



**THE REPUBLIC OF UGANDA**

**MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND  
FISHERIES**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF  
REGIONAL PASTORAL LIVELIHOODS RESILIENCE PROJECT  
IDA CREDIT NO5385-UG  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2016**

**OFFICE OF THE AUDITOR GENERAL  
UGANDA**

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## **ACRONYMS**

<b>Acronym</b>	<b>Meaning</b>
BoU	Bank of Uganda
GAC	Governance and Anti-corruption
GOU	Government of Uganda
IDA	International Development Association
IGAD	Inter-Governmental Authority on Development
ISA	International Standards on Auditing
MAAIF	Ministry of Agriculture, Animal Industry and Fisheries under the National
MoU	Memorandum of Understanding
PAD	Project appraisal document
PCU	Project Coordination Unit
PIM	Project Implementation Manual
PPDA	Public Procurement and Disposal Of Assets
RPLRP	Regional Pastoral Livelihoods Resilience Project
SDR	Special Drawing Rights

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS  
OF THE REGIONAL PASTORAL LIVELIHOODS RESILIENCE PROJECT (RPLRP)**

**IDA CREDIT NO.5385-UG**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2016**

**THE RT. HON. SPEAKER OF PARLIAMENT**

I have audited the accompanying financial statements of the Regional Pastoral Livelihoods Resilience Project (RPLRP) IDA CREDIT No.5385-UG for the year ended 30<sup>th</sup> June, 2016. The financial statements set out on pages 4 to 9 comprise of;

- Fund accountability statement
- Statement of financial position
- Statement of receipts and payments.
- Statement of special account
- Notes to the financial statements including a summary of accounting policies used.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of the project financial statements in accordance with the loan (IDA) guidelines and the cash basis of accounting as described under Note 1 to the financial statements and for such internal controls as management determines is necessary for the preparation and fair presentation of the project financial statements that are free from material misstatements, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on the financial statements based on my audit. I conducted the audit in accordance with International Standards on Auditing (ISA). 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 from material misstatements.

An audit involves performing 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 the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances. 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 opinion on the financial statements. 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, the project financial statements present fairly in all material respects the cash balances of the Regional Pastoral Livelihoods Resilience Project (RPLRP) IDA CREDIT No.5385-UG as at 30<sup>th</sup> June, 2016 and the receipts and payments for the year then ended in accordance with the IDA guidelines and the basis of accounting described under Note 1 to the financial statements.



John F.S. Muwanga

**AUDITOR GENERAL**

KAMPALA

30<sup>th</sup> December, 2016

**REPORT OF THE AUDITOR GENERAL ON THE SPECIAL ACCOUNTS OPERATIONS**  
**OF THE REGIONAL PASTORAL LIVELIHOODS RESILIENCE PROJECT (RPLRP)**  
**IDA CREDIT NO.5385-UG FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2016**

I have audited the special account statement of the Regional Pastoral Livelihoods Resilience Project (RPLRP) IDA CREDIT No.5385-UG for the year ended 30<sup>th</sup> June, 2016 which is set out on page 9.

**Management Responsibility for the Special Accounts Statements**

Project management is responsible for preparation of the special account statement and its fair presentation in accordance with the requirements of the Government of Uganda regulations and loan (IDA) guidelines. Management is also responsible for designing and implementing internal controls relevant to the preparation of the special accounts statement that are 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 loan guidelines on auditing. Those standards and 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 unqualified opinion.

**Opinion**

In my opinion, Project management complied in all material respects with loan provisions and procedures and that the special account statement for the Regional Pastoral Livelihoods Resilience Project (RPLRP) IDA Credit No.5385-UG for the year ended 30<sup>th</sup> June, 2016 presents fairly, in all material respects, the account transactions and the closing balances as at 30<sup>th</sup> June, 2016.



John F.S. Muwanga

**AUDITOR GENERAL**

30<sup>th</sup> December, 2016

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

## **PART "B"**

### **DETAILED REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS THE REGIONAL PASTORAL LIVELIHOODS RESILIENCE PROJECT (RPLRP) IDA CREDIT NO.5385-UG FOR THE YEAR ENDED 30<sup>TH</sup> 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 above Project to enable me report to Parliament.

#### **2.0 PROJECT BACKGROUND**

The financing agreement between Government of Uganda and the International Development Association was signed on 10<sup>th</sup> July 2015. The IDA extended a credit in an amount equivalent to SDR 26,100,000 (Twenty six million one hundred Special Drawing Rights) to finance project activities.

The project is implemented by the Inter-Governmental Authority on Development (IGAD) secretariat in Djibouti at a regional level and in Uganda by MAAIF. The project covers 12 districts i.e. Kaabong, Amudat, Kween, Moroto, Nakapiripirit, Kotido, Abim, Napak, Katakwi, Bukedea, Kumi and Amuria.

#### **3.0 PROJECT OBJECTIVES**

The project objective is to enhance Livelihood resilience of Pastoral and agro Pastoral communities in cross border drought prone areas of selected countries and improve the capacity of the selected countries governments to respond promptly and effectively to an eligible crisis or emergency.

#### **4.0 PROJECT COMPONENTS**

The project consists of five components: Natural resources management, Market Access and trade, Livelihood support, Pastoral Risk Management and Contingent Emergency Response and Project management and institutional support.

##### **Natural resources management**

Assisting Pastoral and agro- Pastoral communities to manage sustainably natural resources with trans- boundary significance through carrying out of a program of activities; to enhance the capacity of recipient to manage pastoral related natural resources, support sustainable land management in pastoral and agro-pastoral areas and designed to prevent conflict and build peace among communities in pastoral and agro-pastoral areas.

##### **Market access and trade**

Enhancing the market access of the agro-pastoralists and pastoralists to the intra-regional and international markets of livestock and livestock products through carrying out of a program of activities to support livestock market support infrastructure and information system and to support livestock Value chain and improve livestock mobility and trade.

##### **Livelihood support**

This component includes harmonized vaccination campaigns for priority livestock diseases such as *Peste des petits ruminants*, *foot and mouth disease*, *contagious caprine pleuro pneumonia*, *contagious bovine pleuro pneumonia*, rift valley fever and Newcastle disease, improvements in fodder bulking and conservation and carrying out a program of activities designed to facilitate livelihoods diversification through identification of markets, demonstration and sharing information on livelihood alternatives.

##### **Pastoral risk management and contingent emergency response**

This involves enhancing drought related hazards preparedness, prevention and response through carrying out a program of activities designed to support the establishment and implementation of pastoral risk early warning and response system, capacity building programs at national and sub- national levels on key

policies and guidelines for drought disaster risk management and providing immediate response to an eligible crisis or emergency as needed.

**Project management and institutional support by carrying out;**

Project planning, coordination, management, audits, monitoring and evaluation including carrying out of technical studies and learning activities, and dissemination of project information, a program of activities designed to enhance the capacity of recipient's national institutions and civil society on drought resilience including supporting inter-ministerial collaboration within recipient's government as well as among selected countries.

**5.0 AUDIT OBJECTIVES**

The audit was conducted in accordance with International Standards on Auditing and included a review of the accounting records, accounting policies used and agreed procedures as was considered necessary.

The Audit was carried out with regard to the following objectives;

- a. To express an opinion as to whether the financial statements for the year ended 30<sup>th</sup> June, 2016 present fairly in all material respect the receipts and payments of the project as well as the cash position and are in conformity with generally accepted accounting principles.
- b. To establish whether the special account has been maintained in accordance with the provisions of the loan agreement.
- c. To evaluate and obtain a sufficient understanding of the internal control structure of the project, assess control risk and identify reportable conditions, including material internal control weaknesses.
- d. To establish whether project managers are managing the project in compliance with the covenants contained in the financing agreements as well as Government of Uganda financial regulations.
- e. To establish whether all procurements of goods and services under the project have been undertaken in accordance with GOU procurement guidelines and procedures as specified in the PPDA Act 2003.
- f. To establish whether all necessary supporting documents, accounting records as well as books of accounts have been kept in respect of all project activities.
- g. Whether project activities have been implemented as stated in the work plans and budgets.

## **6.0 AUDIT PROCEDURES PERFORMED**

### a. Revenue/Receipts

Obtained a schedule of all project funds provided by IDA and Government of Uganda and reconciled the amounts to the project's cash books and bank statements.

### b. Expenditure

Reviewed the Project funding agreement to ascertain agreed budget line activities for the IDA and GOU funding and checked whether funds have been utilized in accordance with the approved work plan;

Vouched transactions of the project in particular; funding received and expenditures incurred during the period covered by the audit in order to establish that documentation in support of expenditure agreed with the amount and description on the payment vouchers and or applications, 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 procurement of goods and services for the project and reconciled with the approved procurement plan.

### e. Fixed Assets Management

Reviewed use and management of the assets of the project during the period under review.

### f. Periodic Reports about project Activities

Reviewed the programme agreement provisions, and reconciled it to the project activities during the period under review.

### g. Programme Financial Statements

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

## **7.0 CATEGORIZATION AND SUMMARY OF FINDINGS**

### **7.1 Categorization of findings**

The following system of profiling of the audit findings is used to prioritise the implementation of audit recommendations:

	<b>Category</b>	<b>Description</b>
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>

### **7.2 Summary of findings**

No	Finding	Significance
8.1.1	Delayed project implementation	High
8.1.2	Non-participation of steering committees in the budget process	Moderate
8.2	Governance and Anti-corruption (GAC)	Moderate

## **8.0 DETAILED FINDINGS**

### **8.1 Budget Performance**

#### **8.1.1 Delayed project implementation**

Chapter 2.9.2 of the project implementation manual (PIM) requires the Ministry of Agriculture, Animal industry and Fisheries (MAAIF) to ensure timely and effective coordination and execution of project implementation under the national project coordination unit. Chapter 2.12 states that, the detailed planned and time-bound project implementation schedule for each component and sub component along with a list of agencies to be responsible for the actual execution of the various project activities shall be prepared.

A review of the project documents revealed that whereas, the financing agreement was signed on the 10<sup>th</sup> July 2015, it took Parliament nine months to approve the loan/project. Disbursement started on the 17<sup>th</sup> of March 2016 and implementation of the first activity was on the 27<sup>th</sup> May 2016, a year after signing of the agreement. A review of project work plan, funds accountability statement and interview with staff revealed that a number of items in the work plan amounting to UGX 2,862,052,119 had not been implemented by close of financial year. Refer to the table below;

<b>Planned Activity</b>	<b>Unit</b>	<b>Cash Projections Qrt 4</b>
Baseline study to identify water resources, uses and users	Exercise	33,100,000
Training of stakeholders in water skills	Courses	21,800,000
Develop design for rehabilitation and construction of water facilities		250,000,000
Training agro pastoralist in rangeland rehabilitation and management techniques	Study	301,485,000
Disseminate knowledge /best practices on rangeland management		50,360,000
Develop shared natural resource use maps and calendars/a	Procurement	60,000,000
Develop pastoral codes and rangeland use guidelines		60,000
Computers		60,000,000
Vehicles		650,000,000
Motorcycles		150,000,000
Stakeholder consultations on LMPL and existing practices	Study	70,000,000
Support the harmonization of tariffs in East African countries /a	workshop	30,000,000
Revision of the Training Curricula	contract	13,000,000
Training / refreshers course for Community Animal Health Workers (500)	course	93,760,000
Training for kraal leaders, butchery workers and slaughter house workers /d	course	187,500,000
Procurement of insecticide pour on for 300,000		420,000,000
Procurement of Trypanocidal drug for 300,000		450,000,000
Community sensitization campaigns /f	session	56,000,000
Application of pour on exercise (Allowances and fuel)	vets	15,000,000
Computers		60,000,000
Vehicles		520,000,000
Motorcycles		150,000,000
Vaccine delivery van	1	170,000,000
<b>TOTAL</b>		<b>2,862,052,119</b>

In addition, the delay in fulfilment of project covenants led to failure to transfer UGX1,154,598,204 to the districts within the financial year, the funds were instead transferred in November 2016, in the subsequent year as shown in the table below;

<b>Date of Transfer</b>	<b>District</b>	<b>Amount (UGX)</b>
Nov 04,2016	Abim District RPLRP	81,025,517
Nov 04,2016	Amudat District RPLRP	69,425,517
Nov 04,2016	Amuria District RPLRP	117,425,517
Nov 04,2016	Katakwi District RPLRP	93,425,517
Nov 04,2016	Kotido District RPLRP	171,085,517
Nov 04,2016	Kween District RPLRP	101,425,517
Nov 04,2016	Kumi District RPLRP	85,425,517
Nov 04,2016	Moroto District RPLRP	81,425,517
Nov 04,2016	Nakapiripirit DLG RPLRP	89,425,517
Nov 04,2016	Napak District Pastoralism RPLRP	84,925,517
Nov 04,2016	Bukedea District Regional RPLRP	106,957,517
Nov 04,2016	Kaboong District RPRLP	72,625,517
<b>TOTAL</b>		<b>1,154,598,204</b>

As a result of the delayed transfer of funds planned activities such as trainings, surveillance, and treatment of cattle, were not implemented at the district level by close of the financial year. Similarly there was low funds absorption, of the UGX.3.310,512,515 that was received only UGX. 448,460,396 was utilised leaving a balance of UGX. 2,862,052,119 unutilized reflecting 86% under-performance. There is a risk that the project objectives may not be achieved in the scheduled project period.

Management explained that the delay in project implementation was caused by the delay in Parliamentary approval and the Project Coordination Unit had not fulfilled the loan covenants such as recruitment of key staff and opening of special project account. The Project Accountant who had been verified on client connection with Bank of Uganda (BoU) resigned due to ill health before receiving the first disbursement. This led to freezing of the dedicated account by Bank of Uganda. To date the finance division is on client connection and the project is on course.

I advised the Accounting Officer to address the underlying constraints and to fast track implementation of project activities to ensure that project objectives are achieved.

### **8.1.2 Non-Participation of Steering Committees in the budget process**

Annex 3 of the Project appraisal document (PAD) Subsection 1 Paragraph 19 states that the district steering committee will provide policy guidance and financial management of the project funds, and approve the district annual work plans and budgets. The Chief Administrative Officer shall serve as the overall accounting officer of the project activities and funds in the district.

The budget process involves a consultative process with districts and related agencies, the national steering committee and the district steering committee. A review of the minutes of the steering committee revealed that all funds that were budgeted for in the financial year were not approved by the district steering committees of all the participating entities.

Management explained that the districts had not fulfilled some legal covenants as per the Loan agreement such as signing MoUs, designating project accountant, internal auditor and opening project bank accounts. It was an oversight not to involve the district steering committees but pledge to involve them in the upcoming budgeting processes.

I advised the Accounting officer to ensure that the district steering committees participate in the budgeting process as required.

### **8.2 Governance and Anti-corruption (GAC)**

Annex 3 of the project appraisal Document, Para 34 (Governance and Anti-corruption) provides that this is a high risk project that will be operating in mainly areas that are insecure in Uganda. As such, it is important to put in place the following Governance and Anti-corruption (GAC) measures in addition to strengthening audits that will be done by both internal and external auditors, encouraging transparency when transferring funds to the districts and the counties. This can be achieved by putting information on the official website and popular newspapers, displaying funds received at the county and district boards as well as project budgets and audited accounts and developing an independent complaint handling mechanism that will ensure complaints made are attended to in a timely manner.

Interview with staff and inspection of the National Project Coordination Unit revealed that the project website, complaint desk and box, toll free line were not in place. Further, there was no evidence that funds disbursed had been published in the newspapers or displayed at the districts and the counties.

Without the anti-corruption component, there is a risk that funds may be mismanaged and the intended project objectives may not be achieved in the stipulated project period.

According to Management key activities of the subcomponent had been implemented including a Project Communication strategy that has been discussed by stakeholders and is ready for implementation, the project staff have been trained in the monitoring system which provides information to all stakeholders on the activities of the project. The project has recruited data assistants at district level and trained them to input the information about project activities on the project site. Discussions with the Inspector of Government have been finalized and a Memorandum of Understanding has been completed and is awaiting clearance by the Solicitor General's Office. When this is finalized funds will be transferred to the IGs office for implementation.

I advised the Accounting Officer to continue engaging relevant stakeholders so as to implement the GAC and to ensure that any risks associated with the project are averted.

**FINANCIAL STATEMENTS**