



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
TECHNICAL ASSISTANCE (TA) PROJECT UNDER THE JOINT WATER AND
ENVIRONMENT SECTOR SUPPORT PROGRAMME (JWESSP) FOR THE YEAR ENDED
30TH JUNE 2018**

OFFICE OF THE AUDITOR GENERAL
UGANDA

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- Un appropriated Financing. 8

LIST OF ACRONYMS

GOU	Government of Uganda
IEC	Information, Education and Communication
INTOSAI	International Organization of Supreme Audit Institutions
ISSA	International Standards on Auditing
NBI	National Data Transmission Backbone
EGI	Electronic Government Information
NITA-U	National Information Technology Authority-Uganda
PFMA	Public Finance Management Act, 2015
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings
F/Y	Financial Year
MDA	Ministry, Department, and other Agencies

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FOR THE YEAR ENDED 30TH JUNE, 2018**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of the Technical Assistance project under the joint water and environment sector support programme for the year ended 30th June 2018. These financial statements comprise of the statement of financial position, the statement of financial performance, and cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of the Technical Assistance under the Joint water and Environment sector support programme for the year ended 30th June 2018 are prepared, in all material respects in accordance with section 51 of the Public Finance Management Act, 2015 and the Financial Reporting Guide, 2018.

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. I have determined the matters described below to be key audit matters communicated in my report.

Other Matter

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

- **Failure to absorb Grant funds**

Review of the project Statement of Financial Performance and the statement of fund balances revealed that although the Ministry did not receive funds from development partners for carrying out Technical Assistance activities during the year, out of the prior year unabsorbed funds amounting to Euros 450,000 (UGX.1,997,377,264), only UGX.1,572,844,280 (€366,231) was spent leaving a balance of UGX.424,532,984 (€121,304) unutilised by the year end.

Failure to absorb funds leads to unnecessary project period extensions leading to delays in achievement of the sector as well as the National development plan targets.

Management explained that there were two invoices for May and June 2018 amounting to Euros 85,534.84 that had been billed by the consultant and were still in the payment cycle by the financial year end. The invoices have since been paid.

I advised the Accounting Officer to ensure that activity Implementation is expedited so as to achieve project objectives.

- **Inadequate Management of Water Schemes**

The MWE introduced the New Umbrella Authorities model in August 2017. This model was tailored for piped water schemes supplying small towns and rural areas supply with the size ranging from 10 to 1,000 connections. Under the new model, Umbrella authorities play the role of assuming the direct management responsibilities for the gazetted schemes and provision of the supporting role.

Review of the New Umbrella Authorities Model Newsletter updated September 2018, revealed the following:

- Although Umbrellas were declared as Water Authorities for a total of 434 water supply areas, only 170 of them were effectively being managed by the Umbrellas meanwhile the takeover process of the remaining 264 is yet to be done.
- The Umbrella authorities had a number of challenges including: staffing challenges, logistical resources, meeting the costs of initial investments of the schemes and metering of unmetered schemes.

Inadequate resources as highlighted above hinder the implementation and achievement of project activities and objectives.

Management pledged to engage the Ministry of Finance, planning and Economic Development as well as the Development partners to ensure adequate mobilization of resources to support management of Schemes.

I await the outcome of management's engagement with the relevant stakeholders.

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 Technical Assistance Project.

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 Technical Assistance 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 projects' 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 Technical Assistance 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:

Except for the matters raised in the compliance with legislation section below, and whose effect has been considered in forming my opinion on the financial statements, 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

The material findings in respect of the compliance criteria for the applicable subject matters are as follows;

- **Un appropriated Financing.**

Section 13 (10) (a) (ii & iii) of the Public Finance Management Act, 2015 stipulates that the annual budget shall indicate, the financing estimates for the financial year to which the budget relates, including, among other things, the plans for domestic financing of the annual budget including borrowings by Government and the drawing down of Government deposits and the plans for external financing of the budget in the form of borrowing and grants.

Contrary to the above provisions, review of the approved budget estimates under Ministry water and Environment, revealed that the Euros 450,000 (UGX.1,997,377,266) brought forward from the previous year was not appropriated by Parliament for use in the financial year under review. There is a risk that project objectives, goals and activities for the year may not be in harmony with the National Development Goals.

In response management pledged to liaise with the MOFPED to seek guidance on how the matter of funds brought forward should be appropriated.

I await the outcome of management's liaison with MoFPED.



John F.S. Muwanga

AUDITOR GENERAL

18th December, 2018