



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
NEC TRACTOR PROJECT LIMITED
FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL
UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
NEC TRACTOR PROJECT LIMITED
FOR THE YEAR ENDED 30TH JUNE, 2017

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the financial statements of NEC Tractor Project Limited for the year ended 30th June 2017. These financial statements comprise of the statement of financial position, the statement of financial performance, and cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, NEC Tractor Project Limited statements present fairly in all material respects the financial position of NEC Tractor Project Limited as at 30th June 2017 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Sec 18 of the National Enterprise Act Corporation Cap 312 and the Financial Reporting Guide, 2008.

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 Statement's section of my report. I am independent of the Corporation 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, were of most significance in my audit of the financial statements of the current period. I have determined that there are no other key audit matters to communicate in my report.

Emphasis of matter

Without qualifying my opinion, I draw attention to the following matter described in notes 9 and 10 schedule of current assets in the financial statements.

- **Outstanding Debtors**

Paragraph 3.1.4 (v) of NEC Financial Accounting Regulations provides that, any debt that becomes overdue for more than 30 days shall be subject to debt recovery procedures including legal intent to sue within 14 days of notification. Failure to comply shall lead to legal action.

As at 30th June 2017 NEC Tractor Project had debtors amounting to UGX.832,641,511. Out of this amount UGX.470,878,257 has been outstanding for a period of more than three years. Inadequate management of debtors has tied up the project funds.

Management explained that NEC Tractor Hire Scheme is being handled internally; initiatives for recovery were aired in NEC top management meetings. Ministry of Finance and Akamba Ltd sales was also referred to NEC Headquarters for clarification.

I advised the Managing Director to intensify recovery of outstanding amounts.

Other Matters

I consider it necessary to communicate the following matter other than those presented or disclosed in the financial statements:

- **Budget Performance**

The entity had planned to receive UGX.4,195,585,536 during the year under review from sale of tractors, spare parts and revenue from after sales service among others. However only UGX.676,096,794 was realised resulting into revenue short fall of UGX.3,519,488,742. It appears that NEC tractor project does not have a well-established sales and marketing department that would undertake effective marketing of the products of the entity. This short fall in the planned revenue resulted into NEC Tractor Project failing to undertake a number of planned activities that included: acquisition of workshop tools & equipment, motor vehicle, furniture, warehouse remodeling, development of Namanve land among others. I was not availed with a clear strategy on how the Project is planning to address the revenue short fall.

Management explained that NEC Tractor Project has already functional marketing strategy which had been crippled with lack of funds, however due to changes in few strategies the project is headed to increase in sales and revenue.

I advised the Managing Director to intensify efforts to collect revenue as planned.

Responsibilities of the Managing Director for the Financial Statements

The Managing Director is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of Sec 18 of the National Enterprise Act Corporation Cap 312 and the International Financial Reporting Standards on Accrual basis of accounting and for such internal controls as management determines as 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, the Managing Director is responsible for assessing the Corporation'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 Corporation or to cease operations, or have no realistic alternative but to do so.

The Managing Director is responsible for overseeing the Corporation's financial reporting process.

Auditor's 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 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 ISSAIs, 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 Corporation'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 Authority'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 Authority 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 the Managing Director 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 Managing Director 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 Managing Director, 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 requirements

As required by the National Enterprise Corporation Act, 1989 and the National Audit Act, 2008, I report to you, based on my audit, that:

- i. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.
- ii. In my opinion, proper books of account have been kept by the corporation so far, as appears from my examination of those books; and
- iii. The statement of financial position and statement of Support, Revenue and Expenses are in agreement with the books of account.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

20th December, 2017

FINANCIAL STATEMENTS