



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

**Audit Report and the Fund Accountability Statement for the
period ended 31 December 2016**

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	(Term ended on 1 July 2016)
Ms. Royce Gloria Androa	-	Vice Chairperson	(Appointed on 1 July 2016)
Bishop Henry Luke Orombi	-	Member	
Lady Justice Flavia Anglin Ssenoga	-	Member	
Ms Silvia Angey Ufoyuru	-	Member	(Sworn in on 21 December 2016)
Dr. Sam Orochi Orach	-	Ex-officio Member	
Dr. Alfred Lakwo	-	Executive Director	
Mr. Okecha Michael	-	Board Secretary	

BOARD SECRETARY/LAWYER

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
Ms. Florence Candiru	-	Finance and Administration Manager
Mr. Robert Bakyalire	-	Programme Manager
Ms. Vuni Julie Flavia	-	Yumbe Team leader

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
Plot: 3-5 Butiime Road
P.O. Box 80
Nebbi Municipality, Uganda

BANKERS

Centenary Bank
Nebbi Branch
Plot 1/3/5 Bishop Orombi Road
Nebbi, Uganda

Stanbic Bank
Nebbi Branch
P O Box 29
Nebbi, Uganda

2 LIST OF ABBREVIATIONS /ACRONYMS

AFARD	-	Agency for Accelerated Regional Development
AMI	-	AFARD Micro Finance Initiative
BoD	-	Board of Directors
BOs	-	Beneficiary Organisation
CBT	-	Community Based Trainers
CBF	-	Community Based Facilitators
CEGED	-	Centre for Governance and Economic Development
CERUDEB	-	Centenary Rural Development Bank
CF	-	Community Facilitators
CLA	-	Cluster Level Association
CSF	-	Civil Society Fund
EC	-	European Commission
FAB	-	Farming As a Business
HIV	-	Human Immuno-deficiency Virus
IEC	-	Information Education Communication
IFRS	-	International Financial Reporting Standards
KNH	-	Kinder Not Hilfe
LLG	-	Lower Local Government
MAYEP	-	MANZO (Maracha, Nebbi, Zombo) Youth Empowerment Project
MoU	-	Memorandum of Understanding
NGO	-	Non-Governmental Organization
NSSF	-	National Social Security Fund
PELUM	-	Participatory Ecological Land Use and Management – Uganda
PI	-	People’s Institutions
PLHIV	-	Persons Living With HIV
PMC	-	Project Management Committee
QRM	-	Quarterly Review Meeting
SHG	-	Self Help Group
UNASO	-	Uganda National AIDS Services Organisation
UWASNET	-	Uganda Water and Sanitation NGO Network
UWIN	-	Uganda Water Integrity Network
VAT	-	Value Added Tax
VIP	-	Ventilated Improved Pit latrine
WENDI	-	West Nile Development Initiative
WENAGIC	-	West Nile Agriculture Improvement and Conservation
YEPP	-	Youth Economic Empowerment project
YMF	-	Young Model Farmer
YSE	-	Young Sanitation Entrepreneurs
VSLA	-	Village Saving and Loan Association
VHT	-	Village Health Team

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 Organisation (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 marginalised, 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.

3.1.4 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 mobilisation** 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 marginalised 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 socio-economic transformation of 150,000 vulnerable and marginalised 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 organisation's to ensure responsive and accountable local governance in at least 20 lower local governments:
- **Pillar 5:** Community group strengthening to improve organisational 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 2016

The projects implemented by AFARD during the year ended 31 December 2016 were funded using internally generated funds and funding from donors including: Kinder Not Hilfe (KNH), PELUM, SNV Netherlands Development Organization, Danish International Development Agency, Sall Foundation, Self Help Africa and European Union.

3.2 Audit scope

The audit covered transactions recorded from 1 January to 31 December 2016 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 organisation 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) 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
 - 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.

4 STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are 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 2016 and the notes to the Fund Accountability Statement which include a summary of significant accounting policies and other explanatory notes set out on pages 13 to 17.

The directors' responsibilities include: determining that the basis of accounting and accounting policies described in note 6.2.1.2 are an acceptable basis for preparing and presenting the Fund Accountability Statement, and for such internal control as the directors determines is necessary to enable the preparation of the Fund Accountability Statement that is free from material misstatements, whether due to fraud or error.

The directors are also 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 affairs of the organisation for that year. The directors are also required to ensure the maintenance of proper accounting records which disclose with reasonable accuracy the financial affairs of the organisation.

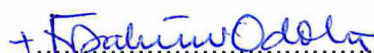
The directors accept responsibility for the Fund Accountability Statement set out on pages 13 to 17, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with the accounting policies described in note 6.2.1.2. The directors are of the opinion that the Fund Accountability Statement presents in all material respects, the state of the financial affairs of the organisation and of its operating results for the year.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of the Fund Accountability Statement, as well as adequate systems of internal financial control.

The directors have made an assessment of the company's ability to continue as a going concern and have no reason to believe the organisation will not be a going concern for at least the next twelve months from the date of this statement.


Approval of the Fund Accountability Statement

The Fund Accountability Statement was approved by Directors on2017 and was signed on its behalf by:

+ 

Chairperson


Secretary


Executive Director

Date:2017



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5 REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AFARD

Opinion

We have audited the Fund Accountability Statement of AFARD, which comprises the statement of fund balance as at 31 December 2016, the statement of income and expenditure for the year the ended, and a summary of significant accounting policies as set out on pages 13 to 17.

In our opinion, the Fund Accountability Statement is prepared, in all material respects, in accordance with the accounting policies set out in note 6.2.1.2 of the Fund Accountability Statement.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Fund Accountability Statement* section of our report. We are independent of the organisation in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the Fund Accountability Statement in Uganda, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Basis of Accounting and Restriction on Use

We draw attention to note 6.2.1.2 to the Fund Accountability Statement which describes the basis of accounting. The Fund Accountability Statement has been prepared to assist AFARD to comply with the organisation's accounting policies and the grant agreements. As a result, the Fund Accountability Statement may not be suitable for another purpose. Our report is intended solely for AFARD and should not be distributed to or used by parties other than AFARD. Our opinion is not modified in respect to this matter.

Responsibilities of Directors for the Fund Accountability Statement

The directors are responsible for the preparation of the Fund Accountability Statement in accordance with the accounting policies set out in note 6.2.1.2 and for such internal controls as the directors determine is necessary to enable the preparation of Fund Accountability Statement that is free from material misstatement, whether due to fraud or error.

In preparing the Fund Accountability Statement, the directors are responsible for assessing the organisation's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the organisation or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the organisation's financial reporting process.

Auditors' Responsibilities for the Audit of the Fund Accountability Statement

Our objectives are to obtain reasonable assurance about whether the Fund Accountability Statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Fund Accountability Statement.



As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Fund Accountability Statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organisation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Organisation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Fund Accountability Statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Organisation to cease to continue as a going concern.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditors' report is CPA Benson Ndung'u - P0116.

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Certified Public Accountants
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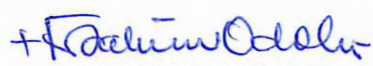
Date: 29 March 2017

6 FUND ACCOUNTABILITY STATEMENT

6.1 Income and Expenditure Statement for the year ended 31 December 2016

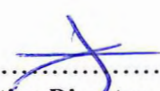
	Notes	2016 Ushs'000	2015 Ushs'000
Income			
Fund balance as at 1 January		201,651	332,533
Less: Cash from Business wing split from the NGO		-	(41,537)
Grant income	6.2.2	3,249,210	1,921,316
Income from AFARD operations	6.2.3	223,147	233,397
Total income available		3,674,008	2,445,709
Expenditure			
Program expenditure	6.2.4	2,596,048	2,064,314
Administrative costs	6.2.5	268,446	179,744
Total expenditure		2,864,494	2,244,058
Surplus for the year		809,514	201,651
Represented by			
AFARD Microfinance (Reserves)	6.2.6	6,918	68,615
Cash and cash equivalents	6.2.7	799,589	133,036
Loans and advances receivable	6.2.8	3,007	-
Fund balance as at 31 December		809,514	201,651

This Fund Accountability Statement was approved by directors on 17/12/2017 and signed on its behalf by:



Chairperson


 Secretary


 Executive Director

The notes set out on pages 14 to 17 form an integral part of the Fund Accountability Statement.

6.2 NOTES TO THE FUND ACCOUNTABILITY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2016

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 modified cash accounting basis. Under this basis, income is recorded when it is received, while expenditures are recorded when paid for.

The modification is in respect to advances that are expensed upon submission and approval of accountabilities from sub grantees;.

- 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 amortisation 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	2016 Ushs'000	2015 Ushs'000
Gorta-CEEP (Self Help Africa Funded)	316,937	362,083
Community Wide	-	500
Civil Society Fund (CSF)	-	126,837
Erussi Ndhew Community Development (KNH Funded)	324,444	235,281
Danish Assistants to Refuge (DANIDA Funded)	824,135	379,542
Youth Employability Through Enterprise and Skills Development (SNV Funded)	416,366	240,687
Safe Sanitation and Hygiene for All (SNV Funded)	65,723	134,068
Grant income in Kind (PSFU Funded)	-	425,729
Ford Foundation (PELUM Funded)	-	16,589
WENAGIC (Sall Foundation Funded)	95,591	-
MAYEP (Self Help Africa Funded)	363,334	-
YEEP (European Union Funded)	842,680	-
	3,249,210	1,921,316

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 other AFARD operations

	2016 Ushs'000	2015 Ushs'000
AFARD YEEP contribution	20,000	-
Members contribution	94,756	155,915
Disposal income	27,000	22,592
Hall hire	16,771	6,700
Interest income	213	11,550
Staff medical insurance contribution	64,407	36,640
	223,147	233,397

Members' contributions are cash and non-cash contributions made by the founder members of AFARD to the Organisation. 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 organisation, purchase of property and equipment and the current construction work being undertaken by the agency.

6.2.4 Programme Expenditure

Project	2016 Ushs'000	2015 Ushs'000
Gorta WENDI (Self Help Africa Funded)	-	169,706
Gorta- CEEP (Self Help Africa Funded)	323,899	355,603
Irish Aid Project	963	297
Community Wide	-	5,553
Civil Society Fund (CSF)	-	139,376
Youth Employability Through Enterprise and Skills Development (SNV Funded)	416,242	239,904
Danish Assistants to Refugee (DANIDA Funded)	812,921	359,545
Erussi Ndhew Community Development Project (KNH Funded)	299,396	231,885
Safe Sanitation & Hygiene for All (SNV Funded)	113,180	82,812
Total E&P	-	15,462
Ford Foundation (PELUM Funded)	4,111	38,442
PSFU	-	425,729
MAYEP (Self Help Africa Funded)	332,139	-
YEEP (European Union Funded)	293,197	-
	2,596,048	2,064,314

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 8 of this report.

6.2.5 Administrative costs

	2016 Ushs'000	2015 Ushs'000
Governance	6,160	9,506
Personnel cost	61,738	59,496
Other Staff Costs	23,723	20,599
Capital Costs	113,832	4,595
Office Supplies	1,593	1,851
Training, Research, Documentation & Awareness	61,400	2,270
Other Costs	-	81,426
	268,446	179,744

6.2.6 Reserves

	2016 Ushs'000	2015 Ushs'000
AFARD Microfinance Account	6,918	68,615
	6,918	68,615

6.2.7 Cash and cash equivalents

	2016 Ushs'000	2015 Ushs'000
Unrestricted Funds		
AFARD Operational Account	15,147	748
AFARD Personnel Account	8,962	11,696
AFARD Medical Insurance	16,942	32,478
Restricted Funds		
GORTA Account	-	6,597
Civil Society Fund	-	-
Erussi Ndhew Community Development Project account	29,359	4,311
Decentralization account (SNV)	3,798	51,255
Irish Aid Project account	-	963
Ford Foundation account	-	4,111
Youth Employability Through Enterprise and Skills Development account	908	784
Danish Assistants to Refuge account	31,211	19,997
WENAGIC account	95,591	-
YEEP account	566,476	-
MAYEP account	31,195	-
Cash at hand	-	96
	799,589	133,036

6.2.8 Loans and advances receivable

	2016 Ushs'000	2015 Ushs'000
CEGED	3,007	-
	3,007	-

As at 31 December 2016 Center for Governance and Economic Development a sub-grantee of AFARD under the Youth Economic Empowerment project (YEEP) funded by European Union had not accounted for funds disbursed in the last quarter for project activities worth Ushs 3,007,000.

7 MANAGEMENT LETTER

7.1 Introduction

We have completed the audit of the Fund Accountability Statement of AFARD for the year ended 31 December 2016 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, 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 2016 therefore would not necessarily disclose all weaknesses in the system because it is based on selective testing of accounting transactions.

This report summarises 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 Preparation of bank reconciliations

Observation

We noted that no reconciliations were done for foreign denominated accounts namely; YEPP (European Union funded), Erussi Ndhew and WENAGIC (Sall Foundation funded) project accounts for the year ended 31 December 2016.

Risk

Errors and omissions may not be detected on time

Recommendation

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

Management comment

Only management fees (bank charges) were maintained on these accounts. All project funds received were subsequently exchanged and deposited onto the individual project local currency accounts.

7.2.2 Lapse in procurement process

Observation

Section 5.3 (a) of the Finance manual states that the choice of a procurement method shall first be approved by the Tender Board.

During our review of the procurement method used to purchase motor vehicle (Land Cruiser UAZ 088V) in September 2016 we noted that there was no documentation to justify the direct procurement from original owner of said vehicle.

Risk

Failure to adhere with proper procurement guidelines may compromise the integrity of the procurement process.

Lack of competitive bidding for major procurements may result in exorbitant price being paid.

Recommendation

Management should ensure that documentation is maintained for major organisational procurements in order to keep audit trail.

Management Comments

Noted. The Board approved the procurement of this car in 2014. However, given the extremely very high local market cost and our inability to secure tax exemption from Ministry of Finance, Planning and Economic Development, management worked jointly with the Board Secretary to identify and import the said vehicle in the names of AFARD.

7.3 Recurring issues from prior year

7.3.1 No Tax exemption certificate

Observation

AFARD is 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 noted that the organization has not yet obtained a tax exemption certificate, despite the absence of the tax exemption certificate, AFARD 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

Management is in the final stages of processing tax exemption. All documents required by the Commissioner Domestic Tax were filed.

7.3.2 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 175,000 in 2016.

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

Noted. The Local Service Tax deductions will be reviewed and reconciled in 2017.

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 Gorta-CEEP Project: Fund accountability statement for the year ended 31 December 2016

Project duration: 2015-2016

Project objective: To contribute towards the building a West Nile society in which twenty eight Beneficiary Organisations (BO) in rural marginalized communities with 2,840 households and 19,880 people in the districts of Nebbi, Zombo, Arua, Yumbe and Moyo live secure and self-sustaining livelihoods."

Funder: Self Help Africa (SHA)

	Budget 2016 Ushs'000	Actual 2016 Ushs'000
Income		
At 1 January	6,597	6,597
Interest earned brought down	-	365
Grants and Donations	316,937	316,937
Grants and Donation Receivable for Audit	20,000	-
	343,534	323,899
Expenditure		
Co-fund Beneficiary Organisation agro enterprises agro enterprises	630	630
Train Business Management Committees in collective business management	2,310	2,310
Conduct Business Mentorship & Coaching visits	840	840
Conduct Business Management Training	2,464	2,464
Support Market & Business to Business Linkages	1,260	1,260
Hold Participatory Agro-Ent Review	9,240	9,240
Conduct District Network Review Meeting	24,083	33,600
Conduct Periodic Management Visits	5,400	4,903
Periodic Board Monitoring Visits	10,000	3,740
Produce Period Performance Report	2,500	2,500
Monitoring and Evaluation-Audit	20,000	-
Provide for Project Staffs	230,100	230,100
Provide Administrative Cost Support	30,000	30,693
House Hold Survey	1,540	1,619
Conduct Project Closure Meeting	3,167	-
Total expenditure	343,534	323,899
Surplus for the year	-	-

8.2 Irish Aid Project: Fund accountability statement for the year ended 31 December 2016

	Budget 2016 Ushs'000	Actual 2016 Ushs'000
Income		
At 1 January	963	963
Grants and donations	-	-
	963	963
Expenditures		
Other costs	198	198
Agro inputs	765	765
Total expenditure	963	963
Surplus for the year	-	-

As at 31 December 2015 there was a fund balance of Ushs 963,000 on West Nile Smallholder Agriculture Enhancement Project subsequently spent in the year ended 31 December 2016.

8.3 Youth Employability Through Enterprise and Skills development: Fund accountability statement for the year ended 31 December 2016

Project duration: October 2014-September 2017

Project objective: To reduce poverty by creating sustainable economic opportunities for 5,000 youth (30% female) in West Nile region, Uganda.

Funder: SNV-Uganda

	Budget 2016 Ushs'000	Actual 2016 Ushs'000
Income		
At 1 January	784	784
Grants and Donation	416,366	416,366
	417,150	417,150
Expenditure		
Human resource	101,667	101,667
Local office	18,820	18,814
Steering committee meetings	4,552	4,246
Agronomy/ agribusiness training	786	786
Entrepreneurship training for urban youth cohort	6,810	6,810
Quarterly Project Review Meetings	2,940	2,940
Review, Mentorship & Match Making for Urban Youth	1,535	1,535
Field Monitoring	7,276	8,051
Procurement and distribution of Start-up kit for urban youth	91,000	91,000
Agricultural inputs	147,555	146,514
Hold district business clinics for youth	5,235	5,235
Evaluation of business plans	1,800	1,800
Capacity Building Training for non-stake actors and local authorities	3,015	3,015
VSLA Training for YMFs	3,876	3,876
Support Young Model Farmers to Register the Groups	368	368
Collecting performance data from YMFs	750	750
Performance data analysis	4,000	3,760
Support all youth to register and start VSLA	12,870	12,870
YMFs Planning Meeting for 2016/2017	2,295	2,205
Total expenditure	417,150	416,242
Surplus for the year	-	908

8.4 Danish Assistants to Refuge (DANIDA Funded) -Fund accountability statement for the year ended 31 December 2016

Project Duration: 2015-2018

Project Objective: To increase resilience and create equitable participation of Northern Uganda in the economic development of the country and to increase the production and marketing of agricultural produce for small scale farmers

Funder: DANIDA

	Budget 2016 Ushs'000	Actual 2016 Ushs'000
Income		
At 1 January	19,997	19,997
Grants and Donation	824,135	824,135
	844,132	844,132
Expenditure		
Pay and facilitate extension staff	520,315	499,930
Prepare farmer group production & marketing plans	22,614	21,995
Train farmer groups in good agricultural practice	24,480	23,323
Hold open days	17,420	17,420
Conduct weekly radio shows	45,928	38,034
Support District Local Government monitoring	2,924	2,750
Support post harvest handling	2,340	2,340
Pay and facilitate marketing coordinator	23,534	23,880
Support collective marketing	12,608	11,270
Pay and facilitate VSLA officer	13,975	13,933
Sensitise extension staff on VSLA	2,654	2,654
Pay and facilitate CBTs to Train Groups in VSLA	18,200	18,798
Pay & Facilitate Animal Traction Staff	32,135	31,805
Select Farmer Groups & Train in Animal Traction Su	20,084	20,041
Select & Train community based ox trainers, ox handlers	11,250	11,250
Facilitate implementing partner staff	53,920	53,920
Support implementing partner operation	3,160	3,159
Top Up on administration cost	10,591	10,419
Board Monitoring	6,000	6,000
Total expenditure	844,132	812,921
Surplus for the year	-	31,211

8.5 Detailed fund accountability statement for Erussi Ndhew Community Development Project (ENCDP)-KNH for the year ended 31 December 2016

Project Duration: 2015-2019

Project objective: Education, the realization of children's rights and the rehabilitation and development of marginalized children/adolescents and their communities, while taking into consideration relevant cultural, social and religious aspects.

Funder: Kinder Not Hilfe (KNH)

	Budget 2016 Ush'000	Actual 2016 Ush'000
Income		
At 1 January	4,311	4,311
Grants and Donation	318,655	322,244
Other Incomes	2,200	2,200
	325,166	328,755
Expenditures		
Form 30 new self help groups	944	944
Train 30 groups in VSLA management	485	1,423
Train 30 groups in goal setting and realisation	414	240
Train 30 groups in communication & leadership skills	500	240
Train 30 groups in problem solving & conflict resolution	450	240
Train 30 groups in basic business skills	905	240
Provide needs based skills in crop agronomy	39,569	35,567
Train youths in poultry management practices	12,833	4,682
Train 80 self help groups on nutrition	1,455	1,449
Conduct sanitation/hygiene awareness	760	750
Annual village sanitation competition for self help groups	5,695	5,695
Self help group assessment and strengthening	393	393
Train 42 cluster level associations on human rights & gender based violence	1,055	1,230
Train 42 cluster level association/CFs in children rights	935	935
Organise self help group day	5,470	5,510
Develop posters on women & children rights violation	900	2,170
Sensitise 80 self help group on children rights	172	172
Sensitise 160 self help group on women & gender based violence violation	172	172
Sensitise 150 leaders on women rights	172	172
Sensitise 75 leaders on children rights	172	172
Hold drama on children rights and responsibility	3,480	3,480
Enable cluster level associations to do self-assessment	45	270
Support wise investment	612	293
Cluster level association work plan	189	455
Cluster level association by 2016	696	696
Train 20 cluster level association on roles & responsibilities	625	594
Train 20 cluster level association in goal setting & realisation	625	351

	Budget 2016 Ush'000	Actual 2016 Ush'000
Train 20 cluster level association sub-committee in roles & responsibilities	625	455
Train cluster level association book writers	187	79
Conduct monthly monitoring visits	452	392
Conduct monthly CFs meeting	421	245
Conduct 20 cluster level association Quarterly Review Meeting	1,733	1,633
Conduct bi-annual participatory grading & financial auditing	229	229
Training 398 cluster level associations/CFs on federation concept	1,018	509
Village sensitisation of leader	650	325
Cluster level associations sensitisation on need for federation	926	463
Cluster level associations self-assessment to gauge federation	926	463
Conduct 1 federation formation meeting	339	170
Exposure visits for cluster level associations to federate	2,279	-
Train cluster level association/CFs on children's group module	812	812
Process Christmas cards for children	2,900	2,645
Facilitate 1 children Christmas party	2,305	2,305
Hold education counselling & guidance days	1,880	2,015
Support children for local government planning meeting	192	72
Training cluster level associations on roles of children's groups sub-committee	336	543
Orient children's groups sub-committee on children group module	386	571
Train cluster level association sub-committee for children	403	353
Creating awareness on children in communication	1,597	1,532
Train children's groups facilitators on composition	341	341
Train children's groups on book writing	642	482
Empowerment of children's groups	457	452
Children's groups facilitation on regular Meeting	1,171	1,394
Support children's groups in designing target work plan	111	45
Form additional 26 children groups	627	30
Train children groups in children's groups modules	3,978	3,972
Facilitate children to write letters	5,810	4,948
Conduct child census	2,030	2,118
Routine monitoring of sponsored children	160	160
Carry exchange visits for children groups	5,740	-
Celebrate day of African Child	7,964	7,964
Updating children Information	1,889	1,850
Form one community based trainers committee	352	352
Form five youth groups	455	455
Train youths in governance, group dynamic	815	740
Train youth groups in entrepreneurship	740	740
Train youth in vocational skills	10,790	15,500
Train 10 Youths cluster level associations, CFs in HIV/AIDS education	616	266

	Budget 2016 Ush'000	Actual 2016 Ush'000
Awareness creation for 1,600 youths	222	172
Awareness creation self help groups on HIV/AIDS	222	-
Exposure visits	4,300	4,300
Participatory (Joint) meeting	320	330
Routine Mon & Support Visit by Management	1,200	600
Annual Audit	4,200	-
Annual Data Collection and Entry	1,000	-
Annual Board Meeting	1,500	1,500
Annual Project Review with PMCs, CFs & People's Institution	1,500	1,500
Basic salary	62,370	61,120
Leave allowance	3,898	3,898
NSSF 10%	6,237	5,922
Medical insurance	3,478	3,478
Provident fund 15%	9,356	9,356
Workman's compensation	780	780
Running costs	34,307	35,896
Stationaries	2,998	1,090
Welfare	3,680	2,768
Support staffs	3,150	3,120
Community/Child Facilitators Allowance	13,440	13,440
Hospitality to Visitors	599	1,020
Repairs & Maintenance	2,475	1,594
Assets	4,660	18,160
Foreign exchange gain	11,040	-
Ear marked grant	3,227	3,197
Total expenditure	325,166	299,396
Surplus for the year	-	29,359

8.6 Safe Sanitation and Hygiene for All (SNV Funded) Project: Fund accountability statement for the year ended 31 December 2016

Project Duration: 2015-Open

Project objective: Improve access to sanitation and promote good hygiene practices especially hand washing with soap.

Funder: UKAID through SNV - Uganda

	Budget 2016 Ushs'000	Actual 2016 Ushs'000
Income		
At 1 January	51,255	51,255
Grants and Donation	128,196	65,723
	179,451	116,978
Expenditure		
Personnel cost	57,900	46,040
Sub county stakeholders meeting	973	973
Joint planning meeting	2,328	1,753
Sub county health assistant verification	-	-
Capacity building of sanitation committee	2,283	763
Assess dashboard	200	-
Identify YSEs	158	-
YSE Mentorship	965	310
Product Research & development & marketing business to business linkages	788	-
Conduct follow ups and management and evaluation	13,249	7,444
Co-facilitate events	750	250
Advocacy and leadership	158	-
District Level Monitoring	809	-
Identify & promote sanitation dialogue in vulnerable areas	473	-
Monitor & track sanitation demand	1,038	30
Work with YSE & sub county on pricing	690	-
Meeting to Engage LG on health & sanitation issues	1,474	342
Capacity building for sanitation committee	-	1,270
Management costs	83,896	49,316
Sanitation committee verification process	368	-
Verify open defecation claims by villagers	672	-
Visit of partner management for field implementation	60	-
Partner Staff planning meeting	42	-
Buy in stake holders meeting	206	196
Reconnaissance study including risk analysis	984	464

	Budget 2016 Ushs'000	Actual 2016 Ushs'000
Joint planning meeting with sub county	456	265
Training project team	392	390
Working with village structure for demand	500	392
Conduct demand triggering sessions for all villages	849	849
Emerging sanitation training	318	-
Village health team/ sanitation committee follow up of house holds	4,036	2,133
Identification of service providers	48	-
Knowledge sharing with service providers	48	-
Training on behavioural change communication approaches and promotional steps	386	-
Radio talk shows	260	-
Application of the innovative approach	460	-
Working existing groups on hygiene Promotion	60	-
Project review meeting organised	636	-
Partner attending and presenting progress	48	-
Partner support in engaging women groups	16	-
Partner advocacy for low cost technology	80	-
Facilitate learning sessions	52	-
Document lessons learned from areas	112	-
Plan and Steer project visit	230	-
Total expenditure	179,451	113,180
Surplus for the year	-	3,798

8.7 Ford Foundation: Fund accountability statement for the year ended 31 December 2016

	Budget 2016 Ushs'000	Actual 2016 Ushs'000
Income		
At 1 January	4,111	4,111
Grants and Donation	-	-
	<u>4,111</u>	<u>4,111</u>
Expenditure		
Administrative Support	2,052	2,052
Personnel Support	2,059	2,059
Total expenditure	<u>4,111</u>	<u>4,111</u>
Surplus/Deficit for the year	<u>-</u>	<u>-</u>

As at 31 December 2015 there was a fund balance of Ushs 4.1 million on Ford foundation (PELUM project) subsequently spent in the year ended 31 December 2016.

8.8 MAYEP Project: Fund accountability statement for the year ended 31 December 2016

Project duration: February 2016-January 2019

Project objective: To contribute to sustainable poverty reduction among youth in West Nile Region, Northern Uganda specifically to increase access to employment/self-employment opportunities for 3,000 youth in Maracha, Nebbi, Zombo (MANZO) districts of West Nile.

Funder: European Union through Self Help Africa (SHA)

	Budget 2016 Ushs'000	Actual 2016 Ushs'000
Income		
Grants and Donation	468,480	363,334
Expenditure		
MAYEP project officer -Zombo	28,320	25,960
MAYEP project officer-Maracha	28,320	25,960
MAYEP project officer-Nebbi	28,320	25,960
MAYEP driver	7,788	7,139
AFARD programmes manager	30,060	27,555
AFARD Executive Director	21,600	19,800
AFARD Finance Manager	15,030	13,778
Train Groups in VSLA	26,764	27,358
Community sensitisation	12,730	11,558
Identification & formation of 100 youth groups	2,025	2,010
Conduct youth model farmers enterprise skills	5,800	5,345
Establish enterprise learning sites	68,300	80,510
Train 200 enterprise skills animators in FAB	48,500	7,916
Business plan development	3,300	-
Train Groups in management & leadership	16,500	-
On-going monitoring	800	-
Field office rent-Maracha	3,000	1,778
Office utilities	1,020	1,020
Office security	4,800	2,525
Office supplies	495	1,169
Communications	6,600	5,730
Vehicle fuel	1,600	1,500
Vehicle & motorcycles maintenance	4,800	1,017
Bank Fees-AFARD	600	294

	Budget 2016 Ushs'000	Actual 2016 Ushs'000
Start up activities	-	540
OCA of BTVETs	1,800	815
Develop M&E plans	1,200	-
Project launch	5,000	6,040
Train groups in social inclusion	61,660	17,168
Link commodity based farmer groups to markets	2,250	-
Establish/strengthen existing Bss Clinics	7,438	-
Quarterly and annual review meetings group level	5,600	-
Quarterly and annual review meetings at district level	7,460	7,144
Visibility actions	9,000	4,550
Total expenditure	468,480	332,139
Surplus for the year	-	31,195

8.9 YEEP Project: Fund accountability statement for the year ended 31 December 2016

Project duration: July 2016-June 2019

Project objective: To contribute to youth inclusive economic growth and poverty reduction in West Nile region of Uganda through sustainable and gainful employment opportunities (for 2,500 youth).

Funder: European Union

	Budget 2016 Ushs'000	Actual 2016 Ushs'000
Grants and Donation	852,673	842,680
10% AFARD's Contribution	85,267	20,000
	937,940	862,680
Expenditure		
Salaries	159,956	73,972
Equipment	157,175	153,984
Local office	54,600	18,597
Publication	16,307	-
Consultancy	34,926	13,500
CBF Monthly Stipend	7,200	1,800
Visibility	3,640	239
Training of trainers (CBFs/project officers)	7,230	6,460
Training in entrepreneurship, life Skills, VSLA	213,265	-
Training of trainers (Young Model Farmers)	7,825	325
Training in good agronomic practices	325	7,640
Partnership meetings	1,555	-
Start up kits	256,711	1,045
Business promotion days	1,800	10,623
Management monitoring	2,200	300
VSLA performance review meetings	650	-
District review & learning workshop	2,963	-
Staff placement	1,092	1,092
Project briefing meeting	3,620	3,270
CBF recruitment	350	350
Project launch	4,550	-
Total Expenditure	937,940	293,197
Surplus for the year	-	569,483
Bank Balance	-	566,476
Receivable from CEGED	-	3,007
Surplus for the year	-	569,483

8.10 WENAGIC Project: Fund accountability statement for the year ended 31 December 2016

Project duration: December 2016 – November 2017

Project Objective: To support a sustainable and equitable food and income security of 150 smallholder farmer households.

Funder: Sall Foundation INC.

	Budget 2016 Ushs'000	Actual 2016 Ushs'000
Income		
Grants and Donation	89,100	95,591
Expenditure		
Training of trainers	6,820	-
Form and register farmer-led VSLAs	1,350	-
Conduct baseline study and develop MIS	3,500	-
Identification and training of Lead Farmers	3,500	-
Agro-enterprise planning	1,350	-
Setting Demonstration/Seed Multiplication sites	14,275	-
Training in good agricultural practices (GAP)	7,020	-
Introduction of Crop Insurance Scheme	675	-
Training in safe nutrition	675	-
Hold annual nutrition competition	1,800	-
Train farmer group members in VSLA	1,325	-
Train IGA –selection, planning and management	1,225	-
Conduct business mentoring and coaching visits	600	-
Train in group governance and management	875	-
Train in gender and human rights	775	-
Management monitoring visits	4,500	-
Farmer group performance review meetings	1,350	-
District review and learning workshops	4,920	-
Project staff costs	28,200	-
Indirect cost	4,365	-
Total expenditure	89,100	-
Surplus for the year	-	95,591

AFARD received USD 27,000 from Sall foundation on 14 December 2016. As at 31 December 2016, none of the amounts had been expensed, and were translated to Uganda shillings (Ushs) at a closing rate of 3,550 for reporting purposes.

9 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	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000	Ushs '000
COST																
At 1 Jan 2015	128,781	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)	(531,285)		(151,312)				(796,771)						(1,567,538)		
Additions	-	-	-	52,785		2,798		11,430		20,259		-		87,272		
At 31 December 2015	40,611	384,154		728,898		71,860		217,141		55,569		434,831		1,933,064		
Additions		-		533,668		15,265		6,233		16,000				571,166		
At 31 December 2016	40,611	384,154		1,262,566		87,125		223,374		71,569		434,831		2,504,230		
DEPRECIATION																
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		-		143,137		
At 31 December 2015	-	244,879		637,343		46,827		156,614		43,581		-		1,129,244		
Charge for the year	-	30,822		111,773		10,476		10,492		13,500		-		177,062		
At 31 December 2016	-	275,701		749,116		57,303		167,106		57,081		-		1,306,306		
NET BOOK VALUE																
At 31 December 2016	40,611	108,453		513,450		29,822		56,269		14,488		434,831		1,197,924		
At 31 December 2015	40,611	136,993		91,555		25,032		60,526		11,988		434,831		801,536		

Property and equipment is expensed upon purchase. The fixed assets register is however maintained for tracking purposes.