

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF  
AGENCY FOR ACCELERATED REGIONAL  
DEVELOPMENT – AFARD**

**FOR THE PERIOD  
1 JANUARY 2012 TO 31 DECEMBER 2012**

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED  
REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2012 TO 31 DECEMBER 2012**

**ACRONYMS AND ABBREVIATIONS**

AEE	Africa Evangelistic Enterprise
AFARD	Agency for Accelerated Regional Development
AIDS	Acquired Immuno-deficiency Syndrome
AMI	AFARD Micro Finance Initiative
BoD	Board of Directors
Bos	Beneficiary Organizations
CERUDEB	Centenary Rural Development Bank
CSF	Civil Society Fund
EC	European Commission
FAO	Food and Agriculture Organization
FiCAP	Fisher Community Anti-Aids Project
HIV	Human Immuno-deficiency Virus
IFRS	International Financial Reporting Standards
LLIN	Long Lasting Insecticide Treated Nets
MOH	Ministry of Health (Uganda)
MoU	Memorandum of Understanding
NGO	Non-Governmental Organization
NSSF	National Social Security Fund
OVC	Orphans and Vulnerable Children
PG	Participatory Grading
RNE	Royal Netherlands Embassy
TOT	Training of Trainers
UGX	Uganda Shillings
UWASNET	Uganda Water and Sanitation NGO Network
WATSAN	Water and Sanitation Project
WENDI	West Nile Development Initiative

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**CORPORATE INFORMATION**

**DIRECTORS**

Rt. Rev. Dr Sabino Ochan Odoki	Chairperson
Mr. Kura Vasco	Vice Chairperson
His Grace Henry Luke Orombi	Member
Lady Justice Flavia Anglin Senoga	Member
Ms. Royce Gloria Andrua	Member
Dr. Sam Orochi Orach	Ex-officio Member
Mr. Okecha Michael	Board Secretary
Mr. Alfred Lakwo	Executive Director

**BOARD SECRETARY**

Mr. Michael B. Okecha

**SENIOR MANAGEMENT**

Dr. Alfred Lakwo	Executive Director
Mr. Wilfred Cwinyai	Programmes Manager
Ms. Florence Candiru	Finance and Administration Manager

**AUDITORS**

Deloitte & Touche  
Certified Public Accountants (Uganda)  
Plot 1, Lumumba Avenue  
P.O Box 10314,  
Kampala,  
Uganda.

**REGISTERED OFFICE AND PLACE OF OPERATION**

Plot 3-5 Butime Road  
P.O. Box 80  
Nebbi.

**BANKERS**

Stanbic Bank Uganda Limited  
P.O.Box 29  
Nebbi

Centenary Rural Development Bank Uganda Limited  
P.O.Box 1892  
Nebbi



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**REPORT OF DIRECTORS**

The directors present their report together with the audited fund accountability statement for the year ended 31 December 2012.

**PRINCIPAL ACTIVITIES**

Agency for Accelerated Regional Development is a non-profit making organisation which focuses on sustainable agriculture enhancement, microenterprise development and community micro financing together with safe water sanitation.

**FINANCIAL RESULTS**

	2012 Ushs 000
Income	5,566,810
Expenditure	(4,384,960)
	<hr/>
Surplus for the year	<u>1,181,850</u>

**DIRECTORS**

The present membership of the board of directors is set out on page 2.

**AUDITORS**

Deloitte & Touche have expressed their willingness to continue in office in accordance with the provisions of section 159(2) of the Ugandan Companies Act (Cap 85).

**BY ORDER OF THE BOARD**

SECRETARY

Kampala

2013

BOARD SECRETARY  
AFARD  
Agency For Accelerated Regional Dev't  
P. O. Box 27555, Kampala

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Ugandan Companies Act requires the directors to prepare fund accountability statement for each financial year which gives a true and fair view of the state of affairs of the company as at the end of the financial year and of the operating results of the company for that year. It also requires the directors to ensure the company keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors are responsible for the preparation of fund accountability statement that gives a true and fair view in accordance with Agency For Accelerated Regional Development financial guidelines and procedures and the requirements of the Ugandan Companies Act, and for such internal controls as directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The directors accept responsibility for the fund accountability statement, which has been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with Agency For Accelerated Regional Development financial guidelines and procedures and in the manner required by the Ugandan Companies Act. The directors are of the opinion that the fund accountability statement gives a true and fair view of the state of the financial affairs of the company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of fund accountability statement, as well as adequate systems of internal financial control.

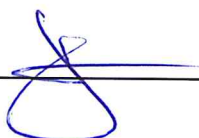
Nothing has come to the attention of the directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

Signed on behalf of the board of directors by:



Director

11 April 2013



Director

11 April 2013

# INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD) 1 JANUARY 2012 TO 31 DECEMBER 2012

## PART 1 INTRODUCTION

### 1.1 BACKGROUND

Agency for Accelerated Regional Development (AFARD) is a local professional, not for profit Non-governmental development agency currently operating in Nebbi, Arua, Yumbe, Moyo and Zombo districts of West Nile. AFARD was formed in July 2000 and registered with the NGO Board (Reg. No S.5914/3753) and with the Registrar of Companies (Reg. No. 45179).

AFARD is an affiliate member of a number of active networks, namely: Uganda Water Integrity Network (UWIN); Uganda National NGO Forum; Participatory Ecological Land Use and Management – Uganda Chapter (PELUM); Uganda Water and Sanitation NGO Network (UWASNET); Uganda National AIDS Services Organizations (UNASO); District NGO Forum in Nebbi, Yumbe, and Moyo Districts; and Nebbi AIDS Services Organization Network (NASON).

**Vision:** "Prosperous, Healthy and Informed people of West Nile".

**Mission:** "To contribute to the molding of a region in which the local people, including those who are marginalized, are able to participate effectively and sustainably undertake a lead in the development of the region".

#### **Organizational Objectives:**

- To harness the knowledge, skills and experience of the development practitioners within the region and channel it for the accelerated, equitable and sustainable development of the region.
- To act as a midwife, an interim link between the grass roots and the sources of new information, innovations expertise and the funds required for the type of development that places people firmly in the center of all development efforts.
- To avail our expertise by way of consultancy to other development stakeholders interested in obtaining current, detailed, reliable and authoritative information about the region.

#### **Thematic Focus**

AFARD's scope of operation is mainly focused on:

- **Food and income security:** This is being pursued through the promotion of improved agro-technology, entrepreneurship, nutrition skills, engaging in own production; and improved market access for poor marginalized communities.
- **Human development** through the provision of sustainable safe water facilities, the promotion of safe sanitation chain management, community-driven HIV/AIDS prevention and mitigation, and supporting primary education of children in disadvantaged communities.
- **Good governance** through building effective leadership in lower local governments as well as community empowerment to demand for responsive and accountable governance.
- **Organizational development** is conducted as a means of developing sustainable local organizations able to cause enduring development impacts in the lives of their members through self-organizing and leverage building with other stakeholders.
- **AFARD sustainability development**
- **Other cross cutting issues such as gender, environment, and HIV/AIDS**

The projects implemented by AFARD during the year ended 31 December 2012 were funded by various donors including: Gorta, Irish Aid, Manos Unidas (Jaca and Zamora Cities), Civil Society Fund (CSF), African Evangelistic Enterprise (AEE) and Food and Agriculture Organization in Uganda.



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED  
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**1.2 AUDIT OBJECTIVES**

Deloitte & Touche are auditors appointed by the Board of Directors to carry out the audit of the Agency for Accelerated Regional Development (AFARD) for the period 1 January 2012 to 31 December 2012. The audit covers grants of Ushs 4,779,094 obtained from different donors and Ushs 787,716 mobilised from internally generated sources such contributions by the founder members of the Agency.

A financial audit was performed in accordance with International Standards on Auditing.

The specific objectives were to:

- Express an opinion on whether the Fund Accountability Statement presents fairly, in all material respects, the revenues received and costs incurred for the period audited and in conformity with the terms of the agreements and governing clauses, and generally accepted accounting principles or other comprehensive basis of accounting.
- Evaluate and obtain a sufficient understanding of the accounting and internal control structure of AFARD, assess control risks and identify reportable conditions, including material internal control weaknesses.
- Perform tests to determine whether AFARD complied, in all material respects, with agreement terms and applicable governing clauses. All material instances of non-compliance and all illegal acts that have occurred or are likely to have occurred were to be identified.
- Review AFARD's budgetary control system
- Determine if AFARD has taken adequate corrective action on prior period audit report recommendations.

**1.3 AUDIT SCOPE**

The audit scope required us to ensure that the audit objectives were met as to:

- Review the fund accountability statement covering the period 1 January 2012 to 31 December 2012 and to express a written opinion thereon.
- Review and assess the compliance with the terms and conditions of agreements and governing clauses, applicable standard provisions and recommendations contained in budgets and financial or project evaluations and correspondences.
- Review and evaluate AFARD's internal control structure and capability thereof, to properly identify and account for relevant expenditure. Assess and report as to whether or not the accounting system is adequate and effective.
- Review the budgetary control system. Assess and report whether there is a budgetary control system in place to monitor actual expenditure against budgeted expenditure
- Carry out audit steps and procedures to provide reasonable assurance of detecting errors irregularities and illegal acts that could have a material direct or indirect effect on the fund accountability statement.
- Obtain specific written representations from the AFARD management.

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**1.4 AUDIT METHODOLOGY**

The audit methodology principally comprised:

(a) Audit of the Fund Accountability Statement

- Reconciled the fund accountability statement to the underlying records, principally the budget, funds received, expenditure reports, and fund balances;
- Ensured the fund accountability statement only includes disbursements, and no advances were charged as expenditure;
- Ensured that all expenditure incurred during the period were valid and in accordance with the approved budget for the year; and
- Documented findings, observations and recommendations.

(b) Review of the organization's budget and expenditure reports

- Agreed cash receipts to supporting documents on a 100% test basis;
- Agreed expenditure to supporting documents on a sample basis;
- Reviewed the reconciliation of the status of budget to expenditure ensuring excess or under budgeted expenditure is properly identified;
- Ensured that prior approval is obtained from donors before undertaking any expenditure not budgeted for;
- Reviewed the reconciliation of the status of funds to the cash on hand.

(c) Evaluation of the adequacy and effectiveness of the accounting and internal control structure

- Performed a review of the accounting and internal control structure of AFARD and the beneficiary organisations; and
- Documented findings, observations and recommendations.

Steps to provide reasonable assurance for detecting material errors, irregularities and illegal acts;

- Considered the audit risks as may be apparent from any weaknesses in the internal control structure, our assessment of the of AFARD management's attitude and our exercise of professional judgment regarding perceived audit risks;
- Focused on specific areas that we considered to be risky;
- Were alert to identify and bring to light at the earliest stage any act or actions, which appear to be violations of Government laws and regulations, provisions of the agreement and other governing clauses; and
- Obtaining a letter of representation from the project management.

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED  
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**1.5 RESULTS OF THE AUDIT**

**1.5.1 REPORT OF ACTUAL FINDINGS BY AUDIT OBJECTIVE**

Based on the review, we report our findings below:

- (1) Review of the fund accountability statement covering the year 1 January 2012 to 31 December 2012, and express an opinion whether it presents fairly, in all material respects, project revenues, and costs incurred and reimbursed during the period and are in accordance with the terms of the agreement and in conformity with the basis of accounting.

The fund accountability statement for the year 1 January 2012 to 31 December 2012 is adequately and fairly presented.

- (2) Review and evaluate the auditee's internal control structure and capability thereof to properly identify and account for relevant expenditure. Assess and report as to whether or not the accounting system is adequate and effective.

The internal control structure is conducive for adequate and effective processing of financial information. A few issues have been noted under part 3.2 of this report.

- (3) Review, assess and report on compliance with the terms and conditions of the grant agreement and applicable laws. All material instances of non-compliance and all indications of illegal acts should be identified.

The results of our compliance tests disclosed no material instances of non-compliance as reported in section 4.2 of this report.

- (4) Review of the budgetary control system

Nothing came to our attention that caused us to believe that AFARD did not have a proper budgetary control system.

- (5) Review prior year's audit recommendations and ensure adequate corrective action has been taken.

We observed that AFARD had taken corrective action on the prior year's audit report recommendations. A few issues have been noted under part 3.3 of this report.



## **PART 2 INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT**

### **2.1 INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)**

#### **Report on the Fund Accountability Statement**

We have audited the accompanying fund accountability statement of Agency For Accelerated Regional Development, set out on pages 12 to 29 which comprise the statement of financial position as at 31 December 2012, and the statement of comprehensive income and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Directors' responsibility for the Fund Accountability Statement*

The directors are responsible for the preparation of fund accountability statement that gives a true and fair view in accordance with the accounting policies stated in note 2 and the requirements of the Ugandan Companies Act; this includes determining that the modified cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the fund accountability statement in the circumstances and for such internal controls as directors determine are necessary to enable the preparation of the fund accountability statement that are free from material misstatement, whether due to fraud or error.

#### *Auditors' responsibility*

Our responsibility is to express an opinion on this fund accountability statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the fund accountability statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the fund accountability statement. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the fund accountability statement, whether due to fraud or error. In making those risk assessments, we considered the internal controls relevant to the company's preparation and fair presentation of the fund accountability statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the fund accountability statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## **PART 2 INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT**

### **2.1 INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD) (Continued)**

#### *Opinion*

In our opinion, the accompanying fund accountability statement gives a true and fair view of the financial position of the company as at 31 December 2012 and of its surplus and its cash flows for the year then ended in accordance with the accounting policies indicated in note 2.3 and comply with the Ugandan Companies Act.

We have also issued our reports dated 11 April 2013 on our consideration of AFARD's internal controls over financial reporting and our tests of compliance with certain provisions of laws and regulations. Those reports are an integral part of an audit performed and should be read in conjunction with this Independent Auditors' report in considering the results of our audit.

#### **Basis of accounting**

Without modifying our opinion, we draw attention to Note 2.3 to the fund accountability statement, which describes the basis of accounting. The fund accountability statement is prepared on a modified cash receipt and disbursement basis of accounting to comply with the Agency For Accelerated Regional Development. As a result, the fund accountability statement may not be suitable for another purpose. Our report is intended for Agency For Accelerated Regional Development and its donors. However, upon release by Agency For Accelerated Regional Development, this report is a matter of public record and its distribution is unlimited.

#### **Report on Other Legal Requirements**

As required by the Ugandan Companies Act we report to you, based on our audit, that:

- i. we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit;
- ii. in our opinion, proper books of account have been kept by the company, so far as appears from our examination of those books; and
- iii. the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

*Delaite & Tumb*

**Certified Public Accountants (Uganda)**

11 April 2013

**Kampala**



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED  
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**2.2 FUND ACCOUNTABILITY STATEMENT**

**Income and expenditure statement for the year ended 31 December 2012**

	Notes	2012	2011
		Ushs'000	Ushs'000
<b>INCOME</b>			
Grant income	2.3.2 (a)	4,779,094	3,704,343
Income from AFARD operations	2.3.2 (b)	787,716	439,285
<b>TOTAL</b>		<b>5,566,810</b>	<b>4,143,628</b>
<b>EXPENDITURES</b>			
Project expenditure	2.3.3	4,384,958	3,988,799
Surplus for the year		1,181,852	154,829
Fund balances at 1 January		1,133,507	978,678
Fund balance as at 31 December		2,315,359	1,133,507
<b>REPRESENTED BY</b>			
Bank and cash	2.3.4	2,350,359	1,133,507
Accruals		(35,000)	-
		2,315,359	1,133,507
Memorandum account – fixed assets	2.3.6	1,175,632	778,419

The fund accountability statement and the accompanying notes set out on pages 13 to 29 were approved by the Board of Directors and signed on its behalf by;

.....  
Chairperson  
.....2013

.....  
Secretary  
.....11/04/2013

.....  
Executive Director  
.....11/4/2013

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED  
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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT**

**2.3.1 ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the AFARD fund accountability statement for the year 1 January 2012 to 31 December 2012 are set out below:

**BASIS OF ACCOUNTING**

The financial statements are prepared in Uganda Shillings thousands (Ushs) under the historical cost convention and are in compliance with the accounting policies and guidelines of The Agency for Accelerated Regional Development.

**GRANT INCOME**

Grant income is accounted for when received.

**EXPENDITURE**

Expenditures are recorded on an accruals basis.

**PROPERTY AND EQUIPMENT**

The cost of office furniture and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. The assets are written off in the year of purchase.

**FOREIGN CURRENCIES**

Assets and liabilities expressed in foreign currencies are translated into Uganda shillings at the rates of exchange ruling at the balance sheet date. Transactions during the period are translated at the rates ruling at the dates of the transactions. Gains and losses on exchange are recognised in the income and expenditure statement.

**PENSION OBLIGATIONS**

The Programme contributes to the National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Act. The Programme's NSSF obligations under the scheme are specific contributions legislated from time to time, and are currently limited to 10% of the respective employees' gross salaries. The contributions are charged to the income and expenditure statement in the year to which they relate.

**COMPONENTS OF CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments.

**COMPARATIVES**

Where necessary, comparative figures have been adjusted to conform to changes in presentations in the current year.

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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.1 ACCOUNTING POLICIES (Continued)**

**ACCRUALS**

Accruals are stated at their nominal value.

**TAX STATUS**

Agency For Accelerated Regional Development is in the process of obtaining an exemption approval from Uganda Revenue Authority (URA) in respect of Income Taxation as required by the Income Tax Act. Given the organisations not for profit status, the directors are confident the exemption will be granted.

**PRESENTATION CURRENCY**

This Fund Accountability Statement is presented in Uganda Shillings.

**2.3.2 (a) GRANT INCOME**

	2012 Ushs 000	2011 Ushs 000
<b>GRANT INCOME</b>		
Civil Society Fund- FICAP	63,684	161,881
GORTA	4,063,367	1,772,745
Irish AID	464,347	1,278,912
European Commission	-	243,249
Manos Unidas	26,849	104,310
Food and Agriculture Organization( FAO)	44,533	56,875
African Evangelistic Enterprise(AEE)	67,000	86,371
Ulamkule WASH Project	49,314	-
	<u>4,779,094</u>	<u>3,704,343</u>

These are cash transfers from the donors received in the year ended 31 December 2012. Grants are used for the specific donor projects and separate accounts are maintained for each project.



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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.2 (b) INCOME FROM AFARD OPERATIONS INCOME**

	2012	2011
	Ushs'000	Ushs'000
Members Contribution for AFARD Operations	313,991	248,660
Capital Seed Fund	455,888	-
Sale of bids(Boreholes)	10,000	2,100
Interest on Gorta account	7,337	7,438
Income from disposal of assets	500	13,840
European Commission-AFARD's Contribution	-	13,030
5% Administrative cost from MOH	-	24,199
Centenary Bank-Social responsibility	-	500
Savings from personnel	-	18,305
Other incomes	-	1,567
Refunds from Beneficiary Organisations	-	108,547
Local contributions to AEE project	-	1,100
	<u>787,716</u>	<u>439,286</u>

Member's contributions are cash and non cash contributions made by the founder members of AFARD to the company. Such contributions are made voluntarily by the members, with no ceiling or minimum contribution for each member in a particular period.



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2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (Continued)

2.3.3 PROJECT EXPENDITURE

Project	Donor	Notes	2012 Ushs 000	2011 Ushs 000
The Fisher Community Anti-Aids	Civil Society Fund	2.3.5(a)	73,638	153,030
West Nile Development Initiative	GORTA	2.3.5(b)	2,088,985	2,020,074
AFARD operations	AFARD	2.3.5(c)	368,476	300,457
Engendering Decentralization Poverty Resource				
Management Poverty	European Commission	2.3.5(d)	40,126	247,883
Jangokoro Food Security Project	Manos Unidas	2.3.5(e)	66,209	57,898
Food and nutrition Project	FAO	2.3.5(f)	69,943	41,359
Distribution of long Lasting Mosquito Nets(LLINS)	Global fund		-	12,207
Increasing West Nile Small Holder Farmers' Agricultural Productivity				
Ulamkule Wash Project	IRISH AID	2.3.5(g)	1,144,289	1,097,480
Capital Seed Fund	Ulamkule Wash Project	2.3.5(h)	19,959	-
Payera Community Development Project	GORTA		417,387	-
	African Evangelistic Enterprise(AEE)	2.3.5(i)	95,946	58,410
			<u>4,384,958</u>	<u>3,988,798</u>

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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.4 BANK AND CASH BALANCES**

			2012 Ushs'000	2011 Ushs'000
AFARD Cerudeb	CERUDEB	7610400032	9,060	2,596
AFARD Personnel Cost	CERUDEB	7610400038	36,378	44,165
AFARD Gorta	CERUDEB	7610400011	2,022,314	45,532
AFARD Irish Aid Project	CERUDEB	7610400046	37,738	707,681
Community Wide Project	CERUDEB	7610400043	32,549	9,950
AFARD Decentralisation	CERUDEB	7610400037	2,463	42,589
Food Security Programme	CERUDEB	7610400041	7,080	46,440
AFARD CSF	CERUDEB	7610400029	-	9,954
AFARD Microfinance	STANBIC	140093516001	30,664	65,988
Payera Community Development Project	STANBIC	140092688601	115	29,061
AFARD FSN Account	CERUDEB	7610400045	3,616	29,026
AFARD wash project Ulamkule	CERUDEB	7610400048	29,354	-
Seed Capital	CERUDEB	7610400056	139,028	100,525
			<u>2,350,359</u>	<u>1,133,507</u>

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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.5 SUMMARY OF INCOME AND EXPENDITURE PER PROJECT**

(a) The Fisher community Anti-Aids

	2012 Ushs 000
<b>Income</b>	<u>63,684</u>
<b>Expenditure</b>	
Conduct quarterly review meetings	1,355
Hold awareness creation seminars	12,345
Hold video shows	2,490
Re-produce and disseminate local IECs	1,360
Hold drama shows	1,700
Support routine PEC /CF operations	5,400
Support VCT outreach in 8 fishing villages	2,240
Monitoring and Evaluation	16,026
Terminal evaluation	5,000
Programme management	20,488
Other costs	5,234
	<u>73,638</u>
Total expenditure	<u>73,638</u>
Deficit for the year	<u>(9,954)</u>

This Extension project was supported by a grant from the Civil Society Fund (CSF) for a period of two years commencing July 1, 2010 when the MoU was signed. The main objective of the project was to contribute to the reduction of sexual transmission of HIV/AIDS among fishing communities of Panyimur and Pakwach sub counties, Jonam County, Nebbi district. The total funding under the grant was Ushs 797 million, in the year ended 31 December 2012; funds of Ushs 63 million were disbursed. An end of project evaluation was conducted for this project.

An amount of Ushs 9,953,867 was brought forward from the prior year. This amount was utilized during the period under review and is recognized as a part of the expenditure in the fund accountability statement.

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED  
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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.5 SUMMARY OF INCOME AND EXPENDITURE PER PROJECT (Continued)**

**(b) West Nile Development Initiative**

	2012 Ushs'000
<b>Income</b>	
Grant	2,587,734
Interest income	5,876
	<hr/>
	2,593,610
<b>Expenditure</b>	
Access to sustainable and improved agro technologies increased	493,483
BOs and BO members secured better marketing margins	306,881
Ability of BO members to engage in productive IGAs enhanced	13,400
BO members enabled to save and loan themselves in a fraud free business manner	13,600
Access to safe public water and sanitation facilities increased	347,804
Utilization of safe sanitation and water chain management practices increased	13,600
Comprehensive knowledge and positive attitude & practices regarding HIV/AIDS improved	64,430
Community care and support for PLWA & OVCs increased	12,119
Educational participation of children increased	56,090
Community ability to fund education of best performing children improved	41,340
BO participation in local governance increased	27,200
KRA 16: AFARD capacity to initiate, coordinate, account for and learn from development programmes improved	575,589
Direct disbursement to Bos	98,449
Audit	25,000
	<hr/>
Total expenditure	2,088,985
	<hr/>
Surplus for the year	504,625



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED  
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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.5 SUMMARY OF INCOME AND EXPENDITURE PER PROJECT (Continued)**

**(b) West Nile Development Initiative Programme (Continued)**

During the year ended 31 December 2012, 82 beneficiary organizations (BOs) were partnered with. A total grant of Ushs 4,063 Billion was disbursed by Gorta for the West Nile Development Initiative (WENDI) Programme. Most of these funds were spent and managed by AFARD on BO's capacity building and coordination efforts by AFARD as per Grant agreement and WENDI operation guidelines.

The above surplus represents the unspent but committed amount which was held on AFARD Gorta A/C held in CERUDEB accounts no. 7610400011 as at 31 December 2012.

An amount of Ushs 45,531,705 was brought forward from the prior year. This amount was utilised during the period under review and is recognised as a part of the expenditure in the fund accountability statement.

**(c) AFARD Operations**

<b>Income</b>	<u>324,491</u>
<b>Expenditure</b>	
Perdiem	49,018
Maintenance and repairs	21,599
Vehicle hire	1,650
Meals	2,193
Communication	8,943
Fuel and lubricants	11,351
Other office expenses	10,494
Public relation	1,568
Office equipment	165
Imprest	6,152
Utilities	1,539
Stationery	2,943
Staff training	1,700
Medical cost	13,803
Settlement allowance	1,700
Professional fees	3,765
Obituary	3,300

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR  
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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (Continued)**

**2.3.5 SUMMARY OF INCOME AND EXPENDITURE PER PROJECT (Continued)**

**(c) AFARD operations (Continued)**

	2012 Ushs'000
Board Meeting	1,200
Network Subscription	1,025
Toner and cartridges	4,140
Furniture	1,500
Computer	2,735
Printer	2,000
Projector	1,600
Rent	400
Electronic print and media	8,000
Newspapers	198
Audit	3,046
Legal fees	3,250
Server Installation	3,474
Personnel Cost	135,640
Vehicle	56,865
Bank charges	1,520
	<hr/>
Total expenditure	<hr/> 368,476 <hr/>
Deficit for the year	<hr/> <hr/> (43,985) <hr/>

As shown above, the AFARD operations are funded by internally generated funds, mainly through founder members' contributions and other incomes like: sale of bids and disposal of assets.

The above balance represents the unspent amount, which was held on CERUDEB accounts no. 7610400032 and 7610400038 and Stanbic bank account 0140093516001 as at 31 December 2012.

An amount of Ushs 68,584,029 was brought forward from the prior year. This amount was utilised during the period under review and is recognised as a part of the expenditure in the fund accountability statement.



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR  
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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.5 SUMMARY OF INCOME AND EXPENDITURE PER PROJECT (Continued)**

**(d) Engendering Decentralization Poverty Resource Management Poverty**

	2012
	Ushs 000
<b>Income</b>	<u>42,589</u>
<b>Expenditure</b>	
Local (staff assigned to the Action)	640
End of Project evaluation	19,800
Auditing costs	18,755
Administrative costs	931
	<u>          </u>
Total expenditure	<u>40,126</u>
Surplus for the year	<u><u>2,463</u></u>

On December 2, 2008, MoU was signed between AFARD and the Delegation of European Commission (EC) to Uganda for a 34 months funding towards the Engendering Decentralized Poverty Resources Management project in Yumbe and Nebbi Districts. The EC's grant is up to the tune of Euro 372,427 (90% of the total project funds); the 10% was supposed to be contributed by AFARD. During the year under audit no further funding was received for the project and end of project evaluation was conducted.

The above surplus is held on Account Number. 7610400037 (Centenary bank) as at 31 December 2012. An amount of Ushs 42,588,674 was brought forward from the prior year. This amount was utilized during the period under review and is recognized as a part of the expenditure in the fund accountability statement.

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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.5 SUMMARY OF INCOME AND EXPENDITURE PER PROJECT (Continued)**

(e) Jangokoro Food Security Project

	2012 Ushs 000
<b>Income</b>	<u>26,849</u>
<b>Expenditure</b>	
Provide agro inputs	27,593
Personnel	11,808
Train in agronomy skills	3,192
Train in livestock management skills	694
Train in bulk marketing/storage skills	4,465
Conduct nutrition education	4,179
Train in IGA market management skills	580
Train Community Health Frontline Advisors	6,551
Train in participatory and accountable leadership	781
Train in financial management & reporting skills	546
Train in implementation monitoring & reporting skills	1,092
Running Costs	399
Periodic management monitoring visits	2,825
Hold quarterly beneficiary review meetings	1,504
<b>Total expenditure</b>	<u>66,209</u>
<b>Deficit for the year</b>	<u>(39,360)</u>

On July 13, 2009, an ignition agreement was signed between AFARD and Manos Unidas (Jaca City). Manos Unidas undertook to provide funding for the Jangokoro Food Security Programme. On November 18, 2011 AFARD entered into another specific collaboration agreement with Manos Unidas for a funding to the tune of EUR 38,904. During the year under audit, the project received Ugx 26,849,200. The above surplus is held on Account Number 7610400041 (Centenary bank) as at 31 December 2012.

An amount of Ushs 46,439,560 was brought forward from the prior year. This amount was utilised during the period under review and is recognised as a part of the expenditure in the fund accountability statement.

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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.5 SUMMARY OF INCOME AND EXPENDITURE PER PROJECT (Continued)**

**(f) Food and Nutrition Project**

	2012 Ushs 000
<b>Income</b>	<u>44,533</u>
<b>Expenditure</b>	
Collection of DDP/SCDP documents	1,315
Desk review of DDP/SCDP documents	2,150
Poster production	20,205
Project Lead Person orientation	4,751
Mobilisation of Local Community Groups	894
Internal project review	2,421
Administrative cost	5,633
Feedback meeting at LLG levels	31,101
Project reporting	1,473
	<u>69,943</u>
<b>Total expenditure</b>	<u>69,943</u>
<b>Deficit for the year</b>	<u>(25,410)</u>

On October 10, 2011, an agreement was signed between AFARD and FAO (Food and Agriculture Organization of the United Nations) to build capacity of District, Sub-county and parish authorities to formulate, manage and monitor respective development plans with priorities that strongly feature food security and nutrition. During the year FAO disbursed Ugx 44,532,580

The above surplus is held on Account Number. 7610400045 (Centenary bank) as at 31 December 2012. An amount of Ushs 29,025,775 was brought forward from the prior year. This amount was utilised during the period under review and is recognised as a part of the expenditure in the fund accountability statement.

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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.5 SUMMARY OF INCOME AND EXPENDITURE PER PROJECT (Continued)**

**(g) Increasing West Nile Small Holder Farmers' Agricultural Productivity**

	2012 Ushs'000
<b>Income</b>	<u>464,347</u>
<b>Expenditure</b>	
Access to Sustainable and improved agro technologies increased	400,516
Bos and BO members secured better marketing margins	372,870
Knowledge and practice of better nutrition improved	43,200
BO organisational management competencies and growth improved	142,635
AFARD capacity to initiate, coordinate, account for and learn from development programs	175,068
Audit fees	15,000
	<u>1,149,289</u>
Total expenditure	<u>1,149,289</u>
Deficit for the year	<u>(684,942)</u>

On December 6, 2010 AFARD signed an agreement with Irish Aid to fund "Increasing West Nile Smallholder farmers Agricultural Productivity" to a tune of Ugx 3,026,034,000, Euro 1,078,800 for three (3) Years. On December 12, 2011 a revised agreement was signed to adjust the budget from Ugx 3,026,034,000 (Euro 1,078,800) to Ugx 3,04,2846,000 (Euro 1,083,947).

During the year ended 31 December 2011, a total grant of Ushs 464million was disbursed by Irish Aid to fund "Increasing West Nile Smallholder farmers Agricultural Productivity.

The above surplus represents the unspent but committed amount which was held on AFARD Irish Aid A/C no. 7610400046 held in CERUDEB as at 31 December 2012. An amount of Ushs 707,680,504 was brought forward from the prior year. This was utilised during the period under review and is recognised as a part of the expenditure in the fund accountability statement.



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR  
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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.5 SUMMARY OF INCOME AND EXPENDITURE PER PROJECT (Continued)**

(h) Ulamkule Wash Project

	2012 Ushs'000
<b>Income</b>	<b>49,314</b>
<b>Expenditure</b>	
Debrief Area Local Government	1,255
Debrief Community members	570
WES Practices assessment	7,523
Borehole construction cost	1,084
Train and Equip VHT	8,550
Local IECs	650
AFARD administration cost	327
<b>Total expenditure</b>	<b>19,959</b>
<b>Surplus for the year</b>	<b>29,355</b>

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR  
ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2012 TO 31 DECEMBER 2012**

**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.5 SUMMARY OF INCOME AND EXPENDITURE PER PROJECT (Continued)**

(i) Payera community project funded by African Evangelistic Enterprise (AEE)

	2012 Ushs'000
<b>Income</b>	<b>67,000</b>
<b>Expenditure</b>	
SHG formation	370
Training SHG book writers	407
Training saving vision building and conflict resolution	254
Training in communication and leadership	354
Hold SHG days	3,302
Participatory grading (PG) financial and Auditing for SHG	531
Training and support of Community Facilitators in SHG Concept (TOT)	8,120
Printing T-Shirts for project visibility	3,000
CLA formation and Strengthening	875
Training CLA in their roles and responsibilities	229
Train CLA in conducting needs analysis and prioritization	342
Train CLA in Goal setting and realization of goals	297
Train CLA sub committees in their roles and responsibilities	473
Training CLA book writers	82
staff trainings workshops and forums	6,219
Facilitate Participatory Grading and Financial Auditing in CLAs	408
Refresher training for weak CLAs	396
Prevention and care of HIV/AIDS	1,251
Training 100 SHG members in I.G.A management	1,306
Facilitation of letter writing	2,159
Child monitoring	1,908
Children's records	884
Posting and E-mails	119
Conducting quarterly child census	988
Support and monitoring of children's groups	805
Development and printing of IEC materials for child rights	1,160
Monthly monitoring	600
Celebration of African Child prayer	4,700
Health Screening Exercises for children	1,910



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR  
ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
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**2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)**

**2.3.5 SUMMARY OF INCOME AND EXPENDITURE PER PROJECT (Continued)**

**(i) Payera community project funded by African Evangelistic Enterprise (AEE) (Continued)**

	2012 Ushs'000
Basic salary	25,800
Leave allowance	833
N.S.S.F 10%	3,440
Provident fund 15%	6,210
Consumable supplies	640
Telephone	10
Internet	1,029
Travel and transport for staff on official duties	2,567
Accommodation and meals	2,932
Meetings	110
Utilities	185
Audit fees	1,000
Bank charges	984
Motorcycles	895
Helmet	30
Gloves	50
Bag pack	120
Cameras	475
Laptop Computer	2,025
Other costs	3,162
	<hr/>
Total expenditure	95,946
	<hr/>
Deficit for the year	(28,946)

This project is supported by a grant from African Evangelical Enterprise (AEE) from 1 July 2010. The main objective of the project is to offer service to vulnerable and less privileged persons in the society with special focus on children and women. The project is implemented in Payera Parish, Erussi Sub County, and Nebbi District. During the year ended 31 December 2011 total funds disbursed was Ugx 66,999,625

The above surplus represents the unspent amount which was held on account no 140092688601 (Stanbic Bank) as at 31 December 2012.

INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT  
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2.3 NOTES TO THE FUND ACCOUNTABILITY STATEMENT (continued)

2.3.6 PROPERTY AND EQUIPMENT

	Free- hold Land	Buildings	Motor vehicles and cycles	Furniture	Equipment	Computer equipment	Work in progress	Total
	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000	Ushs'000
<b>COST</b>								
At 1 January 2011	19,151	41,581	557,499	69,374	127,369	34,379	-	917,124
Additions	16,260	197,483	43,100	7,440	21,074	10,575	-	395,837
At 31 December 2011	35,411	239,064	600,599	76,814	148,443	44,954	-	1,312,961
At 1 January 2012	35,411	239,064	600,599	76,814	148,443	44,954	-	1,312,961
Disposal	-	-	-	-	(1,600)	-	290,311	677,580
Additions	19,200	258,419	190,837	14,660	3,825	12,918	-	(1,600)
At 31 December 2012	54,611	497,483	791,436	91,474	150,668	57,872	290,311	1,988,941
<b>DEPRECIATION</b>								
At 1 January 2011	-	22,771	223,526	19,582	79,004	23,005	-	367,888
Charge for the year	-	940	142,571	7,154	8,680	7,309	-	166,654
At 31 December 2011	-	23,711	366,097	26,736	87,684	30,314	-	534,542
At 1 January 2012	-	23,711	366,097	26,736	87,684	30,314	-	534,542
Eliminated on disposal	-	-	-	13,544	(1,600)	-	-	280,367

INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
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2.3.6 PROPERTY AND EQUIPMENT (Continued)

Charge for the year	-	43,516	197,859	-	10,105	15,343	-	(1,600)
At 31 December 2012	-	67,228	563,956	40,280	96,189	45,657	-	813,309
NET BOOK VALUE								
At 31 December 2012	54,611	430,255	227,479	51,194	54,479	12,215	290,311	1,112,054
At 31 December 2011	35,411	215,353	234,501	50,078	60,759	14,640	-	778,419

The capital works in progress relates to costs incurred in the construction of the Nebbi warehouse. As at 31 December 2012, the costs were not capitalized due to non-completion of the construction work and hand over of the warehouse to AFARD.

2.3.6 CONTINGENT LIABILITY

The organisation has a court case at the appeal stage in Arua High Court. Based on legal advice, the directors believe that the company has a high likelihood of succeeding in the intended appeal. In the event that they do not, AFARD would be liable to pay US\$ 50 million. By the time of concluding this audit, details on the case had not been provided.



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2012 TO 31 DECEMBER 2012**

**2.4 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS ON THE FUND ACCOUNTABILITY STATEMENT**

**2.4.1 Income recognition**

**Observation**

We noted that income from Gorta was recognised twice in the financial statements as Grant income from Gorta and at the same time as other income relating to the Community Wide project and the Capital seed fund.

The Community Wide project was set up in partnership with Kirchner Solar Group (KSG), the solar kit supplier with funding from Gorta. AFARD's primary role in the agreement was to guarantee KSG that they would get paid for supplying the solar kits to the beneficiary households. In this effort AFARD set aside UGX 56,090,200 of the Gorta funds as a guarantee, this was booked in the financial statement both as an expense and as income.

On the other hand, the Capital Seed fund was set up to ensure sustainability by being able to sell good quality seed to farmers, and to buy from these very farmers to supply big farms like Olam seed company. In the period under review, a total of UGX 383,836,056 was transferred from funds donated by Gorta to build up the capital fund. However, this was booked in the financial statement both as an expense and as income.

Posting of erroneous accounting entries leads to material misstatement of the financial statements and may be misleading to the potential users. Adjusting entries were posted in the financial statements to correct this error.

**Recommendation**

Management should ensure that proper accounting entries are posted in compliance with the company accounting policies and procedures. These should be reviewed on a monthly basis by a member of senior management and any errors identified adjusted immediately.

**Significance**

High

**Management response**

Noted. The purpose of complete disclosure of accounts such as the Seed Capital and Community Wide Project Accounts requires that funds are treated as income not only after spending.



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2012 TO 31 DECEMBER 2012**

**2.4 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS ON THE FUND ACCOUNTABILITY STATEMENT (CONTINUED)**

**2.4.1 Income recognition (Continued)**

Management Action	Implemented by	Implementation date
A review of the financial policy	FARM Committee	April 2013

**2.5 FOLLOW-UP OF PRIOR YEAR RECOMMENDATIONS**

There were no reportable conditions on the Fund Accountability Statement in the prior year.

## PART 3 INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE

### 3.1 INDEPENDENT AUDITOR'S REPORT

We have audited the fund accountability statement of the Agency for Accelerated Regional Development (AFARD) for the period 1 January 2012 to 31 December 2012, and have issued our report thereon dated 11 April 2013.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the fund accountability statement is free of material misstatement.

The AFARD management is responsible for establishing and maintaining the internal control structure. In fulfilling this responsibility, estimates and judgements by project management are required to assess the expected benefits and related costs of internal control structure, policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorised use or disposition, and that transactions are executed in accordance with management's authorisation and in accordance with the terms of the agreements and transactions are recorded properly to permit the preparation of the fund accountability statement in conformity with the basis of accounting described in Note 2.3.1 to the fund accountability statement. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. In addition, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the fund accountability statement for the year 1 January 2012 to 31 December 2012, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risks in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses in the system. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement and may occur and not be detected within a timely period, by employees in the normal course of performing their assigned functions.

## **PART 3 INDEPENDENT AUDITOR'S REPORT ON THE INTERNAL CONTROL STRUCTURE**

### **3.1 INDEPENDENT AUDITOR'S REPORT (Continued)**

We noted certain matters involving the internal control structure and its operation that we have reported to the management of AFARD under section 3.2 of this report.

This report is intended for the information of AFARD and its donors. However, upon release by AFARD, this report is a matter of public record and its distribution is not limited.

*Deloitte & Touche*

**Certified Public Accountants (Uganda)**

*11 April* 2013  
**Kampala**



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2012 TO 31 DECEMBER 2012**

**3.2 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS ON INTERNAL CONTROLS**

**3.2.1 Internal audit**

**Observation**

The company has no internal audit role or function within the organization. Given the nature and size of the company's operations, establishing an internal audit function to develop and implement new internal control processes and monitor current processes helps to both assess and to mitigate control risks.

By assisting management in designing and evaluating internal control processes, an internal audit function will also aid management and the Board of Directors in fulfilling their corporate governance responsibilities. Without a specific management function assigned with monitoring, it becomes difficult to detect and remedy control deficiencies and weaknesses in the organization's system of internal control in a timely manner.

**Recommendation**

We recommend that management creates an autonomous internal audit function. The following should be considered:

- The leader of this function should report directly to the audit committee.
- The function should have unlimited access to the records and employees of the company.
- Account reconciliations should be reviewed on a regular basis.

Periodic tests of details should be performed to test the accuracy of all reports generated and detail schedules prepared.

**Significance**

Medium

**Management response**

Given the current financial status, the creation of an independent internal audit department is not feasible. We will continue to enhance the robust internal control system.

Management Action	Implemented by	Implementation date
Regular review of accounts	FAM and Executive Director	On-going



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2012 TO 31 DECEMBER 2012**

**3.2 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS ON INTERNAL CONTROLS  
(Continued)**

**3.2.2 Fuel expenses**

**Observation**

Management makes advance payments to fuel companies ahead of the planned program activities. However, we noted that management has not formulated proper and appropriate controls on how this fuel is being utilised and the value of the fuel not yet utilised. During the year of audit, one of the staff Mr. Jakony Gerald, the Field Officer - Crop Production took advantage of the absence of stringent controls falsified fuel vouchers and forged staff signatures to illegally draw fuel from a pump station.

Lack of proper reconciliation procedures exposes the organisation to fraudulent activity, failure to meet program objectives and eventual financial loss.

**Recommendation**

Management should ensure that fuel reconciliations are prepared and reviewed on a monthly basis. Fuel consumption reports should be obtained from the fuel companies, and compared with the fuel authorisation vouchers prepared by the organisation to ensure that all consumption has been approved.

**Significance**

Medium

**Management response**

The dismissal of the said Field Officer is a testimony of the robust multi-level control in place. For instance, fuel vouchers are reconciled with pump station records/delivery notes and activity plans and reports on a weekly basis and a consumption report for each vehicle is produced at the end of every month.

Management Action	Implemented by	Implementation date
Monthly fuel use reconciliation	FAM	On-going

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2012 TO 31 DECEMBER 2012**

**3.2 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS ON INTERNAL CONTROLS  
(Continued)**

**3.2.3 Donations in kind**

Observation		
<p>We noted that the company does not have a formal policy on the recognition of donations in kind. In the period under review, AFARD received 2 laptops from the Civil Society Fund, CSF valued at UGX 5,432,500. The two laptops were disclosed in AFARD's fixed asset register, but were not recognised as donations in kind.</p> <p>Lack of recognition of donations in kind leads to understatement of the income balances and may lead to misstatement of the financial statements.</p>		
Recommendation		
<p>Best practice requires that donations in kind are valued at cost and recognised as income in the statement of comprehensive income. Management should amend the accounting policies to take these donations into consideration.</p>		
Significance		
Low		
Management response		
Noted for amendment.		
Management Action	Implemented by	Implementation date
Noted for inclusion during revision of the financial policy under 2.4.1 above	FARM Committee	April 2013



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2012 TO 31 DECEMBER 2012**

**3.2 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS ON INTERNAL CONTROLS  
(Continued)**

**3.2.4 Dormant bank accounts**

Observation		
<p>We noted that the company maintains some dormant accounts namely AFARD Global fund account number 761040044, AFARD SODIS Program account number 7610400029 and the AFARD-CSF account number 7610400029.</p> <p>Maintenance of dormant accounts may expose the organisation to fraudulent activity and also increase administrative duties relating to reconciliations and monitoring of transactions.</p>		
Recommendation		
<p>Management should ensure that all dormant accounts are formally closed off.</p>		
Significance		
<p>Medium</p>		
Management response		
<p>These accounts were formally closed off at the end of the projects. Banks do not delete accounts from their systems so that, when there is need for re-activation they are requested to do so. During the audit, the Bank included these accounts on the confirmation list with zero balances not negative balances.</p>		
Management Action	Implemented by	Implementation date
Not applicable		

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
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**3.2 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS ON INTERNAL CONTROLS  
(Continued)**

**3.2.5 Land ownership**

Observation		
<p>We noted an addition to the fixed assets register of 8 Acres of Land in Patek Village. According to the terms of the agreement, consideration to the tune of UGX 45,600,000 was to be paid at the signing of the agreement after which ownership passed to the company.</p> <p>However, we noted that the company does not have the land titles for all the land included in the fixed assets register amounting to Ushs 100,611,000. The ownership of this land is supported by agreements between the company and the sellers after they have received payment.</p> <p>These agreements can only be in force if the sellers that sign these agreements are the bona fide owners of the land.</p> <p>Lack of maintaining legal documentation such as the land title may expose the organisation to financial loss, legal and tax implications.</p>		
Recommendation		
<p>Management should ensure that all the land titles are obtained, verified and the land transferred fully in the company names. Copies of these should be kept at the organisation premises and backed up offsite.</p>		
Significance		
High		
Management response		
A surveyor has already been engaged in February 2013 to ensure acquisition of the said land titles.		
Management Action	Implemented by	Implementation date
Processing of land titles.	FAM	August 2013



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2012 TO 31 DECEMBER 2012**

**3.3 FOLLOW UP ON PRIOR YEAR RECOMMENDATIONS**

<b>Findings</b>	<b>Status</b>
Accounting system	Repeated
Internal audit	Repeated
Journal entries	Addressed
Accounting policies	Repeated
Recording in the general ledger	Repeated and rephrased
Signatories to bank accounts	Repeated
Accounting system	Repeated
Lack of comprehensive fixed assets register	Addressed
Asset verifications	Addressed
In adequate mentoring	Addressed

## **PART 4 INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS**

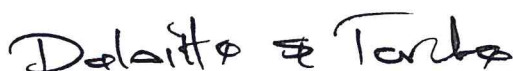
### **4.1 INDEPENDENT AUDITORS' REPORT TO THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT**

We have audited the fund accountability statement for the Agency for Accelerated Regional Development (AFARD) for the period 1 January 2011 to 31 December 2011, and have issued our report thereon dated 11 April 2013.

Compliance with terms of the agreement, laws and regulations, applicable to the Agency is the responsibility of the AFARD management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of management's compliance with certain provisions of the agreement and laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

We noted certain matters involving the compliance with agreement terms and applicable laws and regulations that we have reported to management of AFARD under section 4.2 of this report.

This report is intended for the information of AFARD and its donors. However, upon release by AFARD, this report is a matter of public record and its distribution is not limited.



**Certified Public Accountants (Uganda)**

11 April 2013  
Kampala

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2011 TO 31 DECEMBER 2011**

**4.2 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS**

**4.2.1 Compliance with accounting manual**

Observation		
<p>Section 3.4.3 of AFARD's Finance and Administration manual requires that "Income from Donor grants shall be recognised when grants are utilised by AFARD to carry out the programs stipulated. All donor funds received shall be initially recorded at fair value as liabilities in the grants received in advance account." However, we have noted that income from donor funds is recognised when received as has been done in the prior periods rather than when utilised. Lack of compliance with the accounting policies as included in the finance and administration manual exposes the organisation to material misstatement of the financial statements.</p> <p>For purposes of these financial statements, income from donors has been recognised when received in consistence with the prior years and the intention of the Board of Directors.</p>		
Recommendation		
<p>Management should ensure that they comply with their requirements of the finance and administration manual. In case some clauses are found to be unfavourable, necessary amendments should be done and approved by the Board of Directors before implementation.</p>		
Significance		
High		
Management response		
Noted for amendment.		
Management Action	Implemented by	Implementation date
To be included as part of the Finance Policy Review	FARM Committee	April 2013



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
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**4.2 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS (Continued)**

**4.2.2 Compliance with the Ugandan Companies Act, Cap 110**

<b>Observation</b>		
<p>Agency for Accelerated Regional Development (AFARD) is registered with the Registrar of Companies as a Company limited by guarantee (Reg. No. 45179), and as such is bound by the requirements of the Ugandan Companies Act.</p> <p>The Ugandan Companies Act section 126(1) requires that every company not having share capital shall once at least in every calendar year make a return to the Registrar of Companies.</p> <p>However we have not been availed with any documentary proof of submission of any returns to the Registrar. In accordance to section 126(3) if a company fails to comply with section 126, the company and every officer of the company who is in default are liable to a default fine.</p> <p>Non-compliance with the requirements of the Ugandan Companies Act exposes the organisation to fines and penalties.</p>		
<b>Recommendation</b>		
<p>Management should adhere to the provisions of the Act to mitigate the risk of punitive measures being levied. Annual company returns should be filed annually and on a minimum state the situation of the registered office of the company and the registered postal address of the office among other details.</p>		
<b>Significance</b>		
Medium		
<b>Management response</b>		
<p>The Board Secretary annually handles this submission. However, during the time of audit we were unable to access the documents because he had travelled abroad.</p>		
<b>Management Action</b>	<b>Implemented by</b>	<b>Implementation date</b>
File copies of all submissions at AFARD HQs	Board Secretary	June 2013



**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2011 TO 31 DECEMBER 2011**

**4.2 FINDINGS, OBSERVATIONS AND RECOMMENDATIONS ON COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS (Continued)**

**4.2.3 Bank signatories**

Observation		
<p>The company Financial Management guidelines article 5.2 states that “the Board shall appoint signatories to each of the bank accounts and no member of the board shall be a signatory”.</p> <p>However, we noted that for the AFARD Micro finance account number 140093516001, two of the Board members, Dr. Sam Orach and Mr. Michael Okecha are designated signatories.</p> <p>Including the board members as bank signatories is non-compliance with the financial management guidelines.</p>		
Recommendation		
<p>Management should ensure that the financial management guidelines are complied with at all times. Any amendments deemed necessary should be seconded for board discussion and approval before implementation.</p>		
Significance		
Medium		
Management response		
<p>The referred to account is a reserve account that was established to be controlled by Board of Directors specifically for capital development.</p>		
Management Action	Implemented by	Implementation date
Account will stay as approved by the Board		

**INDEPENDENT AUDITORS' REPORT ON THE AUDIT OF THE AGENCY FOR  
ACCELERATED REGIONAL DEVELOPMENT (AFARD)  
1 JANUARY 2011 TO 31 DECEMBER 2011**

**4.3 FOLLOW-UP OF PRIOR YEAR RECOMMENDATIONS**

There were no reportable conditions on compliance with agreement terms and applicable laws and regulations in the prior year.