



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
UGANDA RURAL ELECTRICITY ACCESS PROJECT (UREAP) FUNDED BY THE
AFRICAN DEVELOPMENT BANK IMPLEMENTED BY THE RURAL ELECTRIFICATION
AGENCY**

FOR THE YEAR ENDED 30TH JUNE 2018

**OFFICE OF THE AUDITOR GENERAL
UGANDA**

TABLE OF CONTENTS

LIST OF ACRONYMS.....	3
Opinion	4
Basis of Opinion.....	4
Key Audit Matters.....	5
Other Matter.....	5
▪ Delayed Completion of Projects	5
Other Information	6
Responsibilities of the Accounting Officer for the Financial Statements.....	7
Auditor’s Responsibilities for the Audit of the Financial Statements.....	7
Other Reporting Responsibilities	9

LIST OF ACRONYMS

Acronym	Meaning
ADB	African Development Bank
F/Y	Financial Year
GOU	Government of Uganda
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institution
REA	Rural Electrification Agency
UGX	Uganda Shillings
USD	United States Dollar

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
UGANDA RURAL ELECTRICITY ACCESS PROJECT (UREAP) UNDER THE RURAL
ELECTRIFICATION AGENCY 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 the Uganda Rural Electricity Access Project (UREAP) implemented by the Rural Electrification Agency, which comprise the Statement of Financial Position as at 30th June 2018, the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 11.

In my opinion, the Financial Statements present fairly in all material respects, the financial position of the Uganda Rural Electricity Access Project as at 30th June, 2018 and of its receipts and expenditure for the year then ended, in accordance with the basis of accounting set out in note 1.1 (a) 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 Statements section of my report. I am independent of the Company 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.

- **Delayed Completion of Projects**

I reviewed and compared the procurement plan for the financial year with the actual procurements done for the Uganda Rural Electricity Access Project. I noted that a number of procurements were completed late and the on-going Projects are behind schedule. Below is a table showing the status of the procurements;

Table 1: showing the delay in planned procurement activities.

Description	Planned completion date	Actual completion date	Delay
Consultancy Services for Engineering and Construction Supervision.	05/06/2017	23/08/2017	2.5 months
Consultancy Services for the UREAP- Kalangala Project.	05/9/2017	08/05/2018	8 months

In addition, some project activities have not yet commenced as planned. The table below refers;

Table 2: Showing planned activities not yet started or accomplished.

Description	Planned commencement date	Current status	Delay
Grid Extension under UREAP Lots 1, 2, 3, 4, 5 & 7	14/07/2018	Not started. Currently at bid evaluation	4 months behind schedule
Lot 6: South ST (Kalangala Island): Bukakata – Kalangala Cable Works (7km)	07/7/2017	Not started	2 months behind schedule
Supply of Connection Materials - Lot - Meters, Lot 2 - Service Cable, Lot 3 - Accessories, Lot 4 - Circuit breakers	25/5/2018	Not started	3 months behind schedule
Ready Boards	25/5/2018	Not started	3 months behind schedule

A Review of the correspondences between REA management, the consultants and the Bank, indicated that the delay is attributed to the continuous consultations and amendments between the parties.

In the circumstances, the project which is scheduled for closure by February 2019 may not achieve its objectives.

Management explained that the agency is working with the Bank and the Consultant to expedite the procurement process and significant progress from all stakeholders is being made.

I advised management to address the Bank and consultant's comments as efficiently and effectively as possible to allow for timely procurements and subsequent implementation of projects.

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 Uganda Rural Electricity Access Project.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the basis of accounting set out in note 1.1 (a) 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 Uganda Rural Electricity Access 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 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 management.
- Conclude on the appropriateness of the accounting officer'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 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 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 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

12th December 2018