



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
QUALITY INFRASTRUCTURE AND STANDARDS PROGRAMME (QUISP)
SIDA CONTRIBUTION NO.51180019/1 - 2
FOR THE YEAR ENDED 30TH JUNE, 2016

OFFICE OF THE AUDITOR GENERAL
KAMPALA

TABLE OF CONTENTS

Acronyms.....ii

Report And Opinion Of The Auditor General On The Financial Statements Of The Quality Infrastructure And Standards Programme 1

Sida Contribution No.51180019/1 - 2 For The Year Ended 30th June, 2016..... 1

Report Of The Auditor General On The Special Designated Account Operations Quality Infrastructure And Standards Programme Sida Contribution No.51180019/1 - 2 For The Year Ended 30th June 2016 3

1.0 Introduction..... 5

2.0 Programme Background..... 5

3.0 Programme Objectives..... 6

4.0 Audit Objectives 6

5.0 Procedures Performed 7

6.0 Categorization And Summary Of Findings 8

6.1 Categorization Of Findings 8

6.2 Summary Of Findings 8

7.0 Detailed Findings..... 8

7.1 Budget Under Performance (54%) 8

7.2 Delays In Approving And Implementing Some Planned Activities10

7.3 Project Challenges- Inadequate Transport Facilities10

ACROYNMS

MTTI	Ministry of Tourism, Trade and Industry
QUISP	Quality Infrastructure and Standards Programme
SIDA	Swedish International Development Cooperation Agency
GOU	Government of Uganda
M.O.U	Memorandum of Understanding
MFPEd	Ministry of Finance, Planning and Economic Development
TMEA	Trade Mark East Africa
UNBS	Uganda National Bureau of Standards
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings

**REPORT AND OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL
STATEMENTS OF THE QUALITY INFRASTRUCTURE AND STANDARDS PROGRAMME
SIDA CONTRIBUTION NO.51180019/1 - 2
FOR THE YEAR ENDED 30TH JUNE, 2016**

THE RT. HON. SPEAKER OF PARLIAMENT

I have audited the financial statements of Quality Infrastructure and Standards Programme (QUISP), funded by the Swedish International Development Cooperation Agency (SIDA) for the year ended 30th June 2016. The financial statements comprise of the statement of fund balances, receipts and payments statement, cash flow statement as well as the accompanying Notes to the Financial Statements including summary of significant Accounting Policies adopted.

Management Responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Public Finance Management Act, 2015 and the basis of accounting described under Note 2 to the financial Statements. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements 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.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements, based on my audit. I conducted my audit in accordance with International Standards on Auditing. Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of 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 financial statements 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 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 financial statements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Part "A" of this report sets out my opinions on the financial statements, and the Internal Control Structure. Part "B" which forms an integral part of this report presents in detail all the significant audit findings made during the audit which have been brought to the attention of management.

PART "A"

Opinion

In my opinion, proper books of account have been kept and the financial statements of QUISP present fairly in all material respects the fund balances as at 30th June 2016 and the receipts and payments of the Project for the year then ended, in accordance with the basis of accounting set out under Note 2 of the financial statements.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

28th December, 2016

REPORT OF THE AUDITOR GENERAL ON THE SPECIAL DESIGNATED ACCOUNT
OPERATIONS QUALITY INFRASTRUCTURE AND STANDARDS PROGRAMME
SIDA CONTRIBUTION NO.51180019/1 - 2
FOR THE YEAR ENDED 30TH JUNE 2016

I have audited the special account statement of the Quality Infrastructure and Standards Programme (QUISP) for the year ended 30th June, 2016 which is set out on page 12 of the financial statements.

Management Responsibility for the Special Designated Account Statement

Project management is responsible for preparation of the special designated account statement and its fair presentation in accordance with the requirements of the Government of Uganda regulations and SIDA guidelines. Management is also responsible for designing and implementing internal controls relevant to the preparation of the special account statement that is free from material misrepresentation, whether due to fraud or error and selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the special account statement based on my audit. I conducted the audit in accordance with International Standards on Auditing and the applicable credit guidelines on auditing. Those standards and the guidelines require that I plan and perform the audit to obtain reasonable assurance about whether the Special Account Statement is free from material misstatement. I believe that the audit provides a reasonable basis for my opinion.

Opinion

In my opinion, project management complied in all material respects with SIDA guidelines and procedures and that the Special Designated Account Statement for the Quality Infrastructure and Standards Programme (QUISP) for the year ended 30th June, 2016 presents fairly in all material respects the account transactions and the closing balance as at 30th June, 2016.



John F.S. Muwanga

AUDITOR GENERAL

28th December, 2016

**REPORT OF THE AUDITOR GENERAL AND
SUPPLEMENTARY INFORMATION**

PART "B":

DETAILED REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF QUALITY INFRASTRUCTURE AND STANDARDS PROGRAMME (QUISP) FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2016

This Section outlines the detailed audit findings, management responses, and my recommendations in respect thereof.

1.0 INTRODUCTION

Article 163 (3) of the Constitution of the Republic of Uganda, 1995 (as amended) requires me to audit and report on the public accounts of Uganda and all public offices including the courts, the central and local government administrations, universities, and public institutions of the like nature and any public corporation or other bodies or organizations established by an Act of Parliament. Accordingly, I carried out the audit of the project to enable me report to Parliament.

2.0 PROGRAMME BACKGROUND

The financing agreement between the Government of Uganda (as amended) and the Government of Sweden through the Swedish International Development Cooperation Agency (SIDA) was signed on the 16th February, 2010. Under this agreement, SIDA committed to provide support amounting to Forty Six million Swedish Kronor (SEK.46,000,000) during the period January 2010 to December 2014 towards the Programme activities.

The Ministry of Tourism, Trade and Industry (MTTI) is implementing the five year comprehensive Programme: Quality Infrastructure and Standards Programme (QUISP) on behalf of the Government of Uganda. The Programme seeks to develop a market-driven, holistic and coordinated institutional framework for the Uganda Quality Infrastructure and Standards Framework; which supports trade, industry, health, safety, consumer protection and a sustainable environment while at the same time promoting use of best practices in the production and service sectors.

3.0 PROGRAMME OBJECTIVES

The overall Programme objective is to promote the use of Quality Infrastructure Standards so as to improve the competitiveness of Uganda's products, processes and service delivery systems in domestic, regional and international markets.

The specific objectives are:-

- To develop a policy for standardization and review strategies for policy implementation.
- To establish a comprehensive and effective legal framework for the implementation and enforcement of standards and quality control measures.
- To establish an effective coordination mechanism with clearly defined mandates and responsibilities for the different actors in the Standards and Quality area.
- To rationalize and support the institutional set up of service providers for standards development, conformity assessment and measurement services.
- To enhance public awareness on standard and quality products and best practices.

4.0 AUDIT OBJECTIVES

The audit was carried out in accordance with International Standards on Auditing and accordingly included a review of the accounting records and agreed procedures as was considered necessary. The audit was conducted with regard to the following objectives:-

- a. The financial statements have been prepared in accordance with consistently applied Generally Accepted Accounting Principles and fairly present the receipts and expenditures for the year and of the cash balances as at the end of the year.
- b. All external funds have been used in accordance with conditions of the relevant legal agreements, with due attention to economy and efficiency and only for the purposes for which the financing was provided;
- c. Counterpart funds have been provided and used only for the purposes for which they were provided and in accordance with the relevant financing agreements, with due attention to economy and efficiency;
- d. Goods and services financed have been procured in accordance with relevant financing agreement;

- e. To evaluate and obtain a sufficient understanding of the internal control structure of the project, assess control risk and identify reportable condition, including material internal control weaknesses;
- f. To establish whether the project managers are managing the project in compliance with the covenants contained in the financing agreement as well as Government of Uganda financial regulations.
- g. To establish whether all necessary supporting documents, records and accounts have been kept in respect of all project activities, and are in agreement with the financial statements presented.

5.0 PROCEDURES PERFORMED

The following procedures were undertaken:-

- a. Revenue/Receipts
Obtained all schedules of funds received and reconciled the amounts to the Project's cashbooks and bank statements.
- b. Expenditure
Vouched transactions including statements of expenditure and financial monitoring reports used for submission of withdrawal applications during the period to establish whether documentation in support of expenditure agreed with the amount and description on the vouchers and/or applications and bank statements, and was properly controlled and accounted for.
- c. Internal Control System
Reviewed the internal control system and its operations to establish whether sound controls were applied throughout the period.
- d. Procurement
Reviewed the procurement of goods and services under the Project during the period under review and reconciled with the approved procurement plan.
- e. Fixed Assets Management
Reviewed the use and management of the project assets during the period under review.
- f. Periodic Reports about the project Activities
Reviewed the Agreement provisions, operational manual and reports and reconciled them with the Programme activities during the period under review.

g. Programme Financial Statements

Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; as well as evaluating the overall financial statement presentation.

6.0 CATEGORIZATION AND SUMMARY OF FINDINGS

6.1 Categorization of findings

The following system of profiling of the audit findings has been adopted to better prioritize the implementation of audit recommendations:

	Category	Description
1	<i>High significance</i>	<i>Has a significant/material impact, has a high likelihood of reoccurrence, and in the opinion of the Auditor General, it requires urgent remedial action. It is a matter of high risk or high stakeholder interest.</i>
2	<i>Moderate significance</i>	<i>Has a moderate impact, has a likelihood of reoccurrence, and in the opinion of the Auditor General, it requires remedial action. It is a matter of medium risk or moderate stakeholder interest.</i>
3	<i>Low significance</i>	<i>Has a low impact, has a remote likelihood of reoccurrence, and in the opinion of the Auditor General, may not require much attention, though its remediation may add value to the entity. It is a matter of low risk or low stakeholder interest.</i>

6.2 Summary of Findings

No	Finding	Significance
7.1	Budget under performance (54%)	Moderate
7.2	Delays in approving and implementing some planned activities	Moderate
7.3	Project challenges – inadequate transport facilities	Low

7.0 DETAILED FINDINGS

7.1 Budget under Performance (54%)

According to the Summary of the Budget/expenditure statement on page 14 of the financial statements, the Project had budgeted to spend a total of UGX.4,318,040,307 during the year under review. However, it was noted that only

UGX.2,326,334,728 was spent leading to a variance of UGX.2,003,417,579 which represents a 54% performance level. The table below refers;

Budget Code	Component	Budget UGX.	Expenditure UGX.	Variance UGX.	% Budget performance
2000	Legal and Regulatory framework	302,936,500	190,541,216	112,395,284	63
3000	Coordination of Standardization (SMCA) Stakeholders	976,780,333	372,258,764	604,521,569	38
4000	Capacity development of services providers	1,328,911,800	848,583,111	480,328,689	64
5000	Awareness raising and implementation support	1,087,715,614	492,291,325	607,136,293	45
6000	Programme Management Unit	483,078,000	337,037,395	146,040,605	70
7000	Technical Assistance(Team Leader and reimbursable	138,618,056	85,622,917	52,995,139	62
	GRAND TOTAL	4,318,040,307	2,326,334,728	2,003,417,579	54

There is a risk that the project may not achieve its objectives since activities worth UGX.2,003,417,579 were not implemented. Notable underperformance was in areas such as capacity development of service providers, awareness raising and implementation support.

The Accounting Officer explained that some activities were rescheduled to secure availability and participation of relevant stakeholders. This is because when the resumption of the project was granted in March, 2015, some stakeholders had already scheduled other activities yet their involvement is critical to share synergies and sustainability of the programme outputs.

I explained to management that budget under performance negatively affects project implementation timelines and achievement of planned outputs for the year. As such I advised the Accounting Officer to ensure that project budgets and work plans are undertaken realistically and accordingly implemented.

7.2 Delays in approving and implementing some planned activities

Review of the project work plan for the period under review revealed that the programme did not implement some activities as had been planned by the time of completion of the financial year. Some of the activities were awaiting approval from relevant different authorities. **The table below refers;**

Budget Code	Result Area/Activity Description	Status as of 31/03/2016
2190	Facilitate the printing of the two bills in preparation to submit to Cabinet and Parliament (500 copies).	Not implemented. Awaiting approval.
3140	Support the official launch of the Standards and Quality (SMCA) forum.	Not implemented. Awaiting approval.
3840	Facilitate the printing, launching and distribution of the National SPS policy.	Not implemented. Awaiting approval.
4510	Support UNBS to procure additional equipment for Legal Metrology, testing and calibration.	Pending- TMEA has not yet approved the new proposal (USD.400,000)

Delays in securing approvals affect timely implementations of activities.

There is a risk that these activities may not be implemented during the no-cost extension period up to 31/03/2017 when the project is set to wind up.

The Accounting Officer explained that some activities related to printing of the bills and policies require cabinet approval before being implemented.

I advised the Accounting Officer to engage the relevant authorities and development partners (TMEA) to expedite approval of pending activities.

7.3 Project Challenges- inadequate transport facilities

It was noted that the programme has only 2 pick-ups for operation of the project programmes. This is likely to affect implementation of programmes. It was further

noted that the programme does not have drivers for the two vehicles, instead only one driver who also doubles as the driver for the Ministry and under the direct supervision of the Ministry, assists in driving the project vehicles. This too has constrained the effectiveness on the mobility of QUISP PMU Staff to implement urgent exercises.

The Accounting Officer promised to consider allocating additional funds towards recruiting a driver to support the project field based activities.

The Accounting Officer action on the matter is awaited.

FINANCIAL STATEMENTS