

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

**ON THE FINANCIAL STATEMENTS OF UGANDA RURAL ELECTRICITY ACCESS
PROJECT (UREAP) FOR THE YEAR ENDED 30TH JUNE 2017**

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UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF UGANDA RURAL ELECTRICITY ACCESS PROJECT (UREAP)
FOR THE YEAR ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying Financial Statements of Uganda Rural Electricity Access Project, which comprise the Statement of Grant & Loan Utilisation as at 30th June 2017, the Project special account statement, and a summary of significant accounting policies and other explanatory notes, as set out on page 8.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Uganda Rural Electricity Access Project as at 30th June 2017, and its financial performance and cash flows for the period then ended, in accordance with the General Guidelines for Accounting and Auditing issued by the African Development Bank.

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 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), 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:

1.0 Utilization of Funds

The Uganda Rural Electricity Access Project (UREAP) is aimed at providing reliable and affordable electricity to rural Ugandan households, public infrastructure services, small and medium scale enterprises. The funding of UREAP comprises of a loan of USD 100M and Grant of EUR 11,205,000 obtained from the ADB. The loan became effective on the 26th January 2016 and is expected to end on 31st December 2020.

Examination revealed that at the end of 30th June 2017, the Loan disbursements were only USD.359,415 (0.36%), while the Grant remittances were only EUR.106.861.53 (0.97%) equivalent of USD.112,906.37. Whereas the project had budgeted to spend USD.9,964,283, only USD.472,359.37(4.7%) was received and utilised. Consequently, the planned 40% construction works were not implemented.

The low funds absorption rate was attributed to the delays in the procurement of Engineering, procurement and Construction (EPC) contracts.

There is a risk of incurring commitment charges and delay in project implementation as a result of the low absorption rate.

In response, management explained that the procurement for the EPC contractor was dependent on procuring the supervising consultant. The process of procuring the consultant was concluded on 13th April 2017 and this delayed the disbursement of funds for construction works.

Management is advised to always make adequate prior preparations taking into account the procurement timelines to enable timely implementation of project activities.

Management Responsibilities for the financial Statements

Management is responsible for the preparation of Financial statements which show a true and fair view of the state of affairs of the project at the end of each financial year in accordance with Generally Accepted Accounting Practices (GAAPS) and in a manner required by the African Development Bank and Government of Uganda requirements, and 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, management 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'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.

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

14th December 2017