

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

**ON THE FINANCIAL STATEMENTS OF UGANDA CLEAN COOKING SUPPLY
CHAIN EXPANSION PROJECT IMPLEMENTED BY PRIVATE SECTOR
FOUNDATION UGANDA FOR THE YEAR ENDED 30TH JUNE 2017**

OFFICE OF THE AUDITOR GENERAL

UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF UGANDA CLEAN COOKING SUPPLY CHAIN EXPANSION PROJECT
IMPLEMENTED BY PRIVATE SECTOR FOUNDATION UGANDA
FOR THE YEAR ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the financial statements of Uganda Clean Cooking Supply Chain Expansion Project implemented by Private Sector Foundation Uganda (PSFU) set out on pages 15 to 21, which comprise the Statement of Financial Position as at 30th June 2017, Statement of Comprehensive Income, Special Accounts Statement and Statement of Cash flows for the year then ended, and a summary of significant accounting policies and explanatory notes.

In my opinion, the financial statements, give a true and fair view of the financial position of the Uganda Clean Cooking Supply Chain Expansion Project implemented by Private Sector Foundation Uganda as at 30th June 2017, and of the financial performance and cash flows for the year then ended in accordance with the terms of the agreements and in conformity with the modified cash basis described in paragraph 7.5.1 of the report.

Basis of Opinion

I conducted my audit in accordance with the International Standards on Auditing. 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 project 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.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the project agreement, 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 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 either intends to liquidate the project or to cease operations, or has no realistic alternative but to do so. Those charged with governance are 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 controls 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 the directors.
- Conclude on the appropriateness of directors' 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.

Report on other Legal and Requirements

As required by the World Bank Guidelines, I report to you, based on my audit, that:

- I have obtained all the information and explanations which to the best of my knowledge and belief were necessary for the purposes of my audit;
- In my opinion proper books of account have been kept by the project, so far as appears from my examination of those books;
- The project's Statement of Financial Position and Statement of Comprehensive Income are in agreement with the books of account.



John F.S. Muwanga

AUDITOR GENERAL

15th December 2017

**REPORT OF THE AUDITOR GENERAL ON THE IDA SPECIAL ACCOUNTS
STATEMENT**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the IDA Special Accounts Statement of Uganda Clean Cooking Supply Chain Expansion Project implemented by Private Sector Foundation Uganda for the year ended 30th June 2017, set out on pages 18 and 19.

In my opinion, the IDA Special Account Statement gives a give a true and fair view of the operations of Uganda Clean Cooking Supply Chain Expansion Project - Private Sector Foundation Uganda for the year ended 30th June 2017 in accordance with the terms of the agreement and in conformity with the basis of accounting described in paragraph 7.5.1 of the report.

Management’s Responsibility for the Special Account Statement

Management of the Project 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. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the Special Account Statement 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 circumstances.

Auditors’ Responsibilities for the Special Accounts Statement

My responsibility is to express an opinion on the Special Account Statement 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 Statement is free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the Special Account Statement. The procedures selected depend on the

auditors' 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 control relevant to the entity's preparation and fair presentation of the Special Account Statement in order to design the audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also 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 Special Account Statement.

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John F.S. Muwanga

AUDITOR GENERAL

15th December 2017

REPORT OF THE AUDITOR GENERAL ON THE INTERNAL CONTROL

I have audited the financial statements of Uganda Clean Cooking Supply Chain Expansion Project implemented by Private Sector Foundation Uganda for the year ended 30th June 2017, and have issued my report on it dated 30th November 2017.

I conducted my audit in accordance with International Standards of Auditing. The standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

The management of Uganda Clean Cooking Supply Chain Expansion Project - Private Sector Foundation Uganda is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by the management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control structure are to provide the management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the statement in conformity with the basis of accounting described in section 7.5.1 as notes to the statement. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. In addition, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements for the year ended 30th June 2017, I obtained an understanding of internal control, including the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on internal control. Accordingly, I do not express such an opinion.

I noted certain matters involving internal control and its operation that I consider to be reportable conditions under standards established by the International Standards on Auditing. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal control that, in my judgment, could adversely affect the recipient's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. The results of my tests disclosed some internal control issues, which are reportable conditions and are of material weaknesses as described below:

- **Failure to obtain direct funding from GoU**

The project failed to obtain direct funding from the Government of Uganda other than the grant from World Bank that it received. This presents a challenge of facilitating activities of the steering committee, which may hamper project oversight. In addition, the implementation of capacity building activities could also be a challenge. The project may not meet its stated objectives if the Government of Uganda does not meet its contribution.

I advised the project management to engage Government of Uganda to give its funding contribution to the project to enable it achieve the stated objectives.

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John F.S. Muwanga

AUDITOR GENERAL

15th December 2017

REPORT OF THE AUDITOR GENERAL ON COMPLIANCE

I have audited the financial statements of Uganda Clean Cooking Supply Chain Expansion Project implemented by Private Sector Foundation Uganda for the year ended 30th June 2017, and have issued my report on it dated 30th November 2017.

I conducted my audit in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial Statement is free of material misstatement resulting from violations of agreement terms and laws and regulations that have a direct and material effect on the determination of the Financial Statement amounts.

Compliance with agreement terms and laws and regulations applicable to the project is the responsibility of management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of PSFU compliance with certain provisions of agreement terms, laws and regulations. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

Material instances of non-compliance are failures to adhere to requirements or violations of agreement terms and laws and regulations that cause me to conclude that the aggregation of misstatements resulting from non-adherence or violations is material to the financial statements. The results of my tests disclosed a compliance issues as indicated below:

- **Delay in implementation of the project**

A comparison of the project's progress and its work plan revealed that the project's implementation delayed. This was partly due to the delay in procuring the services of the Independent Verification Agent (IVA) who came on board in March 2017. This meant that the project could not kick off until that time.

There is a risk of breaching the terms and conditions of the Grant agreement by not completing the project as per the planned timeline.

Management responded that the project became effective on 28th October 2016, However, preparatory activities, including the selection of the participating consortia and commencing the procurement of the IVA had started as soon as the Grant Agreement and Subsidiary Agreement had been signed. The Letters of Agreement between PSFU and the Consortia were executed in the first week of December 2016 and the consortia commenced work. The procurement of the IVA took longer than planned (originally was to be completed in December 2016) because of the IVA's negotiated financial bid being much higher than budget. Therefore, further approvals for more budget funds were sought from the funders leading to the delay in getting the IVA on board. As such, the consortia's claims could not be reviewed before 2nd March 2017 and no disbursement could take place.

I recommend that all grant terms and conditions should always be adhered to at all times unless prior approval from the funders is obtained by the project management.

I considered these material instance of non-compliance in forming my opinion on whether the financial statements of Uganda Clean Cooking Supply Chain Expansion Project implemented by Private Sector Foundation Uganda, give a true and fair view, in accordance with the terms of the agreements and in conformity with the basis of accounting described in Note 7.5.1 to the financial statement, and this report does not affect my report on the financial statements.

With respect to item not tested, nothing has come to my attention that caused me to believe that the Project management had not complied in all material respects with those provisions.



John F.S. Muwanga

AUDITOR GENERAL

15th December 2017