



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
ENERGY FOR RURAL TRANSFORMATION III IMPLEMENTED BY
PRIVATE SECTOR FOUNDATION UGANDA
FOR THE YEAR ENDED 30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

Table of Contents

	Page
List of Acronyms	iii
Opinion	4
Basis of Opinion	4
Key Audit Matters	5
Other Information.....	5
Responsibilities of Management and those charged with Governance for the Financial Statements.....	5
Auditor General’s Responsibilities for the audit of the Financial Statements	5
Other Reporting Responsibilities	7
Report of the Auditor General on the Designated Account Statement	8
Report of the Auditor General on the Internal Control.....	10

List of Acronyms

ERT	Energy for Rural Transformation
IESBA	International Ethics Standards Board for Accountants
IFRS	International Financial Reporting Standards
INTOSAI	International Organization of Supreme Audit Institutions
ISSAIs	International Standards of Supreme Audit Institutions
PSFU	Private Sector Foundation Uganda
UGX	Uganda Shillings

REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF FINANCIAL STATEMENTS
OF ENERGY FOR RURAL TRANSFORMATION III IMPLEMENTED BY
PRIVATE SECTOR FOUNDATION UGANDA
FOR THE YEAR ENDED 30TH JUNE 2018

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the financial statements of Energy for Rural Transformation (ERT) III Project implemented by Private Sector Foundation Uganda (PSFU) for the year ended 30th June 2018. These financial statements comprise the statement of financial position as at 30th June 2018, the statement of income and expenditure, the statement of cash flows for the year then ended; and the summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Energy for Rural Transformation III Project – PSFU Component as at 30th June 2018, and its financial performance and cash flows for the year then ended, in accordance with the terms of agreement and in conformity with the basis of accounting described in section 7.5.1 of the report.

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 Statements 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 Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), 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 Information

Management of PSFU is responsible for the other information. The other information comprises information included in the projects management's report, but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or in my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Responsibilities of Management and those charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Projects' accounting policies and for such internal control as management determines is 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, management is responsible for assessing the project'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 intends to liquidate the project, or cease operations or has no realistic alternative but to do so.

Auditor General'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 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 judgement and maintain professional scepticism 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 my 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 the Project steering Committee.
- 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 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 those charged with governance 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 those charged with governance with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them 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 those charged with governance, 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

As required by the IDA financial agreement, I report to you, based on my audit, that:

- 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;
- In my opinion proper books of account have been kept by the project, so far as appears from my examination of those books; and
- The Project's Financial Statements are in agreement with the books of account.



John F.S. Muwanga

AUDITOR GENERAL

14th December 2018

REPORT OF THE AUDITOR GENERAL ON THE DESIGNATED ACCOUNT STATEMENT
OF THE ENERGY FOR RURAL TRANSFORMATION III IMPLEMENTED BY
PRIVATE SECTOR FOUNDATION UGANDA
FOR THE YEAR ENDED 30TH JUNE 2018

Opinion

I have audited the IDA Designated Account Statement of the Energy for Rural Transformation III implemented by Private Sector Foundation Uganda for the year ended 30th June 2018.

In my opinion, the IDA Designated Account for Energy for Rural Transformation Project III implemented by PSFU presents fairly, in all material respects, the financial performance for the year then ended in accordance with the terms of the agreement and in conformity with the basis of accounting stated in Note 7.5.1.

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 Designated Account Statement 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 Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), and other independence requirements applicable to performing audits 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.

Responsibilities of Management and those charged with Governance for the Designated Account Statement

Management is responsible for the preparation and fair presentation of the Designated Account Statement for the purpose of complying with the Financing Agreement and for such internal controls as management determines is necessary to enable the preparation of the statement that is free from material misstatement, whether due to fraud or error.

Auditor General's Responsibilities for the audit of the Designated Account Statement

My objectives are to obtain reasonable assurance whether the Designated Account is free from material misstatement, whether due to fraud or error, and to issue 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 aggregate, they could reasonably be expected to influence the economic decisions of users, taken on the basis of the Designated Account.

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:-

- Identify and assess the risks of material misstatement of the Designated Account, 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 my 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 management's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.



John F.S. Muwanga

AUDITOR GENERAL

14th December 2018

REPORT OF THE AUDITOR GENERAL ON THE INTERNAL CONTROL
OF THE ENERGY FOR RURAL TRANSFORMATION III IMPLEMENTED BY
PRIVATE SECTOR FOUNDATION UGANDA
FOR THE YEAR ENDED 30TH JUNE 2018

Report on the Internal Control

I have audited the financial statements of the Energy for Rural Transformation III implemented by Private Sector Foundation Uganda for the year ended 30th June 2018, and have issued my report on it.

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). The standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement and that the internal controls exist and were operational throughout the period under review.

The management of the Energy for Rural Transformation III Private Sector Foundation Uganda component is responsible for establishing and maintaining internal control. In fulfilling this responsibility, estimates and judgments by the management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control structure are to provide the management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition; transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the statement in conformity with the basis of accounting described in section 7.5.1 of the financial statement.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. In addition, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing my audit of the financial statements for the year, I obtained an understanding of internal control. With respect to internal control, I obtained an understanding of the design of relevant policies and procedures and whether they were operational, and I assessed control risk in order to determine my audit procedures for the

purpose of expressing my opinion on the financial statements and not to provide an opinion on internal control. Accordingly, I do not express such an opinion.

I noted certain matters of internal control and its operation that I consider to be reportable conditions under standards. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of internal control that, in my judgment, could adversely affect the recipient's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statement.

A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statement may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. The results of my tests disclosed some internal control issues which are reportable conditions and are of material weaknesses as described in more detail below;

- **Slow implementation of the project work plan**

It is good internal control practice that a work plan is designed to guide the general implementation of the program activities. It was noted that the implementation of the work plan was slow. Despite the Project being front loaded with USD.422,962 (equivalent to UGX.1,551,495,000) in the period under review, activities to the tune of USD.351,909 (equivalent to UGX.1,288,831,521) were not undertaken as planned.

This was attributed to slow procurement of consultants. This may lead to time lines not being achieved and the overall project objectives not being achieved.

Management in response stated that the implementation of part of the work plan was contingent on the consultants completing their assignments. The protracted procurement process led to the delay in commencing the other activities.

I advised that the project work plan should be timely implemented in order to achieve the project objectives.

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

John F.S. Muwanga

AUDITOR GENERAL

14th December 2018