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**Agency for Accelerated Regional
Development (AFARD)**

**Audit report for the year ended
31 December 2010**

KPMG Certified Public Accountants
P O Box 3509, Kampala

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The primary objective of this report is to express an opinion on whether the fund accountability presents a true and fair view of the financial position of AFARD and that it has been prepared in accordance with generally accepted standards and specific guidelines from the donors.

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LIST OF ABBREVIATIONS /ACRONYMS

AFARD	Agency for Accelerated Regional Development
AMI	AFARD Micro Finance Initiative
BoD	Board of Directors
CERUDEB	Centenary Rural Development Bank
BOs	Beneficiary Organisation
UWASNET	Uganda Water and Sanitation Network
MoU	Memorandum of Understanding
NGO	Non Governmental Organization
OVC	Orphans and Vulnerable Children
WATSAN	Water and Sanitation Project
RNE	Royal Netherlands Embassy
CSF	Civil Society Fund
FiCAP	Fisher Community Anti-Aids Project
EC	European Commission
IFRS	International Financial Reporting Standards

1 INTRODUCTION

1.1 Background

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

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

1.1.1 Vision: “Prosperous, Healthy and Informed people of West Nile”.

1.1.2 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”.

1.1.3 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 centre of all development efforts.
- To avail our expertise by way of consultancy to other development stakeholders interested in obtaining current, detailed, reliable and authoritative information about the region.

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

1.1.5 Thematic Focus

AFARD's scope of operation is mainly focused on:

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

1.1.6 Funding for the year ended 31 December 2010

The projects implemented by AFARD during the year ended 31 December 2010 were funded using internally generated funds and funding from donors including: **gorta**, Manos Unidas, the Royal Netherlands Embassy (RNE), Irish Aid, Civil Society Fund (CSF), the European Commission (EC), Ministry of Health, and Food and Agriculture Organization in Uganda.

DIRECTORS, OFFICERS AND ADMINISTRATION

DIRECTORS

Rev. Fr. Geoffrey Ocamgiu	Chairperson (Died May 2010)
Mr. Kura Vasco	Vice Chairperson (Appointed Chair in July 2010)
His Grace Henry Luke Orombi	Member
Ms. Grace Kwicwiny	Member (Resigned in July 2010)
Ms. Marion Kyomuhendo	Member (Resigned in July 2010)
Rt. Rev. Dr. Sabino Ocan Odoki	Member (Appointed December 2010)
Lady Justice Flavia Anglin	Member (Appointed December 2010)
Ms Royce Gloria Andrua	Member (Appointed December 2010)

BOARD SECRETARY

Mr. Michael B. Okecha

SENIOR MANAGEMENT

Dr. Alfred Lakwo	Programme Director
Mr. Wilfred Cwinyaai	Food & Income Security Manager
Ms. Florence Candiru	Finance and Administration Manager

AUDITORS

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Kampala
Uganda

REGISTERED OFFICE AND PLACE OF OPERATION

Agency For Accelerated Regional Development
P.O. Box 80, Nebbi, Uganda

BANKERS

Centenary Bank,
Nebbi Branch

Stanbic Bank
Nebbi Branch

1.2 Audit scope

The audit covered transactions recorded from 1 January 2010 to 31 December 2010 and is purely an audit of the fund accountability statement and a performance audit.

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.

1.3 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;
 - 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.

2 STATEMENT OF MANAGEMENT’S RESPONSIBILITIES

Management is responsible for the preparation and presentation of the Fund accountability statement for each financial year which give a true and fair view of the receipts, expenditures and fund balances of the organization for that year.

Management’s responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and presentation of the fund accountability statement that are 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 of the opinion that the fund accountability statement set out on pages 7 to 21 give a true and fair view of the receipts, expenditures and fund balances 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 financial control.

Approval of the financial statements

The financial statements referred to above were approved by the Board of Directors on.....2011 and were signed on its behalf by:

.....
Chairperson	Secretary	Programme Director
..... 2011 2011 2011

3 REPORT OF THE INDEPENDENT AUDITORS TO THE BoDs OF AFARD ON THE FUND ACCOUNTABILITY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

Report on the Financial Statements

We have audited the accompanying fund accountability statement of AFARD, which comprise the income and expenditure statement for the year ended 31 December 2010 and a summary of significant accounting policies and other explanatory notes set out on pages 7 to 21.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of the fund accountability statement which present fairly in all material respects, the state of affairs of AFARD, the receipts and payments in accordance with obligations of AFARD as per the Memoranda of Understanding with the donors and Generally Accepted Accounting Principles. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are 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.

Auditor's Responsibility

Our responsibility is to express an opinion on the fund accountability statement based on our audit. We conducted the audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessment of the accounting principles used and significant estimates made by management, as well as an evaluation of the overall fund accountability statement presentation. The fund accountability statement is prepared on the basis set out in note 4.2. As described in note 4.2.1.2, the fund accountability statement is prepared on a modified cash basis and is not intended to be in conformity with the International Financial Reporting Standards (IFRS).

Opinion

In our opinion the fund accountability statement, which has been prepared on the basis of the accounting policies set out in note 4.2, present a true and fair view, in all material respects, the financial position of AFARD at 31 December 2010 and its receipts and expenditure for the year then ended.

KPMG
Certified Public Accountants
P O Box 3509
Kampala, Uganda

Date: 2011

4 FUND ACCOUNTABILITY STATEMENT

4.1 Income and expenditure statement for the year ended 31 December 2010

	Notes	2010 Ushs	2009 Ushs
Income			
Fund balances at 1 January		622,457,928	511,581,997
Grant income	4.2.2	4,501,845,534	4,756,444,231
Income from AFARD operations	4.2.3	230,699,776	290,630,713
Total income available		5,355,003,238	5,558,656,941
Expenditures			
Project expenditures	4.3	4,376,324,886	4,936,199,013
Total expenditures		4,376,324,886	4,936,199,013
Surplus for the year		978,678,352	622,457,928
Represented by			
Cash and cash equivalents	4.4	978,678,352	610,119,636
Gorta's committed funds		-	12,338,292
Total current assets		978,678,352	622,457,928
Net funds carried forward		978,678,352	622,457,928

The fund accountability statement and accompanying notes set out on pages 7 to 21 were approved by the Board of Directors and signed on its behalf by:

.....
Chairperson	Secretary	Programme Director
..... 2011 2011 2011

The notes set out on pages 8 to 21 form an integral part of these financial statements.

4.2 NOTES TO THE FUND ACCOUNTABILITY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2010

4.2.1 Principal Accounting Policies

4.2.1.1 Accounting 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.

4.2.1.2 Accounting basis

- a) The fund accountability statement is prepared on a modified cash basis. Under this basis, income is recorded when it is received, while expenditures are recorded when paid for. The modification to this policy is that advances are booked as debtor balances until documentation for expenses incurred have been provided.
- b) Accordingly, the fund accountability statement is not intended to be in conformity with International Financial Reporting Standards (IFRS).

4.2.1.3 Grant income

Grant income is recognised on receipt of funds.

4.2.1.4 Expenditure

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

4.2.1.5 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.

4.2.1.6 Currency

This fund accountability statement is presented in Uganda Shillings.

4.2.2 Grant income

Donor	2010 Ushs	2009 Ushs
Civil Society Fund- FICAP	213,968,893	103,517,400
GORTA	3,051,640,703	4,530,870,998
Global Fund	459,774,920	-
Irish AID	526,249,293	-
Royal Netherlands Embassy-WATSAN	-	63,828,708
European Commission	203,539,375	-
Manos Unidas	24,977,775	58,227,125
Food and Agriculture Organization(FAO)	21,694,575	-
	4,501,845,534	4,756,444,231

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

4.2.3 Income from AFARD Operations

Donor	2010 Ushs	2009 Ushs
Members Contribution for AFARD Operations	221,136,976	217,660,993
European Commission-AFARD's Contribution	-	44,019,720
AFARD's contribution towards WATSAN project	-	100,000
Other incomes	100,000	-
Income from disposal of assets	-	200,000
Sale of bids	9,462,800	14,650,000
Borrowings (Manos Unidas)	-	14,000,000
	230,699,776	290,630,713

Members' contributions are cash and non-cash contributions made by the founder members of AFARD to the Agency. 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.

4.3 Expenditure

Project	Donor	Notes	Budget 2010 Ushs	Actual 2010 Ushs	Actual 2009 Ushs
Murusi Safe Water & Sanitation Project	Royal Netherlands Embassy	4.3.1	33,666,451	33,666,451	41,786,407
The Fisher Community Anti-Aids	Civil Society Fund	4.3.2	220,073,385	218,970,544	138,695,923
West Nile Development Initiative	GORTA	4.3.3	3,560,727,452	3,273,374,475	4,009,758,957
AFARD operations	AFARD	4.3.4	285,597,549	181,561,724	257,018,264
Engendering Decentralization Poverty Resource Management Poverty.	European Commission	4.3.5	211,894,113	177,700,997	427,060,062
Jangokoro Food Security Project	Manos Unidas	4.3.6	35,325,500	35,297,875	61,879,400
Food and nutrition Project	FAO	4.3.7	21,694,575	8,185,000	-
Distribution of long Lasting Mosquito Nets(LLINS)	Global fund	4.3.8	459,774,920	447,567,820	-
Increasing West Nile Small Holder Farmers' Agricultural Productivity	IRISH AID	4.3.9	526,249,293	-	-
Total			5,355,003,238	4,376,324,886	4,936,199,013

Overall, expenditure incurred is below budget due to a combination of factors such as budget revisions and delays in funds transfer.

4.3.1 Income and expenditure statement for the Murusi Safe Water and Sanitation Project funded by Royal Netherlands Embassy for the year ended 31 December 2010

	Budget 2010 Ushs	Actual 2010 Ushs
INCOMES		
Balance at 1 January 2010	33,666,451	33,666,451
EXPENDITURES		
Construction	27,896,451	27,425,333
Support Bye-Law formulation	1,320,000	1,320,000
Bye-Law education	1,050,000	1,050,000
Launch Bye-Laws	2,450,000	2,450,000
Support Bye-Law enforcement	950,000	950,000
Management cost		471,118
TOTAL	33,666,451	33,666,451
Surplus for the year		-

On August 5, 2009, the MoU for Murusi Safe Water and Sanitation Project was signed between AFARD and the Royal Netherlands Embassy, Kampala. This project was funded 100% by the Royal Netherlands Embassy. The main objective of the project was to provide safe water and improve the hygiene and sanitation of the people living in Munduriema village. During the year, the fund used was balance carried forward from full disbursement in 2009.

4.3.2 Income and expenditure statement for the Fisher Community Anti-Aids Project funded by Civil Society Fund for the year ended 31 December 2010

Income and expenditure		
	Budget 2010	Actual 2010
	Ushs	Ushs
INCOMES		
Balance at January 1, 2010	6,104,492	6,104,492
Grants and donations	213,968,893	213,968,893
Total	220,073,385	220,073,385
EXPENDITURES		
Debrief Panyimur and Pakwach SC officials	640,000	640,000
Holding community meeting to sensitize about the project and elect PECS	2,035,000	2,035,000
Review of training materials	4,247,000	747,000
Retrain old Peer Educators-cum-Counselors	12,288,500	12,288,500
Train Peer Educators-cum-Counselors	21,085,200	20,960,200
Equipping and tooling	14,326,000	16,852,000
Training in participatory leadership, planning, mgt and reporting	4,001,250	4,049,600
Training in resource mobilization and loan utilization and management	4,001,250	4,577,500
Participate in district level 2 WAD celebrations	1,885,000	1,885,000
Conduct quarterly review meetings	5,632,000	5,632,000
Conducting 1 assessment of HIV/AIDS and Sexual practices	4,969,800	4,969,800
Hold awareness creation seminars	37,697,400	37,697,400
Stage Video Shows	3,210,000	3,210,000
Re-produce & disseminate local IECs	5,310,000	5,310,000
Hold drama shows	3,300,000	3,300,000
Support routine PEC /CF operations	20,400,000	20,400,000
Support VCT outreach in 8 fishing villages	2,240,000	2,240,000
Train Peer Educators as condom peer distributors	3,450,700	3,450,700
Hold condom promotion seminars	1,520,000	1,520,000
Document Best Practices	1,402,200	-
End of project survey	5,153,000	4,103,000
Sharing and Networking	337,500	330,000
Radio Talk shows	1,100,000	1,100,000
Monitoring & Evaluation	7,320,000	6,432,500
Programme Management	50,457,448	53,104,644
Contingency Fund	2,064,337	2,135,700
TOTAL	220,073,385	218,970,544
Surplus for the year		1,102,804

This Extension project is supported by a grant from the Civil Society Fund (CSF) for a period of two years commencing July 1, 2010 when the MoU was signed. The main objective of the project is to contribute to the reduction of sexual transmission of HIV/AIDS among fishing communities of Panyimur and Pakwach sub counties, Jonam County, Nebbi district. The total funding under the grant is Ushs 797 million, in the year ended 31 December 2010; funds of Ushs 213 million were disbursed during the year.

The above surplus represents the unspent amount which was held on account no. 7610400029 (Centenary Bank) as at 31 December 2010.

4.3.3 Income and expenditure statement for the Gorta funded West Nile Development Initiative (WENDI) programme for the year ended 31 December 2010

INCOME AND EXPENDITURE	Original Budget 2010 Ushs	Revised Budget 2010 Ushs	Actual Expenditures 2010 Ushs
INCOMES			
Balance c/f from 2009	509,086,749	509,086,749	509,086,749
Donations	2,904,326,149	3,051,640,703	3,051,640,703
TOTAL	3,413,412,898	3,560,727,452	3,560,727,452
Expenditures			
Disbursement to BOs	1,289,246,500	1,287,784,500	1,284,249,917
Access to sustainable and improved agro-technologies	132,751,750	132,751,750	66,772,000
BOs & BO members secured better marketing margins	14,350,000	14,350,000	80,000
Knowledge & practice of better nutrition	16,540,000	16,540,000	16,540,000
Ability of BO members to engage in productive IGA	4,080,000	-	33,391,000
BO members enabled to save and loan	5,950,000	-	20,350,000
Access to safe public water and sanitation facilities	618,837,373	618,837,373	392,076,773
Utilization of safe sanitation and water chain management	435,620,402	435,620,402	404,416,307
Comprehensive knowledge & positive attitudes/practices of HIV/AIDS	31,800,000	31,800,000	30,450,000
Education participation of children	198,428,250	198,428,250	196,845,622
BO organizational management	66,550,000	66,550,000	80,388,900
Administration, coordination, & accountability	499,258,623	658,065,177	605,160,236
AFARD sustainability	100,000,000	100,000,000	142,653,720
	3,413,412,898	3,560,727,452	3,273,374,475
Surplus for the year	-	-	287,352,977

Prior to 2010, GORTA provided small project funding majorly for Food and Income security in the West Nile region. This changed at the end of 2008 when GORTA and AFARD agreed to undertake the West Nile Development Initiative (WENDI) that is an area-based integrated development programme. An MOU for the year 1 (ignition phase) was signed on March 20, 2009.

During the year ended 31 December 2010, 82 beneficiary organizations (BOs) were partnered with. A total grant of Ushs 3,051 million was disbursed by Gorta for the West Nile Development Initiative (WENDI) Programme. Ushs 1,284 million was disbursed to the BOs for their direct expenditures on small individual group projects targeting livelihoods transformation in over 10,828 households. The balance was directly spent and managed by AFARD on various Initiatives in accordance with the Grant agreement and WENDI operation guidelines.

The above surplus represents the unspent but committed amount which was held on AFARD Gorta A/C held in CERUDEB accounts no. 7610400011 and 7610400043 as at 31 December 2010.

4.3.4 Income and expenditure for the AFARD Operations funded by Members Contributions for the year ended 31 December 2010

Income and expenditure	Budget 2010	Actual 2010
INCOMES		
Balance at January1,2010	42,559,481	42,559,481
Committed funds from Gorta A/C at January1,2010	12,338,292	12,338,292
Member's contribution	221,136,976	221,136,976
Other incomes		
Inclusion	100,000	100,000
Sale of Bids	9,462,800	9,462,800
	285,597,549	285,597,549
Expenditures		
Salaries/wages	63,600,000	-
10% NSSF contributions	6,360,000	-
Medical insurance	9,252,000	6,908,600
Staff trainings	3,000,000	2,500,000
Professional fees	4,000,000	3,240,000
Per diems(SDA & DSA)	24,000,000	23,074,700
Volunteer/Interns allowances	6,000,000	4,750,000
Obituary	1,500,000	930,000
Buildings	29,063,227	27,904,527
Vehicles	17,000,000	16,172,193
Computers and accessories	2,500,000	500,000
Furniture and fittings	24,000,000	23,600,000
Other tools	1,000,000	417,800
Stationery(Printing Papers)	2,400,000	1,558,700
Toner and cartridges	3,000,000	1,010,000
Other office supplies	3,200,000	2,998,200
Electronic print and media	1,500,000	820,000
Vehicle hire	700,000	481,800
Meals/refreshments	3,300,000	2,978,300
Audit	20,000,000	17,232,600
Maintenance of equipments and tools	22,800,000	21,262,700
Fuel and lubricants	6,600,000	4,240,400
Communications	7,200,000	6,506,432
Public relations	6,000,000	5,129,000
License and other statutory charges	900,000	776,800
Network subscriptions	324,386	753,500
Utilities(water, electricity)	6,000,000	1,284,701
Imprest	3,600,000	650,300
News papers	2,400,000	362,100

Income and expenditure	Budget 2010	Actual 2010
Bank charges	3,696,000	3,386,171
Postages	451,936	20,000
Farm land	250,000	112,200
	285,597,549	181,561,724
Surplus for the year		104,035,825

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

The above balance represents the unspent amount, which was held on CERUDEB accounts no. **7610400032** and 7610400038 and Stanbic bank account **0140093516001** as at 31 December 2010.

4.3.5 Income and expenditure for the Engendering Decentralization Poverty Resource Management Poverty Project funded by European Commission

Income and expenditure		
	Budget 2010 Ushs	Actual 2010 Ushs
INCOMES		
Balance at January 1,2010	8,354,738	8,354,738
Grants and donations	203,539,375	203,539,375
Total	211,894,113	211,894,113
Expenditure		
Salaries (gross amounts, local staff) ⁴	52,273,335	51,724,270
Local (staff assigned to the Action)	4,430,563	755,000
Local office	46,968,568	34,719,027
Publications ⁹	15,990,000	15,700,000
Project Audit by independent auditor	6,662,500	12,150,000
Translation of plans & budgets for 6 LLGs each year	799,500	400,000
Radio talk shows	8,394,750	7,936,000
Sub county women forum	3,054,090	2,850,000
Parish women forum	12,216,360	10,925,000
Sub county sectoral committee meetings	1,599,000	1,500,000
Inter district exchange visits	2,238,600	2,237,600
Conduct participatory gender responsiveness audit	8,986,380	5,550,000
Information sharing meetings at Parish level	12,216,360	10,925,000
LLG advocacy meetings	9,306,180	3750000
Administrative costs	26,757,927	16,579,100
Total	211,894,113	177,700,997
Surplus for the year		34,193,116

On December 2, 2008, MoU was signed between AFARD and the Delegation of European Commission to Uganda for a 34 months funding towards the Engendering Decentralized Poverty Resources Management Project in Yumbe and Nebbi Districts. EC's grant is up to the tune of Euro 372,427 (90% of the total project funds); the 10% is supposed to be contributed by AFARD. In June 2010, EC disbursed Ushs 203 Millions.

The above surplus is held on Account Number. 7610400037 (Centenary bank) as at 31 December 2010.

4.3.6 Income and expenditure for Jangokoro Food Security Project funded by Manos Unidas for the year ended 31 December 2010

Income and expenditure		
	Budget 2010	Actual 2010
	Ushs	Ushs
Income		
Balance at January 1, 2010	10,347,725	10,347,725
Grant income	24,977,775	24,977,775
Total	35,325,500	35,325,500
Expenditure		
Improved technologies	18,495,000	18,495,000
Agronomic/livestock management skills training	2,512,500	2,512,500
periodic monitoring	1,735,000	1,735,000
Management cost	2,878,000	2,850,375
Leadership Development Training	395,000	395,000
IGA Management Training	1,045,000	1,045,000
Sanitation improvement	790,000	790,000
Planning for 2011	7,080,000	7,080,000
Surplus for the year	35,325,500	35,297,875
		27,625

On July 13, 2009, an agreement was signed between AFARD and Manos Unidas (Jaca City). Manos Unidas undertook to provide funding for the Jangokoro Food Security Programme.

The above surplus is held on Account Number. 7610400041 (Centenary bank) as at 31 December 2010.

4.3.7 Income and expenditure for Food and Nutrition Project for the year ended 31 December 2010

Income and expenditure	Budget 2010 Ushs	Actual 2010 Ushs
Incomes		
Grant income	49,523,450	21,694,575
Total	49,523,450	21,694,575
Expenditures		
Project Lead persons orientations	4,340,500	-
Develop and disseminate materials	8,100,000	8,100,000
Mobilization of Local community Groups	2,625,000	-
Sensitization meetings at LLG levels	25,829,000	-
Internal Project Review	4,441,000	-
Administrative cost (10%)	4,187,950	85,000
TOTALS	49,523,450	8,185,000
Surplus for the year	-	13,509,575

On October 18, 2010, an agreement was signed between AFARD and FAO (Food and Agriculture Organization of the United Nations) to build capacity of District, Sub-county and parish authorities to formulate, manage and monitor respective development plans with priorities that strongly feature food security and nutrition. Again in December 13, 2010 an addendum was signed to expand the project scope. During the year FAO disbursed Ugx 21,694,575.

The above surplus is held on Account Number. 7610400045 (Centenary bank) as at 31 December 2010.

4.3.8 Income and expenditure statement for Global Fund project for the year ended 31 December 2010

Income and expenditure		
	Budget 2010	Actual 2010
	Ushs	Ushs
INCOMES		
Grants and donations	483,973,600	459,774,920
EXPENDITURES	BUDGET	ACTUAL
CSOs travel to district	200,000	200,000
Introduce activity and plan district roll out	1,080,000	1,080,000
Sensitise district leadership & ToT	5,000,000	5,000,000
Mobilisation for sub county sensitisation/Training and confirmation of subcounty storage	3,000,000	3,000,000
Sub county sensitization and training	8,960,000	8,370,000
Mobilization for parish sensitization and training	3,000,000	3,000,000
Parish sensitization/training and identification of distribution points	72,795,000	71,898,500
Registration	71,764,000	67,244,000
Collect data for registration exercise	34,020,000	34,020,000
Compile data and allocate nets	9,000,000	9,000,000
Nets arrive at Sub county and CSOs and local leadership assume responsibility of nets	7,180,000	6,115,400
Nets are broken down for allocation to DPs and delivered to the DPs store	20,405,000	20,405,000
Distribution of nets	51,392,000	51,392,000
Day for aeration of nets and preparation for hang up campaign	2,840,000	2,840,000
Hang up campaign	68,040,000	68,040,000
Collection and compilation of data for hang up campaign	2,840,000	2,840,000
Vehicle hire	54,900,000	51,600,000
Fuel	20,600,000	18,750,000
Onetime costs	2,960,000	2,974,000
CSO Administrative costs 10%	19,798,920	19,798,920
	459,774,920	447,567,820
Surplus for the year	-	12,207,100

On August 6, and August 23, 2010 an agreement was signed between AFARD and Ministry of Health (MOH) for Distribution of Long Lasting Insecticide Treated Nets (LLINS) in the Districts of Nebbi and Zombo. During the Year MOH disbursed Ugx 459,774,920 out of the total Contract Sum of Ugx 483,973,600. The above surplus is held on account no. 7610400044 (**Centenary bank**) as at 31 December 2010.

4.3.9 Income and expenditure statement for increasing West Nile Small Holders Farmer's Agricultural Productivity for the year ended 31st December 2010

Income and expenditure	Budget 2010	Actual 2010
Incomes		
Grant income	492,849,720	526,249,293
Total	492,849,720	526,249,293
Expenditures		
Provide Agro Inputs	353,230,845	-
Train in Agronomy skills	28,050,000	-
Train in bulk marketing skills	21,037,500	-
Train in financial management and reporting skills	24,123,000	-
Train in implementation monitoring and reporting skills	24,123,000	-
Routine management monitoring visits	5,119,125	-
Hold Bi-Annual beneficiary review meetings	13,113,375	-
Provide administrative cost support	24,052,875	-
Total expenditure	492,849,720	-
Exchange gain	33,399,573	-
	526,249,293	-
Surplus for the year		526,249,293

On December 6, 2010 AFARD signed an agreement with Irish Aid to fund "Increasing West Nile Smallholder farmers Agricultural Productivity" to a tune of Ugx 3,026,034,000. Eur 1,078,800 for three(3) Years.

During the period ended December 31, 2010 Ugx 526,249,293 was disbursed and these funds were maintained on Gorta Account Number 7610400011.

4.4 Cash and bank

Account name	Bank	Account no.	2010 Ushs	2009 Ushs
AFARD CERUDEB A/C	CERUDEB	7610400032	6,591,958	829,869
AFARD PERSONNEL COST A/C	CERUDEB	7610400038	73,224,163	14,260,236
AFARD GORTA A/C	CERUDEB	7610400011	283,202,985	8,599,730
AFARD IRISH AID PROJECT	CERUDEB	7610400046	526,249,293	-
COMMUNITY WIDE PROJECT A/C	CERUDEB	7610400043	4,149,992	500,487,019
AFARD DECENTRALISATION	CERUDEB	7610400037	34,193,116	8,354,738
FOOD SECURITY	CERUDEB	7610400041	27,625	10,347,725
AFARD CSF A/C	CERUDEB	7610400029	1,102,841	6,104,492
AFARD STANBIC A/C	STANBIC	140093060301	-	37,082,884
AFARD MICROFINANCE A/C	STANBIC	140093516001	24,219,704	2,724,784
SINGULA WATSAN A/C	STANBIC	140093864501	-	33,666,451
AFARD GLOBAL FUND	CERUDEB	7610400044	12,207,100	-
AFARD FSN ACCOUNT	CERUDEB	7610400045	13,509,575	-
TOTAL			978,678,352	622,457,928

The AFARD IRISH AID PROJECT Centenary Bank, Account Number 7610400046 was subsequently opened in 2011.

5 Management Letter

5.1 Introduction

During our audit of AFARD for the year ended 31 December 2010, we examined certain aspects of the entity's systems of internal control and other related matters.

Contained in this document are our observations and recommendations and management comments on possible ways in which the weaknesses in the organization's internal control system and information systems can be improved.

It must be appreciated that the matters dealt with in this management report came to our attention during the conduct of our normal audit procedures which are designed primarily with a view to the expression of our opinion on the fund accountability statement of the entity.

Our examination of the accounting records were carried out on test basis and should not be relied upon to disclose errors and irregularities, which are not material in relation to the fund accountability statement. Our comments cannot, therefore, be expected to include all possible improvements in internal controls, which a more extensive special examination might develop.

In particular, it must be emphasized that weaknesses in the system of accounting and internal control may facilitate errors and irregularities, which our normal audit test checks will not necessarily detect. Our findings represent matters we came across at the time of the audit and we have not checked these matters subsequently.

Should there be any matters referred to in this report on which you would like us to provide further explanation or assistance in implementing our recommendation, please do not hesitate to contact us.

We would like to take this opportunity to express our appreciation to you and all members of staff for the assistance accorded to us during the course of our work.

5.2 Current year issues

5.2.1 Service contracts

Observation

We noted the following during the review of service/supply contracts;

- There were no formal agreements in place for the supply of fuel and servicing of AFARD's motor vehicles at Caltex Nebbi and Rock filling Nebbi;
- There was no evidence of prequalification for the servicing of motor vehicles with the respective garages and fuel supply; and
- There are no set criteria as to how the suppliers of fuel and garages were evaluated and selected.

Implication / risk

- In case of any disagreements with the service providers, AFARD may not be able to enforce any legal action against the suppliers. This could translate into financial losses for the organization.
- AFARD may not obtain value for money if the service providers are not competitively evaluated prior to selection.

Recommendation

- Management should ensure that all supply contracts with the suppliers and service providers are formalized and signed to mitigate the effect of any misunderstandings and disputes that could arise.
- We also encourage management to undertake prequalification of the suppliers or service providers specifically for the supply of fuel and servicing of motor vehicles. This should set the criteria upon which suppliers and service providers are evaluated and selected.

Management Comments

In the year, fuel was consumed on activity basis and at the prevailing prices. This approach was adopted because in 2008 and 2009 we found out that signing contracts with fuel suppliers and vehicle repairers in West Nile is complicated. Contracts are not honored. The few suppliers have unsteady prices that they change at any time and quite often the stations run out of fuel. It is even not possible to find a single vehicle/motorcycle service centre with comprehensive expertise. One point may be good with wiring, the other with the engine, etc.

5.2.2 Fuel monitoring

Observation

- From our review of motor vehicle logbooks and fuel costs, we noted that management does not have sufficient controls over fuel usage. There is no evidence of review of motor vehicle and motor cycle logbooks on a regular basis. We further noted that there is no evidence of fuel consumption reports to analyse fuel usage visa-Vis the mileage consumed. Fuel costs are determined based on supplier statements. For instance, log books for the following vehicles/ motorcycles UDP557Y and UDL 385M.

Implication / risk

Absence of proper controls may lead to unstable or unexplained fuel consumption patterns and this could be an indication of an inadequate monitoring system on fuel usage. This could also translate into financial loss to the organization.

Recommendation

We recommend that management critically reviews the data and the Key Performance Indicators (KPIs) used in the monitoring of fuel consumption and the motor vehicle mileage. This will enable corrective action to be taken in a timely manner.

Management comments

As is noted under 5.2.1, to operate the “as is” fuel consumption approach, all projects have fuel coupons that are filled and taken to the station in order to access fuel. That is the first line of control to ensure that fuel is drawn against approved plans and budgets. When the petrol station demands for payment, their bill is verified against the coupons by the FAM.

In regards to the said motorcycle, the period of no update of both was when the F.Os were for studies and no one used them.

Henceforth reports of the reviews of data of M/cycle usage will be filed.

5.2.3 Statutory deductions (NSSF)

Observation

From our review, we noted that AFARD made late filings to NSSF. This contravenes the NSSF Act which requires regular filings and payments of such amounts by the 15th date of the following month. Instances noted include;

Months in 2010	Date of filing/remittance
January	03 March 2010
April	21 May 2010
July	15 September 2010

Risk

Non compliance with statutory regulations exposes the organisation to penalties and fines.

Recommendation

Management should ensure compliance with local tax laws and regulations to avoid any arising penalties.

Management Comments

Such delays were because NSSF officials based in Arua took their own time to collect these Cheques. (NSSF returns are always approved before 28th of every month)

5.2.4 Recognition and recording of assets in the register

Observation

Vehicle Paid by AFARD and not yet delivered

Our review of the procurement guidelines section 7.7 revealed that goods supplied to AFARD should be received checked and certified as to quantity and quality before any payment is made and subsequently recorded in the assets register. We however, noted that management made an advance payment of Ushs 107.63 million (100% payment) to Walusimbi's Garage Ltd for a Toyota Hillux double cabin and recorded it in the register before delivery.

Risk

This contravenes the requirements of the procurement manual and best practise. There is also a risk that payment may be made for nonexistent goods or non performed services.

Recommendation

Management should ensure that all payments are effected after delivery in accordance with the requirements in the policies and procedures.

Management comments

Given the urgent need of the vehicle, we paid to collect the car. However, it turned out that the vehicle had no heating system. So we agreed to wait for new shipment at no cost variation to the dollar price. Holding the approved value to wait for delivery in a situation of rising dollar rates was going to be more costly in the end.

5.2.5 Stock management

Observation

The asset procurement, management and disposal guidelines require management to undertake a stocktaking exercise at least once a year, evidenced by a written report. We noted that this was not done during the year. We also noted that the stock bin cards are not maintained.

We further noted that the stock register used for monitoring inventory movements was last updated in September 2010 for most of the items.

Risk

This contravenes the asset management guide lines and may render the assets vulnerable to misuse.

Recommendation

Management should ensure that controls over stocks operate as highlighted in the procedures. Regular controls over stock movements should be ensured and monitored.

Management comments

Noted

5.3 Findings arising from the review of Beneficiary organizations (BOs)

The following findings were identified during our visit to the selected beneficiary organizations (BOs) that include; JOYODI, Kuligamba, Mawa, Jupugeta, OATC, OYU, Odonga, Kisimua Angaba, and Cido.

5.3.1 Compliance with the Ugandan Law

Observation	Risk/Implication	BO affected	Recommendation	Management comments
From our review, we noted that the BOs do not comply with statutory regulations in regard to filling and payment of PAYE, NSSF and local services tax	Failure to comply with applicable statutory regulations may expose the organization to penalties and fines.	OATC	All statutory deductions should be filled and remitted on due dates as prescribed in the national regulations	<i>The BO will be advised to comply with statutory regulations.</i>

5.3.2 Record keeping

Observation	Risk/Implication	BO affected	Recommendation	Management comments
Our review of BOs revealed absence of key records and inconsistencies in updating of accounting documents. Examples include un updated cash books, missing minutes of meetings, and incomplete loan books. We also noted that membership fees were recorded in the cash book as opposed to the membership register.	This may lead to inaccuracies in reporting and distortion of accounting records. This may also be prone to manipulation and misuse of resources.	JOYODI OYU Jupugeta	<i>BOs' management should ensure that proper record keeping systems are maintained.</i>	<i>That in many BOs there are few literate members (P7 graduate), finance team has been and will continue mentoring them.</i>

5.3.3 Loan management

Observation	Risk/Implication	BO affected	Recommendation	Management comments
Our review of the BOs revealed inconsistencies in application of loan policies and there is no evidence of procedures followed in administering loans. We also noted that most of the significant loan amounts are advanced to committee members. We further noted that there are no stringent procedures to recover amounts in case of default.	Absence of documented policies and procedures to guide the loan processing may lead to inconsistencies in administering the system and lead to financial loss	Kisimua Odonga Mawa	Management should ensure that the loan approval and disbursement process is strictly adhered to so as to minimize the risk of exposure to credit risk.	<i>A harmonized Credit guideline is in place and is now being enforced in order to address this particular concern.</i>

5.3.4 Segregation of duties

Observation	Risk/Implication	BO affected	Recommendation	Management comments
From our review, we noted that one executive member does the work of all other members. A chairman for instance, withdraws money from the bank, records in the cash book and monitors all the activities of the BO.	Lack of segregation of duties/ review of books of account undermines the desired financial controls.	Angaba	Management should ensure segregation of duties with regard to key roles and regular review of work done by another person	<i>As is noted under 5.3.2, this finding is inevitable where illiteracy reigns.</i>

5.3.5 Review of the cash book

Observation	Risk/Implication	BO affected	Recommendation	Management comments
There was no evidence that the coordinator or the chairman reviewed the cash book for the year under review.	Any errors made by the Accountant in maintaining the cash book may not be promptly identified and corrected.	JOYODI Jupugeta	Management should ensure that the cash book is reviewed every month and signed as evidence of this review.	<i>For BOs under coordinators and NGO arrangement, cash books are reviewed jointly with AFARD finance team and the findings presented in quarterly review and network meetings</i>

5.3.6 BO's management capacity

Observation	Risk/Implication	BO affected	Recommendation	Management comments
During our review of the BO's, we noted that the management and administration is undertaken by personnel with inadequate skills and competences especially to deal with technical and reporting matters.	This may lead to significant errors being made going undetected.	JOYODI Angaba	Management should ensure that appropriate training is given to staff with technical positions to avert the risks associated with them.	<i>See 5.3.2 and 5.3.5</i>

5.3.7 Unsupported expenditures

Observation	Risk/Implication	BO affected	Recommendation	Management comments
During our review of BO expenses we noted that some duplicated expenses reported	This may lead to misstatement expenditures reported	JOYODI	Management should ensure proper review of all	<i>One of the receipts for meals was</i>

under the same activity. For instance, expenditures related to meals were reported twice in the retraining of VVs at JOYODI resulting in an overstatement of that expense line by Ushs 1,476,600.	for the period.		expenditures reported under specific activities to avoid inaccuracies being reported.	wrongly attached and it's now correctly filled.
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5.3.8 Identification of BO assets

Observation	Risk/Implication	BO affected	Recommendation	Management comments
We noted that goats were distributed to beneficiary organizations .However some goats were not tagged or uniquely identifiable	This may lead to misappropriation of some of these assets by community members.	Mawa Jupugeta	Management should ensure that all goats attached to projects are properly identified and safeguarded.	<i>Efforts to tag all goats was started in early 2010 to ensure procurement compliance. Henceforth all project goats will be tagged</i>

5.3.9 Driving permits

Observation	Risk/Implication	BO affected	Recommendation	Management comments
From our review of asset management by the BO's we noted that the chairmen who are directly responsible for motorcycles do not possess driving permits and have not been licensed to drive. Under Traffic and Road Safety Act 1998 part five completely prohibit driving without a valid driving permit.	This contravenes the national requirements and may lead to significant fines and penalties	ALL	Management should ensure that all users of motor vehicles/cycles have duly updated permits.	<i>All Chairpersons or those in charge riding the motorcycles had provisional permits as first condition to access the equipments. In The due Network meeting end of January 2011 was set as a date for having full driving permit.</i>

5.4 A look back into prior period deficiencies

No	Matters raised previously	Action taken by management	Management's comment
1.	<p>Journal entries</p> <p>It was noted that correcting journal entries had not been passed in the accounting system.</p>	Adjustments are still being passed at reporting level.	<i>Not resolved. Finance team is exploring how to resolve journal entries.</i>
2.	<p>Assets identification</p> <p>We noted that management had not engraved assets belonging to the organization</p>	Management has engraved all the assets as at the date of review.	<i>Resolved</i>
3.	<p>Cash management (Petty cash)</p> <p>There were no petty cash certificates to support cash held at period ends.</p>	Resolved Cash counts were regularly performed and certificates duly signed off.	<i>Resolved</i>
4.	<p>Induction and placement of staff</p> <p>We noted that there was no evidence induction for new staff joining the organisation.</p>	Resolved All induction procedures were undertaken and documented for new staff during the year.	<i>Resolved</i>
5.	<p>Monitoring of BOs</p> <p>Management did not have a documented mechanism/system for results arising from the monitoring activities of the BOs.</p>	Resolved. Management has come up with a system of reports and follow schedule for all BOs.	<i>Resolved</i>
6.	<p>Procurements by BOs</p> <p>Major procurements by the BOs revealed that no specific procedures were followed.</p>	Resolved. All major procurements were performed centrally by AFARD.	<i>Resolved</i>
7.	<p>Monitoring of projects by BO management</p> <p>It was noted that BO management teams were not keeping track of the progress of the various projects. There was no mechanism in place to monitor and report.</p>	BO management adopted simple mechanisms of tracking the progress of BO's activities through reports.	<i>Partially resolved A monitoring, reporting, accounting and learning tool is shared with all BOs.</i>
8.	<p>Boaster loans</p> <p>There were no documented guidelines/procedures in place to confirm the process of application, disbursement and recovery of the boaster loans and there was no evidence that beneficiaries signed agreements detailing the terms and tenure of the boaster loans acquired.</p>	Our subsequent review revealed that loan policies have been put in place and distributed to every BO. However, some BO members and leadership are not aware of the existence of the loan policy.	<i>Partially resolved See 5.3.4</i>

<i>No</i>	<i>Matters raised previously</i>	<i>Action taken by management</i>	<i>Management's comment</i>
9.	<p>BO membership</p> <p>It was noted that some BO memberships were significantly made up of a large number of members from one family and as such benefits were not equally apportioned to the wider community.</p>	<p>This has been revisited and subsequent redistributions have considered the wider community.</p>	<p><i>Resolved.</i></p>
10	<p>Book keeping at BO level</p> <p>Our review revealed that most BO cash books were not updated, most of the BO documents had been overwritten and bank reconciliations were not being reviewed.</p>	<p>Most BOs have updated their records on a regular basis. However, some are still not updating their records regularly (Refer to current year issues).</p>	<p><i>Partially resolved.</i></p> <p><i>This is a continuous capacity building process.</i></p>

6 Appendix 2

AFARD Statement of Financial position as at 31 December 2010

	2010	2009
	Ushs	Ushs
ASSETS		
Noncurrent assets	549,236,728	488,119,770
Current assets		
Cash and cash equivalents	978,678,352	622,457,928
Total	<u>1,527,915,080</u>	<u>1,110,577,698</u>
CAPITAL AND LIABILITIES		
Capital and reserves		
Capital fund	549,236,728	488,119,770
Surplus for the year	978,678,352	622,457,928
Total equity and liabilities	<u>1,527,915,080</u>	<u>1,110,577,698</u>