



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF THE MBARARA-NKENDA AND  
TORORO-LIRA POWER TRANSMISSION LINES PROJECT**

**IMPLEMENTED BY**

**UGANDA ELECTRICITY TRANSMISSION COMPANY LIMITED**

**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2016**

**OFFICE OF THE AUDITOR GENERAL**

**UGANDA**

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**OF THE MBARARA-NKENDA AND TORORO-LIRA POWER TRANSMISSION**  
**LINES PROJECT IMPLEMENTED BY**  
**UGANDA ELECTRICITY TRANSMISSION COMPANY LIMITED**  
**FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2016**

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

**Opinion**

I have audited the accompanying Financial Statements of the Mbarara-Nkenda and Tororo-Lira Power Transmission Lines Project implemented by Uganda Electricity Transmission Company Limited (UETCL), set out on pages 16-24, which comprise the Statement of financial position as at 31<sup>st</sup> December 2016, Statement of Cash Receipts and Payments for the year then ended, and the summary of significant accounting policies and other explanatory notes.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of Mbarara-Nkenda and Tororo-Lira Power Transmission Lines Project implemented by Uganda Electricity Transmission Company Limited as at 31<sup>st</sup> December 2016, and the expenditure in accordance with the financial reporting provisions of UETCL.

**Basis of Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs). 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 UETCL 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) 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.

### **Emphasis of Matter**

Without qualifying my opinion, I draw your attention to Notes 3.3.11, 3.3.10 and 3.3.12 to the financial statements:

- **Long Outstanding Advances**

Included in the receivables figure, under Note 3.3.11, is an amount totaling UGX.150,612,927 (USD.41,715) relating to an advance made to Lamba Enterprises – contractors appointed to build houses for the Project Affected persons. On failing to meet the terms agreed upon, UETCL took legal action against Lamba Enterprises for recovery of monies. No verdict has been made as the case is still ongoing.

- **Court Cases relating to Resettlement Action Plan**

Based on the confirmation received from the company lawyers – Katera and Kagumire Advocates, under Note 3.3.10, there are a number of ongoing court cases as at 31<sup>st</sup> December 2016, with total costs (in case of judgement against the project) estimated at UGX.1,450,000,000 (USD.401,606). These could have a significant effect on the resources of the entity.

- **Additional standing Time costs**

UETCL received claimable charges from a contractor, Kalpa-Taru Transmission Limited, under Note 3.3.12, as a result of standing time costs amounting to USD.9,769,837 and UGX.4,548,082,000 incurred due to delayed acquisition of rights of way. These costs were not provided for under the project budget and therefore constitutes additional costs to UETCL. Negotiations between the parties are still ongoing to ascertain the validity and settlement of the claims.

### **Management's Responsibilities for the Financial Statements**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the required reporting framework, and for such internal controls as management determine are 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, management is responsible for assessing the project'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 intends to cease operations or has no realistic alternative but to do so. Management is responsible for overseeing the project's financial reporting process.

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

My objectives as required by Article 163 of the Constitution of the Republic of Uganda, 1995 (as amended) and Sections 13 and 19 of the National Audit Act, 2008, 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 ISAs 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 ISAs, 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 project's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by project 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 continue as a going concern. If I conclude that a material uncertainty exists, then I am required to draw attention in my auditors' 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 auditors' report. However, future events or conditions may cause the project to cease to continue as a going concern.
- 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 those charged with governance 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 those charged with governance 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 those charged with governance, 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, sweeping flourish extending to the right.

John F.S. Muwanga

**AUDITOR GENERAL**

11<sup>th</sup> December 2017