



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
AUDIT OF WATER AND SANITATION DEVELOPMENT FACILITY – EAST (WSDF – E)
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017**

**OFFICE OF THE AUDITOR GENERAL
UGANDA**

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LIST OF ACRONYMS

FY	Financial Year
GOU	Government of Uganda
INTOSAI	International Organization of Supreme Audit Institutions
IESBA	International Ethics Standards Board for Accountants
IPSAS	International Public Sector Accounting Standards
ISA	International Standards on Auditing
MDA	Ministry, Department, and other Agencies
MoFED	Ministry of Finance and Economic Development
MWE	Ministry of Water and Environment
PFMA	Public Finance Management Act, 2015
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings
WSDF-E	Water And Sanitation Development Facility – East

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
WATER AND SANITATION DEVELOPMENT FACILITY – EAST
FOR THE YEAR ENDED 30TH JUNE, 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Water and Sanitation Development Facility – East for the year ended 30th June 2017. These financial statements comprise of the statement of Income and Expenditure, Statement of Financial Position and the Statement of Fund Balance together with other accompanying statements, notes and accounting policies, as set out on pages 11-19.

In my opinion, the financial statements of Water and Sanitation Development Facility – East for the year ended 30th June 2017 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015 and Donor Reporting Guidelines.

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 Facility 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. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters to report.

Other Matter

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

- **Failure to achieve planned consumer connections**

A review of a sample of contracts for the construction of Town Water Supply Systems revealed that upon completion of construction, 1,205 private consumers were to be connected to the water pipeline. However, I noted that only 813 connections were made leaving a balance of 392 connections representing (33%) undone. For instance only 121 out of 208 connections were made for Ochero town in Kaberamaido. This was attributed to the slow response by the communities to embrace the intervention due to the prohibitive connection fees that were charged ranging from UGX.50,000 or UGX.100,000.

Failure to attain the planned consumer connections puts to waste funds injected into the construction of the pipelines and undermines the achievement of the objectives of the intervention and the overall goal of the Ministry of increasing access to safe water to the communities.

The Accounting Officer noted the issue of prohibitive connection fees and explained that the policy issue would be forwarded to the relevant policy making organ of the Ministry for consideration.

I advised the Accounting Officer to expedite the consultancy process in relation to the connection fees charged and to embark on a rigorous programme to sensitize the communities about the benefits of the interventions.

- **Delayed Payments to Contractors**

Section 49(3) of the PPDA (contracts) regulations 2014, requires the period for payment to the suppliers and contractors to be thirty days from certification of invoices, except where this is varied in the special conditions of contract. Contrary to the above requirement, it was noted that management delayed to settle contractors' invoices amounting to UGX.2,393,583,556 for a period ranging from 150 to 295 days as shown in Appendix II. This was attributed to funding constraints and/or failure by management to prioritize payment of approved contractor invoices and certificates.

Delayed payment of approved certificates and invoices amounts to a breach of the contract agreement and this may lead to litigation. Besides, the delays constrain the contractors' cash flows, resulting in work stoppages, demobilization and unnecessary project extensions, all of which lead to cost overruns.

Management attributed the delayed settlement of Contractors' invoices to the late disbursement of funds by the donors, who were providing the bulk of the funds at the time.

I advised the Accounting Officer to engage MoFPED and the development partners to ensure timely availability of funds for timely settlement of approved certificates and invoices.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the Statement of Management's responsibilities 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 Water and Sanitation Development Facility – East.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with of the Public Finance Management Act 2015 and in a manner required by 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 Facility's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of Water and Sanitation Development Facility – East.

The Accounting Officer is responsible for overseeing the Facility'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 Facility'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 Facility'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 Water and Sanitation Development Facility – East 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

13th December, 2018

