



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF**  
**WATER SUPPLY AND SANITATION PROGRAMME PHASE I**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018**

**OFFICE OF THE AUDITOR GENERAL**  
**UGANDA**

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## **LIST OF ACRONYMS**

<b>FY</b>	Financial Year
<b>GOU</b>	Government of Uganda
<b>INTOSAI</b>	International Organization of Supreme Audit Institutions
<b>ISA</b>	International Standards on Auditing
<b>JPF</b>	Joint Partnership Fund
<b>MoFEP</b>	Ministry of Finance, Planning and Economic Development
<b>MWE</b>	Ministry of Water and Environment
<b>PFMA</b>	Public Finance Management Act, 2015
<b>TAI</b>	Treasury Accounting Instructions
<b>UGX</b>	Uganda Shillings
<b>WSDF-C</b>	Water and Sanitation Development Facility Central
<b>WSSP</b>	Water Supply and Sanitation Programme

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**THE RT. HON. SPEAKER OF PARLIAMENT**

**Opinion**

I have audited the accompanying financial statements of Water Supply and Sanitation Programme Phase I for the year ended 30<sup>th</sup> June 2018. These financial statements comprise of the Statement of Financial Position, the Statement of Financial performance, Cash Flow Statement and the Statement of Changes in Equity together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of WSSP I for the year ended 30<sup>th</sup> 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 Programme 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 no key audit matters to report on.

### **Emphasis of matter**

Without qualifying my opinion, I draw your attention to notes 4.1.7 and 4.1.8 of the financial statements;

- **Increase in outstanding receivables**

Section 45 (2) of the Public Finance management Act (PFMA), 2015, requires Accounting Officers to put in place effective systems of risk management, internal control and internal audit in respect of all resources and transactions of a vote. In addition, PFMA Regulation 33 (4) of 2016 states that, a payment voucher which is incomplete due to the unavailability of the necessary supporting documents shall be regarded as a missing voucher.

Audit however noted that Management reported outstanding accounts receivables of UGX.32,064,486 in the statement of financial position and Note 4.1.7 to the Financial Statements relating to unaccounted for staff advances. Audit also noticed an increase of UGX.11,119,500 in the outstanding accounts receivables from UGX 20,944,986 in the prior year to UGX.32,064,486.

This indicated poor management of the receivables collection process and may constrain the programme's cash flows and stifle implementation of planned activities.

Management explained that it has written to the advances holders to immediately account otherwise refund the money.

Given that the project has reached its closure stage, I advised the Accounting Officer to ensure that the outstanding receivables are collected without further delay.

- **Lack of Land titles for Water Schemes**

According to Paragraph 16.13.7 of the Treasury Instructions, 2017, the capacity of the government entity to control the future economic benefits or service potential stemming from legal rights may be evidenced by title deeds or similar rights that protect the government entity's interest. Paragraph B.4.1 of the Water and Sanitation Development Facilities Operational Manual, 2014 requires the facility to take full responsibility in processing land titles for all the infrastructure developments. Contrary to the requirements above, I noted that management did not have title deeds for the land on which nine (9) Water Supply Systems and one (1) Gravity Flow Schemes were constructed.

Lack of title deeds renders the construction sites susceptible to future ownership claims from third parties. There is a risk of loss of funds and the investment in case of successful future claims on the land. Management attributed the lack of title deeds to financial constraints.

The Accounting Officer explained that the issuing of land titles is a lengthy process which is being handled by the various land board and area committees.

I advised the Accounting Officer to expedite the process of acquisition of land titles for all construction sites and in future, to ensure that title deeds are obtained before undertaking government investments on land.

### **Other Information**

The Accounting Officer is responsible for the other information. The other information comprises the Statement of Management's responsibilities, the commentaries by the Fund Accountant 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 Water Supply and Sanitation Programme Phase I.

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 Programme's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of Water Supply and Sanitation Programme Phase I, 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 Programme'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 Programme'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 Programme'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 WSSP 1to 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.



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John F.S. Muwanga  
**AUDITOR GENERAL**

17<sup>th</sup> December, 2018

