



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

**Audit report for the year ended
31 December 2009**

KPMG
Certified Public Accountants
P O Box 3509
KAMPALA
Uganda

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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 Enterprise Initiative
BoD	Board of Directors
CERUDEB	Centenary Rural Development Bank
EU-CSO	European Union Civil Society Organization
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 and Moyo 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).

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 Organisational 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 accelerated through promotion of an integrated food security approach that focuses on improving 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 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 2009

The projects implemented by AFARD during the year ended 31 December 2009 were funded using internally generated funds and funding from donors including: Gorta, Manos Unidas, the Royal Netherlands Embassy (RNE), Civil Society Fund (CSF), and the European Commission (EC).

DIRECTORS, OFFICERS AND ADMINISTRATION

DIRECTORS

Rev. Fr. Geoffrey Ocamgiu	Chairperson
Mr. Kura Vasco	Vice Chairperson
His Grace Henry Luke Orombi	Member
Ms. Grace Kwicwiny	Member
Ms. Marion Kyomuhendo	Member

BOARD SECRETARY

Mr. Michael B. Okecha

SENIOR MANAGEMENT

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

AUDITORS

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

REGISTERED OFFICE AND PLACE OF OPERATION

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

BANKERS

Centenary Bank
Nebbi Branch

Stanbic Bank
Nebbi Branch

1.2 Audit scope

The scope of the work covers the transactions recorded from 1 January 2009 to 31 December 2009. This audit is purely on the fund accountability statement and not 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. The audit will include such tests and auditing 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 statement of receipts resulting from fraud or error.

1.3 Audit methodology

The audit methodology principally comprised of:

- (a) Audit of the statement of receipts and expenditure:
 - 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 8 to 20 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.....2010 and were signed on its behalf by:

.....
Chairperson	Secretary	Programme Director
..... 2010 2010 2010

3 REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF AFARD ON THE FUND ACCOUNTABILITY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

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 2009 and a summary of significant accounting policies and other explanatory notes set out on pages 9 to 20.

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 2009 and its receipts and expenditure for the year then ended.

KPMG
Certified Public Accountants
P O Box 3509
Kampala, Uganda

Date:2010

4 FUND ACCOUNTABILITY STATEMENT

4.1 Income and Expenditure Statement for the year ended 31 December 2009

	Notes	2009 Ushs	2008 Ushs
Income			
Fund balances at 1 January		511,581,997	78,081,041
Grant income	4.2.2	4,756,444,231	1,077,362,887
Income from AFARD operations	4.2.3	290,630,713	364,821,387
Total income available		5,558,656,941	1,520,265,315
Expenditures			
Project expenditures	4.3	4,936,199,013	1,008,683,318
Total expenditures		4,936,199,013	1,008,683,318
Surplus for the year		622,457,928	511,581,997
Represented by			
Cash and cash equivalents	4.4	610,119,636	511,581,997
Gorta's committed funds		12,338,292	-
Total current assets		622,457,928	511,581,997
Net funds carried forward		622,457,928	511,581,997

The fund accountability statement and accompanying notes set out on pages 9 to 20 were approved by the Board of Directors and signed on its behalf by:

..... Chairperson 2010 Secretary 2010 Programme Director 2010
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The notes set out on pages 9 to 20 form an integral part of these financial statements.

4.2 NOTES TO THE FUND ACCOUNTABILITY STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

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 the income and expenditure 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	2009 Ushs	2008 Ushs
Civil Society Fund- FICAP	103,517,400	254,292,465
GORTA	4,530,870,998	380,744,811
European Union	-	7,461,954
UWASNET	-	2,394,850
Royal Netherlands Embassy-WATSAN	63,828,708	38,952,830
European Commission	-	391,649,080
Manos Unidas	58,227,125	-
AFARD operational Account- Centenary	-	431,225
AFARD operational Account –Stanbic	-	1,435,672
	4,756,444,231	1,077,362,887

These are cash transfers from the donors received in the year ended 31 December 2009. Grants are used for the specific donor projects and separate accounts are maintained for each project.

4.2.3 Income from AFARD Operations

Donor	2009 Ushs	2008 Ushs
Members Contribution for AFARD Operations	217,660,993	148,598,947
European Commission-AFARD's Contribution	44,019,720	-
AFARD's contribution towards WATSAN project	100,000	-
Consultancy income	-	204,579,752
Income from disposal of assets	200,000	1,020,000
Sale of bids	14,650,000	-
Borrowings (Manos Unidas)	14,000,000	-
Borrowing by Gorta	-	5,192,688
Borrowing by Watsan (RNE)	-	5,430,000
	290,630,713	364,821,387

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.

The borrowings were made to fund Food Security project activities, pending receipt of funds from the donors.

4.3 Expenditure

Project	Donor	Notes	Budget 2009	Actual 2009	Actual 2008
			Ushs	Ushs	Ushs
Murusi Safe Water & Sanitation Project	Royal Netherlands Embassy	4.3.1	75,452,858	41,786,407	41,998,860
The Fisher Community Anti-Aids	Civil Society Fund	4.3.2	144,800,415	138,695,923	213,009,450
West Nile Development Initiative	GORTA	4.3.3	4,531,183,998	4,009,758,957	528,728,015
AFARD operations	AFARD	4.3.4	299,577,125	257,018,264	200,145,200
Engendering Decentralization Poverty Resource Management Poverty.	European Commission	4.3.5	435,414,800	427,060,062	254,000
Jangokoro Food Security Project	Manos Unidas	4.3.6	72,227,125	61,879,400	-
Engendering Service Delivery in LLGS	European Union		-	-	22,049,598
Hand washing campaign	UWASNET		-	-	2,394,850
OVC and LAIP BANK CHARGES	B/F balances		-	-	103,345
Total			5,558,656,321	4,936,199,013	1,008,683,318

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

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 2009

	Budget 2009	Actual 2009
	Ushs	Ushs
INCOMES		
Balance at 1 January 2009	-	11,524,150
Donation and grants		63,828,708
Member's contribution	-	100,000
		75,452,858
EXPENDITURES		
WES Practice Assessment	4,120,500	4,120,500
Construction	40,825,900	12,716,445
Train and Equip VHT	14,110,000	14,110,000
Hygiene Education	1,360,000	1,360,000
Support Bye-Law Formulation	1,320,000	-
Launch Bye-Laws	3,685,000	1,235,000
Bye-Law Education	1,050,000	-
Support Bye-Law Enforcement	2,100,000	1,150,000
Home Hygiene campaign	525,000	525,000
IEC production	1,700,000	1,700,000
Feedback on Project survey	3,909,000	3,909,000
Project monitoring	550,000	550,000
Bank charges	197,458	410,462
	75,452,858	41,786,407
Surplus for the year		33,666,451

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 is funded 100% by the Royal Netherlands Embassy. The main objective of the project is to provide safe water and improve the hygiene and sanitation of the people living in Munduriema village. In the year ended 31 December 2009, a total of Ushs 59 Million were disbursed for the Murusi project, the extra Ushs 4.3 million included as donations and grant was part of the retained funds from the Jupangila Project.

The above fund balance is represented by the bank balance on the WATSAN Stanbic bank account no. 140093864501as at 31 December 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 2009

Income and expenditure		
	Budget 2009	Actual 2009
	Ushs	Ushs
INCOMES		
Balance at January 1,2009	-	41,283,015
Grants and donations	-	103,517,400
Total	-	144,800,415
EXPENDITURES		
Hold awareness creation Seminars	28,400,000	28,400,000
Hold Radio Talk shows	3,300,000	2,200,000
Stage Video Shows	2,880,000	2,880,000
Reproduce and disseminate Local IECs	7,900,000	3,950,000
Hold Drama Shows	6,400,000	6,400,000
Support Routine PECs / CFs operations	18,000,000	18,000,000
Commemorate World Aids Day	13,080,000	13,080,000
Conduct Quarterly Review meetings	9,960,000	9,960,000
Document Best practices	1,402,200	1,900,000
Sharing and Networking	1,912,500	1,060,000
Hold Condom Promotion Seminars	2,265,000	2,265,000
Programme Management	36,126,550	31,820,522
Contingency Fund	13,174,165	16,780,401
	144,800,415	138,695,923
Surplus for the year		6,104,492

This project is supported by a grant from the Civil Society Fund (CSF) for a period of two years commencing April 4, 2008 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 Panyamur sub county, Jonam county, Nebbi district. The total funding under the grant is Ushs 398 million, in the year ended 31 December 2009; funds of Ushs 103 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 2009.

4.3.3 Income and expenditure statement for the Gorta funded West Nile Development Initiative (WENDI) programme for the year ended 31 December 2009

	Notes	Budget 2009	Actual 2009
		Ushs	Ushs
INCOMES			
Balance at 1 January 2009		-	313,000
Grants and donations		-	4,520,942,573
Refunds		-	9,928,425
		-	4,531,183,998
EXPENDITURES			
Transfers to Beneficiaries Organization	4.3.3.1	1,782,271,800	1,764,434,309
AFARD expenditures	4.3.3.2	806,736,189	1,098,939,792
Community wide projects	4.3.3.3	1,942,176,009	1,158,723,148
Committed but Unspent funds			(12,338,292)
		4,531,183,998	4,009,758,957
Surplus for the year			632,469,741

Prior to 2009, 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 2009, 51 beneficiary organisations (BOs) were partnered with. A total grant of Ushs 4,521 million was disbursed by Gorta for the West Nile Development Initiative (WENDI) Programme. Ushs 1,764 million were disbursed to the BOs for their direct expenditures on small individual group projects targeting livelihoods transformation in over 7,500 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 amount which was held on CERUDEB accounts no. 7610400011 and 7610400043 as at 31 December 2009 which add up to Ushs 509,086,749. The balance amounting Ushs 12,338,292 is part of the cash balance on Stanbic Bank account no 140093060301 (AFARD's operation account) which had been committed to finance construction activities but were unspent as at 31 December 2009.

4.3.3.1 Transfers to Beneficiaries Organization

	Budget 2009	Actual 2009
	Ushs	Ushs
Total transfers to Beneficiary Organization Projects	1,782,271,800	1,692,309,521
Top up on BO projects	-	64,522,100
Refund on BO Projects	-	7,602,688
	1,782,271,800	1,764,434,309

Check figure with 4.3.3.1. Adjustment made to ensure conformity (and arithmetic correctness)

4.3.3.2 AFARD Expenditures

	Budget 2009	Actual 2009
	Ushs	Ushs
Conduct a regional baseline in process impact management	24,985,000	25,785,000
Train in agronomy skills	101,250,000	69,900,000
Train in livestock management skills	56,250,000	36,120,000
Train in credit management skills	18,000,000	13,710,000
Train in IGA management skills	48,000,000	-
Train in improved sanitation chain management skills	45,000,000	83,999,600
Conduct HIV/AIDS awareness for couples	22,500,000	6,150,000
Conduct bee-keeping training	18,000,000	-
Conduct animal traction training	26,400,000	49,350,000
Conduct nutrition education	13,500,000	24,871,200
Conduct Gari training	6,000,000	7,560,000
Induct beneficiaries on Gorta working modalities	15,000,000	28,400,000
Train in participatory and accountable leadership	21,250,000	12,225,000
Train in financial management & reporting skills	21,250,000	29,302,000
Train in implementation monitoring & reporting skills	21,250,000	35,142,000
Hold debriefing meetings with local government leaderships	20,000,000	10,908,500
Conduct quarterly district network review meetings	30,600,000	25,815,900
Hold bi-annual beneficiary review meetings	31,250,000	58,850,000
Procure equipments	21,000,000	59,550,000
Support AFARD sustainability	77,000,000	194,000,000
Conduct exchange visits	3,600,000	8,976,250
Provide administrative cost support	12,000,000	16,845,542
Printing & Publishing	26,250,000	72,522,400
Equipment maintenance	6,300,000	2,905,000
Management allowances	27,900,000	31,000,000
Annual audit	-	15,000,000
Communications Strategy Design	-	7,000,000
Board Visit	2,000,000	5,456,900
Management monitoring	-	9,150,000
Local Government monitoring	-	5,949,000
Resource mobilization assessment/ Training	-	42,032,500
Community mobilization for infrastructural projects	-	4,750,000
2010 Planning	90,201,189	103,518,000
Education Bye-Law Formulation	-	2,195,000
	806,736,189	1,098,939,792

4.3.3.3 Community Wide Projects

	Budget 2009	Actual 2009
	Ushs	Ushs
Safe water sources	1,069,405,669	435,297,200
Class rooms	436,871,096	243,789,050
Teachers house	62,561,417	54,269,000
VIP Latrines	28,562,827	80,455,700
Perma nets	344,775,000	344,775,000
Bank charges	-	137,198
	1,942,176,009	1,158,723,148

4.3.4 Income and expenditure for the AFARD Operations funded by Members Contributions for the year ended 31 December 2009

Income and expenditure		
	Budget 2009	Actual 2009
	Ushs	Ushs
INCOMES		
Balance at January 1,2009	-	67,066,752
Members contribution	-	217,660,993
Income from disposal of assets	-	200,000
Sale of bids	-	14,650,000
Total		299,577,745
Expenditure		
Board Meetings	9,353,250	8,150,250
Committee meetings	2,050,000	2,050,000
Salaries/wages	61,872,396	56,428,422
10% NSSF contributions	6,000,000	5,273,329
Medical contributions	4,897,828	4,897,828
Staff trainings	1,500,000	1,500,000
Professional fees	4,331,225	4,331,225
Per diems	7,320,000	7,320,000
Volunteer/Interns allowance	6,750,000	6,750,000
Obituary	3,000,000	2,400,000
Buildings	66,481,200	66,481,200
Computers and accessories	2,866,000	2,866,000
Furniture and fittings	3,688,750	3,688,750
Other tools	9,698,000	9,698,000
Stationery	8,700,000	7,564,200
Toner and cartridges	3,000,000	1,010,000
Other office supplies	2,500,000	2,050,000
Electronic print and media	450,000	450,000

Income and expenditure		
	Budget 2009	Actual 2009
	Ushs	Ushs
Vehicle hire	1,150,000	1,150,000
Meals/refreshments	3,206,700	1,009,700
Transport Refund	900,000	885,000
Audit	26,347,240	4,347,240
Maintenance of Equipments and Tools	21,455,000	21,192,300
Fuel and Lubricants	15,600,000	13,721,110
Communications	10,200,000	8,636,153
Public Relations	3,900,000	3,889,800
License and Other Statutory Charges	191,600	191,600
Network Subscriptions	790,200	790,200
Charity and Donations	500,000	500,000
Utilities(Water, Electricity)	2,000,000	1,110,910
Imprest	3,000,000	1,050,000
News Papers	400,000	247,200
Bank Charges	1,718,756	1,628,247
Innovative Venture	3,759,600	3,759,600
	299,577,745	257,018,264
Surplus for the year		42,559,481

As shown above, the AFARD operations are funded by internally generated funds, mainly through members' contributions and other incomes like: asset disposal, sale of salvage 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 2009 which amounts to Ushs 17,814,889. The balance of Ushs 24,744,592 is part of the cash balance on Stanbic account no 0140093060301.

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

Income and expenditure		
	Budget 2009	Actual 2009
	Ushs	Ushs
INCOMES		
Balance at January 1,2009	-	391,395,080
Member contribution	-	44,019,720
Total		435,414,800
Expenditure		
Salaries (gross amounts, local staff) ⁴	51,500,000	51,452,816
Local (staff assigned to the Action)	4,100,000	2,885,000
Equipment and supplies ⁷	177,332,320	177,332,320
Local office	39,692,480	38,998,843
Publications ⁹	16,250,000	16,250,000
Baseline Survey for grassroots participation of women in the budget cycle	7,740,000	7,740,000
Project Audit by independent auditor	6,500,000	-
Translation, interpreters	500,000	500,000
Training manual development (Team converges at district level)	1,950,000	1,950,000
Training of trainers at district venue	11,000,000	11,000,000
Training of women leaders at SC level in human and women's rights	3,150,000	3,150,000
Training in PRMT, mobilization & communication skills	3,150,000	3,150,000
Training in gender responsiveness plan/budgeting	3,150,000	3,150,000
Training in advocacy skills	3,150,000	3,150,000
Training in participatory gender M&E	3,150,000	3,150,000
Training in documentation skills	3,150,000	3,150,000
Training follow ups by top management	3,150,000	3,150,000
Awareness creation at LLG levels	3,750,000	3,750,000
Budget awareness creation at parish levels	14,350,000	14,350,000
Drama shows at parish levels	17,150,000	17,150,000
Radio talk shows (on Radio Pacis in Arua for Yumbe district and on Radio Paidha for Nebbi)	2,350,000	2,350,000
Sub county women forum	2,850,000	2,850,000
Parish women forum	10,925,000	10,925,000
Sub county sectoral committee meetings	1,550,000	1,550,000
Training women leaders and key gov't officials in use of the gender responsiveness analysis tool	525,000	525,000
Conduct participatory gender responsiveness audit	3,150,000	3,150,000
Visibility actions	5,000,000	5,000,000
Administrative costs (maximum 7% of 9, total direct eligible costs of the Action)	35,200,000	34,930,183
Bank charges	-	370,900
	435,414,800	427,060,062
Surplus for the year	-	8,354,738

On December 2, 2008, a MoU was signed between AFARD and the Delegation of EC to Uganda for a 34 month funding towards the Engendering Decentralized Poverty Resource Management Project in Yumbe and Nebbi District. 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 the year ended 31 December 2009, no funds were disbursed by EC having disbursed over Ushs 390 million toward the ended of 2008. The only receipt in 2009 was from AFARD and amounts to UShs 44 million.

The above surplus is held on account no. 7610400037 (Centenary bank) as at 31 December 2009.

4.3.6 **Income and expenditure for Jangokoro Food Security Project by Manos Unidas for the year ended 31 December 2009**

Income and expenditure		
	Budget 2009	Actual 2009
	Ushs	Ushs
Income		
Grant income	-	58,227,125
Borrowings	-	14,000,000
Total		72,227,125
Expenditure		
Equipment and tools	8,647,300	9,055,500
Agro technology assessment	980,000	980,000
Provision of improved technologies	52,435,000	48,825,000
Agronomic/livestock Management skills training	5,250,000	860,000
Periodic monitoring	825,000	165,000
Nutrition education	1,220,000	1,220,000
Management cost	2,869,825	773,900
	72,227,125	61,879,400
Surplus for the year	-	10,347,725

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

The above surplus is held on account no. 7610400041 (Centenary bank) as at 31 December 2009.

4.4 Cash and bank

Account name	Bank	Account no.	2009 Ushs	2008 Ushs
AFARD CERUDEB A/C	CERUDEB	7610400032	829,869	5,997,622
AFARD PERSONNEL COST A/C	CERUDEB	7610400038	14,260,236	-
AFARD GORTA A/C	CERUDEB	7610400011	8,599,730	313,000
COMMUNITY WIDE PROJECT A/C	CERUDEB	7610400033	500,487,019	-
AFARD DECENTRALISATION	CERUDEB	7610400037	8,354,738	391,395,080
FOOD SECURITY	CERUDEB	7610400041	10,347,725	-
AFARD CSF A/C	CERUDEB	7610400027	6,104,492	41,283,015
AFARD STANBIC A/C	STANBIC	140093060301	37,082,884	34,965,346
AFARD MICROFINANCE A/C	STANBIC	140093516001	2,724,784	26,103,784
SINGULA WATSAN A/C	STANBIC	140093864501	33,666,451	11,524,150
Total			622,457,928	511,581,997

5 Management Letter

5.1 Introduction

During our audit of AFARD for the year ended 31 December 2009, 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 Issues arising from the current years audit

5.2.1 Basis of accounting

Observation

Management's policy is to adopt a modified cash basis of accounting. 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 supposed to be booked as debtor balances until documentation for expenses incurred have been provided. Our review revealed that this basis is not being applied consistently. A noted example is where management expenses off inter bank transfers before fully utilizing the funds in the recipient bank account.

Risk

This contravenes the policy. Further still, management may not be able to track advances to staff having expensed them off prior to presentation of accountabilities.

Recommendation

Management should make efforts to ensure that the correct accounting policy is consistently applied.

Management Comments

The use of a manual accountability form maintained for all accounts to offset all advances, was due to the inadequate skills in Tally Software management. However, the issue will be dealt with this year to ensure a complete computerised accounting.

5.2.2 Correcting Journal entries

Observation

During our review, we noted that management does not record correcting journal entries in the accounting system (tally). Management manually adjusts the fund accountability statement for any errors to be corrected for.

Risk

Failure to recorded and post correcting journal entries in the accounting system implies that the financial data in the system would not agree to the fund accountability statement. Manual adjustments are also highly susceptible to errors.

Recommendation

Management should ensure that all adjustments are initiated and recorded into the accounting system (Tally)

Management Comments

As noted above (in 5.2.1), this anomaly pertained to the inadequate skills for effective use of Tally Accounting Software. It is now planned for correction by staff training.

5.2.3 Fixed assets

Observation

AFARD classifies: property and equipment; furniture and fixtures, as fixed assets. Most 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 the income and expenditure statement however a fixed assets register is maintained as a monitoring and control tool regarding the usage and ownership of the assets. We noted however that the register does not indicate the unique identification reference (serial numbers).

Risk

Without such information being reflected on the fixed register, it might be difficult or ineffective to use the fixed assets register in monitoring and controlling the usage and ownership.

Recommendation

Management should make efforts to ensure that the fixed assets register is updated with such information.

Management comments

All assets are engraved with unique numbers. The asset register therefore records every asset by such unique codes. Provision for manufacturer's serial number will be provided in 2010 register.

5.2.4 Cash management

Observation

During our review of the controls over cash, we noted that management maintains petty cash to support small office operation needs. However, there were no periodic cash count certificates to confirm that petty cash is verified at period ends. Whereas management maintained that spot check/counts are undertaken no sufficient documentation was available to confirm such.

Risk

Without periodic cash counts, it might be hard to verify the cash balances held at any given time.

Recommendation

Management should ensure that periodic cash counts are undertaken and certificates issued to that effect.

Management comments

Given the size of fund involved, signed for spot checks conducted periodically was considered adequate. Certified periodic cash counts will be adapted to strengthen effective cash management.

5.2.5 Induction and placement of staff

Observation

Whereas management maintained during our inquiry that staffs are inducted before being placed, our review of the human resource function, review of staff files and interview of some staff revealed that no evidence in form of documentation of the induction and placement process was available.

Risk

Without a formal induction and placement process, new staff's goal and ambitions may not be aligned to the organisation goal from day one which might affect the staff's performance at the start

Recommendation

Management should ensure the induction and placement process is adequately documented.

Management comments

All staff, interns, volunteers and outsourced professionals are mandatorily inducted on AFARD's philosophy, operations and ethics before taking up their assignments. Induction reports are however filed in a general and not individual personnel management file.

5.2.6 Beneficiary Organisations

During our visits to various Beneficiary organisation Under the West Nile Development Initiative funded by Gorta. We noted the following:

5.2.6.1 *Monitoring and support of BOs by AFARD*

Observation

AFARD monitors and provides support both financial and programme to various beneficiary organisations. However, we noted that management has not adopted a mechanism of documenting the observations noted and recommendation given thereon during the monitoring exercise. Our inquiry however revealed that the current practice is to discuss the arising issues with the respective BOs.

Risk

Without being documented, the BOs may not have reference to the observation and recommendation arising out of the monitoring exercise in order to speed the implementation.

Recommendation

Management should ensure that the observations and recommendations given, following the review of the various BOs are documented and shared with the involved BO.

Management comment

AFARD's role in WENDI is among others to coordinate, mentor, and promote cross-learning. To achieve this, monitoring visits are conducted and issues that require remedial actions are discussed with every BO on a there-and-then basis. A Field report is also produced as a mandatory accountability instrument. Besides, a summary of all monitoring findings are shared with all BO leaders during the quarterly District Network meetings. The quarterly reports there from that details WENDI on an as-is basis is also shared with all BOs and other stakeholders. In this way,

good and bad lessons are learning tools that facilitates reflections and decision-making to promote or discourage in all BOs.

5.2.6.2 Procurements managed by BOs

Observations

Our review of some of the procurements handled by the Beneficiary Organisations revealed that their procurement functions are not robust enough. The West Nile Development Initiative requires that every Beneficiary Organisation puts in place a procurement committee through which it manages various procurements for the BOs. Whereas various BOs have indeed formed the procurement committees, we noted that the procurement committees did not take charge of all major BO procurements.

For example, one of the projects undertaken by most BOs was to procure 2 goats for every member of the BO. We noted however that most BOs instead gave physical money of Ushs 100,000 to every BO member to procure for themselves the 2 goats. No records were maintained by the BO's management to monitor and ensure that indeed every member procured the 2 goats at the budgeted cost

Further more, during our review of procurements for Got lembe and Olando we noted that management procured various items like hoes and cassavas cuttings for the budgeted members. However, the actual members were less than the budgeted members hence there were surplus items which were not accounted for.

Risk

Without a robust procurement function to handle various procurement, financial losses may emanate.

Recommendation

Management should ensure the every BO has a robust procurement function to handle the various procurements for the BO. Management should also ensure that the necessary support is rendered to the various BOs until they have built the capacity to ably handle all the procurements for themselves.

Management comment

This anomaly was unearthed both by AFARD staff and honest BO leaders in quarter 2. BOs that gave direct cash were required to bring their goats for tagging (e.g., in Panyimur parish). Where we doubted costs (or members blew fraud whistle) stern actions were taken to ensure mandatory refund (e.g., in Anukufi). In cases where procurement were more than expected (largely not due to fraud but inability to interpret plans), such excess inputs were either provided to other BOs (e.g., excess cassava cuttings from Siringmba was provided to Got lembe) or sold off and the funds banked on the BO account (e.g., funds for excess hoes in Munduriema were banked). For the BOs that saved funds from their procurement, they were allowed to spend such funds on inputs that would add value to their annual goal (e.g. Got lembe saved UGX 5.6 million from procurement savings and was allowed to spend some of the saved funds to procure gum boots).

The robustness of the system can then be seen from its anchor on collective responsibility and transparency. What is left is plugging the few loopholes without clogging the process with costly bureaucracy.

5.2.6.3 Monitoring of projects By BO management

Observations

From our review of the BO Projects we noted that BO management has not adopted a mechanism to monitor and document the progress of various projects undertaken. The Executive committees for the BOs did have vital data like: the total living goats, offspring of the procured goats, and status of the gardens where seedlings were offered.

Risk

Failure to closely monitor and document the progress of various projects, it would be hard to comprehend the impact of the various initiatives in the various areas of implementation.

Recommendation

Management should ensure that every BO monitors and documents the progress of the various projects.

Management comment

Foremost, it warrants noting that elaborate documentation at BO level, for now, is a dream far-fetched especially in a community where “memory storage of facts” is the norm let alone having <10% of BO members literate and more so for BOs in year one of support; an experience of historically not having received any development support, especially in cash.

Notwithstanding, efforts are in place to promote effective documentation. BOs are encouraged to keep minutes of their meetings; where all committees and ordinary members report on their activities, successes, and failures. Besides, quarterly reviews are conducted with all BOs so as to promote a participatory monitoring of progress.

Further, in September 2009, a mandatory basic management data checklist was developed and shared with all BOs. Now, all BOs with offices have such data displayed on their walls while those without offices do not. Again, in November 2009, a comprehensive data-guided Monitoring, Reporting & Accounting (MRA) Form was designed and disseminated to all BOs. Using the data collected by the BOs (at BO and BO member household levels), a basis for result (outcome/impact) reporting was set (see quarter 3 report). The main gap for BOs to be addressed is how they can use the comprehensive data that they now have to report (to other stakeholders; auditors inclusive) about their performance.

5.2.6.4 *Boaster loans*

Observations

During our review of the Booster Loans under Got Lembe, Murusi Central, Olando and Munduriema and our inquiry of management we noted the following:

- There are no documented guidelines/procedures in place to confirm the process of application, disbursement and recovery of the boaster loans;
- There was no evidence that beneficiaries sign an agreement detailing the terms and tenure of the boaster loans acquired.

Risk

Without a robust loan management and monitoring system, there is a risk of a financial loss arising from Bad debtors.

Recommendation

Management should assist BOs with boaster loans to streamline their disbursement and recovery process of the boaster loans.

Management comment

Different BOs have for long used different loan approaches e.g., the CREAM, CARE, SACCO or revolving fund strategies. In quarter 2, a pilot of a unified approach was tested in Yumbe with marked resistance. Lessons learnt there from was used to improve the approach which was tested in Nebbi in quarter 3. Finally, during the District Network meetings to review quarter 3 performance it was agreed that the excess risks of diversity in unity deserved a harmonization of the credit scheme to ensure uniformity and comparison of BO performance. This resolution is a key activity in quarter 4 and will remedy the anomaly as it provides for same guidelines, binding agreement, and routine reporting.

5.2.6.5 *BOs members*

Observations

During our review of some Beneficiary organisation and their memberships, we noted that various households had several members in one BO implying that one family would benefit through the various family members in the BOs at the expense of other potential beneficiaries. Our inquiry of management however, revealed that this anomaly has been abolished and every household benefits through one member. However, there is no clear record to confirm that this was indeed rectified.

Risk

If this anomaly is not rectified throughout all BOs it might create lack of cohesion within the BO which might hinder further developments

Recommendation

Management should follow-up and ensure that indeed, the beneficiaries in each BO are not from the same house hold.

Management comment

Acknowledging that membership registration is a constitutional responsibility of every BO, efforts in this direction is already being implemented (as the best safeguard is embedded in the detailed quarterly MRA Form that contains all beneficiary members' names and is kept by the BOs).

5.2.6.6 *Book keeping practice at the BO Level*

Observations

During our review of book keeping practice at various BOs we noted the following:

- The BOs visited, record all the income/receipts into their cash books. Most BOs did not issue receipts and acknowledgement letters of the funds received. We further noted that some BOs received items in kind from AFARD; however no record of such items was maintained.
- Most of the documents like cash books, vouchers and support documents maintained by BOs were over-written/cancelled.
- Most cash books were not up to date. I.e some transactions are not promptly recorded;
- Whereas some BOs were preparing Bank reconciliations on a monthly basis no review was being done. Others did not prepare any reconciliation;

Risk

Without robust book keeping system, financial information is susceptible to errors and misstatements.

Recommendation

Management should continue to train the BOs in quest to build their capacity in book keeping.

Management comment

Worthy to note is that WENDI is operating an empowerment approach that allows BOs, however weak, to gain prudent management skills for future self-management. This approach is not risk free especially given its outreach in historically marginalized (see quarter 2, annex 2 report on financial mismanagement).

To address this gap:

- *Consolidated disbursement of funds is done by AFARD to BO accounts to aid tracking of fund outflows.*
- *BOs are required to attach bank statements to all their periodic reports.*
- *Field Officers are attached to all BOs and among other things they are required to ensure prudent financial management; up to date bookkeeping inclusive.*
- *Finance department conducts periodic spot checks to mentor BO leaders.*
- *A gradual approach is adopted in financial management capacity building so that best practices are adopted incrementally than in a “hurry and fall fashion”.*

5.3 A look back into prior period deficiencies

5.3.1 Time sheet and payroll

Observation

The Agency pays staff emoluments including salaries and other benefits as contributions from the various sources for funds and donations. It was however noted that timesheets were not maintained by the staff for the time spent on project work. This practise was noted to be Contrary to best practice and donor requirements.

It was also noted that the agency does not maintain a payroll, rather a payment summary is manually prepared in an excel spreadsheet whenever a payment is to be made from each of the projects.

Status

Partially resolved. Our review and inquiry of management revealed that management now prepares and approves payrolls.

However, no timesheets are maintained although management maintains that they have not appreciated the use of timesheets since the Board resolved to monitor staff performance through outputs/deliverables which are measured with reference to the agreed work plan.

Management comments

AFARD staff do not work on a piece rate approach; a reductionist approach promoted by timesheet approach. Rather, their performance is based on the production of outputs and committed pursuance of results. This approach is embedded in individual target settings embedded in annual and quarterly plans that are further broken down into weekly implemental targets. By use of weekly meetings to review performance, every planned outputs and their strategies and skills competency are assessed for all staffs. Where possible gaps are addressed immediately. This process culminates into a participatory annual staff performance assessment. In this way, it is not the duration spent on an activity but what results are produced that matters. Further, capacity gaps are not corrected over a long period of time then addressed but catered for as and when they emerge. Equally, the boss-junior relationship is not cherished as the team cares for the organizational goal. Above all, our approach has outmoded the “common” mentality that one’s work is gagged by time (in and out). Depending on one’s (pending) output standards, staff report as early as 6.30 am and leave as late as 10.00pm or even work on weekends without ‘over time’ pay demand.

5.3.2 Unsupported accountabilities

Observation

Our review of accountabilities mainly from field officers revealed the following control deficiencies: Several accountabilities lacked documentary support an example is expenditure on meals for the Autonomy Granting Facilitation (GORTA funds) in December 2008. Whereas the amount was paid, there were no receipts to acknowledge the receipt from the service provider to support that expenditure. It was further noted that no accountability sheets are filled by staff members when accounting for advanced monies. Thus such accountabilities do not have evidence of review by an independent senior person.

Status

Resolved. Our review and inquiry of management revealed that where management is unable to obtain receipts from third parties because of the nature of business process in its areas of operation it uses its own payment vouchers, whereby third parties are asked to initial the payment vouchers for the un receipted payments.

Management comments

Noted

5.3.3 Filing system

Observation

From the review of the filing system, it was noted that the organizations documents are not separated depending on their nature and importance. All documents are instead kept in one file making access to such documents rather difficult.

Status

Resolved. Systematic filling in the individual files has been adopted.

Management comments

Noted

5.3.4 Member's contribution

Observation

This relates to amounts contributed to the AFARD account by the founder members and senior management for aiding daily operations of the organization.

From our review of incomes, we noted that there was no clear detailed schedule/ account maintained by management of such incomes.

Status

Not resolved.

Management comments

Noted

5.3.5 Information backup

Observation

The organization has a LAN which has provided a quick and modern way of storing information. However we noted that data is not regularly backed up

Status

Resolved, Management now promptly backs up its data on a daily (finance) and weekly (programme) basis.

Management comments

Noted

5.3.6 Expenditure Documentation

Observation

It was noted that expenditures are posted in tally using voucher numbers as the major reference numbers; however these voucher numbers were different from those appearing on the physical vouchers. It is therefore hard to trace the system voucher numbers back to the physical files where support documentation is kept. Some payment vouchers per cash book had different amounts from the physical vouchers.

We also noted that there is duplication of payment vouchers by the system where by the system allocates the same payment voucher number to more than one payment in the year.

Status

Partially resolved, the major challenge remains with the reports run from tally (accounting system) which can not show system voucher number as the reference number.

Management comments

This is a software defect that may, in the meantime, be resolved with the training of the accounts staffs.

6 Appendix 2

AFARD Statement of Financial Position as at 31 December 2009

	2009	2008
	Ushs	Ushs
ASSETS		
Non current assets	488,119,770	221,267,646
Current assets		
Cash and cash equivalents	622,457,928	511,581,997
Total	1,110,577,698	732,849,643
CAPITAL AND LIABILITIES		
Capital and reserves		
Capital fund	488,119,770	221,267,646
Surplus for the year	622,457,928	511,581,997
Total equity and liabilities	1,110,577,698	732,849,643