consequently, the propriety of Kshs.1,736,206.90 spent on sports project for the year ended 30 June 2018 could not be confirmed.

### **3.0 Cash Balance**

The statement of assets and liabilities as at 30 June 2018 reflects Nil cash at hand balance. The cash count certificate availed for audit indicated a Nil balance while the official receipts availed for audit verification indicate that Kshs.29,000 was collected in cash from sale of tender documents. The management failed to provide evidence that this amount was banked or kept in the cashbox of the National Government Constituencies Development Fund - Msambweni Constituency.

Consequently, the accuracy and validity of the Nil Cash balance as at 30 June 2018 could not be confirmed.

### **4.0 Prior Year Adjustment**

As reported in the previous year the statement of assets and liabilities as at 30 June 2018 reflects comparative prior year adjustment of Kshs.500,000. This is in contravention of the International Public Sector Accounting Standards No 3 which requires that the amount of correction of an error that relates to prior period should be reported by adjusting the opening balance of accumulated surplus or deficit.

Consequently, the prior year adjustment of Kshs.500,00 in the year ended 30 June 2017 is not in line with the accounting standards.

### **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 Qualified 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**

##### **1.2 Revenue Budget**

During the year under review, National Government Constituencies Development Fund – Msambweni Constituency had a revenue budget of Kshs.104,140,248 against actual receipts of Kshs.92,760,938 or 89%, resulting to an under disbursement of budget of Kshs.11,379,310 or 11% from the Constituency Development Fund Board.

Failure by the Board to disburse funds as per the budget, may adversely affect delivery of goods and services to the residents of Msambweni Constituency contrary to values and principles of public service as provided for under Article 232 (1 - c) of the Constitution which requires responsive, prompt, effective, impartial and equitable provision of services. Also there is need for the management to re-evaluate its budget process with a view to coming up with a budget which can be fully funded by the National Government.

### 1.3 Expenditure Budget

The summary statement of appropriation recurrent and development combined reflects a final budget of Kshs.104,140,248 .and actual expenditure was Kshs.76,189,363 resulting to under absorption of Kshs.27,950,885(27%) as summarized below;

<b>Expense Item</b>	<b>Budgeted (Kshs.)</b>	<b>Actual Expenditure (Kshs)</b>	<b>Under absorption (Kshs)</b>	<b>% Absorption</b>
Compensation of Employees	3,860,882	2,048,955	1,811,927	47%
Use of goods and services	11,497,721	6,373,701	5,124,020	45%
Transfers to Other Government Units	47,141,379	35,800,000	11,341,379	24%
Other grants and transfers	35,963,239	31,966,707	3,996,532	11%
Acquisition of Assets	1,000,000	0	1,000,000	100%
Other Payments	4,677,027	0	4,677,027	100%
<b>TOTALS</b>	<b>104,140,248</b>	<b>76,189,363</b>	<b>27,950,885</b>	<b>27%</b>

The underutilization of Kshs.27,950,885 or 27 % is an indication that the residents of Msambweni constituency did not receive the planned goods and services. Although the management has indicated that the unutilized funds were received at the close of the financial year, there is need for the management to review the budget mechanism with a view to speeding the project implementation time for better delivery of service.

### 1.4 Project implementation

According to the project implementation status report as at 30 June 2018, the fund budgeted for twenty seven (29) projects with a total budget of Kshs.61,292,337.82 as detailed in the table below;



	<b>Financial Year</b>	<b>Project Name</b>	<b>Activity</b>	<b>Project Cost (Kshs)</b>	<b>Status</b>	<b>Remark</b>
1.	2017/18	Emergency	To cater for any unforeseen occurrences in the constituency during the financial year	5,137,931.03	Complete	Funds utilized for emergency cases in Kingwede, Munje and Mwaroni Primary Schools
2.		Mwaroni Primary School	Renovation of 3 classrooms		Complete	1,500,000 funded from emergency
3.		Munje Primary School	Renovation of 3 classrooms		Complete	1,500,000 funded from emergency
4.		Kingwede Primary School	Renovation of 3 classrooms		Complete	1,500,000 funded from emergency
5.		Vingujini Primary School	Renovation of 1 classroom		Complete	568,965.51 funded from emergency
6.	2017/18	Marigiza Primary School	Construction of 2No. New Classrooms at Marigiza Primary School	2,400,000.00	Not Started	Funds Re allocated to Ganja La Simba Primary School
7.	2017/18	Ganja La Simba primary school	Renovation of four classrooms and construction of 4 doors pit latrine		Complete	Re-allocation from Marigiza Primary School complete and in use
8.	2017/18	Duncan Ndegwa Primary School	Construction of 3No. New Classrooms at Duncan Ndegwa Primary School	3,600,000.00	Complete	Completed and in use
9.	2017/18	Magodi Primary School	Renovation of 1No. Classrooms i.e plastering, roofing, ceiling, painting & electricity at 500,000,renovation of staffroom at	2,000,000.00	Complete	Completed and in use

	Financial Year	Project Name	Activity	Project Cost (Kshs)	Status	Remark
			1,000,000 & Construction of 4No. Door pit latrines at 500,000 at Magodi Primary School			
10	2017/18	Vingujini Primary School	Renovation of 3No. Classrooms i.e plastering, roofing, ceiling, painting & electricity at Vingujini Primary School	1,441,379.59	Complete	Completed and in use
11	2017/18	Msambweni Primary School	Renovation of 4No. Classrooms i.e plastering, roofing, ceiling, painting & electricity at Msambweni Primary School	2,000,000.00	Complete	Completed and in use
12	2017/18	Madago Primary School	Renovation of 4No. Classrooms i.e plastering, roofing, ceiling, painting & electricity at Madago Primary School	2,000,000.00	Funds re allocated to Mvinden Primary School	
13	2017/18	Masindeni Primary School	Construction of 2No. New Classrooms at Masindeni Primary School	2,400,000.00	Complete	Complete and in use
14	2017/18	Muhaka Primary School	Renovation of 4No. classroom i.e plastering,	2,000,000.00	Complete	Complete and in use

	Financial Year	Project Name	Activity	Project Cost (Kshs)	Status	Remark
			roofing, ceiling, painting & electricity at Muhaka Primary School			
15	2017/18	Mwakigwena Primary School	Renovation of 4No. Classrooms i.e plastering, roofing, ceiling, painting & electricity at Mwakigwena Primary School	2,000,000.00	Complete	Complete and in use
16	2017/18	Mwamambi Primary School	Construction of 2No. New Classrooms at Mwamambi Primary School	2,400,000.00	Complete	Complete and in use
17	2017/18	Kiranga Secondary School	Purchase of laboratory equipments	500,000.00	Complete	Successfully purchased and handed over
18	2017/18	Mwamzandi Secondary School	Purchase of laboratory equipments	500,000.00	Complete	Successfully purchased and handed over
19	2017/18	Mvindenii Seconadry School	Purchase of laboratory equipments	500,000.00	Complete	Successfully purchased and handed over
20	2017/18	Bongwe Secondary School	purchase of laboratory equipments	500,000.00	Complete	Successfully purchased and handed over
21	2017/18	Dori Girls Secondary School	purchase of laboratory equipments	500,000.00	Complete	Awaiting handing over
22	2017/18	Mkwakwani Secondary School	Construction of 2No. New Classrooms at Mkwakwani Secondary School	2,400,000.00	Complete	Complete and in use
23	2017/18	Dori Girls Secondary School	Construction of a Dormitory at Dori Girls	3,000,000.00	Complete	Complete and in use

	Financial Year	Project Name	Activity	Project Cost (Kshs)	Status	Remark
			Secondary School			
24	2017/18	Dori Girls Secondary School	Construction of a Dormitory at Dori Girls Secondary School	3,000,000.00	Ongoing	Roofing stage
25	2017/18	ICT Hub	Installation of ICT equipments in the Constituency for the four wards namely Ukunda, Ramisi, Kinondo and Gombato Bongwe Ward	4,677,027.20	Not Started	Not Started
26	2017/18	Kilole Assistant Chief's Office	Construction of a 2No. Door Pit Latrine 250,000 and Purchase of a Water Tank 86,000 at Kilole Assistant Chief's Office	336,000.00	Complete	Awaiting handing over
27	2017/18	Mivumoni Location Chief's office Social Hall	Construction of a Social Hall at Mivumoni Location Chief's Office	3,000,000.00	Complete	Complete and in use
28	2017/18	NG-CDF Office	Construction of a perimeter wall and Security shade at NG-CDF Office phase 1	1,000,000.00	Not Started	Re allocated to renovation of 1 classroom in Vingujini for 500,000 and 500,000 for fixing of window grills in Msambweni NG CDF office

	Financial Year	Project Name	Activity	Project Cost (Kshs)	Status	Remark
29	2017/18	Msambweni Youth and Opportunity Centre	Completion of a youth opportunity Centre within the constituency i.e Ring beam and roofing of studio, computer lab, library, 3No. Classrooms, Staffroom, Administration Block, Main Conference Hall, Shop, Rest Area, Gate and Superstructure for Studio, Computer Lab, Library and Staffroom	14,000,000	Ongoing	Roofing stage
<b>Total</b>				<b>61,292,337.82</b>		

A review of the project status report indicated that:

- i) 19 projects of Kshs.29,077,379.59 were complete and in use
- ii) 2 projects with a total allocation of Kshs.17,000,000 were ongoing
- iii) 1 project allocated Kshs.4,677,027.20 had not been started despite funding.
- iv) 3 projects allocated Kshs.5,400,000 had their funds re-allocated to 4 other projects
- v) 4 projects were complete using Emergency funds of Kshs.5,137,931.03

There is need, therefore, for the to hasten the implementation of the ongoing projects to ensure Residents of Msambweni Constituency obtain value for money.

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

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the matter(s) described in the Basis for Conclusion on Lawfulness and Effectiveness in Use of Public Resources/ Qualified Opinion] section of my report, I confirm that, nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

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 INTERNAL CONTROLS EFFECTIVENESS, GOVERNANCE AND RISK MANAGEMENT SYSTEMS

### **Conclusion**

As required by Section 7 (1) (a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matters described in the Basis for Qualified 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, whether due to fraud or error 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 – Msambweni constituency 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 – Msambweni 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 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 – Msambweni constituency 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 about 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 and that public resources are applied in an effective way, 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 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 – Msambweni constituency 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 - Msambweni constituency to cease to continue as a going concern or 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 – Msambweni 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**