



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
HOIMA-NKENDA TRANSMISSION LINE PROJECT FOR THE FINANCIAL YEAR ENDED
30TH JUNE 2018**

**OFFICE OF THE AUDITOR GENERAL
UGANDA**

TABLE OF CONTENTS

LIST OF ACRONYMS	2
Opinion	3
Basis of Opinion.....	3
Key Audit Matters.....	3
• Long outstanding receivable.....	4
Other Matter	4
Unspent Funds.....	4
Costs resulting from delay to handover site to KEC	4
Delays in Land Titling	5
Other Information	6
Responsibilities of the Accounting Officer for the Financial Statements	6
Auditor’s Responsibilities for the Audit of the Financial Statements	6
Other Reporting Responsibilities.....	8

LIST OF ACRONYMS

Acronym	Meaning
F/Y	Financial Year
GOU	Government of Uganda
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
ROW	Right of Way
UETCL	Uganda Electricity Transmission Company Ltd.
UGX	Uganda Shillings

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
HOIMA-NKENDA PROJECT 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 Hoima-Nkenda Transmission line Project for the year ended 30th June 2018. These financial statements comprise of Statement of Financial Position & Receipts and Payments, Donor Fund Accountability Statement, Consolidated Statement of Finance & Expenditure, Accounting Policies & Explanatory Notes, and notes on Expenditure, Account Reconciliations.

In my opinion, the financial statements of Hoima-Nkenda Transmission line Project for the year ended 30th June 2018 are prepared, in all material respects, in accordance with the basis of accounting set in Note 3.2.1 to the financial statements and in conformity with the donor reporting guidelines and terms and conditions.

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, are 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.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to Note 3.4 in the financial statements:

- **Long outstanding receivable**

Disclosed in receivables under note 3.4 is a sum of UGX 140,272,966 which has been outstanding since 2012. This receivable arose out of the unrecovered advance payment made to the contractor who abandoned the construction of resettlement houses for project affected persons in 2012. There is a risk of financial loss to government.

In response, Management explained that UETCL has instituted legal proceedings for recovery of the amounts due from the debtor and the matter is still ongoing in court.

I await results of Management's efforts in this regard.

Other Matter

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

- **Unspent Funds**

Review of financial statements indicated that the Project received UGX.52,876,768,512 under the Government of Uganda (GOU) counterpart funding. It was however noted that UGX.10,479,624,571 remained unspent at the year end.

Unspent funds imply delayed implementation of planned activities.

It was further noted that the construction of the transmission line is 100% complete while compensation of project affected persons (PAPs) was still on going.

Management explained that the Transmission line was completed and energized because Management engaged the PAPs in negotiations to allow access to sites for construction. The unspent funds were rolled over to the following period and payments are to be made to any consenting PAPs in the following financial year.

Management is advised to expedite the process of compensating the outstanding PAPs in order to ensure completeness of the project.

- **Costs resulting from delay to handover site to KEC**

Section 21.1 of the general conditions of the contract between UETCL and KEC International Ltd requires UETCL to give possession of all parts of the site to the contractor. In addition if possession of a section is not given within 7 calendar days from the date of contract effectiveness, UETCL would be deemed to have delayed the start of relevant activities and this will attract an additional cost.

It was however, noted that UETCL delayed to handover some sections of the sites to KEC International Limited to enable construction of the transmission line due to Right of Way (ROW) challenges, which resulted into time overruns.

As a result, the contractor is claiming for monthly costs of USD 109,144 totalling to USD 982,295.99 from 1st September 2017 to 31 May 2018.

Management explained that the delays to handover sites to the Contractor were attributed to the Right of Way (RoW) Challenges resulting from rejection of compensation packages by PAPs, lengthy court processes and cases that required processing of legal documents e.g. Letters of Administration and Guardianship Orders. A monthly cost of USD 109,144 was reached following a number of reviews and several discussions with the Contractor. In future, Management will endeavour to secure Sites before contractors are mobilized.

I advised management, to consider securing sites from PAPs before the contractors mobilize on site.

- **Delays in Land Titling**

The contract deliverables for the acquisition of the corridor for the transmission line includes; processing land titles for the new transmission line corridor in the names of UETCL and submission of pertinent documents to relevant land office for plotting and demarcation of residual titles. However, it was established that out of the 80 land titles expected, the process of transfer to UETCL has been completed for only 7.

Management attributed the delay to the lengthy process of mutation at the Lands Office. There is a risk of exposing the entity to possible loss of land through encroachments and future claims by third parties.

Management explained that the matter is with the Ministry of Lands and a special arrangement has been made to fast track titling. An assistant registrar has been assigned to coordinate the effort with the different consultants. Additionally, management has commissioned a special task force within to oversee the activity and mitigate the risk highlighted.

Management is advised to follow up the matter with the Ministry of Lands in order to expedite the transfers of the Land titles.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer, and other supplementary information. The other information does not include the financial statements and my auditors' report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or 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 consistent with the financial statements or 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 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 Hoima-Nkenda Project.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the basis of accounting set out in note 3.2.1 to the financial statements and in conformity with the donor reporting guidelines and terms and conditions, 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 Hoima –Nkenda Project, and using the donor reporting guidelines 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 Hoima-Nkenda 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.



John F.S. Muwanga
AUDITOR GENERAL

14th December 2018

