

**OFFICE OF THE AUDITOR GENERAL**



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF ALBERTINE REGION SUSTAINABLE  
DEVELOPMENT PROJECT (ARSDP) UNDER MINISTRY OF LANDS, HOUSING  
AND URBAN DEVELOPMENT FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

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**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS**  
**OF ALBERTINE REGION SUSTAINABLE DEVELOPMENT PROJECT (ARSDP)**  
**UNDER MINISTRY OF LAND, HOUSING AND URBAN DEVELOPMENT FOR THE**  
**YEAR ENDED 30TH JUNE 2017**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**Opinion**

I have audited the financial statements of the Albertine Region Sustainable Development Project which comprise the statement of financial position as at 30 June 2017, the statement of Income and Expenditure, the statement of cash flows, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes as set out on pages 14 to 22.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the ARSDP Component 2 for the year ended 30 June 2017 and of its operational results for the year then ended, and are in accordance with the International Financial Reporting Standards and the Credit Agreement No. 5406-UG.

**Basis of Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the ARSDP and MoLHUD in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in my audit of the financial statements of the current period.

I have determined that there are no key audit matters to communicate in my report.

### **Other Matter**

I consider it necessary to communicate the following matter other than those presented or disclosed in the financial statements:

- **Low fund absorption rate**

The project has been on for now 18 months up to 30<sup>th</sup> June 2017.

Out of the total funds received of USD5 .72million during the period under review, USD1.78 million was spent representing 31% of funds disbursed.

Cumulatively (18months) USD2.2m has so far been absorbed representing 28.45% of the disbursed funds to date.

This low absorption of funds rate if not checked by management could have an impact on the fulfillment of the project set targets.

Management explained that the bulk of the funds under this component are planned to be spent on construction works (roads and economic infrastructure). These were to have been contracted out by March 2017. Unfortunately the project experienced delays by the consultant hired to carry out engineering design, tender assistance & construction supervision. Subsequently, the project is seven months late in procuring contractors to commence construction. It is expected that the contractor for the first batch of gravel roads should be on board by February 2018. Once works commence, absorption is expected to improve significantly.

I advised the Project Steering Committee and Project Technical Committee to devise practical and deliberate strategies, in liaison with the funding partners, to accelerate the disbursement and absorption rates. This will ensure the project objectives are met within reasonable time and set a benchmark for best practices for other projects to learn from.

### **Management Responsibilities for the financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and the Financing Agreement. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstance.

In preparing the financial statements, management is responsible for assessing the project/entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

### **Auditors' Responsibilities for the audit of the Financial Statements**

My 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. 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 aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism 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, but not for the purpose of expressing an opinion on the effectiveness of the project'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 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 project's ability to deliver its mandate. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 auditor's report. However, future events or conditions may cause the project to fail to deliver its mandate.
- 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.

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 I identify during my audit.

I also provide the 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.

From the matters communicated with management, I determine those matters that were of most significance in the audit of the financial statements of the current period

and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

I report to you based on my audit, that:

- (i) I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purpose of our audit;
- (ii) In my opinion, proper books of accounts have been kept by MoLHUD for the ARSDP in so far as appears from my examination of those books;
- (iii) The project financial statements are in agreement with the books of account;
- (iv) The proceeds from the World Bank were used in accordance with the conditions set out in the financing agreement and only for the intended purposes;
- (v) Goods and services were procured in accordance with the World Bank loan agreement provisions; and
- (vi) The statement of financial position and statement of comprehensive income are in agreement with the books of account.



John F.S. Muwanga  
**AUDITOR GENERAL**

19<sup>th</sup> December 2017

**REPORT OF THE AUDITOR GENERAL ON THE SPECIAL ACCOUNT STATEMENT  
OF ALBERTINE REGION SUSTAINABLE DEVELOPMENT PROJECT (ARSDP)  
UNDER THE MINISTRY OF LANDS, HOUSING A DURBAN DEVELOPMENT FOR  
THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**Opinion**

During the course of the audit for the ARSDP Project Component 2 funded under IDA – Financing Agreement No.5406 - UG, I examined the Special Accounts statement for the Financial Year ended 30 June 2017 as set out on pages 18.

In my opinion, the receipts were properly accounted for and withdrawals were made for the purposes of the project in accordance with the Financing Agreement. The Special Account Statement contained in note 11.0 on page 18 and; notes thereon fairly present in all material respects the accounts operations for the Financial Year ended 30 June 2017 in accordance with the funding agreements.

**Management’s responsibilities for the financial statements**

The management of the Ministry of Lands Housing and Urban Development the implementing agency for the Albertine Region Sustainable Development Project (Component 2) is responsible for the preparation and fair presentation of the Special Account Statement on the basis of cash deposits and withdrawals for the purpose of complying with the Credit Agreement and for such internal controls as Management determines is necessary to enable the preparation of the statements that are free from material misstatement whether due to fraud or error.

**Auditor’s responsibility for the financial statements**

My responsibility is to express an opinion on the Special Account Statements, based on my audit. I conducted my audit in accordance with International

Standards on Auditing. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the special account statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Special Account Statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga  
**AUDITOR GENERAL**

19<sup>th</sup> December 2017