



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
ALTERNATIVE DISPUTE RESOLUTION PROJECT (ADR) SUPPORTED BY THE
AUSTRIAN EMBASSY DEVELOPMENT COOPERATION
FOR THE PERIOD 1ST JULY 2014 TO 30TH JUNE, 2017**

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

Acronym	Meaning
GOU	Government of Uganda
JLOS	Justice, Law and Order Sector
ADR	Alternate Dispute Resolution
ADC	Austrian Development Cooperation
CADR	Centre for Arbitration and Dispute Resolution
LGL	Local Government Level
EP	Election Petition
LCC	Local Council Courts
LC	Law Council
DCL	Directorate of Civil Litigation
AG	Administrator General
ULS	Uganda Law Society
JSC	Judicial Service Commission
UHRC	Uganda Human Rights Commission
PIU	Project Implementation Unit
PCU	Project Coordinating Unit
PAB	Project Advisory Board
PMIS	Project Management and Information Systems
FY	Financial Year
SWAP	Sector Wide Approach
UGX	Uganda Shillings
PFMA	Public Finance Management Act, 2015
MoFPED	Ministry of Finance, Planning and Economic Development
ADR	Alternative Dispute Resolution
LDC	Law Development Centre
LGPS	Local Government Prisons Services
PDE	Procuring and Disposing Entity
PMIS	Project Management Information System

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THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Alternative Dispute Resolution (ADR) Project supported by the Austrian Development Cooperation for the period 1st July 2014 to 30th June 2017. These financial statements comprise of the Fund Accountability Statement and notes to the Fund Accountability Statement including a summary of significant accounting policies adopted.

In my opinion, the financial statements present fairly, in all material respects, the Fund Balance of the Alternative Dispute Resolution Project as at 30th June, 2017 and its receipts and expenditure for the period then ended in accordance with the requirements of the Public Finance Management Act, 2015 and the accounting policies stated under note 1(a) to the financial statements and the requirements of the Memorandum of Understanding on Project Funding.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs), the National Audit Act 2008, the requirements of the Memorandum of Understanding on Project Funding and the Audit Methodology of my Office. 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 Project Management 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 (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Uganda, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. 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 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:

- **Unspent balance of UGX.373, 710,614**

Section 4.1 and 4.2 of the ADR agreement/Memorandum of Understanding provided that the project period shall be from 1/11/2013 to 31/10/2016 with a total grant amounting to EUR 342,436. Section 5.5 further provides that funds not utilized under this agreement for any individual budget items shall be transferred back to Austrian Development Cooperation.

Management had by 30th October 2016 expensed UGX.691,403,345 and remained with unspent balance of UGX.373,710,614 on the account. There was no evidence that management had returned the unspent funds to ADR. Failure to return unspent donor funds is contrary to the provisions of the agreement.

I advised Management to refund the unspent balances to the Austrian Development Cooperation in line with the ADR agreement.

- **Non/Partial implementation of core project activities and underutilization of funds**

According to ADR Memorandum of Understanding, the overall objective of ADR project was to promote the rule of law, through strengthened dispute resolution structures and promotion of reconciliation.

It was noted that Management by the end of the project had not implemented some of the core activities of the project. The unimplemented activities and under-utilized funds are noted below;

- UGX.178,161,347 was released to cater for expected result on Pilot use of ADR structure for 130 persons however only UGX.74,761,582 was utilized leaving UGX.128,601,886 unutilised. A number of pilot cases were not handled as indicated in the table below.

JLOS institution	Total mediations	Successful mediations	Unsuccessful mediations	% of success
High Court Civil Division	70	20	50	29%
UHRC	107	89	18	83%
Family Division	86	61	25	71%
Entebbe Chief Magistrate's Court	38	11	27	29%
Land Division	51	5	46	10%
Commercial Division	786	426	360	54%
Industrial Court	13	0	13	0%

- I further observed that UGX.12,441,600 meant for the validation workshops before the commencement of the project remained unutilised and evidence of occurrence of this activity was not presented for audit review.
- UGX.18,662,400 had been allocated for Advisory Board meeting on project management and implementation. However this activity was not undertaken and the funds have also remained unspent.

Management explained that the budgeted expenditure on mediation of cases was revised downwards, and payments were based on returns submitted by the respective Courts to the Mediation Registry in the Commercial Division and that some courts did not file returns.

I advised Management to ensure that in future budgeting is undertaken realistically to ensure implementation of all planned activities.

Management Responsibility

Management is responsible for the preparation and fair presentation of the Project financial statements in accordance with Generally Accepted Accounting Standards, and the requirements of the Memorandum of understanding on Project funding, and for maintenance of such internal controls as management determines is necessary for the preparation and fair presentation of the Project 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 achieve its core objectives, disclosing, as applicable, matters related to the achievement of its objectives, unless management either intends to close the project or to cease operations, or have no realistic alternative but to do so.

Management is responsible for overseeing the Project's financial reporting process.

Auditor's 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 the 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 judgment and maintain professional skepticism 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 our 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 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, 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 on 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 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 Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her 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 the 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.



John F.S. Muwanga

AUDITOR GENERAL

31st October, 2017