



**AGENCY FOR ACCELERATED REGIONAL  
DEVELOPMENT  
(AFARD)**

**Audit Report and the Fund Accountability Statement for the  
period ended 31<sup>ST</sup> December 2015**

KPMG Certified Public Accountants  
P O Box 3509  
Kampala

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The specific objective of this report is to document our findings from the audit of the Fund Accountability statement, and report on any weaknesses and misrepresentations in the internal control procedures and bookkeeping & accounting practices.

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## **1 DIRECTORS, OFFICERS AND ADMINISTRATION**

### **DIRECTORS**

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

### **BOARD SECRETARY/ LAWYERS**

Mr. Michael B. Okecha  
Okecha Baranyanga & Co. Advocates  
5th Floor Umoja House  
Plot 20 Nakasero Road  
P.O. Box 27555  
Kampala, Uganda

### **SENIOR MANAGEMENT**

Dr. Alfred Lakwo	-	Executive Director
Mr. Wilfred Cwinyaa	-	Monitoring and Evaluation Manager
Ms. Florence Candiru	-	Finance and Administration Manager
Mr. Robert Bakyalire	-	Programme /Ag Business Development Manager
Ms. Vuni Julie Flavia	-	Yumbe Team leader
Ms. Dorcus Akello	-	Project Coordinator
Mr. Benon Twijukye	-	Business Development Manager.

### **AUDITORS**

KPMG  
Certified Public Accountants  
3rd Floor, Rwenzori Courts  
Plot 2 & 4A Nakasero Road  
P O Box 3509  
Kampala, Uganda

**REGISTERED OFFICE AND PLACE OF OPERATION**

Agency For Accelerated Regional Development  
P.O. Box 80, Nebbi, Uganda  
Plot: 3-5 Butiime Road  
Nebbi Town Council

**BANKERS**

Centenary Rural Development Bank,  
Plot 125 Paidha Road  
P.o.Box 179  
Nebbi Branch, Uganda

Stanbic Bank  
Nebbi Branch  
P.O Box 29  
Nebbi, Uganda

## **LIST OF ABBREVIATIONS /ACRONYMS**

AFARD	-	Agency for Accelerated Regional Development
AMI	-	AFARD Micro Finance Initiative
BCC	-	Behavioral Change Communication
BoD	-	Board of Directors
BOs	-	Beneficiary Organisation
CERUDEB	-	Centenary Rural Development Bank
CSF	-	Civil Society Fund
EC	-	European Commission
FiCAP	-	Fisher Community Anti-Aids Project
HCT	-	HIV Counseling and Testing
HIV	-	Human Immuno-deficiency Virus
IEC	-	Information Education Communication
IFRS	-	International Financial Reporting Standards
KNH	-	Kinder Not Hilfe
LLG	-	Lower Local Government
MoU	-	Memorandum of Understanding
NASON	-	Nebbi AIDS Services Organization Network
NGO	-	Non-Governmental Organization
NSSF	-	National Social Security Fund
OVC	-	Orphans and Vulnerable Children
PELUM	-	Participatory Ecological Land Use and Management – Uganda
PMTCT	-	Prevention of Mother-to-Child Transmission
PLHIV	-	Persons Living With HIV
RNE	-	Royal Netherlands Embassy
UNASO	-	Uganda National AIDS Services Organizations
UWASNET	-	Uganda Water and Sanitation NGO Network
UWIN	-	Uganda Water Integrity Network
WAD	-	World Aids Day
WATSAN	-	Water and Sanitation Project
WENDI	-	West Nile Development Initiative
VAT	-	Value Added Tax
VCT	-	Voluntary Testing and Counseling
VIP	-	Ventilated Improved Pit latrine

### 3 INTRODUCTION

#### 3.1 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 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).

**3.1.1 Vision:** “A Prosperous, Healthy and Informed people of West Nile”.

**3.1.2 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”.

**3.1.3 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 its expertise by way of consultancy to other development stakeholders interested in obtaining current, detailed, reliable and authoritative information about the region.

**1.1.4 Organizational Strategies**

- **Skills development** covering organizational management and technical training.
- **Participatory action research** into local problems to make interventions locally sensitive and policy relevant.
- **Information gathering and dissemination** from and to the grassroots communities in forms appropriate for the promotion of knowledge-based growth.
- **Resource mobilization** basing largely on locally available resources while external sources are seen as supplements for specific non-substitutable purposes.
- **Networking and linkages** with other institutions- locally, nationally and globally to share information, useful experiences, skills and other resources.
- **Advocacy and lobbying** given that regardless of the actors involved development is a human right and must be promoted equitably and to the needs of the voiceless marginalized people.



### **3.1.5 Thematic Focus**

AFARD's scope of operation is mainly focused on its current 5-year strategic plan (2015-19) that aims to "contribute to the socioeconomic transformation of 150,000 vulnerable and marginalized people for inclusive and resilient livelihoods." To achieve this goal, AFARD is pursuing six strategic pillars, namely:

- **Pillar 1:** Climate-smart and nutrition-sensitive agriculture for food and nutrition security for 95% of targeted vulnerable households:
- **Pillar 2:** Economic empowerment and asset building to lift 65% of targeted women and youth out of extreme poverty line:
- **Pillar 3:** Human capital building to enhance laborer productivity through a 75% reduction in the malaria and gastro-intestinal infection rates and a 15% increase in literacy rates:
- **Pillar 4:** Community-led advocacy by partner community organizations to ensure responsive and accountable local governance in at least 20 lower local governments:
- **Pillar 5:** Community group strengthening to improve organizational management and ensure groups are financially suitable with UGX 35 million in group loan schemes: and
- **Pillar 6:** Organizational growth and suitability to strengthen AFARD's operational and financial capacity to co-fund 25% of its annual budget and build a UGX 0.5 billion reserve fund.

### **3.1.6 Funding for the year ended 31 December 2015**

The projects implemented by AFARD during the year ended 31 December 2015 were funded using internally generated funds and funding from donors including: GORTA, Civil Society Fund (CSF), Kinder Not Hilfe (KNH), PELUM, SNV Netherlands Development Organization, Danish International Development Agency and Total E&P.

### **3.2 Audit scope**

The audit covered transactions recorded from 1 January 2015 to 31 December 2015 and is purely an audit of the fund accountability statement.

Our understanding of the terms of reference is based on the engagement letter signed between KPMG and AFARD and discussion held with management and is set out as follows:

The audit is to be carried out in accordance with International Standards on Auditing and will include such tests and audit procedures as the auditor considers necessary under the circumstances. More specifically, the auditor is required to;

- Confirm that funds were used in accordance with the conditions of funding agreements and only for the purposes for which the funding was provided;
- Undertake an evaluation of a system of internal control, including organization structure, authority levels, staffing competence, accounting records and supporting documents, separation of duties and monitoring arrangements. Where certain controls are impracticable to implement, appropriate compensating controls should exist;
- To plan for the audit so that there is reasonable expectation of detecting material misstatements in the fund accountability statement resulting from fraud or error.

### **3.3 Audit methodology**

The audit methodology principally comprised of:

- (a) Audit of the fund accountability statement:
  - Reconciled the fund statement to the underlying records, principally the projects budget and expenditure report;
  - Documented findings, observations and recommendations.
- (b) Review of the project's budget and expenditure reports:
  - Agreed cash receipts to supporting documents on a 100% basis for donor funds and on a sample basis for internally generated funds;
  - 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; and
  - Documented findings, observations and recommendations.
- (c) Evaluation of adequacy and effectiveness of the internal control structure:
  - We performed a review of the internal control structure of the project; and
  - Documented findings, observations and recommendations.
- (d) 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 project management attitude and our exercise of professional judgment regarding perceived audit risks;
  - Focused on specific areas that we considered to be high risk; and
  - Were alert to identify and bring to light at the earliest stage any actions which appear to be violations of Government laws and regulations, provisions of the agreements with the donors and other relevant directives.

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## STATEMENT OF MANAGEMENT'S RESPONSIBILITIES

Management is responsible for the preparation and presentation of the Fund Accountability Statement of AFARD, which comprise the Statement of Receipts and expenditures for year ended 31 December 2015 and the notes to the Fund Accountability Statement which include a summary of significant accounting policies and other explanatory notes set out on pages 7 to 11.

Management's responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the Fund Accountability Statement that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. They are also responsible for safeguarding the assets of the organization.


Management is required to prepare the fund accountability statement for each financial year which presents fairly, in all material respects, the state of affairs as at the end of the financial year and the operating results of the organization for that year. It also requires Management to ensure the organization keeps proper accounting records which disclose with reasonable accuracy the financial position of the organization.

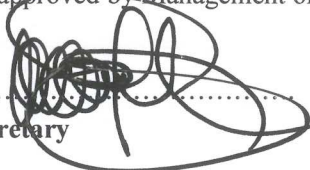
Management further accepts responsibility for the maintenance of accounting records, which may be relied upon in the preparation of the Fund Accountability Statement, as well as adequate systems of internal control.

Management has made an assessment of the organizations ability to continue as a going concern and have no reason to believe AFARD will not be a going concern for at least the next twelve months from the date of this statement.

### Approval of the financial statements

The Fund Accountability statement was approved by Management on 18.3.2016 and were signed on its behalf by:

  
.....  
Chairperson

  
.....  
Secretary

  
.....  
Executive Director

Date: 18.3.2016



## 5 REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AFARD

### Report on the Fund Accountability Statement

We have audited the accompanying fund accountability statement of AFARD, which comprise the income and expenditure statement for the year ended 31 December 2015 and a summary of significant accounting policies and other explanatory notes set out on pages 6 to 11.

### Management's Responsibility for the Fund Accountability Statement

The management of AFARD is responsible for the preparation and fair presentation of the Fund Accountability statement in accordance with the obligations as per donor requirements, and for such internal control management determine is necessary to enable preparation of the fund accountability statement that is free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

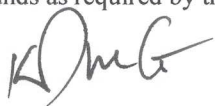
Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the auditor's judgment, 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, the auditor considers internal control relevant to the AFARD's preparation and 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 effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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 opinion.

### Opinion

In our opinion the Fund Accountability Statement presents fairly, in all material respects, of the income and expenditure statement of AFARD for the year ended 31 December 2015, in accordance with the accounting policies set out under note 7.2.1 and comply with the rules and conditions governing the use of funds as required by the donor agreements.

  
**KPMG**  
Certified Public Accountants  
P O Box 3509  
Kampala, Uganda

Date: 23 March 2016



## 6 FUND ACCOUNTABILITY STATEMENT

### 6.1 Income and expenditure statement for the year ended 31 December 2015

	Notes	2015 Ushs'000	2014 Ushs'000
<b>Income</b>			
Fund balance as at 1 January		332,533	430,982
Less: Cash from Business wing split from the NGO		(41,537)	-
Grant income	6.2.2	1,921,316	1,740,999
Income from farming activities	6.2.3	-	920,994
Income from AFARD operations	6.2.4	233,397	186,178
<b>Total income available</b>		<b>2,445,709</b>	<b>3,279,153</b>
<b>Expenditure</b>			
Program expenditure	6.2.5	2,064,314	1,779,779
Farming activities expenditure	6.2.6	-	908,862
Administrative costs	6.2.7	179,744	257,979
<b>Total expenditure</b>		<b>2,244,058</b>	<b>2,946,620</b>
<b>Surplus for the year</b>		<b>201,651</b>	<b>332,533</b>
<b>Represented by</b>			
AFARD Microfinance (Reserves)	6.2.8	68,615	36,614
Cash and cash equivalents	6.2.9	133,036	295,919
<b>Fund balance as at 31 December</b>		<b>201,651</b>	<b>332,533</b>

This Fund Accountability Statement was approved by management on .....18.2. 2016 and signed on its behalf by:

  
.....  
Chairperson

  
.....  
Secretary

  
.....  
Executive Director

The notes set out on pages 7 to 11 form an integral part of the Fund Accountability Statement.

## **6.2 NOTES TO THE FUND ACCOUNTABILITY STATEMENT FOR THE YEAR ENDED 31 December 2015**

### **6.2.1 Principal Accounting Policies**

#### **6.2.1.1 *The reporting entity***

AFARD is a Non-Governmental Organization (NGO) registered in Uganda under the NGO Registration Statute 1989 as an NGO and by the Registrar of Companies as a company Limited by Guarantee.

#### **6.2.1.2 *Accounting basis***

- a) The fund accountability statement is prepared on a cash accounting basis. Under this basis, income is recorded when it is received, while expenditures are recorded when paid for.
- b) Accordingly, the fund accountability statement is not intended to be in conformity with International Financial Reporting Standards (IFRS).

#### **6.2.1.3 *Grant income***

Grant income is recognized on receipt of funds.

#### **6.2.1.4 *Expenditure***

Expenditure is recognized at the time of payment. All purchases are expensed in the statement of income and expenditure in the year of purchase.

#### **6.2.1.5 *Fixed assets***

Property and equipment, furniture and fixtures, collectively referred to as fixed assets, are funded through donor programs and internally raised funds and are recorded as an expense at the time of acquisition. Accordingly, no amortization of fixed assets is charged to fund accountability statement. A fixed assets register is maintained as a monitoring and control tool regarding the usage and ownership of the assets.

#### **6.2.1.6 *Currency***

This fund accountability statement is presented in thousands of Uganda Shillings.

## 6.2.2 Grant income

Project	2015 Ushs'000	2014 Ushs'000
AFARD Gorta-WENDI	-	176,315
AFARD Gorta-CEEP	362,083	896,645
AFARD Irish Aid Project	-	-
Food Security Programme-Manos Unidas	-	-
AFARD Community Wide	500	65,921
Civil Society Fund(CSF)	126,837	199,307
Erussi/Ndhew Community Development Project (KNH)	235,281	139,400
AFARD Wash Project-Ulamkule	-	50
OYE & SSH4A(SNV Funded)	134,068	62,579
Total E&P	-	151,135
PELUM	16,589	49,647
AFARD YES	240,687	-
AFARD DAR3 Programme	379,542	-
PSFU Grant Income in Kind	425,729	-
	<b>1,921,316</b>	<b>1,740,999</b>

These are cash transfers from the donors received during the year. Grants are used for the specific donor projects and separate accounts are maintained for each project.

## 6.2.3 Income from farming activities

Project	2015 Ushs'000	2014 Ushs'000
Farm	-	50,391
Grains	-	340,364
Poultry	-	127,553
Tractors	-	62,996
Lorry Hire	-	19,315
Other Incomes	-	19,863
Interest Earned on Deposits	-	18,517
Sale of seeds	-	-
Sale of iron sheets	-	-
Guest House	-	120
Loan Refund	-	165,000
Procurement Refunds	-	116,875
	<b>-</b>	<b>920,994</b>

#### 6.2.4 Income from other AFARD operations

	2015 Ushs'000	2014 Ushs'000
Members Contribution	155,915	121,530
Bid fee	-	-
Disposal Income	22,592	-
Hall Hire	6,700	800
Interest Income	11,550	62,914
Staff medical insurance contribution	36,640	934
	<b>233,397</b>	<b>186,178</b>

Members' contributions are cash and non-cash contributions made by the founder members of AFARD to the Organization. Such contributions are made voluntarily by the members, with no ceiling or minimum contribution for each member in a particular period. The contributions are used for the daily running of the organization, purchase of property and equipment and the current construction work being undertaken by the agency.

#### 6.2.5 Programme Expenditure

Project	2015 Ushs'000	2014 Ushs'000
AFARD Gorta-WENDI	169,706	346,588
AFARD Gorta-CEEP	355,603	710,021
AFARD Irish Aid Project	297	24,812
Food Security Programme-Manos Unidas	-	49
AFARD Community Wide	5,553	67,431
Civil Society Fund(CSF)	139,376	209,111
Erussi/Ndhew Community Development Project (KNH)	231,885	190,030
AFARD Wash Project-Ulamkule	0	4,022
OYE & SSH4A(SNV Funded)	82,812	62,579
Total E&P	15,462	141,331
PELUM	38,442	23,805
AFARD YES	239,904	-
AFARD DAR 3 Programme	359,545	-
PSFU Grant Income in Kind	425,729	-
	<b>2,064,314</b>	<b>1,779,779</b>

Programme expenditure relates to expenses incurred in the implementation of project activities as funded by different donors. A detailed comparison of the project expenditure against the approved budgets for each project is provided in fund accountability statement for each project in section 5 of this report.



**6.2.6 Farming activities expenditure**

	2015 Ushs'000	2014 Ushs'000
Purchase of seed	-	473,109
Farm Administration Expenditure	-	142,191
Capital Expenditure	-	27,268
Factory Expenditure	-	1,264
FAL Expenditure	-	800
Farm Expenditure	-	11,943
Grain Collection Cost	-	4,532
Maintenance Expenditure	-	10,631
Personnel Expenditure	-	56,482
Poultry Expense	-	96,240
Sales and Marketing Expenditure	-	100
Store Costs	-	2,557
Tractor Expense	-	54,861
Transportation to Main Store	-	17,400
Transport and Cost to Buyer	-	50
Transporting Cassava	-	4,841
Travel Expenses	-	4,264
Utilities	-	329
	<b>-</b>	<b>908,862</b>

**6.2.7 Administrative costs**

	2015 Ushs'000	2014 Ushs'000
Governance	9,506	6,726
Personnel cost	59,496	44,699
Other Staff Costs	20,599	27,225
Capital Costs	4,596	153,401
Office Supplies	1,851	1,933
Training, Research, Documentation & Awareness	2,270	9,372
Other Costs	81,426	14,623
	<b>179,744</b>	<b>257,979</b>

**6.2.8 Reserves**

	2015 Ushs'000	2014 Ushs'000
AFARD Microfinance Account	68,615	36,614
	<b>68,615</b>	<b>36,614</b>

**6.2.9 Cash and cash equivalents**

	2015 Ushs'000	2014 Ushs'000
<b>Unrestricted Funds</b>		
AFARD Operational Account	748	20,949
AFARD Personnel Account	11,696	1,485
AFARD Medical Insurance	32,478	934
<b>Restricted Funds</b>		
AFARD GORTA Account	6,597	169,823
Civil Society Fund	-	12,538
PAYERA Community Project Account	4,311	915
AFARD Decentralization Account	51,255	15,462
AFARD Community Wide Project Account	-	5,053
AFARD Irish Aid Project Account	963	1,260
AFARD Wash Project-Ulamkule	4,111	25,964
AFARD YES	784	-
AFARD DAR3 Programme	19,997	-
<b>AFRAD Business Wing</b>		
AFARD Poultry Account	-	14,421
AFARD Tractor Account	-	7,100
AFARD Seed Capital Account	-	3,213
AFARD Farm Account	-	16,802
CASH AT HAND	96	-
	<b>133,036</b>	<b>295,919</b>

## **7 MANAGEMENT LETTER**

### **7.1 Introduction**

We have completed the audit of the Fund Accountability Statement of AFARD for the year ended 31 December 2015 and accordingly wish to record our appreciation for the assistance accorded to us by management.

The primary purpose of our audit was to enable us to express an opinion as to whether or not AFARD's Fund Accountability Statement presents fairly, in all material respects of the financial position in accordance with generally accepted accounting practices and the donor agreements.

As part of our Audit scope and in accordance with the requirements of International Standards on Auditing, we reviewed and evaluated systems of internal accounting controls only to the extent we considered necessary, in order to establish the nature, timing and extent of auditing procedures necessary for expressing an opinion on the Fund Accountability Statement.

Our audit of the Fund Accountability Statement for the year ended 31 December 2015 therefore would not necessarily disclose all weaknesses in the system because it is based on selective testing of accounting transactions.

This report summarizes certain observations and recommendations which resulted from our audit. The implementation of these recommendations should assist management in improving internal controls.

Finally, we shall be pleased to discuss and explain these recommendations and to provide any assistance and support you may require to put them into effect.

## **7.2 Current year issues**

### **7.2.1 No Tax exemption certificate**

#### ***Observation***

AFARD registered as a Not for profit Non-governmental development agency in July 2000 and registered with the NGO Board (Reg. No S.5914/3753) and with the Registrar of Companies (Reg. No. 45179). With its status as an NGO, it would qualify for tax exemption but only with the confirmation of a tax exemption certificate from Uganda Revenue Authority (URA).

We however noted that the organization has not yet obtained a tax exemption certificate and has not been paying income tax on the surplus funds.

#### ***Risk***

Absence of a tax exemption certificate could expose the organization to tax claims, including fines and penalties for non compliance and or late remittance/filing.

#### ***Recommendation***

Management should expedite the process to secure a tax exemption certificate to safeguard the organization from potential tax claims by URA.

#### ***Management Comments***

*The Board of Directors resolved that the Board Secretary should expedite processing of tax exemption.*

### **7.2.2 Statutory deductions – Local Service Tax (LST)**

#### ***Observation***

From our review of AFARD's computation of LST, we noted that the deductions made by management in the year were not in compliance with the LST Act, resulting in an over recovery and remittance by Ushs 60,000 in 2015.

#### ***Risk***

Over deduction of staff salary may result into demotivation of staff.

#### ***Recommendation***

Management should ensure the LST deductions made are compliant with the provisions of the LST Act.

#### ***Management Comments***

*The LST processing was based on staff basic salary, as was advised by the Town Treasurer, Nebbi Town Council. Review will be done in processing LST in 2016.*



### **7.2.3 Inadequate review of bank reconciliations**

#### ***Observation***

We noted that no reconciliation had been done for the CWP project account as at year end since AFARD completed the community wide project and was waiting for additional funding to begin the Inclusion Project.

#### ***Risk***

Dormant accounts attract charges and may be used to perpetuate fraudulent activities.

#### ***Recommendation***

Management should ensure that bank reconciliations prepared are adequately reviewed and any review errors detected investigated and corrected promptly.

#### ***Management comment***

*This account was left active in anticipation of the kick-off of Inclusion project. Unfortunately, the technology test phase has lasted for more than 7 months.*

#### 7.2.4 No evidence of background checks for the new staff

##### **Observation**

According to the Human Resource Policy section 2.1.2.9, background checks are to be done for all joiners. KPMG noted that background checks for the new Agricultural Extension Officers, drivers and security guards were not attached on the employee files.

##### **Risk**

Failure to conduct background checks on new employees may lead to the recruitment of inexperienced employees.

##### **Recommendation**

Management should ensure that background checks are done for all new employees.

##### **Management Comments**

*Management conducts due diligence on all middle and top management staff to ensure that the right people are hired. This is extended to include new staff with a work history.*

#### 7.2.5 Inadequate management controls over fleet costs

##### **Observation**

Section 14.6.9, of the Finance manual requires fuel purchased for respective vehicles or motorcycles shall be recorded in logbook, indicating the date, mileage and litres consumed. However, KPMG noted that there is no reconciliation between fuel purchased, distances covered and fuel consumed while in the field.

##### **Risk**

Lack of proper monitoring over the fuel costs, may lead to misappropriation of fuel allocated to project activities.

##### **Recommendation**

Management should ensure that fuel consumed for project activities is reconciled to fuel purchased.

##### **Management Comments**

*Management is currently engaging a consultant to design a web-based tool to track fuel consumption.*

## 8 APPENDIX i): FUND ACCOUNTABILITY STATEMENTS FOR INDIVIDUAL PROJECTS IMPLEMENTED DURING THE YEAR

The fund accountability reports for the different projects implemented by AFARD during the year compare to the budget as follows;

### 8.1 AFARD Gorta-WENDI Project: Fund accountability statement for the year ended 31 December 2015

	Budget 2015 Ushs'000	Actual 2015 Ushs'000
<b>Income</b>		
At 1 January	169,823	169,823
Grants and Donation	-	-
	<b>169,823</b>	<b>169,823</b>
<b>Expenditure</b>		
<b>KRA 1: 35 viable BO agri-businesses are established and nurtured into profitable entities</b>		
Co-fund BO agro enterprise establishments	102,058	102,058
Train and mentor agro enterprise Community Frontline Extension Agents (CEFA)	205	205
Train BMCs members in collective business management.	32,528	32,411
Conduct business mentoring and coaching visits	1	1
Conduct business management trainings	-	-
Hold participatory agro enterprise review meetings	360	360
<b>KRA 2: Programmes management and accounting improved</b>		
Conduct periodic management monitoring visits	95	95
Produce /disseminate periodic performance report production	2,500	2,500
Monitoring and Evaluation- Audit	20,000	20,000
<b>Programmes Management cost</b>		
Provide administrative cost support	12,076	12,076
<b>Total Expenditure</b>	<b>169,823</b>	<b>169,706</b>
<b>Surplus for the year</b>	<b>-</b>	<b>117</b>

**8.2 AFARD Gorta-CEEP Project: Fund accountability statement for the year ended 31 December 2015**

	Budget 2015 Ushs'000	Actual 2015 Ushs'000
<b>Income</b>		
Grants and Donation	361,717	362,083
	<b>361,717</b>	<b>362,083</b>
<b>Expenditure</b>		
<b>Resource</b>		
<b>KRA 1: 35 viable BO agri-businesses are established and nurtured into profitable entities</b>		
Co-fund 26 BO agro enterprise establishments	-	-
Train and mentor 136 Agro enterprise Community Frontline Extension Agents' (CEFA)	13,380	13,175
Train 5 trainers in Business management	-	-
Train BMCs members in collective business management	-	-
Conduct 104 business mentoring and coaching visits	1,040	1,028
Conduct 130 business management trainings	3,596	3,161
Support 96 market and business-to-business linkages	-	-
Hold 10 participatory agro enterprise review meetings	10,226	10,223
Conduct 6 district network review meetings	26,450	26,433
<b>KRA 2: Programmes management and accounting improved</b>		
Conduct periodic management monitoring visits	15,840	14,532
Periodic Board/LG monitoring visits	10,750	10,727
Produce/disseminate periodic performance report production	2,500	-
Monitoring and Evaluation (Audit)	20,000	20,000
Provide for Project staffs	225,900	225,900
<b>Programmes Management cost</b>		
Provide administrative cost support	32,035	30,424
<b>Total Expenditure</b>	<b>361,717</b>	<b>355,603</b>
<b>Surplus for the year</b>	<b>-</b>	<b>6,480</b>



**8.3 AFARD Irish Aid Project: Fund accountability statement for the year ended 31 December 2015**

	Budget 2015 Ushs'000	Actual 2015 Ushs'000
<b>Incomes</b>		
At 1 January	1,259	1,259
Grants and Donations	-	-
	<u>1,259</u>	<u>1,259</u>
<b>Expenditure</b>		
Provide Admin. Cost Support	1,259	297
Conduct Exchange Visits	-	-
<b>Total Expenditure</b>	<u>1,259</u>	<u>297</u>
<b>Surplus for the year</b>	<u>-</u>	<u>962</u>

**8.4 AFARD Community Wide Project: Fund accountability statement for the year ended 31 December 2015**

	Budget 2015 Ushs'000	Actual 2015 Ushs'000
<b>Income</b>		
At 1 January	5,052	5,052
Members contribution	500	500
	<u>5,552</u>	<u>5,552</u>
<b>Expenditure</b>		
Administrative Costs-Bank Charges	153	153
Sponsorship to Baraka students	5,400	5,400
<b>Total Expenditure</b>	<u>5,553</u>	<u>5,553</u>
<b>Surplus for the year</b>	<u>-</u>	<u>-</u>

**8.5 Civil Society Fund (CSF) Project: Fund accountability statement for the year ended 31 December 2015**

	Budget 2015 Ushs'000	Actual 2015 Ushs'000
<b>Income</b>		
At 1 January	12,539	12,539
Grants and Donation	126,837	126,837
	<b>139,376</b>	<b>139,376</b>
<b>Expenditure</b>		
Conduct 1 Bi-Annual Community Dialogue Per Parish	17,150	17,150
Conduct 6 Radio Talk Shows Targeting General Population	2,368	2,368
Conduct 120 Mobile HCT in 3 Sub counties	10,500	10,500
Mobilize & Refer 600 Men for SM Circumcision	432	432
Conduct Community PMTCT Services	3,948	3,948
Conduct 1 Training for 140 Peer Educators	-	-
Conduct Behavioral Change Communication to Reproduce & Distribute 24,000 IEC Materials	12,402	12,402
Conduct 1 Community Dialogue Session	2,960	2,960
Sensitize the District Probation Officers & Po	-	-
Hold 5 PTC Formation Meetings Attended by 175	1,767	1,767
Conduct 2 Training Session for New PTC Members	-	-
Engage 28 PLHIV to Give Live Testimonies During	-	-
Conduct 42 Dialogue to Men & Women	2,100	2,100
Conduct Quarterly Mentorship, Supervision & Feedback	20,241	20,241
Participate in 6 National HIV/AIDS Meetings	6,673	6,673
Participate in 3 Annual WAD Celebrations	723	723
Hold Joint Quarterly Review Meetings	-	-
Produce& Distribute Data Tools(BCC,HCT	11,493	11,493
Build Capacity of Project Staff	4,906	4,906
Other M&E Activities	3,840	3,840
Programme Management	13,196	13,196
	24,967	24,967
<b>Total expenditure</b>	<b>139,376</b>	<b>139,376</b>
<b>Surplus for the year</b>	<b>-</b>	<b>-</b>

**8.6 SSH4A (SNV Funded) Project: Fund accountability statement for the year ended 31 December 2015**

	Budget 2015 Ushs'000	Actual 2015 Ushs'000
<b>Grants and Donations</b>	<b>134,068</b>	<b>134,068</b>
<b>Expenditure</b>		
Partner staff planning meeting	1,560	1,560
Sub county health assistant verification	734	734
Project management costs	32,642	32,642
Fuel for activities	20,919	7,019
Management costs	56,333	18,978
Reconnaissance costs	2,810	2,810
Village level verifications	4,866	4,866
District & ODF verifications	300	300
Joint planning meeting with sub county	335	335
Training project team on demand creation	1,782	1,782
Working with village structures	1,796	1,796
Conduct demand triggering sessions	3,670	3,670
Sanitation committee follow up	6,320	6,320
<b>Total Expenditure</b>	<b>134,067</b>	<b>82,812</b>
<b>Surplus for the year</b>	<b>-</b>	<b>51,256</b>

**8.7 Total E&P Project: Fund accountability statement for the year ended 31 December 2015**

	Budget 2015 Ushs'000	Final 2015 Ushs'000
<b>Income</b>		
At 1 January	15,462	15,462
Donation	-	-
	<b>15,462</b>	<b>15,462</b>
<b>Expenditures</b>		
End of Project Evaluation	11,000	11,000
Dissemination of study findings	409	409
Radio Talk Show	1,120	1,120
Transport refunds for participants.	2,870	2,870
Administrative cost	63	63

<b>Total Expenditure</b>	<b>15,462</b>	<b>15,462</b>
<b>Surplus for the year</b>	<b>-</b>	<b>-</b>

**8.8 PELUM Project: Fund accountability statement for the year ended 31 December 2015**

	<b>Budget 2015 Ushs'000</b>	<b>Actual 2015 Ushs'000</b>
<b>Income</b>		
<b>At 1 January</b>	25,964	25,964
<b>Grants and donation</b>	16,589	16,589
<b>Total Income</b>	<b>42,553</b>	<b>42,553</b>
<b>Expenditure</b>		
Hold Radio talk shows	1,040	1,040
Conduct baseline survey	-	-
Management monitoring	100	100
Administrative support	1,405	1,324
Personnel support	3,900	3,900
Conduct Gender responsive market survey	1,728	1,728
Support farmers to dialogue with market	7,320	7,320
Train in Quality Management & Cost benefits analysis	4,952	4,952
Train farmers in business planning	2,979	2,979
Business plan follow up	1,700	1,700
Sensitize Farmer Groups to advocate for policy	3,130	3,130
Train farmers in GALs	2,989	2,989
Engage LLG Officials in Agriculture Market	7,280	7,280
<b>Total Expenditure</b>	<b>38,525</b>	<b>38,442</b>
<b>Surplus for the year</b>	<b>-</b>	<b>4,111</b>



## 8.9 Detailed fund accountability statement for Erussi/Ndhew Community Development Project (ENCDP)-KNH for the year ended 31 December 2015

	Budget 2015 Ush'000	Actual 2015 Ush'000
<b>Income</b>		
At 1 January	915	915
KNH Project Budget grant	235,459	233,863
Ear Marked grant	1,418	1,418
<b>Total Income</b>	<b>237,792</b>	<b>236,196</b>
<b>EXPENDITURE</b>		
Formation of new Self Help Groups	924	924
Capacity building trainings for Self Help Groups	4,796	4,796
Protect springs	24,920	24,920
Train Cluster Level Associations/CFs in sanitation and Hygiene sanitation	1,548	1,548
Conduct Sanitation and Hygiene awareness	673	673
Hold annual village safe sanitation competition for Self Help Group members	5,310	5,310
Lobby for construction of culverts & bridges	-	-
Formation of new Cluster Level Associations	141	127
Conduct various capacity building trainings for Cluster Level Associations	503	503
Conduct monthly monitoring visits	404	404
Conduct monthly Community and child facilitators meetings	403	379
Conduct Cluster Level Association quarterly review meetings	1,713	1,705
Conduct bi-annual participatory grading and financial auditing in Self Help Groups	186	186
Train Cluster Level Associations/CFs on human and women rights and gender based violence	970	970
Train Cluster Level Association members/CFs in child rights	970	970
Organise Self Help Group Day	5,450	5,450
Develop and produce posters on women and children's rights violation	1,000	1,000
Sensitise Self Help Group members on child rights:	82	82
Sensitise Self Help Group members on women's rights and gender based violence	82	82
Hold drama shows on women's rights	3,300	3,300
Sensitise local leaders on women's rights	82	82
Train Cluster Level Association members/CFs/CFs on Children Group modules	787	787
Formation of additional children's groups	534	534
Train children's groups on Children Group module	2,372	2,282
Facilitate children to write letters to their foster parents	4,264	4,256
Conduct child census	1150	1222
Routinely monitor the sponsored children	160	180

Facilitate celebration of Day of African child:	6,340	6,380
Update information on children under sponsorship programme	1,560	1,560
Process Christmas cards for the sponsored children	1,860	1,860
Facilitate children's Christmas party	1960	1960
Hold Education Counselling and guidance day	560	560
Training of Cluster Level Association on the roles of Children Group's Sub Committee and Formation	266	318
Orient the Children Groups Sub Committee on Children's group Module	316	266
Conduct training for Cluster Level Association Sub Committee for children on the objectives of the children's group module	347	297
Creating awareness to community members on the state of Children in the community and introducing children's group as an initiative to better the situation	1601	1601
Train Children Groups facilitators on composition and features of children in groups	321	321
Train Children Groups facilitators on formation of Children's groups	202	202
Training of Children Groups facilitators and Children Groups Representatives on Book writing	620	570
Empowerment of Children Groups facilitators and Children Groups representatives on how to identify resourceful persons	697	617
Capacity building for Children Group facilitators together with Children Group representatives on how to hold regular meetings	1,152	1,152
Exposure visits	2,300	300
Participatory (joint) monitoring	320	80
Routine Monitoring and support visit by management	600	550
Baseline survey	5,560	5,520
Ear marked grant	1,418	1,418
Basic Salary	59,400	57,491
Leave Allowance	3,713	3,713
N.S.S.F 10%	5,940	5,749
Medical Insurance	3,312	3,312
Provident fund 15%	8,910	8,910
Workman's Compensation	743	743
Postage& mails	207	107
Telephone	720	760
Travel and transport for staff on official Duty	26,058	25,683
Internet	1,020	1,020
Accommodation & Meals	3,600	3,235
Utilities	600	609
Bank Charges	996	1765
2015 Audit	4,915	4,915
Office rent	1,800	1,800
Stationaries	3,040	3,166
Welfare	3888	3,751
Hospitality for visitors	570	293
Repairs & Maintenance	1,200	1,189
Support staffs	3,000	3,000
Community and Child facilitators Allowances	13,440	13,440

<b>Total Expenditure</b>	<b>237,792</b>	<b>231,885</b>
<b>Surplus/Deficit for the year</b>	<b>-</b>	<b>4,311</b>

#### 8.10 DAR3 -Fund accountability statement for the year ended 31st December 2015

	Budget 2015 Ushs'000	Actual 2015 Ushs'000
<b>Income</b>		
Grants and Donation	379,542	379,542
<b>Expenditure</b>		
Pay & Facilitate AES & AEOs	222,964	221,499
Train farmer groups in good agricultural practices	14,900	12,933
Pay and facilitate marketing coordinator	7,750	7,741
Support Collective marketing	9,118	6,274
Pay & Facilitate ATS & ATOs	5,470	5,345
Prepare farmer group business plans	15,520	15,057
Conduct weekly radio shows	30,754	19,990
Support DLG monitoring	5,096	3,108
Facilitate IP Staff	52,820	52,820
Support IP Operation	14,300	13,928
Provide Equipment	-	-
Motorcycle Insurance	850	850
Total Expenditure	379,542	359,545
Surplus/ Deficit for the year	-	19,997

#### 8.11 Youth Employability through Enterprise and Skills Development (YES)-Fund accountability statement for the year ended 31 December 2015

	Budget 2015 Ushs'000	Actual 2015 Ushs'000
<b>Incomes</b>		
Grants and Donation	240,687	240,687
<b>Expenditure</b>		
Human Resource	101,600	101,533
local office	19,754	19,833
Program cost	8,873	8,863
Initial Project cost	7,603	7,603
Steering Committee meetings	758	520

**Agency for Accelerated Regional Development (AFARD)**  
**Audit report and the Fund Accountability Statement for the year ended 31 December 2015**

Sub county notification meetings	570	570
Town Council notification meetings	383	383
Town Council stakeholder rollout meetings	1,735	1,735
Beneficiary youth selection	1,045	1,045
Review of M&E tools	400	520
Quarterly review meetings	1,636	1,636
Youth diagnostic study	2,951	2,945
Training in entrepreneurship skills	2,838	2,838
Business plan development	1,635	1,635
Agronomic/Agribusiness training	1,625	1,625
District based meetings	757	757
Business coaching/mentoring	204	204
Field monitoring	1,570	1,420
Review, mentorship and march making	1,934	1,934
Training in Insurance	813	813
Inputs for Rural youth-Agriculture	67,222	62,892
Startup Kits for Urban youth	18,600	18,600
Total Expenditure	<b>245,696</b>	<b>239,904</b>
Surplus for the Year	-	783



## APPENDIX i). PROPERTY AND EQUIPMENT FIXED ASSET REGISTER

	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 Jan 2014	128,781	779,281	689,973	66,632	471,757	27,949	426,469	2,590,842
Additions	-	136,158	137,452	2,430	2,800	7,361	8,362	294,563
<b>At 31 December 2014</b>	<b>128,781</b>	<b>915,439</b>	<b>827,425</b>	<b>69,062</b>	<b>474,557</b>	<b>35,310</b>	<b>434,831</b>	<b>2,885,405</b>
At 1 Jan 2015	28,781	915,439	827,425	69,062	1,002,482	35,310	434,831	3,413,330
At 1 Jan 2015 transferred to AHL 2015 b/f	88,170	(533,567)	(151,312)		(796,771)			1,569,820
Additions	-	-	52,785	2,798	11,430	20,259	-	87,272
<b>At 31 December 2015</b>	<b>40,611</b>	<b>381,872</b>	<b>728,898</b>	<b>71,860</b>	<b>217,141</b>	<b>55,569</b>	<b>434,831</b>	<b>1,930,781</b>
<b>DEPRECIATION</b>								
At 1 January 2014	-	168,285	388,820	29,212	5,909	21,843	-	694,069
Charge for the year	-	45,772	170,654	8,633	59,320	7,659	-	292,038
<b>At 31 December 2014</b>	<b>-</b>	<b>214,057</b>	<b>559,474</b>	<b>37,845</b>	<b>145,229</b>	<b>29,502</b>	<b>-</b>	<b>986,107</b>
At 1 January 2015	-	214,057	559,474	37,845	145,229	29,502	-	986,107
Charge for the year	-	30,822	77,869	8,982	11,385	14,079	-	143,138
<b>At 31 December 2015</b>	<b>-</b>	<b>244,879</b>	<b>637,343</b>	<b>46,827</b>	<b>156,614</b>	<b>43,581</b>	<b>-</b>	<b>1,129,245</b>
<b>NET BOOK VALUE</b>								
At 31 December 2015	40,611	136,993	91,555	25,032	60,526	11,988	434,831	801,536
<b>At 31 December 2014</b>	<b>128,781</b>	<b>701,382</b>	<b>267,951</b>	<b>31,217</b>	<b>329,328</b>	<b>5,808</b>	<b>434,831</b>	<b>1,899,298</b>

Property and equipment is expensed upon purchase. The fixed assets register is however maintained for tracking purposes. Per the board resolution held on 27<sup>th</sup> June 2015 assets worth Ushs 1,569,820,000 were transferred to AFARD Holdings Limited (Business Wing).