

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF ALBERTINE REGIONAL SUSTAINABLE

DEVELOPMENT PROJECT COMPONENT 3

FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL

UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF ALBERTINE REGIONAL SUSTAINABLE DEVELOPMENT PROJECT FOR THE
YEAR ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Albertine Regional Sustainable Development Project Component 3, for the period ending 30th June 2017. These financial statements comprise the Statement of Income and Expenditure, Statement of Financial Position as at 30th June 2017 and Statement of Fund Balance for the year then ended as at 30th June 2017, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 15.

In my opinion, the financial statements present fairly in all material respects, the financial position of Albertine Regional Sustainable Development Project as at 30th June 2017 and its financial performance and fund balance for the period then ended, in accordance with the International Public Sector Accounting Standards (IPSAS), Section 51(1) of the Public Finance Management Act, 2015 and the World Bank guidelines.

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 Company 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 matters other than those presented or disclosed in the financial statements:

- **Project Implementation**

The albertine regional Sustainable Development Project is aimed at improving regional and local access to infrastructure, markets, and skills development in the Albertine region. Review of the implementation of the project activities revealed that the world bank approved the project on 26/3/2014 and the financing agreement was signed on 24/8/2015. The actual effective date was agreed as 7/12/2015 and the first disbursement of the funds was in May 2017.

From the above analysis, it has taken more than 3 years from the date of approval of the project to the date of first disbursement.

Management attributed the delay to the elaborate project approval process. Delayed project implementation hinders timely access by the communities to the intended benefits.

Management is advised to liaise with all the relevant stakeholders with the aim of reducing the time lags.

- **Low Absorption of Funds**

Section iv (b)(2) of the Financing Agreement signed in 2015 indicated 31st July 2019 as the project end date. While section ii (2.03) of the same agreement stipulates a commitment charge is payable by the recipient on the un-withdrawn financing balance.

Review of the work plan and expenditure revealed that only USD.215,363.77 (11%) out of USD.2,023,530 disbursed was spent leaving a balance of USD.1,808,166.23. It was further noted that the project had received only USD.2,023,530 out of USD.2,888,333 planned disbursements by the end of June 2017 resulting into a variance of USD 864,803.

As a result of low absorption of funds planned out puts namely; (i) Operational Support to UPPET BTVET Institutions, (ii) Purchase of Motor Vehicles and Other Transport Equipment, (iii) Purchase of Specialized Machinery & Equipment and (iv) Construction and rehabilitation of learning facilities (BTEVET) had not been undertaken. Low absorption of funds not only hinders attainment of the project objectives, but also attracts unnecessary commitment charges.

Management should explore workable measures of fast tracking the implementation of the project.

Responsibilities of the Accounting Officer for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of the project.

The Accounting Officer is responsible for the preparation of the financial statements in accordance with the requirements of the Public Finance Management Act, 2015 for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the project's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the project's 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 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.

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

John F.S. Muwanga

AUDITOR GENERAL

11th December 2017