



THE REPUBLIC OF UGANDA

KAMPALA CAPITAL CITY AUTHORITY

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
THE KAMPALA FEACAL SLUDGE MANAGEMENT PROJECT
FOR THE YEAR ENDED 31ST DECEMBER, 2017

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

Acronym	Meaning
BMGF	Bill and Melinda Gates Foundation
DFID	Department for International Development (DFID) UK
FSM	Feecal Sludge Management
FS& CT	Feecal Sludge Collection and Transportation
GOU	Government Of Uganda
IPSAS	International Public Sector Accounting Standards
KCCA	Kampala Capital City Authority
KFSM	Kampala Feecal Sludge Management
NSSF	National Social Security Fund
PAYE	Pay As You Earn
UG	Uganda
WHT	Withholding Tax

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
KAMPALA FEACAL SLUDGE MANAGEMENT PROJECT
FOR THE YEAR ENDED 31ST DECEMBER, 2017**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Kampala Feecal Sludge Management Project together with the notes thereon for the year ended 31st December, 2017. The financial statements which are set out on pages 38 to 42 in Appendix 1 comprise of;

- Statement of financial summary and reporting which includes: the cash flow summary, summary of expenses by category and sources of funding.
- Statement on the movement in the fund account.
- Notes to the financial statements including a summary of significant accounting policies used.

In my opinion, the project financial statements present fairly in all material respects the cash balances of the Kampala Feecal Sludge Management project as at 31th December, 2016 and the receipts and payments for the period then ended in accordance with the accounting policies stated on pages 38 to 39 of the financial statements.

Basis for 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 Ministry 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 Key Audit Matters to communicate in my report.

Other Matters

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

- **Under absorption of funds**

The project financial report revealed that the project had US\$.1,043,548 for period ended 31st December 2017. However, only US\$.677,494 was spent during the same period representing an absorption capacity of 43.7%.

As a consequence, some activities were partially implemented while others were not implemented as indicated in **Appendix.1**

Low absorption capacity denies the beneficiary communities services which would have improved their livelihood.

I advised Management to expedite the implementation planned activities to avoid extra costs due to project period of extension.

- **Inadequate Monitoring of waste management activities**

One of the Project's objectives is to put in place mechanisms to ascertain the number of illegal dumping of wastes cases. The project has developed Division monitoring tools to capture information on waste management including feedback mechanism to report information to project contact centre.

It was noted that KCCA had 87 trucks being used to collect waste in the city during the year. However, only 15 trucks were connected to this monitoring tool representing 17% of the trucks being monitored.

Inadequate sensitization of communities and failure to monitor the performance of waste collection trucks may lead to increased illegal dumping of waste thus hindering the project objectives. 67 cases of illegal dumping were highlighted in monitoring reports for the year under review.

Management explained that the community is being sensitized on proper disposal of Feecal sludge in the Behavior change communication (BCC) Campaign but the system has only been operational for 4 months. Management further explained that plans were underway to improve the tracking tool for the trucks in order to monitor at least 70% of the trucks in by end of 2018.

I advised management should intensify community sensitization on illegal dumping of waste and enhance performance monitoring of waste collection trucks in order to mitigate the illegal dumping.

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.

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

27th August, 2018.

REPORT OF THE AUDITOR GENERAL ON THE INTERNAL CONTROL STRUCTURE FOR THE YEAR ENDED 31ST DECEMBER 2017

Opinion

I have audited the financial statements of the Kampala Faecal Sludge Management Project and reviewed the Internal Control procedures relevant to generation of accounting information presented in the financial statements, and those relevant to control over programme finances and the safeguard of its assets. I obtained all the information and explanations I considered necessary for the audit.

In my opinion, the Project maintained an adequate internal control system for the preparation of reliable financial statements, control over finances and safeguard of the programme assets during the year ended 31st December 2017.

Basis for Opinion

I assessed the control risk in order to confirm that my audit procedures are adequate to express an independent opinion on the control system. I believe that my audit provides a reasonable basis for my opinion.

Management Responsibility for the Internal Control System

Programme Management is responsible for the designing, establishing and maintaining a control structure that provides management with reasonable assurance that adequate procedures are followed for generation of accounting information for reliable financial statements, and control over finances and safeguarding assets against loss and unauthorized use or disposal. Management is also responsible for ensuring that conditions provided for in the funding agreements and other legal requirements are observed.

Auditor's Responsibility

My responsibility is to express an opinion on the internal control system based on my audit. I conducted the audit in accordance with International Standards on Auditing. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the internal control mechanisms for generation of accounting information and for the safeguard of assets are adequate.



John F.S. Muwanga
AUDITOR GENERAL
27th August, 2018

APPENDIX.1

Under absorption of funds

Un implemented activities					
Project Outcomes/ outputs	Activity	Budgeted Amount	Actual Amount Spent	Remarks	Status of Implementation after year-end as provided by Management
GIS-based database with a map of all onsite sanitation facilities in Kampala	Procurement of licensed GIS software and installation	75,000.00	0	Activity not implemented	This component will utilize the existing KCCA GIS systems. The funds will be reallocated to Community engagements under Weyonje, with the funders' approval.
	Procurement of office furniture	3,027.00	0	Activity implemented	
Upgraded Call Centre dedicated to FS Emptying Services	Furniture	3,027.00	0	Activity not implemented	Procurement of this item has been initiated; expenditure will be realized in September 2018
Formalization of FS business and entrepreneurship through SLAs	Consultancy services set-up and operationalization of the SLA framework	90,000.00	0	Activity not implemented	Approach modified to firstly build capacity of operators and prepare them for SLAs. SLA Consultant now on board to structure and operationalize SLA estimated completion is October 2018
Partially implemented activities					
Project Outcomes/ outputs	Activity	Budgeted Amount	Actual Amount Spent	Remarks/Level of implementation	Status of Implementation after year-end as provided by Management
GIS-based database with a map of all onsite sanitation facilities in Kampala	Procurement of GPS devices and GPS enabled cameras	75,000.00	4,162.55	5.6%	Activity was completed using alternative (mobile based) technology. Savings are to be used to support the Private Emptyers Association. Re-allocation has been approved.
	Data collection tool, safety ware, recruitment of consultants, IDs & Mapping Publicity	202,500.00	163,868.14	80.9%	Activity was completed. Savings on this line will be reallocated to community engagements to consolidate improved

					citywide Sanitation in communities. Funding was approved by the funders.
	Procurement of desktop computers	10,993.00	2,996.76	27.3%	Computers were procured and delivered.
Upgraded Call Centre dedicated to FS Emptying Services	Consultancy services for Call Centre set-up	125,000.00	13,308.30	10.6%	Consultancy Agreement was signed in first half of 2018 and an upgraded call Centre System has been delivered by the Consultant. The system has been tested and accepted
	IT and Telephony Equipment	25,000.00	4,146.14	16.6%	This activity will commence after the integration of the GIS database and call centre. The GIS integration process has been completed as per our adjusted work plan For Year 2018.
	Recruitment of 2 Contact Centre Attendants	60,315.00	39,886.00	66.1%	Recruitment of additional contact centre staff initiated expected completion in August 2018
	Desktop Computers	10,993.00	2,996.76	27.3%	Computers were procured and delivered.
Sanitation Marketing and Behavior change Campaigns	Consultancy services for sanitation marketing and Behavior Change Campaigns	120,000.00	27,740.72	23.1%	BCC Consultancy was completed. Activities to implement the recommendation of the consultancy are on-going including; a Creative Agency procurement, Community mobilization, model villages and media campaign. The Creative Agency also submitted its final deliverable report, reviewed and accepted.

APPENDIX 2

FINANCIAL STATEMENTS