

Agency For Accelerated Regional Development (AFARD)

Audit for the year ended 31 December 2022

Management Letter

March 2023

THE POWER OF BEING UNDERSTOOD
AUDIT | TAX | CONSULTING





RSM Eastern Africa
Certified Public Accountants

Plot 17/19 Kampala Road, DTB Centre
6th Floor, Suite 6B
T +256 (0) 414 342 780/9
www.rsm.global/uganda
Firm number: **AF0199**

Our Ref: RSMEA/2023/121

11 April 2023

The Executive Director,
Agency For Accelerated Regional Development
Plot 3-5, Buitiime Riad
Nebbi Municipality, Uganda

Dear Sir,

Re: Management letter – audit for the year ended 31 December 2022

We enclose a report setting out recommendations arising from our audit of Agency For Accelerated Regional Development (AFARD) for the year ended 31 December 2022. The report covers certain matters relating to internal control and the system of accounting, which came to our notice during the course of our audit. We have prepared this report in accordance with ISA 265 '*Communicating deficiencies in internal control to those charged with governance and management*'.

Our recommendations have been discussed with management, and their responses are included in the report under "management comments".

An audit is not designed to identify all significant weaknesses in an entity's system of internal financial controls. Our review of the internal financial control systems is only carried out to the extent required to enable us to express an opinion on the entity's financial statements and therefore our review and the comments/recommendations arising therefrom should not necessarily be regarded as a comprehensive list of all possible improvements to the system of internal financial controls or to operational procedures, which a more extensive review might reveal. Moreover, the letter forms part of a continuing dialogue between us and is therefore not intended to include every matter that comes to our attention during the course of the audit.

This report has been prepared solely for the use of the management of your Organisation and may not be provided to any third party without our prior written consent. Such consent will only be granted on the basis that the letter has not been prepared with interests of any third party in mind and that we accept no duty, responsibility or any liability whatsoever to that party.

Yours faithfully,

RSM Eastern Africa

RSM Eastern Africa

Partners: Ashlf Kassam*(Executive Chairman), John Walabyeki (Managing)

*Kenyan

RSM Eastern Africa is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

The Firm is Licensed and Regulated by the Institute of Certified Public Accountants of Uganda.

Contents

Executive Summary4

Status of Prior Year Management Letter points5

Rating for matters identified6

Detailed Observations, implication and recommendations7

Executive Summary

	Matters Arising
1.	Foreign currency transactions Management should ensure that foreign currency transactions are recorded and a spot rate used to translate foreign currencies per transaction during the year and perform retranslation of foreign currency balances at year end using the closing rate at year end.

Status of Prior Year Management Letter points

	Prior Year Recommendations	Status
1.	Preparation of key reconciliations Management should ensure that monthly reconciliations between PAYE returns and payrolls are for all prepared, documented and reviewed by an officer independent of the preparer.	Implemented
2.	Related parties transactions Management should maintain a related parties ledger for easy tracking to avoid exposure risk.	Implemented
3.	Incomplete payrolls Management should ensure that employees are included on the payroll in the months they join	Implemented

Rating for matters identified

Each weakness identified has been assigned a subjective rating, which may in turn be used to prioritise the resources required to address the problem.

This will enable management to assess the relative importance of the weaknesses.

The key to these ratings is as follows:

High	H	Weaknesses that are of such a severe nature that they pose an immediate risk to the system of internal control threaten the Secretariat's operations and should be brought to the urgent attention of those charged with governance.
Medium	M	Weaknesses which have an increased capability of seriously compromising the system of internal control and should therefore be corrected as soon as possible.
Low	L	Weaknesses which may compromise the system of internal control and should therefore be corrected.

Detailed Observations, implication and recommendations

The following control matters came to our attention in conducting the audit of Agency For Accelerated Regional Development for the year ended 31 December 2022.

1. Foreign currency transactions

Observation	Rate	Implication	Recommendation	Management comments
We noted the organization maintains bank accounts in foreign currency (USD and EUR), however, the foreign currency transactions are not recorded in the accounting software.	H	Risk of over/under statement of the financial statements due to foreign exchange losses/gains, realized/unrealized during the period.	Management should ensure that foreign currency transactions are recorded and a spot rate used to translate foreign currencies per transaction during the year and perform retranslation of foreign currency balances at year end using the closing rate at year end.	Aplos accounting software that AFARD is using only records transactions in Uganda shillings. However, closing balances on forex accounts are always translated at year end using the closing rate. Management will perform monthly reconciliations and report on foreign exchange transactions in the financial statements.
Please state: <ul style="list-style-type: none"> ➤ Person responsible: DFA ➤ Implementation date: March 2023 				