

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

**ON THE FINANCIAL STATEMENTS OF UGANDA TEACHER AND SCHOOL
EFFECTIVENESS PROJECT**

FOR THE YEAR ENDED 30TH JUNE 2017

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UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF UGANDA TEACHER AND SCHOOL EFFECTIVENESS PROJECT/ GPE (GRANT
NO. TF 017702) FOR THE
YEAR ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying Financial Statements of the Uganda Teacher and School Effectiveness Project, which comprise of the Statement of Receipts and Payments, Designated Account Activity Statements, Statement of Fund Balance and Balance Sheet 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 17 to 24.

In my opinion, the financial statements for the Uganda Teacher and School Effectiveness Project for the year ended 30th June 2017 present fairly in all material respects, the financial position of Uganda Teacher and School Effectiveness Project as at 30th June 2017 and its financial performance and fund balance for the period then ended, in accordance with the 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 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 matters other than those presented or disclosed in the financial statements:

- **Low Disbursement Rate**

The Uganda Teacher and School Effectiveness Project is aimed at improving teacher and school effectiveness in the public primary education system.

Review of the disbursements schedule for the project revealed that whereas expected disbursement by end of the fiscal year 2017 was USD.83.6 million (83.6%), the cumulative disbursements actually were only USD.40,932,118 (40.93%) with 28 months elapsed and only 12 months left to the project period end date of 30th June 2018. Failure to absorb the project funds by the end of the extended period may result into transfer of obligations to the Ministry of Education and Sports.

Management stated that following the mid-term review in September 2016 and subsequent restructuring mission in March 2017, targets were set for each specific activity to enable completion within the project period.

Management is advised to ensure adherence to the new set targets so as to attain all the disbursements and achieve project development objectives.

- **Low Absorption of Disbursed Project Funds**

Out of the budgeted revenue of UGX.117,559,159,000, the project realized UGX.86,335,625,496 resulting into a shortfall of UGX.31,223,533,504 (27%). However, the project was only able to absorb UGX.49,866,585,368 (58%). As a result some activities were either partialy or not implemtened, notable among which were;

procurement of Instructional Materials for Primary Schools, Purchase of Office and ICT Equipment including Software and classroom construction and rehabilitation.

The Accounting officer attributed the low absorption to delays in procurement and insufficient capacity to implement the planned activities.

I advised to the Accounting officer to explore workable measures of fast tracking the implementation of the project and ensure that targets indicated in the mid-term review report are adhered to.

- **Construction of Buildings in Primary Schools**

The project sub-component targeted to construct building facilities (classrooms, administration blocks, latrines and staff houses) in 290 primary schools at a cost of USD.43,800,000. The constructions were expected to start February 2016 and end in October 2016 with a defects liability period starting from November 2016 to December 2017. However the original target of 290 schools was reduced to only 138 owing to inadequacies in the planning, delays in procurement and slow implementation processes of activities. As a result a total of USD.16,637,956 (UGX.60,229,400,720) was re-allocated from this sub-component to other project components. The reduction of beneficiary schools impacted negatively on the core objective of meeting prioritized basic requirements and minimum standards (BRMS) for quality learning.

Management explained that the delays were largely due to initial implementation challenges which have since been resolved.

I advised the accounting officer to always liaise with the relevant government departments to ensure adequate planning before grant acceptance. Meanwhile, adequate monitoring and supervision should be put in place to ensure timely and qualitative works are undertaken.

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