



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

**ON THE FINANCIAL STATEMENTS OF THE UGANDA NATIONAL REDD - PLUS
SUPPORT PROJECT IMPLEMENTED BY MINISTRY OF WATER AND
ENVIRONMENT FOR THE YEAR ENDED 30TH JUNE 2018**

OFFICE OF THE AUDITOR GENERAL
UGANDA

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List of Acronyms

FCPF	Forest Carbon Partnership Facility
IESBA	International Ethics Standards Board for Accountants
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
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ISSAIs	International Standards of Supreme Audit Institutions
PPDA	Public Procurement and Disposal of Public Assets Authority
UGX	Uganda Shillings
USD	United States Dollars

REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF FINANCIAL STATEMENTS
OF THE UGANDA NATIONAL REDD - PLUS SUPPORT PROJECT
IMPLEMENTED BY MINISTRY OF WATER AND ENVIRONMENT
FOR THE YEAR ENDED 30TH JUNE 2018

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of the Uganda National Redd - Plus support project implemented by Ministry of Water and Environment for the year ended 30th June 2018. These financial statements comprise the Statement of Cash Receipts and Payments and Statement of comparison of Budget and Actual Amounts for the period then ended, accompanying schedules and a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements of Uganda National Redd - Plus support project implemented by Ministry of Water and Environment present fairly, in all material respects, the receipts and payments for the year then ended in accordance with the Grant Agreement, and in conformity with the International Public Sector Accounting Standards (IPSAS): Financial Reporting under the Cash Basis of accounting.

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 High Commission 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 Matter

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

- **Failure to implement planned activities**

According to the annual work plan and the 3rd Grant funding agreement between the World Bank and the Ministry, the project was to implement identified activities in the period under review. It was however noted that despite receiving funds for activity implementation, activities tabulated below remained un-implemented.

Component	Planned Activity	Budget (USD)	Expenditure (USD)
Component 2 Stake holder engagement and feedback in Readiness process	Integrating gender in Redd+ processes and Capacity Building of forest dependent indigenous people on Redd+ on Albertine rift and Mt Elgon landscapes	30,000	Nil
Component 3 Redd+ Strategy and SESA	Finalization of Uganda's Redd+ Strategy and safe guards framework and preparation of safe guard information system	80,000	Nil
Component 4 Redd+ Implementation Frame work	Design and implementation of ER Programs	285,000	Nil

Management attributed the anomaly to the lengthy procurement processes. I explained to project management that the above practice could result into unnecessary project time extensions, cost overruns and could lead to failed attainment of the intended project objectives.

I advised the Accounting Officer to ensure that procurement processes are fast tracked to ensure timely implementation of project activities.

- **Use of an inappropriate procurement method for air tickets**

Paragraph 2.3 of the PPDA Guidelines (Thresholds for procurement methods), 2014, requires management to use the quotation method or the proposals method for

procurements whose estimated value (supplies or the non-consultancy services) is greater than UGX.5,000,000 but not exceeding UGX.100 million.

I noted that the Project management expended UGX.48,600,948 (vide VR. Nos 01/03/18 & 02/03/18) in respect of allowances and air tickets to facilitate two officers to attend the Forest Carbon Partnership Facility (FCPF) of the 25th participants committee meeting in Washington, held between 26th-28th March 2018. However, the air tickets worth USD.6000 (equivalent to UGX.22,013,280) were procured using the direct procurement method, contrary to the above requirement.

The use of an inappropriate procurement method may result in failure to obtain value for money spent and it contravenes the fundamental principles of public procurement such as transparency, fair competition and accountability, among others.

Management took note of the audit observation but explained that it was because of communication received from cabinet.

I have advised the Accounting Officer to always use appropriate and authorized procurement methods in order to ensure that the project's procurement objectives are attained and to fully comply with the PPDA Act and regulations.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the Statement of management responsibilities and other supplementary information, 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 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 Project.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the Grant Agreement, and in conformity with IPSAS: Financial Reporting under the Cash Basis of accounting, 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 affecting the delivery of the mandate of the Project, 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 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 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 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.

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

17th December 2018