

Regional Inspector General for Audit  
Nairobi, Kenya

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**Audit of  
The Rehabilitation of  
Productive Enterprises  
Project No. 617-0104**

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Report No. 3-617-92-07-N  
March 25, 1992



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**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

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March 25, 1992

memorandum

TO: Keith W. Sherper, Director, USAID/Uganda  
FROM: Toby L. Jarman, RIG/A/Nairobi *Toby L Jarman*  
SUBJECT: Audit of the Rehabilitation of Productive Enterprises  
Project No. 617-0104, Audit Report No. 3-617-92-07-N

Enclosed are five copies of a mission-contracted financial audit report of the Rehabilitation of Productive Enterprises Project No. 617-0104. The accounting firm of Price Waterhouse, Kenya performed the audit. Their report is dated October 23, 1991.

The project was initiated in 1984. Its primary purpose is to increase agricultural production, processing and services through intermediate lending to private sector agricultural enterprises for productive investment in rehabilitation and/or expansion of their facilities. A secondary objective of the project is to increase the capacity of the Uganda banking system to administer intermediate lending. The project is also expected to have an important impact on the employment of the rural poor.

The Development Finance Department of the Bank of Uganda is the implementing agency for the Government of Uganda. Subloans to agricultural enterprises are currently provided through three intermediate credit institutions (Uganda Commercial Bank, Uganda Development Bank and Bank of Baroda) and consist of two components, foreign exchange and local currency. The foreign exchange component consists of imported commodities financed through the project's credit line. The local currency component is provided through a Bank of Uganda re-discount facility, which is the Government of Uganda's primary contribution to the project. The

scope of the audit was limited to U.S. dollar expenditures claimed by the Development Finance Department in respect of imported commodities and project support commodities totalling \$11,752,799 and \$590,844 respectively, and covered the period January 1, 1988 through June 30, 1991.

The objectives of the audit were to:

- examine and express an opinion on the Fund Accountability Statements (Imported Commodities and Support Commodities);
- evaluate and report on the Bank of Uganda Development Finance Department's internal control structure;
- examine and report on the Bank of Uganda Development Finance Department's and the Intermediate Credit Institutions' compliance with the grant agreement and applicable U.S. laws and regulations;
- review and report on the Intermediate Credit Institutions' project tracking and accounting systems for subborrower statements; and
- review and report on the disposition and utilization of project commodities.

The auditors reported that the Fund Accountability Statements presented fairly, in all material respects, the expenditures in U.S. dollars of the Rehabilitation of Productive Enterprises (RPE) Project for the period audited, with the exception of \$4,379 in questioned costs. The auditors also identified material weaknesses in the internal control structure and material instances of noncompliance. Further, the auditors reported that the Intermediate Credit Institutions' project tracking and accounting systems provided reasonably accurate and timely data for the amounts owed by sub-borrowers, but that reconciliations of the amounts owed to the Development Finance Department were not performed. Finally, the auditors identified certain weaknesses during their review of the end-use of imported commodities. The primary weaknesses included: (i) indications that some commodities, particularly vehicles and farming equipment, were being used for businesses other than those financed by RPE funds, and (ii) instances of commodities that were inappropriate for their intended purpose.

The draft audit report was submitted to the Mission and the auditee for comment. Combined Mission and auditee comments were received (Appendix I of the audit report) and were incorporated in the final report by Price Waterhouse. In their comments, they indicated that some of the weaknesses in accounting systems mentioned in the report were recognized in 1990 and an accounting firm was contracted to help improve those systems. We are including the

following recommendations in the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that the Director, USAID/Uganda determine the allowability, and recover, as appropriate, the questioned costs of \$4,379.

Recommendation No. 2: We recommend that the Director, USAID/Uganda obtain from the Bank of Uganda Development Finance Department a plan to improve its internal control structure under the Rehabilitation of Productive Enterprises Project which would include establishing and implementing (a) an integrated accounting system; and (b) a structured system of accounts to facilitate production of periodic financial reports.

Recommendation No. 3: We recommend that the Director, USAID/Uganda obtain from the Bank of Uganda Development Finance Department and the Intermediate Credit Institutions a plan to improve their compliance with the grant and applicable laws and regulations under the Rehabilitation of Productive Enterprises Project which would include establishing and implementing procedures for (a) maintaining accounting records according to generally accepted accounting principles; and (b) ensuring that Intermediate Credit Institutions maintain records on location and usage of project support commodities.

Recommendation No. 4: We recommend that the Director, USAID/Uganda obtain from the Bank of Uganda and Intermediate Credit Institutions a plan of action (a) for periodic reconciliation of the amounts owed to the Development Finance Department (b) to address deficiencies identified in the report regarding end-use of imported commodities.

We consider Recommendation Nos. 1, 2, 3 and 4 unresolved pending receipt of a plan for corrective actions. Please respond to this report within 30 days indicating actions planned or already taken to implement the recommendations.

Thank you for the cooperation and courtesy extended to Price Waterhouse and Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

AUDIT OF  
USAID/UGANDA'S REHABILITATION OF PRODUCTIVE  
ENTERPRISES PROJECT NO. 617-0104  
MANAGED BY THE BANK OF UGANDA

ATTACHMENTS

*a*

Attachment I

NON-FEDERAL AUDIT OF THE REHABILITATION OF PRODUCTIVE  
ENTERPRISES  
PROJECT (RPE) PROJECT NO. 617-0104

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*Price Waterhouse*



6 March 1992

Mr Keith Sherper  
Mission Director  
United States Agency for International Development  
Kampala  
UGANDA

Dear Sir,

NON-FEDERAL AUDIT OF THE REHABILITATION OF PRODUCTIVE  
ENTERPRISES PROJECT (RPE) PROJECT NO. 617 - 0104

Enclosed is the final report for the audit performed under  
Contract No. 617-0104-C-00-91-075 between USAID/Uganda and Price  
Waterhouse. This audit was performed in accordance with  
generally accepted auditing standards and the financial and  
compliance elements of the Comptroller General's Government  
Auditing Standards.

We have incorporated into this report the Mission comments to  
our draft report and our responses to the comments.

We would like to express our appreciation to the staff of  
USAID/Uganda, the Bank of Uganda and the Intermediate Credit  
Institutions for the cooperation and assistance provided to the  
Price Waterhouse team during this audit.

Yours sincerely

W A Hollas  
Partner

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NON-FEDERAL AUDIT OF THE REHABILITATION OF PRODUCTIVE  
ENTERPRISES  
PROJECT (RPE) PROJECT NO. 617-0104

1. INTRODUCTION

1.1 BACKGROUND

The Rehabilitation of Productive Enterprises (RPE) Project No.617-0104 was undertaken on September 28, 1984 in a grant agreement between USAID/Uganda and the Treasury of the Government of Uganda.

The Development Finance Department (DFD) of the Bank of Uganda was chosen to act as the implementing agency for the Government of Uganda. The Intermediary Credit Institutions (ICI's) selected were Uganda Commercial Bank (UCB), Uganda Development Bank (UDB) and Bank of Baroda (BOB).

The objectives of the project are to increase agricultural production, processing and services through intermediate lending to private sector agricultural enterprises and to increase the capacity of the Uganda banking system to administer intermediate lending.

The current estimated project assistance completion date (PACD) is June 30, 1994.

The scope of the non-Federal audit included a review of the US dollar expenditures for commodities and the corresponding local currency values recorded by the DFD. US dollar costs are translated to Uganda Shilling (UShs) and the local currency generations are recorded in the Local Currency Fund (LCF). Host country contributions to the program in the form of local currency receipts from ICIs and other banks are recorded in the Development Finance Fund (DFF). All commercial banks in Uganda, whether they are participating in the RPE project or not, are required to keep five percent of their deposits in the DFF. The DFF functions as a rediscount facility open to all commercial banks. The local currency components of the RPE subloans are eligible for one hundred percent rediscounting. Non RPE subloans for similar purposes are eligible for eighty per cent rediscounting. The DFF is the Government of Uganda's principal contribution to the RPE project. Local currency expenditures are disbursed from both the LCF and DFF, and are recorded in the same manner.

## 1.2 AUDIT APPROACH

### 1.2.1 Audit Objectives and Scope

Price Waterhouse was contracted under Contract No. 617-0104-C-00-91-075 to perform a non-Federal audit of the RPE Project in accordance with generally accepted auditing standards and the US Comptroller General's "Government Auditing Standards" (1988 Revision). The principal objective was to determine whether the US dollar costs claimed by the DFD are adequately supported in accordance with the agreement and are allowable, allocable and reasonable. Total US dollar costs claimed by the Development Finance Department of the Bank of Uganda in respect of imported project commodities in the period from 1 January 1988 TO 30 June 1991 are \$11,752,799.

Total US dollar costs claimed in respect of project support commodities in the period from 1 January 1988 to 30 June 1991 are \$590,844.

A previous audit was performed covering the period since inception of the project to 31 December 1987.

With respect to the US dollar costs, Price Waterhouse was requested to issue our;

- . Opinion on the DFD's Fund Accountability Statements
- . Report on the DFD's internal control structure
- . Report on the auditees' (DFD, UCB, UDB and BOB) compliance with the grant agreement and applicable US laws and regulations.

Price Waterhouse was also asked to review the following other matters:

- . the ICI's project tracking and accounting systems in respect of subborrower statements, for accuracy of data, timeliness and ability to provide information required to support project appraisal, monitoring, and supervision
- . the disposition and utilization of project commodities imported for subborrowers
- . the disposition and utilization of project support commodities received by the DFD and ICI's.

In addition Price Waterhouse was asked to review job descriptions and qualifications of the financial management personnel employed in the DFD to manage and account for RPE Project funds. The objective of the review was to determine the appropriateness of the job descriptions and ability of hired personnel to perform the described functions.

### 1.2.2 Methodology

Price Waterhouse conducted the initial survey of the accounting records from August 26 to August 31, 1991. We prepared our audit work plan and performed the field work from September 1, to October 23, 1991.

The principal audit steps performed included:

- . a review of the terms and conditions of the grant agreement, Project Implementation Letters (PIL's), periodic project reports and other project documents as deemed necessary
- . a review of handbooks, project evaluations and organisation structure
- . a review of the October 31, 1988 non-Federal audit of RPE by Price Waterhouse and the workpaper files
- . a review of the accounting and tracking systems and internal controls of the DFD
- . a review of the accounting and tracking systems and internal controls of the ICIs
- . testing of US dollar transactions for imported commodities to determine the extent of non-compliance, unallowable or unallocable expenses and the effectiveness of internal controls
- . end use checks of a sample of imported commodities procured for subborrowers for existence, location, condition and usage
- . end use checks of a large sample of project support commodities procured for DFD and ICIs for existence, location, condition and usage
- . reconciliation of Local Currency Fund (LCF) US dollar disbursements to USAID's Mission Accounting Control System (MACS)

a review of the financial management capability of the DFD staff

We also performed other audit procedures as we determined were appropriate under the circumstances and warranted to arrive at our conclusions.

### 1.3 BRIEF SUMMARY OF AUDIT RESULTS

#### 1.3.1 Introduction

This summary of audit results highlights only the significant findings. For the complete discussion of our findings, recommendations and observations arising from the RPE audit, refer to the appropriate sections.

#### 1.3.2 Fund Accountability Statements

Our audit tests of the Fund Accountability Statements did not reveal any significant questioned or unsupported costs. We located two transactions totalling \$4,379 (out of \$11,752,799 claimed costs) for commodities that did not belong to the RPE project and we have recommended that DFD recharge the correct project or liaise with Citibank to transfer the amount to the correct Letter of Credit.

#### 1.3.3 Internal Control Structure

Our evaluation of the internal control structure identified certain material weaknesses including;

- . accounting records consist of discrete Lotus files
- . system of accounts not structured to produce regular periodic financial reports
- . absence of clerical control procedures

These control weaknesses and certain other reportable conditions are described in the Independent Auditor's Report on the internal control structure (Section 3) and the accompanying findings and recommendations. It is important to note that although the internal controls are very weak, the accuracy of the Fund Accountability Statements is extremely high. This is accomplished solely through the efforts of the Senior Agricultural Credit Adviser (SACA). The constant personal involvement of the SACA in the accounting for nearly every transaction has resulted in accurate figures, and a system that is unlikely to operate satisfactorily without him.

Our recommendations for internal controls revolve around the need for a new or overhauled accounting system, accompanied by formal procedures, forms and training.

#### 1.3.4 Compliance with Agreement Provisions and US Government Regulations

Our evaluation of compliance with the grant agreement provisions and US Government Regulations identified certain material instances of noncompliance. These included;

- . failure of the DFD to maintain records in accordance with Generally Accepted Accounting Principles
- . delinquent payments from the ICIs to the DFD
- . annual audits of the DFD not performed
- . ICI's noncompliance with loan procedures and the inability of DFD to direct ICIs into compliance
- . failure of ICIs to maintain records on location and usage of project support commodities

The specific recommendations for each finding are included in Section 4, but generally suggest increasingly proactive involvement of the DFD in the operation of the RPE project and increased responsiveness by the ICIs to correcting non-compliant practices.

#### 1.3.5 Other Matters

The review of certain other matters was included in the scope of our work. Five areas were covered, and the significant observations are summarized below.

End use checks of project imported commodities were performed and commodities were observed. Some commodities are operational and productive, others are in various states of non-utilization and disrepair. Unauthorized sale of imported commodities was observed in three instances. Some subborrowers are unlikely to repay their loans.

The financial/accounting staff of the DFD are adequately trained for their positions, with the exception that the SACA needs assistance to design and implement a suitable accounting system.

ICI project tracking and subborrower accounting systems appear to be reasonably accurate, though we did not perform an audit of them. The subborrower statements contain useful information but are in a format that is not understood by many subborrowers. The ICIs records of total amounts outstanding from the DFD reported to us were at least Ushs 275,919,254 less than the amounts reflected in the DFD's records. The DFD's balances appeared to be correct, but the differences have not been reconciled.

LCF and DFF local currency accounts appear to be accurate, but have inadequate accounting systems and internal control weaknesses. No provision has been taken to reflect that the full amounts of principal and interest due from the ICIs (as reflected in the DFD records) may be uncollectible.

The ICIs are delinquent in repaying the amounts owed to the LCF and DFF. The total amount in arrears is UShs 517,766,495 as reflected in the DFD records. Essentially all of the amount was due on 30 June 1991. The ICIs attribute the delinquency to the very poor repayment rate on subborrower loans.

## *Price Waterhouse*



### 2 FUND ACCOUNTABILITY STATEMENTS

#### 2.1 INDEPENDENT AUDITOR'S REPORT

We have audited the Fund Accountability Statements for the imported commodities and project support commodities for the Rehabilitation of Productive Enterprises (RPE) Project No 617-0104 for the period January 1, 1988 through June 30, 1991. These statements are the responsibility of the Development Finance Department, Bank of Uganda. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and in accordance with the Government Auditing Standards (1988 revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in these statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in the notes to the Fund Accountability Statements, the statements were prepared on a cash basis which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles.

The statements include \$4,379 of questioned costs for imported commodities arising from other projects.

With the exception of the amounts stated above, in our opinion, the Fund Accountability Statements present fairly the expenditures in US dollars for imported commodities and project support commodities for the Rehabilitation of Productive Enterprises Project for the period January 1, 1988 through June 30, 1991.

Information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of USAID and the Development Finance Department of the Bank of Uganda and should not be used for any other purpose.

23 October 1991

*Price Waterhouse*

W A Hollas  
Partner

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## 2.2 FUND ACCOUNTABILITY STATEMENTS

The Fund Accountability Statements and accompanying Notes to the Statements are contained in Exhibits 1 and 2.

## 2.3 FINDINGS AND RECOMMENDATIONS

### 2.3.1 Introduction

The scope of the audit and the accompanying statements include only the US dollar expenditures for imported commodities and project support commodities.

Amounts included in the Imported Commodities Fund Accountability Statement are taken from the Citibank RPE Account records maintained by the DFD.

Amounts included in the Support Commodities Fund Accountability Statement are from USAID MACS REPORT PO7C.

### 2.3.2 Sample Selection Criteria

The source for our sample of imported project commodities was the Citibank RPE Account which records all US dollar disbursements for such commodities. It also includes some procurements of project support commodities. This account records disbursements from January 1, 1988 to June 30, 1991.

Our methodology for testing imported project commodities included the selection of all transactions over a predetermined amount and a judgemental selection of additional transactions based upon sensitivity and potential risk.

The source for our sample of support commodities was the Project Budget maintained by the Project Officer, supplemented by details obtained from MACS.

Our methodology for project support commodities was a judgemental selection based on value, sensitivity and potential risk. The audit attempted to verify all vehicles, a large sample of motorcycles (22 of 60) and the majority of the office equipment.

The sample profiles are as follows:

	TOTAL COSTS RECORDED	SAMPLE SELECTED	PERCENTAGE SELECTED
Project Commodities	\$11,752,799	\$8,030,943	68%
Support Commodities	\$590,844	\$420,671	71%

### 2.3.3 Summary Audit Results

Our audit results are summarized as follows:

	COSTS CLAIMED	ACCEPTED	QUESTIONED	UNSUPPORTED
Project Commodities	\$11,752,799	\$11,748,420	\$4,379	0
Support Commodities	\$590,844	\$590,844	0	0

#### 2.3.4 Analysis of Costs Recorded and Costs Reported

##### Observation

The costs recorded by the DFD for the Citibank RPE Account, which records US dollar disbursements in respect of project commodities, do not fully reconcile with those reported to USAID. The differences are summarised below. The DFD Citibank RPE Account contains data up to 24 July, 1991 and the USAID MACS P07C Report is as of 4 September 1991.

Costs reported to USAID (MACS)	\$11,707,251
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Costs recorded by DFD (per Fund Accountability Statement)	\$11,752,799
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Difference	\$45,548
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The difference appears to represent timing differences, but could not be confirmed unless a full reconciliation were to be performed. The MACS report appears to be somewhat late in recording some transactions that are already recorded in the Citibank and DFD records. We did not conclude that the difference was material. To the extent that the Mission feels that the amounts should be reconciled, the MACS reports that would assist the DFD in this effort should be made available to DFD.

#### 2.3.5 Questioned Costs

##### Finding

We noted from the supporting documentation for transaction numbers 765 and 521 (totalling \$4,379) in the Citibank RPE Account, that these disbursements did not relate solely to commodities purchased for the RPE project. No reimbursement had been sought from the other projects concerned.

##### Recommendation No 1

These two disbursements should be reviewed by the DFD and the relevant costs identified to the other projects. Reimbursements should be sought from the other projects or an application for a credit should be made to Citibank, who should recharge the amounts to the correct accounts (Letters of Credit).

## *Price Waterhouse*



### 3 INTERNAL CONTROL STRUCTURE

#### 3.1 INDEPENDENT AUDITOR'S REPORT

We have audited the Fund Accountability Statements for the imported commodities and project support commodities for the Rehabilitation of Productive Enterprises (RPE) Project No 617-0104 for the period January 1, 1988 through June 30, 1991 and have issued our report thereon dated 23 October 1991.

We conducted our audit in accordance with generally accepted auditing standards and in accordance with the Government Auditing Standards (1988 revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statements are free of material misstatement.

In planning and performing our audit of the Fund Accountability Statements for the period January 1, 1988 through June 30, 1991, we considered the project's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statements.

The management of the DFD is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Fund Accountability Statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:



- . CONTROL ENVIRONMENT  
DFD organizational structure
- . ACCOUNTING SYSTEM  
Lotus files and source documents
- . CONTROL PROCEDURES  
Management review of computer output  
Reconciliations to third party documents  
Data file maintenance

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

The following reportable conditions were observed:

- . no management direction to develop an appropriate accounting system
- . absence of written policies and procedures
- . system of accounts not structured to produce regular periodic financial reports
- . accounting records consist of discrete Lotus files
- . no formal posting documents/authorizations
- . insufficient security over computer hardware and software
- . absence of clerical control procedures



We noted certain matters involving the internal control structure and its operation that we consider to be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our audit revealed the following material weaknesses:

- . accounting records consist of discrete Lotus files
- . system of accounts not structured to produce regular periodic financial reports
- . absence of clerical control procedures

We noted other matters involving the internal control structure and its operation that we have reported on in Section 3.3 of the following report.

Information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of the Development Finance Department of the Bank of Uganda and USAID and should not be used for any other purpose.

23 October 1991

*W A Hollas*

W A Hollas  
Partner

## 3.2 INTRODUCTION

### 3.2.1 Definition

American Institute of Certified Public Accountants (AICPA) Codification of Auditing Standards, section 319, defines an organization's internal control structure as consisting of the policies and procedures established to provide reasonable assurance that a specific entity's objectives will be achieved. The internal control structure is composed of three elements:

- . the control environment
- . the accounting system
- . the control procedures.

The control environment reflects the overall attitude, awareness and actions of management. The accounting system consists of methods and records established to identify, assemble, analyze, classify, record and report transactions. Control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to safeguard the organization's resources.

In Section 3.3 below, we have classified our findings and recommendations by these three elements of the auditee's internal control structure.

### 3.2.2 Work Performed

Our review of the internal control structure was directed towards those elements which relate to the nature of the project funding. The review encompassed the following areas:

#### CONTROL ENVIRONMENT

- . DFD personnel
- . Written policies and procedures

#### ACCOUNTING SYSTEM

- . Subloan approval and tracking system
- . Commodity tracking system
- . Local currency cost system
- . DFF and LCF accounting systems

## CONTROL PROCEDURES

Accounting data collection and reporting  
Billings to ICI's  
Cash management of local currency accounts.

### 3.3 FINDINGS AND RECOMMENDATIONS

#### Control Environment

#### 3.3.1 Management Philosophy and Operating Style

##### Finding

The overall management philosophy and operating style is such that the accounting system which has evolved cannot be relied upon to accurately record transactions or produce financial statements without the intensive involvement of the Senior Agricultural Credit Adviser (SACA).

##### Recommendation No 2

The management of the Development Finance Department and/or the Bank of Uganda should undertake a review of DFD's financial management systems requirements and establish a plan to implement a suitable system. The responsibility for developing a suitable accounting system should be assigned to a specific individual with corresponding authority and capability. The desired systems should consist of logically integrated ledgers and incorporate appropriate internal controls.

#### 3.3.2 Written Policies and Procedures

##### Finding

There are no written policies and procedures for the DFD accounting and commodity tracking system or for the internal control procedures. The absence of documented policies and procedures has allowed the accounting system to develop to its current condition.

##### Recommendation No 3

Once the requirements of the DFD have been reviewed and the system revised or replaced, written policies and procedures should be developed and the operators of the system should be trained accordingly.

## Accounting System

### 3.3.3 The System of Accounts

#### Finding

While the DFD accounting system does identify and record project transactions, it fails to satisfy several key requirements for accurate financial reporting. There is little or no structural control to ensure the accurate and consistent classification of transactions. The system does not utilize distinct accounting periods, and consequently no permanent records are generated for each accounting period. These factors result in the inability of the system to automatically generate comprehensive financial statements and to ensure that the values recorded are accurate and complete. It is only as a result of intensive efforts by the SACA and DFD accounting staff that the system has reported accurate values for transactions.

#### Recommendation No 4

The system should be revised to ensure that it incorporates automatic procedures for classifying and recording data, establishing accounting periods, providing permanent records, and producing comprehensive financial statements.

### 3.3.4 Automatic Data Capture

#### Finding

As a result of the system of discrete Lotus 123 files there is no automatic comprehensive data capture. The series of files may inadvertently omit data from some files, contain duplicated data, accumulate unrelated data or any combination of these errors. It is a time consuming and difficult process to trace a transaction and compare commodities and values from those requested to those approved to those received and ultimately disbursed.

#### Recommendation No 5

The new/revised system should incorporate a transaction or subborrower history file which will enable a transaction to be traced from its inception to its conclusion.

## Control Procedures

### 3.3.5 Posting and Authorization

#### Finding

The system does not incorporate control documents, such as a Chart of Accounts or authorization documents, such as Journal Vouchers. These documents would control the input of transactions to the system and ensure that accurate and authorized data is posted to the appropriate accounts.

#### Recommendation No 6

As part of the systems revisions recommended above, control documents such as a Chart of Accounts and Journal Vouchers should be designed and their usage defined in the written policies and procedures.

### 3.3.6 Computer System

#### Finding

Control procedures designed to protect the computer system are inadequate. Access to computer software and hardware is not physically or password restricted. Back-up procedures are performed infrequently and irregularly. Back-up copies do not follow the usual "grandfather, father, son" format and copies are only kept in the DFD, not at a separate location. There is no regulation of the power supply to ensure that data is not lost or corrupted.

#### Recommendation No 7

Computer systems security procedures should be developed and written policies and instructions be designed to ensure the security of computer software and hardware.

### 3.3.7 Clerical Checks

#### Finding

There are no clerical checks to ensure accuracy and completeness of data input. There are no input batch totals. Computer files and supporting documents are not systematically cross-referenced. No control totals are generated and formal reconciliations between the various files or to third party sources are either not performed or not permanently recorded.

#### Recommendation No 8

As part of the systems revisions recommended above, clerical checks should be designed and fully explained in the written policies and procedures.

## *Price Waterhouse*



### 4 COMPLIANCE WITH GRANT AGREEMENT PROVISIONS AND APPLICABLE U.S. GOVERNMENT LAWS AND REGULATIONS

#### 4.1 INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

We have audited the Fund Accountability Statements for the imported commodities and project support commodities for the Rehabilitation of Productive Enterprises (RPE) Project No 617-0104 for the period January 1, 1998 through June 30, 1991 and have issued our report thereon dated 23 October 1991.

We conducted our audit in accordance with generally accepted auditing standards and in accordance with the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statements are free of material misstatement.

Compliance with laws, regulations, contracts and grant provisions applicable to the grant agreement is the responsibility of the DFD's management. As part of obtaining reasonable assurance about misstatement, we performed tests of compliance with certain provisions of laws, regulations and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in statutes, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. The results of our tests of compliance disclosed the following material instances of noncompliance.

- . records not maintained according to Generally Accepted Accounting Principles
- . arrears on amounts due from ICI's
- . failure to secure an annual audit
- . failure of ICI's to maintain records on location and usage of project support commodities



Except as described above, the results of our tests of compliance indicate that, with respect to the items tested the Development Finance Department of the Bank of Uganda complied, in all material respects, with the provisions referred to in the third paragraph of this report, and with respect to items not tested, nothing has come to our attention that caused us to believe that the Development Finance Department of the Bank of Uganda had not complied, in all material respects, with those provisions.

Information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of the Development Finance Department of the Bank of Uganda and USAID and should not be used for any other purpose.

23 October 1991

W A Hollas  
Partner

## 4.2 INTRODUCTION

USAID requires all grantees, regardless of country or legal entity, to comply with the terms and conditions included in the grant agreement, attached provisions and referenced procurement regulations. In general such compliance cannot be waived by a Mission or by AID/Washington.

Steps performed in this audit to test compliance with the agreement and related provisions included:

a review of grant agreement provisions and related regulations to identify those provisions and regulations which could have a material effect on the financial statements

audit procedures including detailed transactions testing and end use checks to evaluate compliance with these provisions and regulations.

## 4.3 FINDINGS AND RECOMMENDATIONS

### 4.3.1 Maintaining Records According to Generally Accepted Accounting Principles

#### Finding

The accounting records of the DFD are not maintained according to Generally Accepted Accounting Principles. The most significant aspects lacking in the system are: structured, integrated ledgers and a uniform Chart of Accounts; distinct accounting periods; and, permanent records of transactions by period. These points are more fully discussed in Section 3.3.

#### Recommendation No 9

The accounting system should be revised to ensure that the records are maintained according to Generally Accepted Accounting Principles.

#### 4.3.2 Arrears on Amounts Due from ICI's

##### Finding

The Grant Agreement provides for maximum delinquency and default rates. If these are exceeded, further disbursements to the ICI will be suspended. The parameters for establishing delinquency and default are specified in the individual loan agreements between the Bank of Uganda and each ICI. The Grant Agreement and the individual loan agreements do not specify any additional measures to be taken, such as means of recovering the amounts outstanding in the event of a default.

We observed that the ICI's were in arrears in loan repayments to the DFD (see Section 5.5). We expect that this situation may worsen as the grace period continues to expire on many of the subloans, subborrower delinquencies remain high and the amount of ICI payments increases.

##### Recommendation No 10

The arrears position of the ICI's should be reviewed, taking into account projected payment trends. Discussions should be held between USAID, BOU and the ICI's over possible strategies such as refinancing, restructuring debt and forgiving interest and penalties. Policies should be agreed on what action is to be taken in the event of defaults.

#### 4.3.3 Annual Audit Requirement

##### Finding

Project Agreement Amendment Number One states that a vehicle for oversight of the Project will be annual audits performed under an AID contract, which will provide independent coverage of all project lending operations including both ICI and subborrower performance and compliance with project criteria and requirements. Including the current audit, there have only been two such audits in the seven year period since the Agreement was signed in 1984.

##### Recommendation No 11

The Project, and the DFD and ICI's in particular, should be audited annually in compliance with the Grant Agreement.

#### 4.3.4 Review of ICI Compliance with Loan Procedures

##### Findings

The DFD is responsible for monitoring the ICI's performance under the RPE project. The project requirements have evolved over time, often in the form of Project Implementation Letters (PIL's). Our review of the ICIs revealed that they experienced difficulties in keeping abreast of new requirements, and in some cases did not fully understand the requirements of the PIL's. One of the most recent examples is PIL 91 Procedures for Classifying Subloans in Arrears. Only one of the ICIs has attempted to comply with this PIL, and their classification report was considered unsatisfactory by the DFD. It is probable that further instances of noncompliance with Project requirements regarding loan procedures have occurred at the ICI's.

##### Recommendation No 12

The DFD management should monitor the ICI's compliance with the project requirements regarding loan procedures and offer assistance to the ICIs to help them understand the requirements and what is necessary for compliance. When non-compliance remains uncured, the DFD should notify USAID and make recommendations. PILs should be stated in terms which the ICIs and the DFD will be able to understand and implement.

#### 4.3.5 Project Support Commodities

##### Observation

We were able to verify the existence, location, condition and availability for project usage of most project support commodities, including 13 of 14 four-wheel drive vehicles, 19 of 60 motorcycles and most of the office equipment. One UCB vehicle is based at Fort Portal and logistics did not permit our verification of it. (UCB reports that it is not operational.) UCB has 8 vehicles, 7 stationed in Kampala; only 4 run. The remaining 3 have been in Kampala garages with engine problems for over six months. USAID Handclasp emblems were observed on all vehicles except the DAPCB (Departed Asians Property Custodian Board) vehicle.

UCB received 60 motorcycles. 3 of the 22 motorcycles selected for verification could not be located at their assigned station. UCB was unable to explain their current whereabouts. Of the 19 observed 2 are not operating, 5 operate poorly and 12 are in good condition. The 38 remaining motorcycles are distributed throughout UCB offices in more remote Districts and we were unable to visit them for verification. No motorcycles observed have the AID Handclasp emblem.

We selected 15 desktop computers, 15 printers, 4 photocopiers, 2 fax machines, one radio system and various miscellaneous office equipment for verification. Items were selected that were assigned to DFD and each ICI. Of the items selected, all were observed except 3 UCB computers and 4 UCB printers. Many were not working. Details of the items selected and their condition is included in Exhibit 5.

### **Findings**

No vehicle usage records are maintained by DFD or ICIs. The ICIs maintained that the vehicles are available for use by the RPE project, but they are used for other bank purposes when idle. There was no way to determine the extent to which they were used for RPE travel, but it was clear that RPE is not the principle user.

The grant agreement requires the DFD and the ICIs to maintain asset inventory records sufficient to show the location and identity of the project support commodities. All recipients failed to maintain adequate (permanent) records of make, model, serial number or location. Most items were observed to be lacking USAID Handclasp emblems, asset tags or other means of identification. NOTE -- There does not appear to be any specific grant requirement for USAID Handclasp emblems.

UCB was unable to identify 3 computers and 4 printers for verification, but may have them in stores (where broken equipment is placed). Further details are included in Exhibit 5.

### **Recommendation No 13**

DFD and the ICIs should create the required asset records and mark the assets accordingly. UCB should conduct a review of its computer equipment to identify the unlocated commodities. USAID and/or the DFD should conduct periodic inspections of project support commodities to ensure they exist, are in reasonable condition and are being used for the prescribed purposes. DFD and the ICIs should institute vehicle usage logs.

USAID and the ICIs should confer on those commodities that are not in working order. The items should either be repaired or disposed or sold.

#### 4.3.6 Imported Project Commodities

##### Findings

The status and use of project commodities were reviewed through the end use checks performed on a representative sample of subborrowers. The detailed results are presented in Section 5.1 End Use Checks of Commodities. In summary, we noted some instances where:

- . commodities were used substantially for other businesses
- . commodities were sold without permission
- . commodities were not used, were not maintained and had become unusable.

##### Recommendation No 14

Regular inspections of project commodities should be undertaken by the ICIs. If possible the reviews should be performed jointly by staff of the ICI and DFD. The results should be reviewed by DFD and USAID to determine when further action is required, and whether such action should be directed at the subborrowers or ICIs.

5 OTHER MATTERS

5.1 END USE CHECKS OF IMPORTED COMMODITIES

5.1.1 Objectives

The objectives of the end use checks performed on subborrowers were as follows.

1. Determine for each commodity provided:
  - a. the present location
  - b. the present condition
  - c. past and present use
  - d. whether it is being used in accordance with A.I.D. and project regulations.
2. Solicit and evaluate comments on the quality and effectiveness for the purpose purchased of each commodity.
3. To solicit and evaluate comments from each subborrower concerning the RPE project and on matters arising from the review work performed at the ICIs.

5.1.2 Sample selection

A sample of seventeen subborrowers was selected from a listing of loan applications provided by the DFD. The sample of imported commodities for end use checks totalled US\$ 282,707,554. We were able to verify US\$ 196,606,244, the remaining US\$ 86,101,310 is discussed at section 5.1.4.(a)

The sample covered the major categories of enterprise sectors, the distribution as follows:

Sector	Number
Dairy	2
Dairy/crop	3
Dairy/industry	1
Poultry	3
Crop/beef	3
Crop/industry	1
Crop	2
Industry	2
Total	17

The sample was also selected to ensure a representative geographical distribution; the areas visited were:

Kampala  
Mityana  
Masaka  
Buruli  
Gomba  
Mubende  
Mukono  
Mpigi  
Luwero  
Mubende

Exhibit 4 shows the details of the sample selected and the observations made.

#### 5.1.3 Logistics

The end use checks constituted two person weeks of staff time and the staff were accompanied by representatives of the ICIs who were able to provide background information on the subborrowers and their projects.

#### 5.1.4 Observations

Objective 1. - Verify the location, condition and use of commodities.

A summary of audit observations is given below. The detailed observations are shown in Exhibit 4.

a. Commodities not all located at the project site.

	Value of commodities		Number of commodities /subborrowers	
	Ushs	US\$,000		
At another site of the same business (A)	2,840,997	32,553	4	2
At another site of another business (same owner) (B)	47,043,124	210,615	17	7
Not possible to verify specific commodities (cattle only) (C)	22,726,810	140,315	6	4
Sold(D)	<u>13,490,379</u>	<u>42,071</u>	<u>3</u>	<u>3</u>
TOTAL	86,101,310	425,554	29	15

In the cases where commodities had been sold, this was without authorization from the DFD. There was no evidence to suggest that sale proceeds had been used to repay the loaned amount.

b. Present condition of commodities.

The majority of commodities were found to be in fair condition, given their age and usage. Some commodities were found to be in poor condition, however, at two subborrowers. Nakabiri Togolo had a disc harrow situated on open ground and overgrown with vegetation. Luwero Oil Mill had three implements at its undeveloped farm site, which had never been used, but which were rusting and overgrown with vegetation. The total value of these four commodities is US\$ 1,393,055 (\$7,158).

c. Past and present use.

Eleven subborrowers were not using some of their commodities. A total of 12 commodities had never been used, a value of UShs 14,497,321 (\$38,445). These included mostly implements, such as disc harrows, disc plows, planters and maize shellers. Other subborrowers had used some of their commodities infrequently.

No subborrowers indicated that they did not know how to use the commodities. The main reason given for low or non-usage use was that the subborrower's project was not sufficiently developed to fully utilize the commodities.

d. Use in accordance with project regulations.

We observed some indications that some commodities were being used substantially for businesses other than that financed by the RPE funds. This was noted in the cases of 7 subborrowers, in respect of 9 commodities in total. In the majority of cases the commodities were Pickup trucks, TATA lorries and Caterpillar bulldozers. These commodities are of a high value. The total value of the commodities used substantially for other businesses was UShs 99,149,702 (\$337,876), which constitutes 35% of the commodities in the sample.

Objective 2. - Determine the quality and effectiveness of commodities.

The two major observations in this area are summarized as follows.

a. Commodities not in working order at the time of collection and installation.

Of the commodities sampled, only one subborrower claimed to have received commodities that were not in working order at the time of receipt. These were some of the spray pumps received by Namatumba.

b. Commodities inappropriate for intended purpose.

Four of the subborrowers stated that they had received commodities which were not appropriate for their intended use, as follows.

<u>Subborrower</u>	<u>Commodity</u>	<u>Reason</u>
Namatumba	Spray pumps	Not what was ordered.
Mulindwa	Water pump	Not powerful enough. Ordered 25HP, but received 8HP.
Lubuuka	Feedmill	Ordered single phase, but received three phase.
Uganda Poultry	Feedmill Generator	Mismatch of phases of the Feedmill and Generator.

Objective 3. - Relay concerns arising from discussions with subborrowers.

A variety of issues raised by the review work undertaken at the ICIs were discussed with the subborrowers to solicit their views. The most common points raised were:

- a. Uncoordinated receipt of commodities; some commodities could not be used until others had been received.
- b. Lengthy delays in receipt of commodities subsequent to the loan approval; devaluation of the Uganda Shilling meant they were far more expensive than anticipated.
- c. Disappointment at the training provided under the project and at the relatively late stage at which it was offered.

- d. Most of the subborrowers were experiencing difficulties in repaying their loans and many were unsure of their ability to repay in the given time. In some cases the reason for this was obviously that the enterprise was barely underway and the only source of income appeared to be from hiring out commodities. Several of the subborrowers had been involved in discussions with the ICIs about their difficulties and were hoping to reschedule their debts.

## 5.2 DFD Financial Management Capability

### Scope of work

The job descriptions and qualifications of the three financial management personnel in the DFD, hired to manage and account for the project funds, were reviewed. The personnel were also interviewed and observed in order to evaluate the appropriateness of their job descriptions and abilities.

### Observations

#### 1. Senior Agricultural Credit Adviser (SACA)

The job description from the SACA's employment contract was reviewed and discussed with him. It accurately reflects the duties he performs with respect to operating the procurement system, managing the LCF and DFF accounting systems, and implementing and maintaining the system for monitoring and tracking imported commodities.

The job description also includes activities of a more technical assistance nature. These include coordination of the activities of the BOU and the ICIs in subloan appraisal, advise and assist the BOU in approval of applications, advise and assist the BOU in monitoring the ICI loan appraisal process. Currently, these activities are not performed by the SACA because the RPE loan appraisal process has been essentially inactive for the last two years, with few new loan applications.

The SACA's qualifications and previous experience were also discussed with him. These are extensive in the field of agricultural economics. He holds a Bachelor of Science in Accounting and Business Statistics, but is not a qualified accountant, and is not trained in financial systems design. In view of this it may be appropriate to utilize the technical agriculture/economic skills of the SACA, rather than placing him in a chief accountant role for which he is not suited.

2. Cost Accountant.

The job description from the Cost Accountant's Contract of Employment was reviewed and discussed with her. It adequately reflects the duties which she performs except the frequency with which some functions are performed.

The Cost Accountant holds a Bachelor of Science in Economics, but has no additional formal qualifications in either accounting or computer skills. She has undergone significant on the job training in both these areas from the SACA.

The skills and capabilities of the Cost Accountant are more than adequate to enable her to perform her assigned functions, provided there is clear supervision. In the light of the serious weaknesses in the existing systems however, it is likely that she will require training if the systems are revised.

3. Tracking and Monitoring Assistant (TMA).

The job description from the employment contract of the TMA was reviewed and discussed with her. It adequately reflects the duties which she performs except the frequency with which she performs some functions.

The TMA holds a Bachelor of Science in Education, Mathematics and Chemistry, but has no additional formal training in either accounting or computer skills. She has undergone significant on the job training in both these areas from the SACA.

The skills and capabilities of the TMA are adequate to enable her to perform her assigned tasks, provided there is clear supervision. She will require further training if the existing systems are revised.

5.3 ICI Project Tracking & Accounting Systems

Scope of work

The scope of work involved a review of ICI project tracking and accounting systems for accuracy of data, timeliness and ability to provide information required to support project appraisal, monitoring and supervision systems with particular emphasis on subborrower statements.

### Observations

The review of the ICI's showed that the project tracking and accounting systems provide reasonably accurate and timely data for the amounts owed by subborrowers, but that reconciliations are not performed to the amounts owed to the DFD.

Comparisons of the records of the DFD and the ICIs pertaining to the loan balance outstanding were performed as part of the audit review work and the results are summarized below. The ICIs maintain that the differences arise from several factors including: timing differences; disagreements over grace period calculations; disagreement on how interest and penalties are determined; application of payments against the elements of principal, interest and penalty; and, application of payments against LCF versus DFF loan balances.

#### Difference in amounts recorded for the LCF

ICI	Principal UShs.	Interest UShs.	Total UShs.
UCB	(216,112,926)	*	(216,112,926)
UDB	(61,454)	(49,315,642)	(49,377,096)
BOB	(16,706,235)	6,277,003	(10,429,232)
TOTAL	(232,880,615)	(43,038,639)	(275,919,254)
	(under)/overstatement by ICI		
DOLLAR			
TOTAL **	(267,556)	(49,447)	(317,003)

\* This could not be readily determined. UCB combines interest due on LCF and DFF amounts outstanding into one UCB account.

\*\* Rate of exchange at 23 October 1991 (\$1 :UShs 870.4)

The ICIs track the ageing of amounts receivable from subborrowers and this information is used to monitor and supervise subloans in conjunction with visits to subborrowers and discussions with them. Periodic supervision reports are prepared. The frequency, accuracy and completeness of the reports was not reviewed.

Statements are produced quarterly and sent to subborrowers to indicate their loan status. The statements provide the basic information of amounts disbursed, interest and charges, but are not well understood by those subborrowers with a low or moderate level of financial management capability.

#### 5.4 LCF and DFF Local Currency Accounts

##### Scope of work

Our scope of work included a review of the Local Currency Fund (LCF) and the Development Finance Fund (DFF) accounting systems for accuracy of data, suitability and compliance with A.I.D. and Project regulations. This review was significantly less in scope than an audit and accordingly Price Waterhouse issues no audit opinion on the amounts recorded.

Our review involved securing an understanding of the accounting system, testing the US dollar disbursements as translated into Uganda Shillings in the LCF, assessing the reasonableness of the ICI loan portfolio amounts and confirming balances held in cash and Treasury Bills.

Our review work did not extend to transaction testing of expenditures and withdrawals from the funds other than discussions with the SACA on the nature of such transactions and the perusal of the transactions list to confirm our understanding.

##### Observations

1. Except for the for the lack of provision for doubtful collection of ICI balances, the amounts recorded were accurate for the assets confirmed (cash and Treasury Bills). For the items not reviewed, nothing came to our attention that would lead us to believe that the amounts are not accurate, especially given our findings for the audit of other DFD financial records.
2. The principal asset of both the LCF and DFF is the loan amounts receivable from the ICIs. The poor collection rate experienced by the ICIs from the subborrowers has led to difficulties in the ICIs meeting their repayment schedule to the LCF and DFF. This is discussed more fully in the next section. Also, there exists substantial disagreements between the DFD and ICIs on the balances due (see section 5.3). No provision has been taken against the possible non-recovery of the principal, interest and penalties. In view of this situation the amounts shown in the LCF and DFF may not be reflected at the Net Realisable Value.

3. The fund accounting systems consists of a series of discrete Lotus 123 files, and are not typical systems with a general ledger with integrated subledgers.
4. The fund accounting systems are not operated on the basis of distinct accounting periods whereby a cut-off point is established for transactions, permanent record is made of transactions within the period and adjustments arising must be booked in subsequent periods as prior period adjustments.
5. The system of internal controls is weak, especially the control procedures. Although the financial statements generated by the system appear to achieve a high degree of accuracy, this is only achieved through the intensive efforts of DFD personnel and extensive involvement of the Senior Agricultural Credit Adviser.
6. Some positive findings were noted.

There is an established procedure requiring two signatures for disbursements from the funds. The procedure is for all payments to be made by cheque, supported by adequate documentation.

The two funds actively engage in the investment of idle local currency through the purchase of Uganda Treasury Bills. Significant earnings, relative to fund cash balances, have been realized.

## 5.5 Loan Repayment by ICIs

### Observation

Work performed on the status of DFD loan amounts outstanding from the ICIs and on the collection of amounts due from subborrowers to the ICIs has indicated that the ICIs may be unlikely to meet the repayment schedules. A summary of the position of amounts due from the ICIs to the LCF and the DFF at the time of completing the fieldwork is included in Exhibit 3. A projection of the future semi-annual amounts due of the LCF was prepared by the DFD and is discussed below. We have not audited or reviewed the projections and we express no opinion on them.

The significance of this observation cannot be overemphasized. The DFD records indicate that US\$ 514,288,124 of LCF payments and US\$ 3,478,371 of DFF payments are delinquent. Essentially all of these amounts were due on June 30, 1991.

These amounts may not reflect the true magnitude of the situation. The DFD projects that even under the best case scenario, the amount of the semi-annual ICI payments for the LCF will increase on 31 December 1991 and again on 30 June 1992 because the "grace period" is now expiring for some subloans and the interest and penalty charges on amounts in arrears are being compounded.

The "best case scenario" assumes that 1) no further disbursements are made; 2) the interest rate remains at the current rate of 14.8%; 3) penalties are not charged on overdue amounts; 4) no further payments are received before 31 December 1991; and, 5) thereafter the ICIs make full payments (including any amounts in arrears) within the 60 day period allowed. Under these conditions, the DFD estimates that the ICIs will have payments due of Ushs 1,201,088,166 on 31 December 1991. Of the 1.2 billion Shillings owed, approximately 687 million will be current and 514 million will be over 180 days old. If the full amount is fully paid within 60 days, the 30 June 1992 semi-annual payment will be about 693 million. (If the 1.2 billion is not paid, the 30 June 1992 payment will be about 774 million plus the 1.2 billion outstanding.) If the ICIs remain current, the 31 December 1992 payment will be about 627 million (or 800 million plus 1.2 billion plus 774 million if no payments have been made).

Exhibit 1

FUND ACCOUNTABILITY STATEMENT  
IMPORTED COMMODITIES

	COSTS	Claimed \$	Accepted \$	Questioned \$	Unsupported \$
a.	Building materials	852,306	852,306		
b.	Caterpillar	169,983	169,983		
c.	Lorries	3,098,329	3,098,329		
d.	Other vehicles	907,918	907,918		
e.	Tractors & implements	4,144,121	4,144,121		
f.	Other farm equipment	290,139	290,139		
g.	Dairy animals	782,740	782,740		
h.	Beef animals	885,573	885,573		
i.	Animal feeds	53,946	53,946		
j.	Dairy equipment	69,143	69,143		
k.	Poultry equipment	39,394	39,394		
l.	Chicks	75,750	75,750		
m.	Feed and oil mills	172,937	172,937		
n.	Coffee factory	11,047	11,047		
o.	Project costs	173,737	173,737		
p.	Miscellaneous	<u>25,736</u>	<u>21,357</u>	<u>4,379</u>	
	TOTAL	11,752,799	11,748,420	4,379	0

Exhibit 1

NOTES TO THE  
FUND ACCOUNTABILITY STATEMENT FOR  
IMPORTED COMMODITIES

1. The statement has been prepared on a cash basis, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles. It makes no provision for amounts which the Fund is committed to disburse but has not yet disbursed (accrued payables).
2. Although the period under audit is January 1, 1988 through June 30, 1991, the statement includes some minor disbursements up to July 24, 1991.

Exhibit 2

FUND ACCOUNTABILITY STATEMENT  
SUPPORT COMMODITIES

COSTS		Claimed	Accepted	Questioned	Unsupported
		\$	\$	\$	\$
1.	PIO/C 2 Motorcycles and office equipment	144,343	144,343		
2.	Four-wheel drive vehicles	250,190	250,190		
3.	Computer and office equipment	19,389	19,389		
4.	Radio system	91,829	91,829		
5.	Household furniture and equipment	61,093	61,093		
6.	Household lease payments	<u>24,000</u>	<u>24,000</u>		
	Total	590,844	590,844	0	0

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Exhibit 2

NOTES TO  
THE FUND ACCOUNTABILITY STATEMENT  
SUPPORT COMMODITIES

1. The statement has been prepared on a cash basis, which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles. It makes no provision for amounts which the Fund is committed to disburse but has not yet disbursed.

Exhibit 3

LCF AND DFF BALANCES OUTSTANDING AND  
ARREARS AS OF 2 OCTOBER 1991

LCF BALANCE OUTSTANDING

ICI	Principal	Interest and Charges	Total
	UShs	UShs	UShs
BOB	99,911,975	16,317,136	116,229,111
UCB	2,325,110,466	316,034,253	2,641,144,719
UDB	1,070,180,636	114,274,192	1,184,454,828
	<hr/>	<hr/>	<hr/>
TOTAL	3,495,203,077	446,625,581	3,941,828,658

ARREARS OF 60 DAYS OR MORE

ICI	Principal	Interest and Charges	Total
	UShs	UShs	UShs
BOB	9,220,938	10,881,699	20,102,637
UCB	101,990,441	263,474,414	365,464,855
UDB	41,794,995	86,926,129	128,721,124
	<hr/>	<hr/>	<hr/>
TOTAL	153,006,374	360,373,349	514,288,124

Exhibit 3

LCF AND DFF BALANCES OUTSTANDING AND  
ARREARS AS OF 2 OCTOBER 1991

DFF BALANCE OUTSTANDING  
(excluding Temporary Advances)

ICI	Principle	Interest and Charges	Total
	UShs	UShs	UShs
BOB	0	0	0
UCB	558,014,496	9,815,493	567,829,989
UDB	146,759,441	6,838,311	153,597,752
	<hr/>	<hr/>	<hr/>
TOTAL	704,773,937	16,653,804	721,427,741

ARREARS OF 60 DAYS OR MORE

ICI	Principal	Interest and Charges	Total
	UShs	UShs	UShs
BOB	0	0	0
UCB	3,478,371	0	0
UDB	0	0	0
	<hr/>	<hr/>	<hr/>
TOTAL	3,478,371	0	0

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NON-FEDERAL AUDIT OF THE REHABILITATION OF PRODUCTIVE ENTERPRISES  
PROJECT (RPE), PROJECT NO. 617-0104

DETAILED SAMPLE OF END-USE CHECKS OF IMPORTED COMMODITIES

NO	SUBBORROWER	ICI	DATE ALLOCD.	DESCRIPTION	SAMPLE VALUE UShs	SEEN VALUE UShs	OBSERVATION
1	Namatumba	UCB	Nov 89	Pickup Toyota	5,749,807	5,749,807	E1 G
			May 89	Spray pumps	305,572	305,572	F1 J 11
					-----	-----	
					6,055,379	6,055,379	
					=====	=====	
2	Mulindwa Dairy	UCB	Sep 88	Disc Harrow	218,823	218,823	F1
			Jan 89	Disc Plow	349,495	349,495	E1 G
			Jan 89	Freisian Bull	287,232	0	C
			Aug 88	Freisian Heifers	9,123,840	0	C
			Jul 89	Pickup Nissan	2,336,397	0	D
			Jul 88	Tractor	2,610,956	2,610,956	E1 G
			Jul 88	Trailer	594,074	594,074	E1 G
			May 89	Water pump	608,659	608,659	E1 J
					-----	-----	
					16,129,476	4,382,007	
					=====	=====	
3	Lubuuka	UCB	Sep 88	Pickup Nissan	2,200,033	0	B E2
			Oct 90	Feedmill	4,047,360	4,047,360	F1 J
					-----	-----	
					6,247,393	4,047,360	
					=====	=====	
4	Kibinge Oils	UCB	Dec 89	TATA Lorry	10,305,536	10,305,536	E2 G
					10,305,536	10,305,536	
					=====	=====	
5	Mutumba Dairy	UCB	Apr 90	Disc Plow	919,797	919,797	E1 G
			Apr 90	Trailer	1,296,254	1,296,254	E1 G
			Apr 90	Pickup Toyota	4,075,050	4,075,050	E1 G
			Jan 90	Water pump	1,146,880	1,146,880	E1 G
					-----	-----	
					7,437,981	7,437,981	
					=====	=====	

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6	Namaliri	UCB	Dec 88	Boran bulls	432,538	0	C	
			Dec 88	Boran heifers	7,180,800	0	C	
			Sep 88	Disc harrow	218,823	218,823	F2	G
			Feb 89	Disc plow	438,716	438,716	F2	G
			May 88	TATA lorry	1,563,497	0	A	E2
			Sep 88	Maize sheller	172,764	172,764	F2	G
			May 89	Planter	709,182	709,182	F2	G
			Aug 88	Tractor	2,610,956	0	F2	B
			Feb 89	Trailer	657,552	657,552	F2	G
			Sep 88	Weeder	132,500	132,500	F2	G
					-----	-----		
					14,117,328	2,329,537		
					=====	=====		
7	Nemunula	UCB	Jan 90	TATA lorry	10,444,800	10,444,800	E1	G
			Jul 90	Water pump	2,234,778	2,234,778	E1	G
								-----
					12,679,578	12,679,578		
					=====	=====		
8	Bulwadda Co-op	UCB	Dec 89	TATA lorry	9,900,134	9,900,134	E2	G
			Dec 89	Pickup Toy.Stout	5,233,813	5,233,813	E1	G
			Jun 90	Platform scale	153,600	153,600	F1	G
			Sep 90	Coffee huller	9,950,876	9,950,876	E1	G
								-----
					25,238,423	25,238,423		
					=====	=====		
9	Katangula	UCB	Sep 89	Disc harrow	286,622	286,622	E1	G
			Mar 90	Disc plow	1,005,179	1,005,179	E1	G
			Jun 90	Generator	3,727,360	3,727,360	E1	G
			Jan 90	TATA lorry	10,444,800	0	D	
			Jul 90	Planter	2,205,491	2,205,491	E1	G
			Mar 90	Tractor	6,384,245	6,384,245	E1	G
			Mar 90	Trailer	1,296,254	1,296,254	E1	G
			Jan 90	Weeder	440,320	440,320	E1	G
					-----	-----		
					25,790,271	15,345,471		
					=====	=====		
10	Allied Farms	UCB	Dec 89	TATA lorry	9,900,134	0	B	E1
			Dec 89	Refrigerators	213,998	213,998	E1	G
			Dec 89	Incubators	4,981,599	4,981,599	E1	G
								-----
					15,095,731	5,195,597		
					=====	=====		

11 Uganda Poultry	UDB	Sep 88	Disc harrow	218,823	0	A
		Jan 89	Disc plow	349,495	0	A
		Oct 90	Feedmill	4,047,360	4,047,360	F1 G J
		Jan 89	Generator	1,383,523	1,383,523	F2 G J
		Sep 88	Maize sheller	172,764	172,764	F2 G
		Sep 88	Pickup Toy.Stout	2,200,033	2,200,033	E1 G
		May 89	Planter	709,182	0	A
		Sep 88	Tractor	2,610,956	2,610,956	I G
		Feb 89	Trailer	657,552	657,552	L1 G
				-----	-----	
				12,349,688	11,072,188	
				=====	=====	
12 Mugalu Estates	UDB	Jan 89	Freisian heifers	5,018,112	0	C
		Sep 88	Pickup Toy.Stout	2,200,033	0	B E1
				-----	-----	
				7,218,145	0	
				=====	=====	
13 Nakabiri	UDB	Sep 88	Disc harrow	218,823	218,823	F2 H
		Jan 89	Disc plow	349,495	349,495	E1 G
		Aug 88	Freisian heifers	684,288	0	C
		Jul 89	Pickup Nissan	1,926,961	1,926,961	E1 G
		May 89	Planter	709,182	0	D
		Aug 88	Rotary cutter	224,632	224,632	E1 G
		Jul 88	Tractor	2,610,956	2,610,956	E1 G
		Nov 89	Trailer	594,074	594,074	E1 G
				-----	-----	
				7,318,411	5,924,941	
				=====	=====	
14 Luwero Oil Mill	UDB	Jul 89	Disc harrow	291,015	291,015	F2 H
		Jul 89	Disc plow	449,735	0	B
		Jul 90	Groundnut lifter	720,896	0	B
		Dec 89	TATA lorry	10,305,536	10,305,536	E2 G
		Jul 89	Maize sheller	215,310	215,310	F1 G
		Aug 89	Planter	709,182	709,182	F2 H
		Jul 89	Tractor	3,553,764	0	B
		Jul 89	Trailer	691,847	0	B
		Jul 89	Weeder	174,035	174,035	F2 H
		May 89	Rotary cutter	287,316	0	B
				-----	-----	
				17,398,636	11,695,078	
				=====	=====	

15 Kaseesa Ranch	UDB	Jun 90	Disc harrow	679,936	679,936	E1	F2	G
		Dec 89	TATA lorry	9,900,134	0	B		
		Jul 90	Planter	2,205,491	2,205,491	F1	G	
		Aug 90	Posthole digger	1,556,685	1,556,685	E1	G	
		Jun 90	Rotary cutter	720,896	720,896	E1	G	
					-----	-----		
			15,063,142	5,163,008				
			=====	=====				
16 West Mengo Co-op	UDB	Jul 90	Caterpillar	30,471,990	30,471,990	E2	G	
		Aug 89	Disc harrow	286,622	0	B		
		Mar 90	Disc plow	1,005,179	1,005,179	F1	G	
		Dec 89	TATA lorry	10,305,536	10,305,536	E2	G	
		Sep 89	Maize sheller	215,310	0	B		
		Jul 90	Planter	2,205,491	0	B		
		Mar 90	Tractor	6,384,245	6,384,245	E1	G	
		Mar 90	Trailer	1,296,254	0	B		
		Jun 90	Weeder	440,320	440,320	F1	G	
					-----	-----		
			52,610,947	48,607,270				
			=====	=====				
17 Merali Plantn.	BOB	Jun 89	Disc harrow	291,015	0	B	F1	
		Jan 89	TATA lorry	4,760,924	0	B	E2	
		May 89	Maize sheller	215,310	215,310	E1	G	
		Aug 89	Planter	709,182	709,182	F1	G	
		Jul 89	Tractor	4,614,551	0	B	F1	
		May 89	Weeder	174,035	174,035	E1	G	
		May 89	Caterpillar	19,336,516	19,336,516	E2	G	
		Jul 89	Disc plow	858,109	0	B	F1	
		Jul 89	Trailer	691,847	691,847	E1	G	
					-----	-----		
			31,651,489	21,126,890				
			=====	=====				
<b>TOTAL</b>				-----	-----			
			282,707,554	196,606,244				
			=====	=====				

## Exhibit 5

## END USE CHECKS OF SUPPORT COMMODITIES

COMMODITY	NUMBER	LOCATION	VERIFIED	CONDITION (Good or, Not working)
<b>4WD VEHICLES</b>				
	7	UCB	7	G=4, N=3
	1	UCB/Ft. Portal	0	N
	1	UDB	1	G
	1	BOU	1	G
	1	DAPCB	1	G
	1	SACA	1	G
	1	SUP/COLL	1	G
	1	BOB	1	G
<b>TOTAL 4WD</b>	<b>14</b>		<b>13</b>	
<b>MOTORCYCLES</b>				
	19	UCB	19	G=12, P=5, N=2
	3	UCB	0	
<b>COMPUTERS</b>				
PCAT	1	UCB	1	G
PC 256k IBM	2	UDB	2	N
PC 256k w/Extras	1	UCB	0	
HP Portable	1	BOU	1	G
PS/2 IBM #30	2	BOU	2	G
	6	UCB	4	P=2, N=2
PS/2 IBM #60	1	UCB	1	P
Dell laptop	1	DAPCB	1	G
<b>TOTAL COMPUTERS</b>	<b>15</b>		<b>12</b>	
<b>PRINTERS</b>				
Epson EX1000	3	BOU	3	G
	7	UCB	4	G=1, N=3
	2	UDB	2	G
Quietwriter	1	BOU	1	G
Proprinter XL	1	UCB	0	
HP Laserjet	1	DAPCB	1	G
<b>TOTAL PRINTERS</b>	<b>15</b>		<b>11</b>	
<b>PHOTOCOPIERS</b>				
Canon 65	1	BOU	1	N
Xerox 1045	1	BOU	1	G*
	2	UDB	2	G*
	1	DAPCB	1	G

Exhibit 5

END USE CHECKS OF SUPPORT COMMODITIES

COMMODITY	NUMBER	LOCATION:	VERIFIED	CONDITION (Good, Poor, Not working)
<b>OFFICE EQUIPMENT</b>				
Printer carrying case	1	BOU	1	G
Macinker	1	BOU	1	G
Computer closure	2	BOU	2	G
Megasecurity	1	BOU	1	G
Fax machine Canon	1	BOU	1	G
Fax machine	1	UCB	1	G*
Volt Regulator	1	DAPCB	1	G
Zenith Monitor	1	DAPCB	1	G
<b>RADIO SYSTEM</b>				
Transworld	1	UCB	1	G

\* Indicates commodity was purchased with LCF or other project funds.

END USE CHECKS FOR SUPPORT COMMODITIES

1. The existence of USAID insignia (handclasp) was restricted to motor vehicles. This was verified in the case of all the four wheel drive vehicles seen, except the vehicle allocated to the DAPCB. In the case of two vehicles seen at UCB the insignia had faded because of weathering, but RPE was painted on them. No USAID emblems were placed upon the UCB motorcycles.
2. In all cases where the commodity was noted to be not working, repairs were held up because of lack of parts or lack of funds.
3. The usage of the commodities was addressed by noting the location within each institution and discussing the same with responsible officials.

Most of the four wheel drive vehicles were found to be used for the purposes of agricultural development finance some of the time, but none of the recipients claimed to use them exclusively for this purpose. At the ICIs no evidence was found to suggest the vehicles had been allocated to specific individuals, rather they formed part of a pool of vehicles which were used for a variety of purposes. The vehicles allocated to individuals were those provided for the SACA, DAPCB and Supervision and Collection Adviser.

Motorcycles allocated to UCB were found to be used for all bank business. While generally available for RPE project usage, for most motorcycles such usage was not exclusive.

Office equipment which was currently in use, was located in the development finance departments of the ICIs and the Bank of Uganda and available for the use of the RPE project in most cases. Other bank business is conducted on the equipment. None of the recipients claimed to use the office equipment exclusively for the RPE project.

The radio equipment is used extensively for non-RPE communication.

4. It was not possible to exactly match the expenditures reported in the MACS report with the actual commodities and purchase orders. The differences do not appear material.

Some commodities were purchased with LCF local currency or RPE funds not included in the MACS report under Cost Element 3. These items were photocopiers and a Fax machine, and are indicated with a \* in the listing of items verified.

## MISSION COMMENTS

Several of the comments made by the Mission have been incorporated in the appropriate place in the main body of this report. In this appendix we include others which we have not incorporated in the main body of this report and in Appendix 2 we give our response to them.

## 1. Subborrowers

Section 5.1.4 Objective 2,b. The two subborrowers who received feedmills should not have been included on the list of subborrowers who had received commodities which were not appropriate for their intended use without further clarification. No single phase feedmills are available on the market because of the power requirements of feedmill motors. The Uganda Poultry generator can be easily converted to three phases. The ICI and subborrower have both been informed of this fact.

## 2. BOU and ICI Discrepancies

Section 5.3. This section points out some large discrepancies between the ICIs and BOU concerning the LCF accounts of the ICIs with BOU. The principal source of these discrepancies is probably differing views on charges and the calculation of interest. It would be expected that the ICIs would have attempted to reconcile to the semi-annual statements produced by BOU, but they have not gone to BOU in order to do so.

## 3. UCB Project Vehicles

Section 4.3.5 states that UCB has 8 project vehicles. UCB has two USAID financed vehicles received from the Uganda Agricultural Finance Agency. Price Waterhouse do not seem to be aware of this.

## 4. Annual Audits

Section 4.3.3 finds that annual audits were not undertaken as required by Project Agreement Number One and that only two audits have been carried out since the Project Agreement was signed in 1984. This ignores the complete internal audit of both the DFF and LCF accounts carried out by the BOU Internal Audit Department in 1990. The BOU employee responsible for this audit was not interviewed by Price Waterhouse.

5. Amounts Due From the ICIs

Section 1.3.5 states that no provision has been taken to reflect that the full amounts of principal and interest due from the ICIs (as reflected in the DFD records) may be uncollectible.

Standard banking practice in Uganda does not include a systematic method for making provision on financial statements for losses on bad loans.

The collectibility of principal and interest due from the ICIs to the DFF and LCF is currently a matter for conjecture. Since the audit field work was performed the three RPE ICIs have reduced their arrears of 60 days or more to these two accounts from about 518 million shillings to about 158 million shillings as at 24 December 1991.

6. Review of LCF and DFF

Section 5.4 indicates that "Our review work did not extend to transaction testing of expenditures and withdrawals from the (LCF and DFF) funds."

This appears to be the result of a misunderstanding since the Mission was expecting a full audit of these accounts.

7. SACA's Role

Section 5.2.1 indicates that the SACA has been placed in the role of chief accountant. This is misleading and requires further explanation.

Consistent with his scope of work the SACA has played a number of roles during his five and one-half years working as a contractor under the RPE Project.

From July 1986 to April 1989 he developed subproject appraisal systems and assisted with the implementation of these systems in UDB and UCB. He was moved to the BOU in April 1989 because the RPE loan appraisal process had been fully developed and the level of activity was already beginning to decline.

BOU needed assistance in developing RPE subproject approval and procurement tracking systems, in expediting procurement and customs clearance and in pursuing claims against suppliers and shippers. Given his qualifications (B.Sc. in Accounting and Business Statistics, MBA in Finance and Business Environment and course work for a PhD in Agricultural Economics) and previous experience as a development banker, the SACA was an ideal choice to undertake this assistance.

It became clear later that both the DFF and LCF needed to have accounting systems established for them. Although he may not have been the best choice to develop these accounting systems, he was available and the accounting systems needed to be developed.

Some of the shortcomings in the DFF and LCF accounting systems mentioned in the audit report were recognized as early as the beginning of 1990 and a major accounting firm was hired in early 1991 to complete the tracking and accounting systems the SACA had developed, make them user friendly, document the new systems and train BOU staff in their use. Unfortunately they were not able to develop workable systems within the contract time due to budget constraints. After considerable negotiation and extra work they have finally developed the systems required in their scope of work.

The SACA was not brought to BOU to be the chief accountant and has not played that role. Price Waterhouse did not interview the BOU senior accountant who works on the DFF and LCF accounts.

8. Clerical Checks

Section 3.3.7 states that there are no clerical checks.

Clerical checks do exist. They are carried out by permanent BOU staff handling the DFF and LCF accounts who were not interviewed by Price Waterhouse. The records maintained by the Accounts Clerk are regularly checked against the computer records. In addition, checks are made between the individual ICI accounts and the general ledger.

9. Job Descriptions

Section 5.2 only includes an analysis of the job descriptions and qualifications of the SACA, the Cost Accountant and the Tracking and Monitoring Assistant, all of whom were hired under RPE Project funds. BOU has accounting staff that work on both the DFF and LCF accounts. Price Waterhouse did not analyze the job descriptions and qualifications of these staff.

PRICE WATERHOUSE RESPONSE  
TO MISSION COMMENTS

We have structured our responses to the Mission comments in the same format as in Appendix 1.

## 1. Subborrowers

The two subborrowers who received feedmills were included because Section 5.1.4 of the report recorded the information provided by the subborrowers in our end use checks. We see no reason to delete this observation from the report, although we note the explanation given by the Mission and the fact that the subborrowers and the ICIs have been informed of the Mission view.

## 2. BOU and ICI Discrepancies

We agree that it would be expected that the ICIs would approach BOU in an attempt to reconcile this situation. The accounts department of UDB stated that they had made such attempts, but that they had been unsuccessful.

## 3. UCB Project Vehicles

We were unaware that UCB has two additional USAID financed vehicles. We were not informed of this fact either by UCB or the Mission. These vehicles do not appear to be provided by the RPE project and are considered out of scope for this audit.

## 4. Annual Audits

Section 4.3.3 of the report has been amended to give more detail on the requirement of Project Agreement Number One. It is our understanding of this requirement that the annual audit should be an independent one under an AID contract. An internal audit by the Bank of Uganda, although useful, would not be independent.

## 5. Amounts Due From the ICIs

We are informed that several of the banks in Uganda make provisions in their financial statements for losses on bad loans.

Though it may not be standard banking practice in Uganda, we believe that in the interests of prudent accounting provisions against bad loans should be considered.

In the light of the Mission comments about the collections from the RPE ICIs subsequent to our audit, such provisions may not be necessary now.

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6. Review of LCF and DFF

We held several discussions with the Controller and other Mission personnel on the exact scope of this audit. We believe that the scope of work in our contract included only the review of the accounting systems for the DFF and LCF and not an audit of these accounts.

7. SACA's Role

We maintain that the actual role of the SACA resembles that of chief accountant, even though that may not have been the project intention as evidenced in his job description.

The SACA's job description states that he should advise and assist BOU in the management of the DFF, particularly in the following areas:

- . implementation and maintenance of a computerized system of accounts
- . efficient cash management
- . provision of timely and accurate statements
- . timely payment of interest
- . efficient collection of accounts payable

While he does advise and assist BOU, he also actually carries out or supervises the performance of the functions described above, both for the DFF and the LCF. He also maintains the accounting records for disbursement of dollar funds for imported commodities.

In the light of this and the fact that it was the SACA who provided us with the records for the audit work and who answered our queries, we believe we were justified in our comments.

With regard to the work of the major accounting firm referred to in the Mission comments, the findings of their engagement were not finalized by the time we completed our audit and were not within the scope of our work.

8. Clerical Checks

The main point of Section 3.3.7 is to highlight the weaknesses in the computerized accounting system maintained by the SACA and the staff working under his supervision.

These comments are particularly applicable to the disbursements of dollars for imported commodities. The Mission raises the point that some clerical checks are performed by other BOU staff for the DFF and LCF.

While this may be true for the BOU's own accounting records, we found no evidence of such checks either on the printed records for the dollar disbursements or for the DFF and LCF.

We verified the cash accounts for the DFF and LCF to the ledger cards kept by BOU and found no identification that such checks had been performed by BOU staff.

9. Job Descriptions

It is our belief that the personnel responsible for managing and accounting for RPE funds were the three with whom we conducted interviews and who provided us with the financial data for the audit. We do not believe that the scope of our contract for this matter extends to the regular accounting staff of the BOU.

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