

LIVELIHOODS AND LOCAL ECONOMIC RECOVERY

PROJECT NAME: 00061509 - 00077934 - LIVELIHOODS AND ECONOMIC RECOVERY

GRANT PERIOD AUDITED: FROM 1ST JANUARY 2011 TO 31ST DECEMBER 2011

Team & Co.

"We serve beyond your expectations"

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1.0 INTRODUCTION

In terms of the scope of work identified in the agreement for the provision of audit services to the United Nations Development Programme and also in the provisions contained in project documents regarding the financing of Livelihoods and Economic Recovery Project by the United Nations Development Programme (UNDP), we carried out an audit of the transactions pertaining to this project for the period ending 31st December 2011.

2.0 BACKGROUND

The project document was signed on 4th November 2010 with the following contributions:

Source of funds	Amount in USD
UNCDF	760,000
UNDP	990,000
IOM	500,000
WFP	1,200,000
FAO	1,550,000
TOTAL	5,000,000

The Project is implemented by Enterprise Uganda. The project is expected to end in June 2012.

3.0 PROJECT OBJECTIVES

Project background

The project is designed to address the principal challenges related to agricultural productivity, market access, employment and income for youths in a predominantly agricultural economy, including support to allow vulnerable ex-combatants and female-headed IDP and returnee households to participate. It is also designed to strengthen capacities of local governments for peace building and economic recovery and ensure community dialogue on possible sources of friction in the post conflict economy. The purpose is to reduce the risk of violent conflict re-emerging and to optimise peace dividends by enabling and supporting economic reactivation.

Project objectives

Livelihoods and Economic Recovery Project is a targeted intervention in the area of livelihoods and economic recovery. The primary aim of the project is to contribute strongly to the rebuilding of a strong agricultural economy in the post-conflict, post-displacement period. The main objectives are:

- To support government efforts to diversify livelihoods and facilitating access to rural finance opportunities as a perception of hope and immediate peace dividends for building community trust in local governments.
- To build local government capacities for local; economic governance and convening and coordinating multi stakeholder processes aimed at conflict mitigation ,consensus building for enhancing the business enabling environment and stimulating economic activity and economic empowerment for households/vulnerable youth ,women and men
- To provide training, improved seeds, equipment, grants and market information to strengthen agricultural productivity, market access and financial capacity of rural households/vulnerable youth, women and men.
- To analyse market functioning, private sector opportunities, microfinance and access by youth to the real economy/productive sectors, promotion of community dialogue.
- To provide specialised reintegration and integration assistance for female-headed, IDP, returnee and ex-combatants households that address the specific hardships faced by women and girls in the Acholi sub-region and to avoid their further stigmatisation.

4.0 SCOPE OF AUDIT

The audit was conducted in conformity with the provisions of the project document, generally accepted common auditing standards, and the principles and procedures prescribed for the United Nations with respect to funds obtained from or through UNDP. The audit accordingly included such tests of accounting records, internal control and other procedures as were considered essential for due performance of this audit. Discussions on management and accountability were held with the executing agents and the management of the Livelihoods and Economic Recovery Project.

Scope Limitation

The audit opinion is limited to funds received and expenditures incurred by Enterprise Uganda from UNDP, and the opinion does not cover expenditures made by UNDP amounting to US\$ 49,006.52 as part of direct support services.

5.0 AUDITOR'S REPORT TO:

**THE AUDITOR GENERAL, THE NATIONAL PROJECT DIRECTOR AND THE
RESIDENT REPRESENTATIVE**

**Report of the independent auditors to UNDP on the financial statements of Livelihoods
and Economic Recovery Project for the year ended 31st December 2011**

(I) Certification for Statement of Expenditure

We have audited the accompanying Statement of expenditure ("the statement") of the UNDP Project number 00061509- 00077934 Livelihoods and Economic Recovery Project for the period 1st January 2011 to 31st December 2011.

Management is responsible for the preparation of the statement for Livelihoods and Economic Recovery Project and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards of Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement in order to design audit procedures that are appropriate in circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the attached statement of expenditure presents fairly, in all material respects, the expenditure of US\$ 436,157 incurred by the Livelihoods and Economic Recovery Project for the period January 1, 2011 to December 31, 2011 in accordance with agreed upon accounting policies and were; (i) in conformity with the approved project budgets; (ii) for the approved purposes of the project; (iii) in compliance with the relevant UNDP regulations and rules, policies and procedures; and (iv) supported by properly approved vouchers and other supporting documents.

(II) Certification for Statement of Assets

We have audited the accompanying statement of assets ("the statement") of the UNDP project number 00061509- 00077934 Livelihoods and Economic Recovery Project as at 31st December 2011.

Management is responsible for the preparation of the statement for Livelihoods and Economic Recovery Project and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the attached statement of assets presents fairly, in all material respects, the balance of inventory of the project number 00061509- 00077934 Livelihoods and Economic Recovery project amounting to NIL as at 31st December 2011 in accordance with UNDP accounting policies.

(III) Certification of Statement of Cash Position

We have audited the accompanying statement of cash ("the statement") of the project number 00061509- 00077934 Livelihoods and Economic Recovery as at 31st December 2011.

Management of Livelihoods and Economic Recovery Project is responsible for the preparation of the statement for the project and for such internal control as management determines is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

Our responsibility is to express an opinion on the statement based on our audit. We conducted our audit in accordance with International Standards on Auditing (ISA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the project's preparation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the project's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the attached statement of cash position presents fairly, in all material respects the cash and bank balance of the Livelihoods and Economic Recovery project amounting to US\$ 129,731.70 as at 31st December 2011 in accordance with UNDP accounting policies.

This report is intended solely for the information and use of UNDP, the Government of Uganda and Enterprise Uganda.

Date of issuance: *Team 20 - APRIL - 2012*

AUDITOR'S NAME: TEAM & CO CERTIFIED PUBLIC ACCOUNTANTS

AUDITOR'S SIGNATURE: *Team & Co*

AUDITOR'S/FIRM ADDRESS: P.O.BOX 8128 KAMPALA



6.0 MANAGEMENT LETTER

	Audit observation	Impact on Audit Opinion	Possible cause	Risk severity	Recommendation	Management's comments
1.	<p>Rate of Project Delivery</p> <p>We reviewed projects progress reports and annual and quarterly financial reports and noted that despite the late start of about six months, project implementation, is on schedule. We noted that UNPD funds were not timely. The first disbursement to Enterprise Uganda was done on 11th August 2011 and no disbursements were done in the quarter of April to June when implementation commenced.</p>	None	Inadequate planning	Low	It is important to ensure timely disbursement of funds to the implementing partners to ensure timely implementation of project activities.	<p>Management Comments:</p> <p>The letter of agreement between UNDP and Enterprise Uganda was signed on 9th June 2011. Thereafter, the process of opening the account was started. So no disbursements could have been done in quarter two.</p> <p>UNDP Comments:</p> <p>LOA was signed on 9th June 2012 following the project formulation exercise. After which, capacity and HACT assessments were conducted on the proposed IP. Clearance was made</p>

				<p>for opening a bank account on the basis of the above assessments. By 11th August, funds were disbursed to the IP.</p>	
<p>2. <u>Procurement of goods and services</u></p> <p>(i) Enterprise Uganda's procurement guidelines are contained in the Manual of Guidelines for National Execution of Donor Funded Projects Programmes in Uganda of 1998. These guidelines are not only outdated and not in line with the provisions of the Public Procurement and Disposal of Assets Authority Act, 2003 but are also silent on procedures to follow with respect to procurement of goods and services.</p> <p>(ii) Management did not provide us with bidder's evaluation reports for all project procurement of goods and services.</p>	<p>Qualified opinion</p>	<p>Inadequate guidance</p>	<p>High</p>	<p>It is necessary to comply with both UNDP and the Government of Uganda procurement regulations. The project procurement guidelines manual should be updated to include provisions of PPDA Act and regulations. Compliance with the PPDA Act and regulations. Compliance with the PPDA Act will</p>	<p>Management Comments:</p> <p>i) EUG to revise its procurement guidelines to ensure compliance with PPDA/UNDP.</p> <p>ii) The supplier was identified after soliciting of direct quotations from at least three bidders. The quotes were analysed and the LPO was raised.</p> <p>iii) Selection of Rays Investments was informed quotations solicited from potential service providers. They were found competitive in pricing and</p>

<p>Although in some cases, at least 3 bidders' quotations were provided, in all cases, there is no mention of how the bidders were invited and evaluated.</p>				<p>improve transparency, competitiveness and enable realisation of value for money for the project procurements. Management should ensure that formal contracts are signed with all major service providers to avoid any probable loss to the project in case of breach of contract by the service provider.</p>	<p>more importantly their demonstrable ability to handle large numbers in a short time, hence saving time spent on meals.</p>
<p>(iii) Enterprise Uganda incurred expenditure amounting to Ushs 361,195,000 on meals for the project training workshops conducted in Gulu and Pader. The 2 workshops, each lasting 5 days, were residential with a combined enrolment of 5,150 participants. Each participant received breakfast, lunch, evening tea and super. The meals for both workshops were provided by Rays Investments. There is however no evidence that the procurement of this service provider was competitively done. There was however no written contract between Rays Investments and Enterprise Uganda.</p>				<p>UNDP Comments: i) UNDP will follow up with IP on review of procurement guidelines. ii) Follow up with Enterprise Uganda to provide evaluation reports for the procurements of goods and services already procured using project funds. iii) Same as above in (ii)</p>	

<p>3. <u>Categorisation of expenses into UNDP budget lines codes</u> The implementing partner maintained accounting ledgers and the cash book. However, the coding of expenses in the ledgers was not done in line with UNDP codes. The UNDP codes were also not recorded on the payment vouchers.</p>	None	Human error	Low	<p>Management of Enterprise Uganda should put in place an accounting system capable of tracking and accumulating expenses for each budget line in accordance with the UNDP coding system.</p>	<p>Management Comments: Codes to be reflected on the payment vouchers.</p> <p>UNDP Comments: Follow up with Enterprise Uganda to ensure that codes are reflected on the payment vouchers.</p>
<p>4. <u>Compliance with Standard Letter of Agreement between the United Nations Development Programme in Uganda and Enterprise Uganda.</u> We noted that enterprise Uganda levied a fee of 25% of total funds spent in respect of both administration and professional fees. This is not provided for in the letter of agreement. The standard letter of agreement provided for administration fees not exceeding 7% of total project budget but was silent on the professional</p>	Qualified audit opinion	Inadequate guidance at UNDP country office	High	<p>It is important to fully comply with the agreement requirements. The levies for both administration and professional fees should be recomputed in accordance with</p>	<p>Management Comments: Noted. EUG charged 25% of direct costs to cover both the administrative fees and the professional fees. This was done in close consultation with UNDP. EUG has disaggregated the fees and</p>

<p>fee rate. The letter of agreement provides for Professional fees to be charged by Enterprise Uganda to be included in programme activities. The excess fee levied during the 7-months period was UGX 100,776,352</p>				<p>the financing arrangement provisions. The excess administration fees charged should be refunded to UNDP.</p>	<p>administrative cost. The system has been further streamlined this financial year with detailed budgets reflecting the professional fees and the administrative fee separately.</p> <p>UNDP Comments: UNDP agrees that the professional fees amounting to 100,776,352/- were wrongly charged. The IP was requested to refund this amount and has complied. The excess fee charged has been refunded to UNDP</p>
<p>5. <u>Expenditure</u> (i) We noted expenditure amounting to US\$ 3,145,000 as compensation for recovery of lost and damaged items to a service provider. This is contrary to clause 4 of the letter of agreement</p>	<p>Qualified audit opinion</p>	<p>High</p>		<p>It is important to fully comply with the agreement requirements. Management</p>	<p>Management Comments: i) Noted. This was a one-off. EUG has put in place measures to minimise on</p>

<p>between UNDP and Enterprise Uganda.</p> <p>(ii) We noted arbitrary payments amounting to Ushs 1,800,000 made by the implementing partner as follows.</p> <table border="1" data-bbox="606 291 1005 985"> <thead> <tr> <th>Date</th> <th>Invoice number</th> <th>Details</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>25/08/2011</td> <td>2509</td> <td>Appreciation to Head teacher</td> <td>200,000</td> </tr> <tr> <td>25/08/2011</td> <td>2509</td> <td>Transport for Pader participants</td> <td>800,000</td> </tr> <tr> <td>25/08/2011</td> <td>2509</td> <td>Transport for Gulu participants</td> <td>800,000</td> </tr> </tbody> </table> <p>(iii) We observed that the project incurred expenditure amounting to Ushs 32,556,000 on the purchase of Caps and T-shirts. There is no budget line provision for the aforementioned expenditure.</p>	Date	Invoice number	Details	Amount	25/08/2011	2509	Appreciation to Head teacher	200,000	25/08/2011	2509	Transport for Pader participants	800,000	25/08/2011	2509	Transport for Gulu participants	800,000				<p>should ensure that payments are made in accordance with the work plan and budget line provisions. The ineligible expenditure incurred on T-shirts and Caps should be refunded to UNDP as well as that on the compensation.</p>	<p>losses and damage.</p> <p>UNDP comment: The LOA stipulates that UNDP does not pay for damages and this should be refunded.</p> <p>ii) These costs were part of the training costs. The Head teacher was paid for the support services he provided during the training.</p> <p>UNDP comment: In accordance with our advise, the IP has refunded the amount incurred on Caps and T-shirts.</p> <p>(iii) These were part of the training costs. The situation was unique and</p>
Date	Invoice number	Details	Amount																		
25/08/2011	2509	Appreciation to Head teacher	200,000																		
25/08/2011	2509	Transport for Pader participants	800,000																		
25/08/2011	2509	Transport for Gulu participants	800,000																		

APPENDICES

Statement of Management's Responsibilities

Combined Delivery Report

Statement of Cash Position

Statement of Assets and Equipment

Notes to the Financial Statements

Annex 8

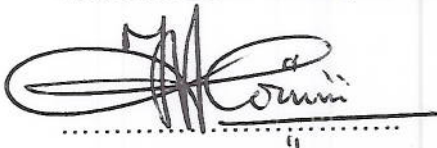
PROJECT ID: 00077934

**LIVELIHOODS & LOCAL ECONOMIC RECOVERY - PEACE BUILDING FUND
PROJECT**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITIES
FOR THE YEAR ENDED 31st DECEMBER 2011**

The project agreement requires the management to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the project as at the end of the financial year and its operating results. It also requires management to ensure that the project keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the project. The management is also responsible for safeguarding the assets of the project.

Management accepts responsibility for the accompanying annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgement and estimates, in conformity with International Financial Reporting Standards and the requirements of UNDP. Management is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the project for the year. Management further accepts responsibility of the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial controls.



Charles Ocici

Executive Director

Date: 12/3/12

Combined Delivery Report

UN Development Programme
 Report ID: UNGL143

Page 1 of 1
 Run Time: 28-03-2012 08:03:28

Selection Criteria :

Business Unit : UGA10
 Period : Jan-Dec (2011)
 Project Award Id : 00061509
 Project Fund Code : 30000

Project Award Id : 00061509 Peace Building Fund UNDP	Period : Jan-Dec (2011)
Project # : 00077934 Livelihoods& Econ Recovery PBF	Impl. Partner : 99999 UNDP
	Location : Uganda

	Govt Disb	UNDP Disb	UN Agencies	Total Disb
Fund : 30000 (Programme Cost Sharing)				
63405 - Learning Costs	0.00	2,000.00	0.00	2,000.00
71305 - Local Consult.-Sht Term-Tech	38,078.66	11,912.77	0.00	49,991.43
71310 - Local Consult.-Short Term-Supp	0.00	20,343.51	0.00	20,343.51
71405 - Service Contracts-Individuals	0.00	2,804.45	0.00	2,804.45
71605 - Travel Tickets-International	0.00	1,840.00	0.00	1,840.00
71615 - Daily Subsistence Allow-Intl	0.00	2,460.60	0.00	2,460.60
71620 - Daily Subsistence Allow-Local	0.00	5,555.73	0.00	5,555.73
71625 - Daily Subsist Allow-Mtg Partic	0.00	4,076.58	0.00	4,076.58
72130 - Svc Co-Transportation Services	0.00	481.21	0.00	481.21
72505 - Stationery & other Office Supp	0.00	864.69	0.00	864.69
72510 - Publications	0.00	2,946.12	0.00	2,946.12
72805 - Acquis of Computer Hardware	10,116.71	0.00	0.00	10,116.71
72810 - Acquis of Computer Software	14,404.89	0.00	0.00	14,404.89
73107 - Rent - Meeting Rooms	0.00	907.61	0.00	907.61
74120 - Capacity Assessment	4,987.18	605.81	0.00	5,592.99
74210 - Printing and Publications	0.00	2,123.89	0.00	2,123.89
74215 - Promotional Materials and Dist	0.00	3,457.62	0.00	3,457.62
74225 - Other Media Costs	0.00	1,026.55	0.00	1,026.55
74510 - Bank Charges	0.00	43.75	0.00	43.75
75705 - Learning costs	5,692.40	0.00	0.00	5,692.40
75709 - Learning - training of counter	295,296.90	0.00	0.00	295,296.90
75711 - TrnWrkshp&Conf - Stipends	67,579.87	2,564.52	0.00	70,144.39
76120 - Unrealized Loss	0.00	34,988.50	0.00	34,988.50
76125 - Realized Loss	0.00	300.97	0.00	300.97
76130 - Unrealized Gain	0.00	-38,586.07	0.00	-38,586.07
76135 - Realized Gain	0.00	-13,712.29	0.00	-13,712.29
Total for Fund 30000	436,156.61	49,006.52	0.00	485,163.13
Total for Project : 00077934	436,156.61	49,006.52	0.00	485,163.13
Grand Total :	436,156.61	49,006.52	0.00	485,163.13



[Handwritten signature]

Prepared by: LEBOGANG MUYILANA COUNTRY DIRECTOR
ENTERPRISE UGANDA
 P. O. BOX 24581, KAMPALA - UGANDA
 03 APR 2012
 PLOT 38, LUMUMBA ANTIQUE NAVASERO

Date: 03/04/2012
UN
DIP
 Uganda

[Handwritten signature]

Prepared By: **TC TEAM & CO.**
 Certified Public Accountants
 05 APR 2012
 P. O. BOX 8128

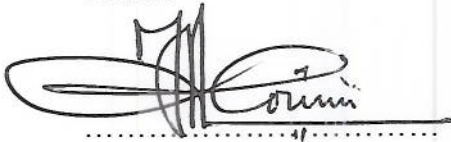
Date: 02/04/2012

PROJECT ID: 00077934

LIVELIHOODS & LOCAL ECONOMIC RECOVERY - PEACE BUILDING FUND
PROJECT

STATEMENT OF CASH POSITION AS AT 31ST DECEMBER 2011

	UGX
Bank Balance:	324,329,237
Cash Balance:	-
Total:	324,329,237



Charles Ocici
Executive Director



Mary Odongo
Director Finance and Administration



NOTES TO THE FINANCIAL STATEMENTS

Significant accounting policies

(a) Basis of preparation

The financial statements are prepared under the cash basis of accounting. Under the cash basis of accounting, expenses are recognized when paid and revenue is recognized when received.

(b) Translation of foreign currencies

The financial statements are presented in United States Dollars. Expenses incurred in the local currency are converted into United States Dollars by use of average monthly conversion rates determined by UNDP. Local currency balances are translated into United States Dollars at the UNDP rates of exchange ruling at the year end.

ANNEX 9: AUDIT DATA AND OBSERVATIONS

Table 1 - Auditors report on the audit of the UNDP CDR

UNDP Combined Delivery Report (CDR) as at 31 December 2011							
	Award No.	Project No.	Amount audited and certified (US\$)	Audit opinion (unqualified, qualified, adverse, disclaimer)	Total amount of qualification of audit opinion (if qualified, adverse or disclaimer opinion)	Reason(s) for qualification of audit opinion and breakdown of NFI amount (US\$)	Observation(s) that had impact on qualification of audit opinion (list observation number(s) and page of audit report/management letter)
1	00061509	00077934	436,157	Un - qualified	72,198		

Table 2 - Auditors report on the audit of the statement of cash position

Statement of Cash Position					
Award No.	Project No.	Value of Cash Position Statement as at 31 December 2011 (US\$)	Audit Opinion - Statement of Cash Position	Total amount of qualification - Statement of Cash Position (US\$)	Total amount of Net financial impact (NFI) of qualification of audit opinion - Statement of Cash Position (US\$)
00061509	00077934	129,731.70	Unqualified	-	-

Table 3 - Auditors report on the audit of the statement of assets and equipment

Statement of assets and equipment		Value of Assets and equipment as at 31 December 2011 (cumulative from project start date) (US\$)	Audit Opinion - Statement of Assets and Equipment	Total amount of qualification on the Statement of assets and equipment (US\$)	Total amount of Net financial impact (NFI) of qualification of audit opinion on Statement of assets and equipment (US\$)
Award No.	Project No.				
00061509	00077934	NIL	Unqualified	-	-

Name and position of Auditor: BAM WISATAMA KIRGOMBO JOSEPH - PARTNER

Signature of Auditor: *[Handwritten Signature]*

Date: 22-04-2012

Name and stamp of Audit Firm: Team & Co

