



THE REPUBLIC OF UGANDA

OFFICE OF THE PRIME MINISTER

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
DEVELOPMENT RESPONSE TO DISPLACEMENT IMPACTS PROJECT (DRDIP)
FOR THE YEAR ENDED 30TH JUNE 2018**

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

DRDIP	Development Response to Displacement Impacts Project
GoU	Government of Uganda
IDA	International Development Agency
ISA	International Standards on Auditing
ISSAIs	International Standards of Supreme Audit Institutions
IESBA	International Ethics Standards Board for Accountants
MOFPED	Ministry of Finance, Planning and Economic Development
UGX	Uganda Shillings
US \$	United States Dollar
TAI	Treasury Accounting Instructions

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
DEVELOPMENT RESPONSE TO DISPLACEMENT IMPACTS PROJECT (DRDIP)
FOR THE YEAR ENDED 30TH JUNE, 2018**

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Development Response to Displacement Impacts Project (DRDIP) for the year ended 30th June, 2018. The financial statements set out on pages 10 to 20 comprise of;

- Statement of receipts and payments
- Statement of comparative budget and actual performance
- Statement of DRDIP disbursements
- Statement of DRDIP loan balances
- Notes to the financial statements including a summary of accounting policies used.

In my opinion, the project financial statements present fairly in all material respects the financial performance of the Development Response to Displacement Impacts Project (DRDIP) for the year ended 30th June 2018 and the receipts and payments for the period then ended in accordance with the IDA guidelines and the accounting policies stated on pages 7 of the financial statements.

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 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, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined the matters described below to be key audit matters communicated in my report.

- **Implementation of Budget approved by Parliament**

Section 45 (3) of the Public Finance Management Act, 2015 states that “ An Accounting Officer shall enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a Financial year, submitted under section 13 (15)” of the said Act. . It has been observed over years that planned and budgeted for activities of a number of Government entities are not implemented thereby affecting service delivery.

In the overall office wide planning, I assessed risks like inadequate release of funds and failure to undertake budget monitoring and supervision that are likely to be the causes of failure to implement entity planned activities. The focus was put on the planned major outputs of the entities which greatly impact on the wellbeing of communities.

Consequently, I developed specific audit procedures which included the evaluation of the financial and annual physical performance by analysing government releases, testing consistency of planned outputs with the approved budget and verifying the accuracy and completeness of the reported actual outputs.

Based on the procedures performed, I observed that out of the budgeted revenue of UGX.57,523,400,000, the entity received UGX.57,523,400,000 representing 100% funding of the entity budget. The project advanced funds amounting to UGX.14,803,036,838 for district operations to undertake official activities. However, by the end of the financial year only UGX.2,587,946,125 had been utilized by the districts representing 4% absorption level.

In implementing the project objective of improving access to basic social services, expanding economic opportunities and enhancing environmental management for communities hosting refugees in the targeted areas, the project implemented some planned activities during the year. Implemented activities included; transferring grants to

districts for operation and construction of school class rooms, toilets and teachers houses in selected districts.

However, I noted that planned activities such as procurement of motor vehicles, motorcycles, laptops (Software and back up), desktop computers, installing a module for DRDIP in the NUSAF 3 MIS and the national budgetary model. Further, district and national level training, recruitment of 5 key staffs and induction of key new staff were partially implemented, which impacted on the achievement of the DRDIP. **Appendix 1** shows the status of implementation of planned activities, and the related Management responses.

Unimplemented or partially implemented activities imply that the expected services especially to the beneficiaries of the project were not attained.

The Accounting officer explained that the remaining activities such as procurements were ongoing and will be completed in the next financial year.

I advised the Accounting Officer to expedite the process of implementing the remaining project activities so as to meet the project objectives within the planned time.

Other Matter

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

- **Delayed Implementation of sub projects**

The project approved a budget of UGX.29, 497,075,741 for 83 subprojects in eleven (11) refugee hosting districts. However, only UGX.13,706,056,293 was disbursed to 38 subprojects during the year under review. It was further noted that most of the subprojects had not commenced pending Solicitor General's approval of sub projects' contracts for goods and services while others were still under the procurement process.

Delayed implementation of activities denies the project timely achievement of the overall objective of improving access to basic social services, expand economic opportunities, and enhance environmental management in the refugee hosting communities.

The Accounting Officer attributed the delay to the fact that it was the first year of the project and emphasis was put on sensitization and building capacity of the districts and sub counties to implement and roll out the project in the first nine months as well as operationalizing the project operations and approval mechanisms. The Accounting Officer further explained that approval of the subprojects was done in February 2018 and disbursement of funds was made in April 2018.

I advised the Accounting Officer to expedite the implementation of subproject activities if the project has to achieve the intended objectives.

- **Advance to Personal Accounts**

Section 7.21.1 of the Treasury Accounting Instructions (TAIs) 2017 requires imprest holders to be appointed by Accounting Officers and to operate an imprest system based on actual amounts received and no other funds may be used to supplement the imprest. Furthermore an imprest ledger recording the amount advanced and corresponding accountabilities should be maintained.

However, I noted that UGX.629,311,633 was advanced to project staffs personal accounts to undertake the activities of the project. Such a practice of depositing huge funds on personal accounts of non imprest holders exposes the project funds to risk of loss of funds, since the project does not have any control over such funds deposited on personal accounts.

Management explained that funds were advanced to carry out project starting activities however the funds were fully accounted for.

The Accounting Officer was advised to appoint imprest holders before undertaking future payments in order to avoid risking loss of project funds.

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 Development Responses To Displacement Impacts Project (DRDIP)

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act 2015, and the Financial Reporting Guide, 2018, and 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 affecting the delivery of the mandate of the Development Response To Displacement Impacts Project, and using the Financial Reporting Guide 2018 unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Project'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 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 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 Development Response to Displacement Impacts 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 Accounting Officer 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 Accounting Officer 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 Accounting Officer, 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.

Other Reporting Responsibilities

In accordance with sections 19(1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements, that;

The activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

There were no material non-compliance findings that came to my notice during the audit.

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

17th December, 2018

REPORT OF THE AUDITOR GENERAL ON THE SPECIAL ACCOUNT
OPERATIONS OF DEVELOPMENT RESPONSE TO DISPLACEMENT IMPACTS PROJECT
FOR THE YEAR ENDED 30TH JUNE, 2018

Opinion

I have audited the special account statement of Development Response to Displacement Impacts Project (DRDIP) for the year ended 30th June, 2018 which is set out on page 4 of the financial statements.

In my opinion, Project Management complied in all material respects with IDA rules and procedures and that the Special Account Statement for the Development Response to Displacement Impacts Project (DRDIP) for the year ended 30th June, 2018 presents fairly in all material respects the account transactions and the closing balance as at 30th June 2018.

Management Responsibility for the Special Account Statement

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 IDA 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 IDA 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 misstatements. I believe that the audit provides a reasonable basis for my opinion.



John F. S. Muwanga

AUDITOR GENERAL

17th December, 2018

Appendix 1 – Budget Performance

Program	Item Description	Planned output/Quantity	Budgeted Amount (UGX)	Available Funds (UGX)	Actual output/ quantity	Remarks	Management response
01 Finance	District operations fund	<ul style="list-style-type: none"> Transfer of District operations funds 	0.594	0.594	Only UGX 189,067,000 was transferred	Underfunding due to delayed Implementation of sub projects.	The first year of the project was aimed at sensitization and building capacity of the districts and Sub counties to implement and roll out the project. Operations funds were sent only after this training and understanding on use of project funds was achieved.
04 Program Operations	DRDIP roll out of implementation activities	<ul style="list-style-type: none"> Training of DISC/SISC Project launch 	0.210	0.210	<p>DISC/ SICS Training were conducted by December 2017</p> <p>Project launch commenced in June 2018 and is still on going</p>	Delayed implementation of project activities	Management noted the issue.
05 ICT	ICT Equipment; MIS; Training	<ul style="list-style-type: none"> Procure 31 laptops (Software & back up), 3 desktop computers, 1 medium duty printer, 1 medium printer, 15 small printers, 15 ADF scanners Upgrade of 	1.868	1.868	No ICT item was procured during the year.	Underutilization of resources	<p>Procurement of ICT equipment was completed and delivery done in Q1 of FY 2018/19</p> <p>ICT equipment - Out of the order worth UGX 620m, deliveries worth UGX 150m for the Photocopier, Interactive Board, Scanners, laptops have been delivered.</p> <p>Upgrade of Lan Connectivity – Delivered and paid in full</p>

		<p>internet connectivity , LAN set up, 17 modems, 29 Tablets, 2 Desk printers</p> <ul style="list-style-type: none"> • Inclusion of module for DRDIP in the NUSAF 3 MIS plus the national budgetary model • District and National level training 					DRDIP MIS development - Inception report was completed, awaiting sign off. Prototype phase to be triggered thereafter. No payment done thus far.
06 Administration	Human Resource	<ul style="list-style-type: none"> • Recruitment of 5 key staffs • Induction of key new staff • Additional recruitment of 13 staff • Training of District staff (11X14) 	0.230	0.230	<p>4 staff recruited</p> <p>Induction of staff conducted</p> <p>No additional staff recruited as of June 2018</p> <p>Trained district staff</p>	<p>Delayed recruitment process due to delayed implementation of the project.</p> <p>Recruitment of additional staff was finalized and staff is expected to report by 3rd September 2018.</p>	Recruitment of additional staff was finalized. Delay in reporting was owed to procedural issues in light of the queries against a few positions. This is now in the final stages and the staff is expected to report by November 2018.
	Transport Equipment	<ul style="list-style-type: none"> • Procure 6 Pick-up –Double cabin • 1 Station wagon • 23 motorcycles 	1.722	1.722	No procurement done	Delayed procurement process due to administrative reviews arising from bidder complaint.	Delayed procurement process due to administrative reviews arising from bidder complaint

	Grants to Subprojects	Transfer to 83 Sub-Projects accounts in 11 districts	29. 497	29 497	UGX 13,706,056,293 was transferred to 38 sub projects	Delayed transfer of funds affect implementation of activities and service delivery	This was attributed to many factors but mainly because it was the first year of the project and emphasis was put on sensitization and building capacity of the districts and Sub counties to implement and roll out the project in the first nine months as well as operationalizing the project operations and approval mechanisms. Management further explained that approval of the subprojects was done in February 2018 and disbursement of funds was made in April 2018.
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APPENDIX 3

FINANCIAL STATEMENTS