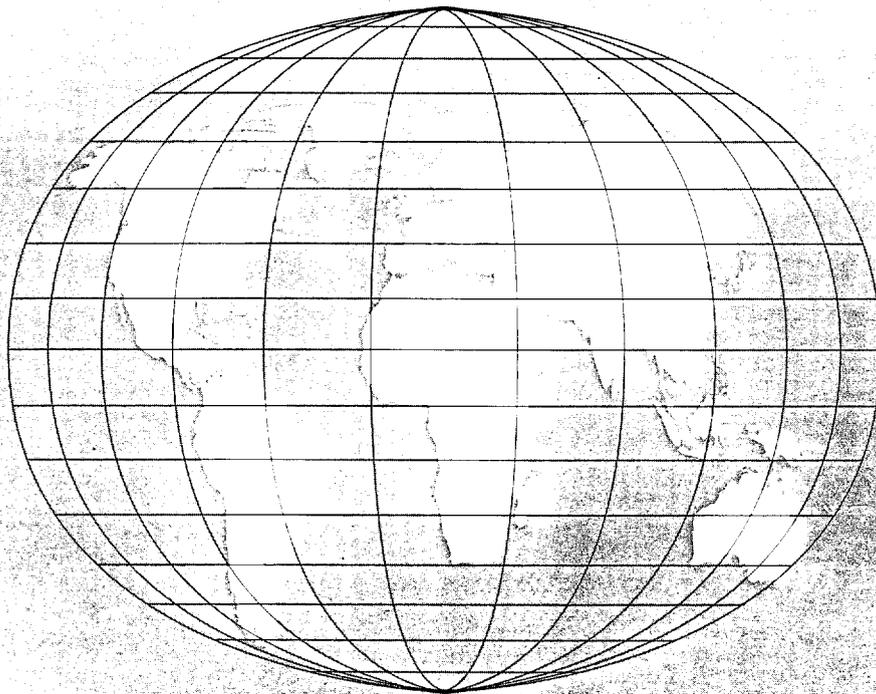


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Report of Audit

The Grant to the Uganda Investment Authority
Under the Agricultural Non-Traditional Export
Promotion Program Project No. 617-0113 and 617-0114

Report No. 3-617-96-005-N
July 24, 1996



OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



July 24, 1996

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

Memorandum

TO: Director, USAID/Uganda, Donald B. Clark

FROM: Acting RIG/A/Nairobi, Tim Elkins *Tim Elkins*

SUBJECT: Agency-contracted Audit of grant to the Uganda Investment Authority under the Agricultural Non-Traditional Export Promotion Program, Project Nos. 617-0113 and 617-0114, Audit Report No. 3-617-96-005-N

*Regional
Inspector General
for Audit/Nairobi*

Attached are three copies of an Agency-contracted audit of the Uganda Investment Authority performed by the accounting firm of Ernst & Young, Nairobi, Kenya.

The Uganda Investment Authority (UIA) is an Agency of the Uganda Government. The main functions of the authority are to: (1) promote, facilitate and supervise investments in Uganda; (2) receive all applications for investment licenses for investors intending to establish business enterprises in Uganda under the code and issue licenses and certificates on incentives in accordance with the code; and (3) assist potential investors in identifying and establishing investment projects in Uganda.

Funds for UIA are obligated through the Agricultural Non-traditional Export Promotion Program (ANEPP) No. 617-0113 and 617-0114. Project Implementation Letters are issued for earmarking funds to the UIA. The specific use of the funds is specified in the PILs. Funds are also provided to UIA from the local currency accounts.

As of December 1, 1995, UIA had spent \$3.3 million through ANEPP and another Ushs. 1.6 billion (about \$1.6 million) from the local currency accounts. These funds were spent on investor survey, promotional materials, operational costs, consultancy, office support and travel.

The objectives of the audit were to:

- audit the Fund Accountability Statement and express an opinion as to whether the Statement presents fairly, in all material respects and in conformity with the basis of accounting described in the report, the use of funds in accordance with the grant agreement;
- consider the auditee's internal control structure in order to determine the auditing procedures for the purposes of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses; and
- test the auditee's compliance with the terms of the grant agreements and project implementation letters as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of noncompliance;

The audit covered expenditures of Ushs. 3.8 billion (\$4.05 million) for the period June 7, 1991 through December 31, 1995..

The auditors issued an **adverse opinion** on the Fund Accountability Statement. Their report identified questioned unsupported costs of Ushs. 514,627,088 (\$541,887) and ineligible costs of Ushs. 79,412,641 (\$83,593). In addition, the auditors identified an unreconciled difference of Ushs. 296,567,055 (\$312,176).

The auditors identified material internal control weaknesses. These weaknesses included: (a) under staffing in the finance division of UIA; (b) lack of clear job descriptions; (c) lack of awareness of USAID laws and regulations; (d) inadequate fixed assets management systems; (e) non-integrated and inefficient accounts processing system; (f) lack of prompt preparation and follow up on banking and other reconciliations; and (g) lack of audit follow up.

In regard to compliance, the auditors reported material noncompliance instances which included: (a) commingling and undesignated use of funds; (b) failure to remit interest earned of Ushs.5,444,944 (\$5,732) to USAID; and (c) failure to retain documentation supporting project expenditures.

The draft report was submitted to USAID/Uganda and UIA for comments. Their comments were taken into consideration when preparing the final report and are also incorporated in the final report as Appendix III and Appendix IV respectively. Auditee comments included additional information regarding the questioned costs. The information is, however, unverified and therefore the recommendations made still stand. Mission's comments generally concurred with the audit findings and recommendations.

The report contains various recommendations concerning questioned costs, internal controls and compliance. It is the responsibility of USAID/Uganda to ensure appropriate action is taken on all recommendations. We are, however, including the following recommendations in the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1: We recommend that, USAID/Uganda determine the allowability, and recover as appropriate from the Uganda Investment Authority questioned unsupported costs of UShs. 514,627,088 (\$541,887).

Recommendation No. 2: We recommend that, USAID/Uganda determine the allowability, and recover as appropriate from the Uganda Investment Authority, questioned ineligible costs of UShs. 79,412,641 (\$83,,593).

Recommendation No. 3: We recommend that, USAID/Uganda determine the allowability, and recover as appropriate from the Uganda Investment Authority, unremitted interest earned of Ushs. 5,444,944 (\$5,732).

Recommendation No. 4: We recommend that, USAID/ Uganda obtain from Uganda Investment Authority a reconciliation of the difference of UShs. 296,567,055 (\$312,176) included in the fund balance.

Recommendation No. 5: We recommend that, USAID/Uganda obtain a plan of action from the Uganda Investment Authority for improving internal controls and compliance by ensuring that:

- 5.1 the finance department is not understaffed and there is a clear job description for the finance department staff;
- 5.2 the staff dealing with USAID funds are familiar with the requirements of grant agreements project Implementation letters and with applicable rules and regulations;
- 5.3 there is a an adequate fixed assets management system;
- 5.4 there is an integrated and efficient accounts processing system;
- 5.5 there is prompt preparation and follow up of reconciliations;
- 5.6 there is follow up of prior audit recommendations to ensure corrective action is implemented on weaknesses identified;
- 5.7 funds are not co-mingled and are used for intended purposes;

**5.8 interest earned on USAID funds is returned to the U.S. Government;
and**

5.9 documents are retained supporting project expenditures.

We consider all recommendations to be unresolved. Recommendations 1, 2, and 3 may be resolved when the Mission makes a final determination concerning the allowability of the questioned amounts. The recommendations may be closed when the Mission takes action appropriate to the determinations. Recommendation No. 4 may be resolved when the Mission requests a reconciliation from UIA. The recommendation may be closed when the reconciliation is completed. Recommendation No. 5 may be closed when the Mission requests a plan from UIA for corrective action and may be closed when the plan is in place. Please advise me within 30 days of actions planned or taken to resolve and close the audit recommendations.

Thank you for the cooperation extended to Bellhouse Mwangi Ernst & Young auditors and the Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

AUDIT OF
THE UGANDA INVESTMENT AUTHORITY
PROJECT NOS. 617-0113 AND 617-0114

ATTACHMENTS

**REPORT ON THE AGENCY CONTRACTED
AUDIT OF THE GRANT TO THE UGANDA INVESTMENT
AUTHORITY UNDER THE AGRICULTURAL
NON-TRADITIONAL EXPORT PROMOTION
PROGRAM (ANEPP) NO. 617-0113 AND 617-0114**

**AGENCY-CONTRACTED AUDIT OF GRANT TO THE UGANDA INVESTMENT
AUTHORITY UNDER THE AGRICULTURAL NON-TRADITIONAL EXPORT PROMOTION
PROGRAM NO. 617-0113 AND 617- 0114**

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**AGENCY-CONTRACTED AUDIT OF GRANT TO THE UGANDA INVESTMENT
AUTHORITY UNDER THE AGRICULTURAL NON-TRADITIONAL EXPORT PROMOTION
PROGRAM NO. 617-0113 AND 617-0114**

GLOSSARY OF ABBREVIATIONS

UIA	Uganda Investment Authority
US	United States of America
GOU	Government of Uganda
ANEPP	Agricultural Non-Traditional Export Promotion Program
EPADU	Export Policy Analysis Development Unit
EPAU	Export Policy Analysis Unit
USAID	United States Agency for International Development
PIL	Project Implementation Letter
Ushs	Uganda Shilling
\$	US Dollar

**AGENCY CONTRACTED AUDIT OF THE GRANT TO THE UGANDA INVESTMENT
AUTHORITY UNDER THE AGRICULTURAL NON-TRADITIONAL EXPORT PROMOTION
PROGRAM (ANEPP) NO. 617-0113 and 617-0114**

I. INTRODUCTION

1.1 Background

The Uganda Investment Authority (UIA) was created by statutory instrument on January 21, 1991. Its main functions are to:-

- promote, facilitate and supervise investments in Uganda;
- receive and issue all applications, licenses and certificates on incentives to investors intending to establish business enterprises in Uganda; and
- assist in identifying and establishing investment projects in Uganda.

Through an agreement between the US Agency for International Development and the Government of Uganda (GOU), UIA have received funds since April 1, 1991, which are obligated through ANEPP and earmarked by Project Implementation Letters. The funds were partly disbursed through the Export Policy Analysis Development Unit (EPADU), now the Export Policy Analysis Unit (EPAU) until March 10, 1992.

As of December 1, 1995, UIA had spent \$3,301,485 through ANEPP and another Ushs. 1,557,058,657 (approximately \$1.6 million) provided from the local currency special accounts. The funds were spent on investor survey, promotional materials, operational costs, consultancy, support for UIA office building and travel.

1.2 Audit Objectives and Scope

1.2.1 Objectives

Ernst & Young were appointed by USAID under the Indefinite Quantity Contract No. 623 - 0000 - 1 - 4118 - 00 to carry out an audit of USAID funds disbursed by UIA under the Agricultural Non-Traditional Export Promotion Program Grant Agreement between USAID and the GOU.

The objectives of this engagement were to:

- (a) Audit UIA's Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects, and in conformity with the basis of accounting described in the report, the use of funds in accordance with the Agreement and Project Implementation Letters;
- (b) Consider UIA's internal control structure in order to determine the auditing procedures for purposes of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses; and
- (c) Test UIA's compliance with the terms of the Agreement and Implementation Letters, as part of obtaining reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement, and to report on any identified material instances of noncompliance.

The audit was undertaken in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the US Comptroller General (1994 Revision). We were required to adhere to the guidelines contained in the "Guide for Financial Audits Contracted by AID" and "Guidelines for Audit of Federal awards to Non-Profit Institutions".

1.2.2 Scope

Our audit covered all USAID funds disbursed to the UIA under the Agricultural Non-Traditional Export Promotion Program No. 617-0113 and 617-0114 amounting to Ushs. 3,843,338,544 (\$4,045,620), for the period June 7, 1991 through December 31, 1995. In carrying out our audit, we did not comply with Government Auditing Standards 3.33 and 3.6 regarding External quality control Reviews and Continuing Professional Education respectively. It is our opinion that non compliance with those standards did not impair our ability to perform the audit.

1.2.3 Methodology

The audit was performed using the Ernst & Young audit approach, which requires general planning and identification of areas of audit significance, as well as evaluating the risk inherent in significant applications. This approach is modified by the Public Services Manual Supplement which focuses on the audit requirements of federal awards as specified in the US Office of Management and Budget Circular A-133.

The audit was performed in accordance with:

- (a) US Generally Accepted Auditing Standards;
- (b) US Comptroller General's Government Auditing Standards (1994 Revision); and
- (c) The Grant Agreement, Amendments and Project Implementation Letters

We held an entrance conference and carried out an initial survey on January 8, 1996 after which an audit program was prepared and approved by the office of the Regional Inspector General/Audit/Nairobi (RIG/A/N). The actual audit fieldwork commenced on January 17, 1996

1.3 Summary of Audit Results

1.3.1 Fund Accountability Statement

Of the total expenditures for the period of Ushs. 3,940,650,705 (\$4,148,053) our sample for verification covered Ushs. 2,627,306,864 (\$2,765,586), being 68.4%. Expenditures amounting to Ushs. 594,039,729 (\$625,513), being 15.07% of total expenditures, were questioned, of which Ushs. 514,627,088 (\$ 541,887) were unsupported and Ushs. 79,412,641 (\$ 83,593) ineligible. Of the unsupported amounts, Ushs. 275,068,889 (\$289,546) related to expenditures by EPADU on behalf of UIA and under the ineligible amounts, is an amount of Ushs. 3,013,645 (\$ 3,173) that is refundable to UIA by EPADU

The fund balance at the end of the financial period includes an amount of Ushs. 296,567,055 (\$ 312,176), being an unreconciled difference.

1.3.2 Internal Control Structure

We noted the following Internal Control weakness

- Under staffing in the Finance division of UIA.
- Lack of clear job descriptions
- Lack of awareness of USAID rules and regulations
- Inadequate fixed assets management systems
- Non-integrated and inefficient accounts processing system
- Lack of prompt preparation and follow up on bank reconciliations
- Lack of audit follow up

1.3.3 Compliance with Grant Agreement Provisions and Applicable Laws and Regulations

Our audit revealed the following instances of non-compliance

- Commingling and undesignated use of funds
- Failure to remit interest earned to USAID
- Failure to retain documentation supporting project expenditures
- Not all assets and programs funded by USAID publicize USAID participation by portraying the USAID emblem.
- Failure to ensure reimbursement for personal use of project vehicles
- Failure to submit half yearly reports on fixed assets inventory to USAID.

1.3.4 Summary of USAID/Kampala Response

- **Fund Accountability Statement**

USAID/Kampala concurs with the findings under this section. UIA in lieu of any documentation, should come up with physical evidence showing that questioned costs were reasonable and allowable. Failure on UIA's part to prove the allowability of the unsupported costs, may lead to collection of the questioned amounts by USAID. UIA should consult with USAID to resolve issues raised.

- **Internal Control Structure**

USAID/Kampala concurs with the findings under this section. USAID is to see to it that grantees are made aware of all relevant rules and regulations governing USAID grants. UIA should implement recommendations suggested in audit reports and should give itself a time frame within which those recommendations are to be fully addressed.

- **Compliance with Grant Agreement Provisions and Applicable Laws and Regulations**

USAID/Kampala concurs with the findings under this section. UIA should contact the USAID Project Officer for assistance.

1.3.5 Summary of Auditee's Response

- **Fund Accountability Statement**

UIA, not being a beneficiary, is not in a position to provide support for EPADU related expenditure amounting to Ushs 275,068,889 (\$289,546). Support is now available for UIA incurred expenditure of Ushs 219,403,369. All the transactions have now been recorded and a revised Fund Accountability Statement has been prepared which incorporates all reconciling items explaining the previously unreconciled difference of Ushs 296,567,055 (\$312,176).

- **Internal Control Structure**

UIA concurs with the findings under this section and has taken steps to recruit a Head of Finance Division together with support accounting personnel. The Board of Directors have approved the purchase of a new integrated accounting package that will ensure timely and accurate transactions processing.

- **Compliance with Grant Agreement Provisions and Applicable Laws and Regulations**

UIA concurs with the findings except as follows:

- a) USAID approval was always sought before utilisation of savings, which normally included interest, at the end of each financial year;
- b) with certain exceptions all documents supporting transactions are retained; and
- c) fixed assets are marked with UIA numbers.

A separate USAID funding bank account has been opened and other recommendations are being implemented.

2. FUND ACCOUNTABILITY STATEMENT

2.1 Independent Auditor's Report

We have audited the Fund Accountability Statement of the Uganda Investment Authority for the period June 7, 1991 through December 31, 1995. This statement is the responsibility of the Uganda Investment Authority. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards (1994 revision) issued by the US Comptroller General with the exception that we did not comply with sections 3.33 and 3.6 on External Quality Control Reviews and Continuing Professional Education respectively. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the statement

An audit also includes assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall Fund Accountability Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the Fund Accountability Statement, this statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

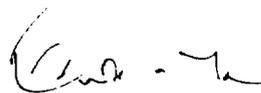
Our audit disclosed questioned costs amounting to Ushs. 504,039,729 (\$ 625,513), of which Ushs 514,627,088 (\$ 541,887) were unsupported and Ushs 79,412,641 (\$ 83,593) ineligible. This represents approximately 15.07% of the total expenditure, per the Fund Accountability Statement

As indicated in Note 4 to the Fund Accountability Statement, the fund balance includes an unreconciled difference of Ushs 296,567,055 (\$312,176).

In our opinion, in view of the significance of the matters noted above, the Fund Accountability Statement **does not** present fairly, in all material respects and in conformity with the basis of accounting described in the fourth paragraph above, the financial position of the Uganda Investment Authority at December 31, 1995 and the results of its operation and its fund balance for the period then ended.

Financial 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 information of the Government of Uganda through the Uganda Investment Authority and United States Agency for International Development but this is not intended to limit the distribution of the report if a matter of public record.



ERNST & YOUNG
NAIROBI

March 4, 1996

**UGANDA INVESTMENT AUTHORITY
FUND ACCOUNTABILITY STATEMENT FOR THE PERIOD
JUNE 7, 1991 THROUGH DECEMBER 31, 1995**

	USHS	US\$	NOTE
INCOME:	3,685,610,848	3,879,590	3
EXPENDITURE:			
Salaries (Basic and Allowances)	1,592,200,944	1,676,001	
Benefits: Allowances	89,426,331	94,133	
Indirect Costs	627,505,930	660,533	
Consultancy Services	131,282,212	138,192	
Travel and Transport	241,567,127	254,281	
Expendable Items	145,181,937	152,823	
Non-expendable equipment & furniture	813,565,482	856,385	
Other costs	202,608,581	213,272	
Amount received by EPADU	3,013,645	3,173	
US Trade mission advance	17,899,520	18,842	
Advances to staff and bank	76,398,996	80,420	
Total Expenditure	3,940,650,705	4,148,055	
Fund Balance	(255,039,857)	(268,465)	4

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

1. BASIS OF ACCOUNTING

The statement is prepared on the basis of cash receipts and disbursement which is a comprehensive basis of accounting other than US Generally Accepted Accounting Principles.

2. CURRENCY TRANSLATION

United States dollar amounts are expressed at US\$ 1 = Ushs. 950, the average exchange rate for the period.

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3. INCOME

Income comprises all revenues received for the project during the period and is analyzed as follows:

	USHS
Receipts into bank account 80675	2,759,025,014
Interest in bank account 80675	4,886,569
Over reimbursement from Government	14,006,300
Receipts into bank account F337	904,120,945
Interest in bank account F337	558,375
Amount received by EPADU	<u>3,103,645</u>
 Total Revenue for the period	 3,685,610,848

4. FUND BALANCE

The fund balance comprises:-

	USHS
Bank balance in account F337	15,911,762
Bank balance in account 8075	81,529,786
Unpresented cheques	(55,914,350)
Unreconciled difference	<u>(296,567,055)</u>
 Balance at December 31, 1995	 <u>(255,039,857)</u>

2.2 Findings and Recommendations

2.2.1 Introduction

The Fund Accountability Statement was prepared by UIA and is shown, in summary, on page 6 of this report. The detailed Fund Accountability Statement is shown in Appendix I.

2.2.2 Sample Selection Criteria

For expenditures incurred under the program, we established a key item value of Ushs. 1,500,000 and tested all transactions whose value was equal to or greater than this amount. This gave us coverage of 68.4% of total program expenditures for the period. We considered this coverage to be adequate to enable us to form an opinion.

2.2.3 Audit Results

a) Questioned Costs

Of the disbursements for expenditures tested, costs amounting to Ushs. 594,039,729 (\$625,480) were questioned. Of these costs Ushs 514,627,088 (\$541,887) were unsupported and Ushs 79,412,641 (\$83,593) wer ineligible. These costs can be analyzed as follows:

	Claimed Ushs	Accepted Ushs	Unsupported Ushs	Ineligible Ushs	Notes
Salaries	1,592,200,944	1,524,578,141	67,622,803	0	2.2.4
Benefits: Allowances	89,426,331	89,010,091	416,240	0	2.2.4
Indirect Costs	627,505,930	555,139,945	72,365,985	0	2.2.4
Consultancy Services	131,282,212	108,642,782	22,639,430	0	2.2.4
Travel and transport	241,567,127	182,616,257	58,950,870	0	2.2.4
Expendable Items	145,181,937	135,038,266	10,143,671	0	2.2.4
Non expendable Items	813,565,482	551,947,469	261,618,013	0	2.2.4
Other Costs	202,608,581	199,638,025	2,970,556	0	2.2.4
US Trade Mission advance	17,899,520	0	17,899,520	0	2.2.4
Amount received by EPADU	3,013,645	0	0	3,013,645	2.2.5
Staff & Bank advances	76,398,996	0	0	76,398,996	2.2.5
	<u>3,940,650,705</u>	<u>3,346,610,976</u>	<u>514,627,088</u>	<u>79,412,641</u>	

b) Fund Balance Difference

The fund balance at the end of the financial period is in deficit and includes an unreconciled amount of Ushs 296,567,055 (See note 2.2.6).

2.2.4 UNSUPPORTED COSTS

The following costs had no supporting documentation:

DATE	DETAILS	CHQ	@ 950 US\$	USHS
SALARIES:				
10-Nov.-92	Fairway Hotel - H'sing Adv. to ED	121080	1,689	1,604,890
24-Aug.-95	Salaries overstated	282154	2	2,000
	1991/92 EPADU - Salaries (Basics and Allowances)		69,490	66,015,913
			<u>71,181</u>	<u>67,622,803</u>
	Total Salaries		<u>71,181</u>	<u>67,622,803</u>
ALLOWANCES:				
13-Aug.-92	Frank Katusiime-Kbale/Mbrra Clinic(board exps.)	27846	438	416,240
	Total Allowances		<u>438</u>	<u>416,240</u>
INDIRECT COSTS:				
Office Rent				
	1991/92 EPADU - Office Rent		58,834	55,892,460
Publicity / Printing				
13-Aug.-92	Frank Katusiime-Kbale/Mbrra Clinic(printing)	27846	1,201	1,140,960
24-Aug.-92	UCB Corporate - Euromoney Advert	115209	8,815	8,373,875
28-Aug.-92	F.Katusiime(Advance,Mbale/Tro Smnar - printing)	115262	928	881,440
12-Oct.-94	Majestic Printing works/Printing Ad.		6,570	6,077,250
			<u>17,514</u>	<u>16,473,525</u>
	Total Indirect Costs		<u>76,348</u>	<u>72,365,985</u>
CONSULTANCY SERVICES:				
Temporary Consultants				
	1991/92 EPADU - Temp. Consultant		17,575	16,695,950
Special Projects				
20-May-93	Uganda Invest. Auth./Adv.Lodn Conf.	VR1084	5,263	5,000,000
	1991/92 EPADU - Vehicle Fuel and maintenance		993	943,480
			<u>6,256</u>	<u>5,943,480</u>
	Total Consultancy Services		<u>23,831</u>	<u>22,639,430</u>
TRAVEL AND TRANSPORT:				
Travel Expenses - Local				
13-Aug.-92	Frank Katusiime-Kbale/Mbrra Clinic(local travel)	27846	444	421,560
28-Aug.-92	F.Katusiime(Advance,Mbale/Tro Smnar - travel)	115262	546	518,520
			<u>990</u>	<u>940,080</u>
Staff Foreign Travel				
27-Apr.-95	Stanchart - TC's for ED	254482	7,609	7,228,600
01-Oct.-93	Stanchart fx bureau - ED's p diem contingency(50%)	1672	1,422	1,350,900
17-May-93	P Nyaika - P.diems / tkts to London conference	10431	16,368	15,549,600
08-Mar-93	J Sserubombwe - ED air ticket club class	13146	5,286	5,022,000
20-May-93	Uganda travel bureau - tkts Kyora & Manzi	VR1080	2,749	2,611,625
24-Aug.-92	U.C.B. Corporate-E.N.Ssemwanga Tkt	115211	1,900	1,805,010
01-Jul.-93	Sembule Fx B- Tkts & P/diem:Obonyo & Mugerwa	VR1232	12,999	12,349,250
02-Feb.-94	Sembule Fx B/BA Tkts-USA/Tkyo Trip		7,293	6,928,180
22-Jul.-94	Sembule Bank - A/ Ticket & P/diem For E/D	228540	3,011	2,860,250
			<u>58,637</u>	<u>55,705,415</u>

Board Travel - Foreign

20-May-93 Uganda travel bureau - tkts Kyora & Manzi	VR1080	2,427	2,305,375
Total Travel & Transport		<u>62,054</u>	<u>58,950,870</u>

EXPENDABLE ITEMS:**Office Supplies**

1991/92 EPADU - Office Supplies		10,678	10,143,671
Total Expendable Items		<u>10,678</u>	<u>10,143,671</u>

NON EXPENDABLE EQUIPMENT & FURNITURE:**Office Furniture**

03-Dec.-92 Lagoro Holdings - supply of 60 Blackboards	12472	4,311	4,094,988
02-Jun.-94 Energo ltd - cost of shelves. Partially supported.	228455	889	844,300
1991/92 EPADU - Office Furniture		58,369	55,450,696
		<u>63,569</u>	<u>60,389,984</u>

Office Equipment

25-Mar-92 Forex Bid/UCB International Divn (equip.)		23,462	22,288,890
02-Sep-92 J Sserubombwe - ED advance for office equip.	115300	2,921	2,775,410
1991/92 EPADU - Office Equipment		31,129	29,572,907
		<u>57,512</u>	<u>54,637,207</u>

Vehicles

10-Oct.-95 Crane forex bureau - payment for VITARA	298860	28,864	27,421,125
16-Oct.-95 Crane forex bureau - payment for L/Rover Discovery	298874	42,211	40,100,209
25-Mar-92 Forex Bid/UCB International Divn (vehicles)		41,607	39,526,232
1991/92 EPADU - Vehicles		33,962	32,264,226
		<u>146,644</u>	<u>139,311,792</u>

Internal Decoration

1991/92 EPADU - Internal decor		7,662	7,279,030
Total Nonexpendable equipment & Furniture		<u>275,387</u>	<u>261,618,013</u>

OTHER COSTS:**Insurance**

1991/92 EPADU - Insurance		401	380,556
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Contingency

26-May-93 Ug. Govt. Printers - 1,000 Codes	10486	2,274	2,160,000
1991/92 EPADU - Contingency		453	430,000
		<u>2,727</u>	<u>2,590,000</u>

Total Other Costs

		<u>3,128</u>	<u>2,970,556</u>
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Jul./Aug 94 Advance paid for US Trade Mission		19,456	17,899,520
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TOTAL UNSUPPORTED COSTS

		<u>541,887</u>	<u>514,627,088</u>
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Analyzed as follows:

UNSUPPORTED COSTS INCURRED THROUGH UIA	Ushs 239,558,199	(\$ 252,341)
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UNSUPPORTED COSTS INCURRED THROUGH EPADU	<u>Ushs 275,068,889</u>	<u>(\$ 289,546)</u>
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	<u>Ushs 514,627,088</u>	<u>(\$541,887)</u>
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RECOMMENDATION NO. 1

We recommend that USAID/Kampala determine allowability of expenditures paid for by EPADU amounting to Ushs. 275,068,889 (\$ 289,546). If deemed unallowable the amount should be refunded to USAID.

USAID Mission comments

USAID concurs. UIA together with the USAID project officer is to demand for proper accountability from EPAU, formerly EPADU.

Auditee's comments

Although UIA was a beneficiary, the management of the resources was done by EPADU under USAID instructions. UIA is therefore not in the best position to provide the necessary supporting documents

RECOMMENDATION NO. 2

We recommend that USAID/Kampala determine allowability of expenditures paid for by UIA amounting to Ushs. 239,068,889 (\$ 289,546). If deemed unallowable the amount should be refunded to USAID

USAID Mission comments

USAID concurs. UIA in lieu of any documentation should come up with physical evidence showing that the costs were reasonable and allowable. Failure on UIA's part to prove the allowability of the unsupported costs may lead to collection of the questioned amount by USAID.

Auditee's comments

The correct amount to be supported is Ushs 219,403,369. We have supporting documents for this amount on file.

Auditors' rebuttal

The supporting documents were not availed to us during the audit. USAID/Kampala should determine whether we should verify this new information.

2.2.5 INELIGIBLE COSTS.

The following disbursements out of the grant funds were considered ineligible as the grant agreement had no budget line items for such disbursements:

	USHS
Amount receivable from EPADU	3,013,645
Advance to non USAID bank account	60,000,000
Salaries paid in advance	16,398,996

The amount receivable from EPADU relates to unexpended amounts during the period when EPADU disbursed funds for project expenditures on behalf of UIA. This amount should have reverted to UIA in 1992 when UIA took over the accountability for expenditures paid on its behalf by UIA.

20

RECOMMENDATION NO. 3

We recommend that USAID determine the allowability of salary advances and advances to non USAID bank account amounting to Ushs. 60,000,000 (\$ 63,158) and Ushs. 16,398,996 (\$ 17,262)

USAID Mission comments

USAID concurs. UIA should consult with USAID to resolve the issue.

Auditee's comments

Advance to bank account 80671 amounting to Ushs 60,000,000 has been recovered. Salary advances are being recovered monthly from staff salaries.

RECOMMENDATION NO. 4

With regard to the amount receivable from EPADU of Ushs. 3,013,645 (\$ 3,173), we recommend that USAID determine its allowability or recover as appropriate.

USAID Mission comments

USAID concurs. UIA together with the USAID Project Officer is to demand for proper accountability from EPAU formerly EPADU.

Auditee's comments

EPADU has been informed and requested to refund the balance of Ushs 3,013,645.

2.2.6 UNRECONCILED DIFFERENCE IN THE FUND BALANCE

Included in the fund balance is an amount of Ushs 296,567,055 (\$ 312,176), being an unreconciled difference. This has resulted in the Fund balance being in deficit.

RECOMMENDATION NO. 5

We recommend that UIA should investigate the circumstances surrounding the unreconciled difference of Ushs. 296,567,055 and provide a reconciliation of this amount.

USAID Mission comments.

USAID concurs. The financial analysis section of USAID may be approached for some assistance where possible

Auditee's comments

The unreconciled difference has been investigated, please refer to the revised FAS which shows an unreconciled difference of Ushs 436,018 still under investigation. There was double reporting of accrued expenditures as cash expenditure. The revised FAS has now been made strictly on a cash basis

Auditor's rebuttal

USAID should determine whether we should verify the revised FAS.

3. INTERNAL CONTROL STRUCTURE

3.1 Independent Auditors' Report

We have audited the fund Accountability Statement of the Uganda Investment Authority for the period June 7, 1991 through December 31, 1995 and have issued our report thereon dated March 4, 1996

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards (1994 revision) issued by the US Comptroller General with the exception that we did not comply with section 3.33 and 3.6 on External Quality Control Reviews and Continuing Professional Education respectively. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement

In planning and performing our audit, we considered the internal control structure established by the Uganda Investment Authority in so far as it relates to grant funds, in order to determine our auditing procedures for the purpose of expressing our opinion on the Fund Accountability Statement and not to provide assurance on the internal control structure.

The management of the Uganda Investment Authority is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility estimates and judgments 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 Statement in accordance with the basis of accounting described in Note 1 to the Fund Accountability Statement. 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 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

- Financial management capabilities
- Familiarity with USAID rules and regulations
- Assigning of authority and responsibility

Accounting Systems

- Funds management
- General record keeping

Control Procedures

- authorization of transactions
- written procedures

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 operations that we consider to be reportable conditions under the standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report financial data consistent with the assertions of management in the Fund Accountability Statement

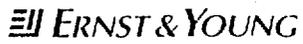
The following reportable conditions were observed:

- Under staffing in the finance division of UIA
- Lack of clear job descriptions
- Lack of awareness of USAID rules and regulations
- Inadequate fixed assets management systems
- Non-integrated and inefficient accounts processing system
- Lack of prompt preparation and follow up on bank and other reconciliations
- Lack of audit follow up.

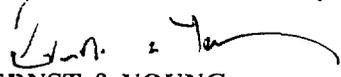
A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the Fund Accountability Statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions that are considered to be material weakness as defined above. However, we believe that the reportable conditions described above are material weaknesses.

Financial 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 information of the Government of Uganda through the Uganda Investment Authority and United States Agency for International Development but this is not intended to limit the distribution of the report if a matter of public record.


ERNST & YOUNG
NAIROBI

March 4, 1996

3.2 WORK PERFORMED

We reviewed the internal control structure of the Uganda Investment Authority and obtained an understanding of the design of relevant procedures and we assessed control risk.

Our review considered the significant internal control structure policies and procedures categorized as follows:-

Control Environment

- financial management capabilities
- familiarity with USAID rules and regulations
- assigning of authority and responsibility

Accounting System

- funds management
- general record keeping

Control Procedures

- authorization of transactions
- written procedures

FINDINGS AND RECOMMENDATIONS

3.3.1. Control Environment

a. Finding: Under staffing in the Finance Division of UIA

The staff in the finance division are qualified and experienced; however the level of staffing was found to be inadequate in view of the level of UIA's donor and operational base. According to the organization structure, this department should have 3 staff members but currently has only 2, namely the Finance Officer who is presently the acting Finance Manager and an Administrative Assistant, though recruitment drive of a Finance Manager to head the department is in process. Due to the low staffing level, there has been lack of segregation of duties and the inability to fully implement and execute internal controls over transactions as outlined in the financial procedures and regulations manual, especially with regard to checking and review

RECOMMENDATION NO. 7

In view of the increasing number of donors to UIA, their different reporting requirements and the expanding base of it's operations, management should consider recruiting another Accounts/Administrative Assistant in addition to recruiting a Finance Manager. This will ensure that there is adequate segregation of duties, effective internal controls and thus accurate and timely financial reporting.

USAID Mission comments

USAID concurs. USAID is aware of UIA's recent recruitment of a Finance Manager

Auditee's comments

The Finance Division now has a head of Finance Division as of March 5, 1996. A Finance Manager, Accounts Assistant and a Secretary/ Accounts Assistant are to be added soon. We are also in the process of finalising the acquisition of an accounting package. We believe with all these in place the issue of lack of separation of duties and internal control will have been addressed. However, given the financial constraint, we shall first evaluate the new system to see if the requirement of another assistant is still necessary.

b. Finding: Lack of clear Job descriptions

The "Organization Guide" and the "Accounting System Management Reporting Framework and Financial Regulations" manuals, do not have job descriptions for the Finance Officer, who is currently heading the Finance division. The job description of the Finance Manager includes tasks such as to prepare, verify and disburse salaries and wages, and to prepare monthly bank reconciliation, which we consider inappropriate for an officer of this designation.

RECOMMENDATION NO. 8

Being one of the key positions in the organization, especially in the Finance division, the position of Finance Officer should have a detailed job description that should entail assisting the Finance Manager in executing financial transactions and supervising the division. The job description of the Finance Manager should be reviewed to upgrade the functions to those normally demanded for such a position.

USAID Mission comments

USAID concurs. The Finance Manager should be mainly involved in streamlining systems and advising management on sound and efficient financial decisions to maximise UIA's financial benefits. He oversees mundane accounting activities performed by his juniors which, if his supervision is effective, should be able to function with minimum daily involvement from him.

Auditee's comments

The job descriptions of the entire staff of the Finance Division are being reviewed with a view to segregating duties and responsibilities and introducing viable checks and control systems as the new integrated accounting package is in the process of being acquired.

c. Finding: Lack of awareness of USAID regulations

The Organization has been receiving funding from USAID through GOU and in most cases directly from USAID; however based on the inquiries made and transactions tested, it was noted that the Finance division staff are not aware of and do not have copies of grant agreements, amendments and PILs as well as copies of any other USAID regulations pertinent to the management of USAID programs, funds, or funded property.

RECOMMENDATION NO. 9

All divisions within UIA involved in the handling and management of USAID funds and funded programs, especially the Finance division, should obtain information on grant agreements, amendments and PIL requirements as well as any other necessary regulations (such as US Office of Management and Budget circulars A-110 and A-122). This will ensure that adequate administrative and specific controls required are in place to enable sound management of such funds and programs.

USAID Mission comments

USAID concurs. USAID is to see to it that grantees are made aware of all relevant rules and regulations that govern USAID grants.

Auditee's comments

The recommendation has been noted and we have asked USAID/Kampala to provide us with various regulatory documents and we shall ensure that we remain updated with new regulations or changes in existing ones.

3.3.2. Accounting System

a. Finding: Incomplete Fixed Assets Management system

The fixed assets register maintained is in the form of a folder with listings of the fixed assets held. This listing as well as the general ledger has not been updated since July 30, 1994; however most of the assets have been captured in the register as most acquisitions were made in the earlier years of funding. Rates of depreciation and accumulated depreciation for respective assets are not maintained and no periodical physical verifications are carried out.

RECOMMENDATION NO. 10

UIA should acquire a fixed assets management software that will record and maintain all conventional data and information required of a fixed assets register. A capitalization policy should be established that recognizes donor and government requirements. Periodic physical verification of all fixed assets should be carried out to confirm existence.

USAID Mission comments

USAID concurs.

Auditee's comments

The auditors recognised that most of our fixed assets have been captured in the fixed assets register. In spite of this, we have got a new format of the fixed assets register from USAID/Kampala and we are updating the register with records of fixed assets acquired during the financial year 1995/96. The records for the financial year 1994/95 will be posted using the new format. The fixed assets register will be maintained on this basis.

b. Finding: Inadequate insurance cover over fixed assets

A review of past management reports submitted by statutory auditors revealed inadequate insurance cover for the office building. However we could not verify the current cover on fixed assets as the relevant records had not been updated.

RECOMMENDATION NO. 11

UIA should review the current insurance over fixed assets and also ensure pertinent information is always recorded in the fixed assets register.

USAID Mission comments

USAID concurs.

Auditee's comments

The Board of Directors have approved the upgrade of the insurance policy to its market value. We have contracted a valuer to revalue the building for upgrade of the policy.

c. Finding: Non-integrated and inefficient accounts processing system

The cash books and financial reports are computerized whereas the general ledger is maintained manually. These systems are vulnerable to errors and irregularities as transactions can be altered or backed out from the spreadsheets without leaving an audit trail. Further, the systems are not integrated thus a higher risk of data loss or manipulation, especially during data transfer. The lack of integration increases processing time. The significant unexplained difference reported in Section 2 bears testimony to this finding.

RECOMMENDATION NO. 12

UIA should acquire an accounting package software that fully integrates all books of account and financial reports. This will reduce the work load in the Finance division, ensure accurate and timely financial reporting and provide a clear audit trail.

USAID Mission comments

USAID concurs. The accounting system should be fully integrated for smooth functioning. It is most probable that the difference in the books arose from running a dual system with no sound controls or checks to guard against errors.

Auditee's comments

UIA has since issued out tender bids to prospective vendors for the supply of an integrated accounting software. The Board of Directors have approved the purchase of the accounts software and we are in the process of securing funds for the purchase. This accounting package will greatly assist UIA cope with the donor requirements.

d. Finding: Lack of prompt preparation and follow up on bank reconciliations

Due to the inadequate staffing in the Finance division, monthly bank reconciliations are not promptly prepared and independently reviewed. Neither are reconciling items promptly followed up.

Reconciliations for the month of July 1995 and the subsequent months had not been prepared as of January 20, 1996 and bank transactions amounting to Ushs. 1,818,572 have not been recorded in the books of account, but are shown as reconciling items in the bank reconciliation at December 31, 1995. Details of the unrecorded transactions are shown in Appendix II.

A reconciliation difference of Ushs. 370 was brought forward from June 1993 and has increased over the years to Ushs. 973,966 as at December 31, 1995. This difference has not been investigated. Based on our workings it is understated and should be Ushs. 1,244,779 analyzed as follows -

	USHS
Cleared cheques shown as unrepresented (chq. 57250 dd 25/3/94)	1,164,550
Difference from FY 93/94	49,720
Transposition errors in cheques 237857 & 282011	830
Unidentified difference	(330)
Difference in cash book balance (May 94)	<u>30,000</u>
	1,244,779

RECOMMENDATION NO. 13

Being a key control that is meant to detect errors and irregularities around cash applications, monthly bank reconciliations should be promptly prepared, reviewed by an independent senior official and reconciling items promptly investigated and resolved.

USAID Mission comments

USAID concurs. The importance of monthly bank reconciliations should be appreciated as this is one of the means of gauging an organization's financial status.

Auditee's comments

The bank reconciliation statement is now being prepared monthly. The Head of Finance Division shall ensure the follow up of outstanding issues and corrective actions taken

e. Finding: Lack of audit follow up

Most of the weaknesses noted above, such as the lack of a fixed assets register and the failure to follow up and investigate reconciling items in bank reconciliations, have been frequently highlighted in management reports issued by statutory external auditors. Following our review and testing of the internal control systems, it is apparent that most of the weaknesses have not been resolved and recommendations by statutory auditors not implemented.

RECOMMENDATION NO. 14

We recommend that UIA should formulate and implement an audit resolution policy that will ensure prompt evaluation and resolution of weaknesses identified following audits. This policy should also establish a reasonable time frame within which corrections and implementation can be carried out.

USAID Mission comments

USAID concurs. USAID views the implementation of previous recommendations made in management reports as one of the factors that depict an organization's seriousness and readiness in making progress towards strengthening sound management practices. UIA should implement recommendations suggested in audit reports and should give itself a time frame within which those recommendations are to be fully addressed.

Auditee's comments

The recommendation is noted and shall be implemented

4. COMPLIANCE WITH PROJECT GRANT AGREEMENT PROVISIONS AND APPLICABLE LAWS AND REGULATIONS

4.1 Independent Auditors' Report

We have audited the Fund Accountability Statement of the Uganda Investment Authority for the period June 7, 1991 through December 31, 1995 and have issued our report thereon dated March 4, 1996

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards (1994 Revision) issued by the US Comptroller General with the exception that we did not comply with sections 3.33 and 3.6 on External Quality Control Reviews and Continuing Professional Education respectively. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to the project funds is the responsibility of the management of the Uganda Investment Authority. As part of our audit we performed tests of the Uganda Investment Authority's compliance with certain provisions of laws, regulations grants and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

Material instances of non-compliance are failures to follow requirements or violations of agreement terms and laws and regulation that cause us to conclude that the aggregation of misstatements resulting from those failures or violations is material to the Fund Accountability Statement. The results of our tests of compliance disclosed the following material instances of noncompliance, the effects of which are shown as questioned costs in Uganda Investment Authority's Fund Accountability Statement

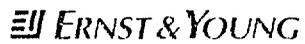
- Commingling and undesignated use of funds
- Failure to remit interest earned to USAID
- Failure to retain documentation supporting project expenditures

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, Uganda Investment Authority 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 came to our attention that caused us to believe that Uganda Investment Authority had not complied, in all material respects, with those provisions

We considered these material instances of noncompliance in forming our opinion whether Uganda Investment Authority's Fund Accountability Statement is presented fairly, in all material respects, in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement

We noted the following immaterial instances of non compliance -

- Not all assets and program funded by USAID publicize USAID participation by portraying the USAID emblem
- Failure to submit half yearly reports on fixed assets inventory to USAID
- Failure to ensure reimbursement for personal use of project vehicles



Financial information contained in this report may be privileged. The provisions of 18 USC 1905 should be considered before any information is released to the public.

This report is intended for the information of the Government of Uganda through the Uganda Investment Authority and the United States Agency for International Development, but this is not intended to limit the distribution of the report if it is a matter of public record.

A handwritten signature in black ink, appearing to read 'Ernst & Young'.

**ERNST & YOUNG
NAIROBI**

March 4, 1996

4.2 WORK PERFORMED

Our audit of the Uganda Investment Authority included obtaining assurances that the UIA complied with grant provisions, applicable laws and US Government regulations. Procedures performed to test such compliance included the following:

- (i) a review of the Grant Agreement provisions and related regulations to identify those provisions and regulations which could have a material effect on the Fund Accountability Statement; and
- (ii) Audit procedures including detailed testing to confirm the UIA's compliance with provisions and regulations

4.3 FINDINGS AND RECOMMENDATIONS

Our findings and recommendations on compliance issues are set out below:

a Finding: Commingling and undesignated use of funds

Section 5.2 of special covenants regarding Local Currency Uses stipulates that funds under this Grant Agreement shall be used for agreed upon activities and purposes under the project. As noted in section 2 of this report, the UIA has disbursed funds as advances to staff and to its other non USAID bank accounts contrary to the above requirement. This also constitutes commingling of funds contrary to the provisions of PIL No. 13 of March 23, 1995, as USAID funds have been placed in non USAID bank accounts to meet some project expenditures.

RECOMMENDATION NO. 15

Our recommendation No. 4 applies to this finding.

USAID Mission comments

USAID concurs. UIA should refund all USAID funds disbursed to the non-USAID bank accounts and those advanced to staff.

Auditee's comments

Recommendation noted and shall be implemented. Commingling resulted from delays in release of funds. USAID and GOU have complemented each other in the funding of the UIA operating and programme expenditures but delays in disbursements have caused severe cash flow problems on a number of occasions and yet the institution must continue to function. However during the month of March 1996 discussions were held with staff of the Financial Controller's office USAID/Kampala on commingling of funds. Following these discussions UIA has effective April 16, 1996 opened a new bank account to be operated as a non-commingled account and shall seek prior USAID approval for any use of funds for non USAID funded activities.

b. Finding: Failure to remit interest earned to USAID

Section D 2 (e) of Grant Standard Provisions on Refunds requires that any interest or other earnings on Grant funds disbursed by USAID be refunded to USAID, however UIA earned interest amounting to Ushs 5,444,944 (\$5,732) during the period under review but did not remit the same to USAID.

RECOMMENDATION NO. 16

We recommend that UIA refund the interest amounting to Ushs. 5,444,944 (\$ 5,732) to USAID prior to the authorization for the use of such funds for the project.

USAID Mission comments

UIA should seek permission from USAID to reprogram the interest received on USAID funds prior to using it.

Auditee's comments

Under normal circumstances UIA maintains current accounts that do not earn any interest. In 1993 when some funds were deposited on a fixed account interest of Ushs 4.5 million accrued. However UIA has always sought USAID approval before utilisation of any savings at the end of every financial year and which savings normally included the interest component.

c. Finding: Failure to retain documentation supporting project expenditures

UIA has not complied with Section B.5 of the Grant Agreement Standard Provisions on reports, accounting records, audits and inspections. This section requires that accounting books, records, documents and other evidence relating to the Agreement be maintained adequately to show without limitation, all costs incurred under the Grant. UIA also did not comply with PIL no. 4a which required all travelers on a Trade Mission, to the US to submit an itemized list of amounts spent daily for expenses incurred together with travel vouchers.

RECOMMENDATION NO 17

To ensure compliance with the Grant Agreement and related regulations UIA should ensure supporting documents are retained for all project expenditures in accordance with Section B 5 of the Grant Agreement Standard Provisions and PIL no. 4a.

USAID Mission comments

USAID concurs. See Mission response to recommendation number 2.

Auditee's comments

In all cases UIA maintains supporting documents for all payments. The only exception has been where bank transactions require original documents. In the past there have been instances where recipients of advances failed to bring back proper supporting documents for accountability. For the instance of USA mission of June 1994 we have had to directly approach the hotels for supporting documents which we still await

d. Finding : not all asset and programs funded by USAID publicize USAID participation by portraying the USAID emblem

Most of the UIA fixed assets are USAID funded. However, they bear no indication or marking to this effect, contrary to the provisions of PIL No. 2 of December 28, 1993 and section B 8 of Grant Standard provision on marking and information.

RECOMMENDATION NO. 18

UIA should identify and mark goods financed by USAID by affixing the USAID emblem on them.

USAID Mission comments

USAID concurs. UIA should contact the USAID Project Officer for assistance.

Auditee's comments

Fixed assets are currently marked by UIA serial numbers.

Auditor's rebuttal

UIA's current practice falls short of the requirements of PIL No. 2 and section B.8 of Grant standard provisions relating to marking and information.

e. Finding: Failure to ensure reimbursement for personal use of project vehicles

Our review of correspondence between UIA and USAID as well as a review of documentation relating to UIA vehicles disclosed private use of project vehicles. Through their letter dated July 25 1995, USAID required that the project be reimbursed for private use of project vehicles by the users and UIA implemented a logging system for such purposes; however no collections are being made.

RECOMMENDATION NO. 19

We recommend that UIA should collect amounts due for private use of project vehicles and ensure compliance with the USAID requirement by fully implementing and strictly adhering to the logging system

USAID Mission comments

None

Auditee's comments

A log-in system to track private use of UIA project vehicles is in place. The repayment process for private use of project vehicles is being implemented.

f. Finding: failure to submit half yearly reports on fixed assets inventory to USAID

Within the provisions of PIL No. 2 of December 28, 1993, the UIA is required to submit to USAID, an inventory list of all eligible commodities financed by USAID; UIA has not complied with this provision.

RECOMMENDATION NO. 21

In conjunction with our recommendation No. 12, UIA should ensure that inventory listings of fixed assets are submitted to USAID on a timely basis.

USAID Mission comments

None

Auditee's comments

The recommendation is noted and we shall be sending a report for the quarter ending June 1996

APPENDIX I

UGANDA INVESTMENT AUTHORITY
 FUND ACCOUNTABILITY STATEMENT
 FOR THE PERIOD JUNE 7, 1991 THROUGH DECEMBER 31, 1995

	EPADU 1991/2 USHS	1991/2 USHS	1992/3 USHS	1993/4 USHS	1994/5 USHS	1995 July-Dec USHS	TOTAL USHS
INCOME:							
Bal. B/F	-	54,931,111	122,127,169	(214,920,466)	(227,282,219)	(312,228,523)	
Receipts into bank account 80675	323,720,338	444,829,925	619,923,580	747,631,171	385,920,000	237,000,000	2,759,025,014
Interest in bank account 80675	-	-	4,886,569	-	-	-	4,886,569
Over reimbursement from Government	-	-	-	-	14,006,300	-	14,006,300
Receipts into bank account F337	-	-	-	378,024,000	294,045,395	232,051,550	904,120,945
Interest in bank account F337	-	-	-	41,208	-	517,167	558,375
Amount received by EPADU	6,279,662	-	-	(3,266,017)	-	-	3,013,645
Total Revenue for the period	330,000,000	444,829,925	624,810,149	1,122,430,362	693,971,695	469,568,717	3,685,610,848
FUNDS AVAILABLE	330,000,000	499,761,036	746,937,318	907,509,896	466,689,476	157,340,194	3,685,610,848
Expenditure:							
Salaries	66,015,913	95,074,470	423,207,246	492,210,245	315,063,370	200,629,700	1,592,200,944
Benefits	-	540,540	52,300,031	36,585,760	-	-	89,426,331
Indirect Costs	55,892,460	56,535,592	162,449,754	166,596,705	137,704,548	48,326,871	627,505,930
Office Rent	55,892,460	56,535,592	63,949,158	77,160,960	-	-	253,538,170
Utilities	-	-	57,764,751	76,188,795	85,300,394	30,069,563	249,323,503
Publicity/printing	-	-	40,735,845	13,246,950	19,625,156	10,815,200	84,423,151
Office Maintenance	-	-	-	-	11,762,199	3,051,152	14,813,351
Office Equipment Maintenance	-	-	-	-	4,714,255	4,390,956	9,105,211
Building /Interest costs	-	-	-	-	16,302,544	-	16,302,544
Consultancy Services	16,695,950	5,410,800	19,228,621	78,313,966	11,632,875	-	131,282,212
Temp. Consultant	16,695,950	-	-	-	-	-	16,695,950
Special Project	-	5,410,800	11,321,786	-	-	-	16,732,586
Local Consultants	-	-	7,906,835	24,944,096	-	-	32,850,931
Tourism Promotion	-	-	-	20,970,000	11,632,875	-	32,602,875
Investor Survey	-	-	-	32,399,870	-	-	32,399,870

Travel And Transport	943,480	4,043,262	127,449,973	42,546,743	43,704,768	22,878,901	241,567,127
Vehicle Fuel and maintenance	943,480	4,043,262	29,324,785	36,130,708	43,704,768	22,845,901	136,992,904
Travel Expenses Local	-	-	6,792,275	6,416,035	-	33,000	13,241,310
Staff foreign Travel	-	-	41,561,275	-	-	-	41,561,275
Board Travel foreign	-	-	49,771,638	-	-	-	49,771,638
Expendable Items	10,143,671	12,500,630	37,418,056	30,513,986	39,620,358	14,985,236	145,181,937
Office Supplies	10,143,671	12,500,630	37,418,056	30,513,986	39,620,358	14,985,236	145,181,937
Nonexpendable equipment & furniture	124,566,859	182,058,492	86,599,547	237,673,246	156,055,713	26,611,625	813,565,482
Office Furniture	55,450,696	57,277,547	44,637,183	12,800,591	9,146,112	1,754,000	181,066,129
Office Equipment	29,572,907	53,743,487	40,670,364	23,505,185	74,375,742	18,107,625	239,975,310
Vehicle	32,264,226	71,037,458	1,292,000	-	54,000,000	6,750,000	165,343,684
Internal decor	7,279,030	-	-	-	-	-	7,279,030
Renovation on building	-	-	-	201,367,470	18,533,859	-	219,901,329
Other Costs	810,556	21,470,081	53,204,556	32,451,944	57,236,847	37,434,597	202,608,581
Insurance	380,556	561,695	14,562,721	16,169,596	21,970,256	30,108,730	83,753,554
Contingency	430,000	20,908,386	35,546,935	393,148	(1,391,090)	(157,542)	55,729,837
Information materials	-	-	43,000	-	5,506,286	2,775,759	8,325,045
Computer Training	-	-	3,051,900	6,190,000	-	-	9,241,900
Audit/Legal /Account Fees	-	-	-	9,699,200	9,249,710	409,750	19,358,660
Mileage Expenses	-	-	-	-	-	1,580,000	1,580,000
All Taxes	-	-	-	-	-	-	-
Training	-	-	-	-	21,901,685	2,717,900	24,619,585
Amount due from EPADU						3,013,645	3,013,645
US Trade mission advance					17,899,520		17,899,520
Advances to staff and bank						76,398,996	76,398,996
Total Expenditure	275,068,889	377,633,867	961,857,784	1,134,792,115	778,917,999	430,279,571	3,940,650,705
Balance for the period	54,931,111	67,196,058	(337,047,635)	(12,361,753)	(84,946,304)	39,289,146	(272,939,377)
Fund Balance	54,931,111	122,127,169	(214,920,466)	(227,282,219)	(312,228,523)	(272,939,377)	(255,039,857)

APPENDIX II

UNRECORDED TRANSACTIONS

From the review of bank reconciliations relating to USAID funds bank accounts maintained by UIA, we noted the following unrecorded transactions

DETAILS	CHQ	@ 950 US\$	USHS
INDIRECT COSTS:			
Utilities			
6-Jan.-95 Unrecorded chq. - Telephone charges	254418	211	200,000
28-Jun.-95 Unrecorded chq. - Courier charges	282002	138	131,000
5-Oct.-95 Unrecorded chq. - Telephone bills	298837	3,041	2,888,828
		<u>3,390</u>	<u>3,219,828</u>
Office Maintenance			
11-Jul.-95 Canceled chq. not recorded - Office maintenance	282026	(474)	(450,000)
25-Jul.-95 Unrecorded chq. Office maintenance	282035	474	450,000
2-Oct.-95 Fumigation - office maintenance refund not recorded		(54)	(50,900)
6-Oct.-95 Fumigation - office maintenance refund not recorded		(54)	(50,900)
		<u>(108)</u>	<u>(101,800)</u>
Total Indirect Costs		<u>3,282</u>	<u>3,118,028</u>
CONSULTANCY SERVICES:			
Special Projects			
25-Sep-95 Unrecorded chq - Vehicle fuel	298828	1,602	1,522,256
4-Oct.-95 Refund for use of vehicle not recorded		(74)	(70,000)
4-Oct.-95 Refund for use of vehicle not recorded		(32)	(30,000)
6-Oct.-95 Refund for use of vehicle not recorded		(158)	(150,000)
10-Oct.-95 Refund for use of vehicle not recorded		(147)	(140,000)
13-Oct.-95 Refund for use of vehicle not recorded		(105)	(100,000)
19-Oct.-95 Refund for use of vehicle not recorded		(11)	(10,000)
29-Nov.-95 Canceled chq - Vehicle maintenance	298956	(792)	(752,500)
		<u>283</u>	<u>269,756</u>
Total Consultancy Services		<u>283</u>	<u>269,756</u>
TRAVEL & TRANSPORT:			
Staff Foreign			
01-Oct.-94 Audio visual hire - unpaid cheque not recorded		(2,745)	(2,607,750)
01-Dec.-94 Trade mission refund not recorded		(1,227)	(1,165,800)
		<u>(3,972)</u>	<u>(3,773,550)</u>
Total Travel & Transport		<u>(3,972)</u>	<u>(3,773,550)</u>
EXPENDABLE ITEMS:			
Office Supplies			
20-Nov.-95 Unrecorded cheque - Office stationery	298878	283	269,000
Total Expendable Items		<u>283</u>	<u>269,000</u>
NONEXPENDABLE EQUIPMENT & FURNITURE:			
Office Equipment			
28-Jul.-95 Clearing charges - computers. Unrecorded chq.	282028	504	478,393
28-Jul.-95 Clearing charges - computers. Unrecorded chq.	282027	875	831,639
		<u>1,379</u>	<u>1,310,032</u>
Vehicles			
18-Oct.-95 Unrecorded chq. - Top up cost of VITARA	298872	523	497,000
Total Nonexpendable Equipment & Furniture		<u>1,902</u>	<u>1,807,032</u>

OTHER COSTS:

Audit/accounting/legal

1-Aug.-94 Bank charges not recorded	0	74
1-Oct.-94 Bank charges not recorded	16	15,038
1-Apr.-95 Bank charges not recorded	10	9,240
1-Aug.-95 Bank charges not recorded	0	154
11-Aug.-95 Bank charges not recorded	2	2,000
Sep-95 Bank charges not recorded	10	9,650
26-Oct.-95 Bank charges not recorded	2	2,000
1-Dec.-95 Bank charges not recorded	32	30,150
6-Dec.-95 Bank charges - cost of chequebook not recorded	63	60,000

<u>135</u>	<u>128,306</u>
<u>135</u>	<u>128,306</u>

Total Other Costs

TOTAL UNRECORDED TRANSACTIONS

<u>1,913</u>	<u>1,818,572</u>
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APPENDIX III



UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID/KAMPALA:
Agency for International Development
Washington D.C. 20521 - 2190.



UGANDA ADDRESS:
USAID Mission to Uganda
P. O. Box 7007, Kampala, Uganda

March 25, 1996

Mr. Coutts A. Otolo
Ernst & Young
Certified Public Accountants
Alico House
Mamlaka Road
NAIROBI
Kenya

Dear Mr. Otolo:

The following is our response to the draft audit report on the Uganda Investment Authority under ANEPP.

Recommendation No.1:

USAID concurs. UIA together with the USAID project officer is to demand for proper accountability from EPAU, formerly EPADU.

Recommendation No.2:

USAID concurs. UIA in lieu of any documentation, should come up with physical evidence showing that the costs was reasonable and allowable. Failure on UIA's part to prove the allowability of the unsupported costs, may lead to collection of the questioned amount, by USAID.

Recommendation No.3:

USAID concurs.

Recommendation No.4:

USAID concurs. UIA should consult with USAID to resolve the issue.

Recommendation No.5:

USAID concurs.

UIA should contact the individuals that comprised the delegation and convince them to come up with some concrete accountability failing which UIA may have to face the burden of refunding the amount involved, when USAID decides to collect.

Recommendation No.6:

USAID concurs. The financial analysis section of USAID may be approached for some assistance where possible.

Recommendation No.7:

USAID concurs.

Recommendation No.8:

USAID concurs. USAID is aware of UIA's recent recruitment of a Finance Manager.

Recommendation No.9:

USAID concurs. The Finance Manager should be mainly involved in streamlining systems and advising management on sound and efficient financial decisions to maximise UIA's financial benefits. He oversees mundane accounting activities performed by his juniors, which if his supervision is effective, should be able to function with minimum daily involvement from him.

Recommendation No.10:

USAID concurs. USAID is to see to it that grantees are made aware of all relevant rules and regulations that govern USAID grants.

Recommendation No.11:

USAID concurs.

Recommendation No.12:

USAID concurs. The accounting system should be fully integrated for smooth functioning. It is most probable that the difference in the books arose from running a dual system with no sound controls or checks to guard against errors.

Recommendation No.13:

USAID concurs. The importance of monthly bank reconciliations should be appreciated as this is one of the means of gauging an organization's financial status.

Recommendation No.14:(erroneously given as 12 on pg 25)

USAID concurs. USAID views the implementation of previous recommendations made in management reports as one of the factors that depicts an organizations seriousness and readiness in making progress towards strengthening sound management practices. UIA should implement recommendations suggested in audit reports and should give itself a time framr within which those recommendations are to be fully addressed.

Recommendation No.15:(erroneously given as 16 on pg 28)

USAID concurs. UIA should refund all USAID funds disbursed to the non-USAID bank account and those advanced to staff.

Recommendation No.16:(erroneously given as 17 on pg 28)

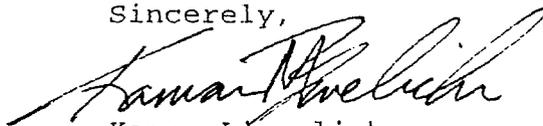
UIA should seek for permission from USAID to reprogram the interest received on USAID funds prior to using it.

Recommendation No.17:(erroneously given as 18 on pg 29)

USAID concurs. See Mission response to Recommendations 2 and 5.

Recommendation No.18: (erroneously given as 19 on pg 29)
USAID concurs. UIA should contact USAID Project Officer for
assistance.

Sincerely,

A handwritten signature in black ink, appearing to read 'Kamau Lizwelicha', written in a cursive style.

Kamau Lizwelicha
Deputy Controller

APPENDIX IV



UGANDA INVESTMENT AUTHORITY

THE INVESTMENT CENTRE P.O. Box 7418, KAMPALA Tel. 234105/9, 251562/6 Fax. 242903

UIA/FD/usaidd/aud/2-96

April 22, 1996

Mr. Coutts A. Otolo
Ernst & Young
Alico House
Mamlaka Road
P.O. Box 44286
Nairobi, Kenya

Dear Sir,

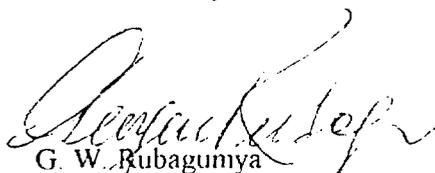
**Re: THE UGANDA INVESTMENT AUTHORITY RESPONSE TO THE DRAFT
AUDIT REPORT UNDER THE AGRICULTURAL NON-TRADITIONAL
EXPORT PROMOTION PROGRAM**

Please find attached Uganda Investment Authority (UIA) response to the draft audit report we received on March 27, 1996. Our response include:

1. Printout No. 1 - Letter of Representation.
2. Printout No. 2 - Response to each of the 21 recommendations.
3. Printout No. 3 - List of UIA supported expenditures (non-EPADU expenditures).
4. Printout No. 4 - Fund Accountability Statement - Bank account 80675
5. Printout No. 5 - Fund Accountability Statement - Bank account F337
6. Printout No. 6 - Note to the Fund Accountability Statements

UIA take this opportunity to thank all the members of staff of Ernst & Young for the audit concluded.

Yours faithfully


G. W. Rubagumya
EXECUTIVE DIRECTOR

RESPONSE TO THE RECOMMENDATIONS

Recommendation No. 1

Although UIA was a beneficiary, the management of the resources was done by EPADU under USAID instructions, UIA is therefore not in the best position to provide the necessary supporting documents.

We therefore followed your recommendation No. 1 vide: "USAID/Kampala determine responsibility attaching accountability of expenditures paid for by EPADU amounting to Ushs.275,068,889 and that the organisation responsible submits all original support documentation and cash balances or refund the amount to USAID."

Recommendation No.2

Whereas the audit report attributed Shs.221,658,679 (non-EPADU expenditures) to be supported by UIA, the correct amount should be Shs. 219,403,369. The explanation is as in remark Nos.12 and 16 below. We have supporting documents for the Shs. 219,403,369 on file. Below are remarks to justify some of the transactions.

- Remark 1 The payment of payment of Shs. 1,604,890 in favour of Fairway Hotel Kampala was a salary advance to the Executive Director being housing loan. The advance was recovered from Executive Director's salary for February 1993
- Remark 6 Of the total Shs 3,356,720 advanced to Frank Katusiime, he submitted accountability for the entire total broken down as: expenses Shs 3,307,200 and cash Shs 49,520.
- Remark 12 The correct cheque No. 048528 and the correct amount for 50% per diem as contingency is Shs. 900,600 and not Shs. 1,350,900 reported. The Executive Directors trip to Japan and Indonesia was to meet H.E The President of Uganda on his tour. The per diem was planned for 9 days (2-9 October 1993); the Executive Director came back on the 14 October 1993. Hence the accountability for the Shs 900,600.
- Remark 16 Both the payment voucher No.0298 and cheque No.115212 for Shs 1,805,010 were duly cancelled. All the supporting documents are available.
- Remark 24 The Shs 2,775,410 was used to purchase calculators and a computers (an Apple Power Notebook). We have now obtained the receipt of purchase of foreign currency. The assets have been verified.

Recommendation No. 3

All the transactions are now recorded in the books of account and adjusted in the Fund Accountability Statement.

2.2.6 Ineligible Amounts In The Fund Balance

1. EPADU has been contacted/informed about the balance of Shs. 3,013,645/= and have been requested to refund the amount due to us.
2. Due from US Trade Mission - we have taken steps to obtain the supporting documents from the USA to enable us account for the above Moines.
3. The correct outstanding advance to non USAID Bank account as of December 31, 1995 was Shs. 40,000,000/= and not Shs. 60,000,000 as had been reported.
4. Salary paid in advance is being recovered on a monthly basis from staff salary.
5. Unreconciled difference - refer to the revised FAS.

Recommendation No. 4

Advance to bank account 80671 amounting to Shs. 60,000,000 has been recovered. Salary advances are being recovered on a monthly basis from staff salary.

Recommendation No. 5

On the support documentation for the US trade mission of Shs. 17,899,520, it is becoming increasingly difficult to get support documentation from the participants. On the advise of USAID/Kampala we have contacted Hotels in the USA, we hope to get a response soon.

Recommendation No. 6

The unreconciled difference has been investigated; please refer to the revised FAS. The revised FAS shows an unreconciled difference of Shs 436,018 for which we still are investigating.

2.2.7 Excess Of Expenditure Over Income

This was due to double reporting of accrued expenditures as cash expenditure. The revised FAS has now been made strictly on a cash basis hence excess of income over expenditure as is reported in the revised FAS.

Recommendation No. 7

Fund Accountability Statement has been adjusted.

Recommendation No. 8

The Finance Division now has a Head of Finance Division as of March 5, 1996, Finance Manager, Accounts Assistant and a Secretary/Account Assistant is to be added soon We are

also in the process of finalising the acquisition of an accounting package. We believe with all these in place the issue of lack of separation of duties and internal control will have been addressed; however given the financial constraint, we shall first evaluate the new system to see if the requirement of another assistant is still necessary.

Recommendation No. 9

The job description of the entire staff of the Finance Division is being reviewed with a view of segregating duties and responsibilities, and introducing viable internal checks and control systems as the new integrated accounting package is in the process of being acquired.

Recommendation No. 10

The recommendation have been noted and we have asked USAID/Kampala to provide us with various regulatory documents and we shall ensure that we remain updated with new regulations and any changes in existing ones.

Recommendation No. 11

The auditors recognised that most of our fixed assets have been captured in the fixed asset register. Inspire of this, we have got new format of the fixed asset register from USAID/Kampala and we are updating the register with records of fixed assets acquired during the financial year 1995/96. The records for the previous financial year 1995/94 will be posted using the new format. The fixed asset register will be maintained on this basis.

The Board of Directors have approved the upgrade of the insurance policy up to its market value. We have contracted a valuer to revalue the building for upgrade of the policy.

Recommendation No. 12

UIA has since issued out tender bids to prospective vendors for the supply of an integrated accounting software. The Board of Directors have approved the purchase of the accounts package, we are in the process of securing funds for the purchase of the package. This accounting package will greatly assist UIA cope with the donor requirements.

Recommendation No. 13

Bank Reconciliation statement is now being prepared on a monthly basis. The Head Finance division shall ensure the follow up of outstanding issues and corrective actions taken.

Recommendation No. 14

Recommendation noted and shall be implemented

Recommendation No. 16

Recommendation noted and shall be implemented. Commingling resulted from delays in release of funds. USAID and GOU have complemented each other in the funding of the UIA operating and programme expenditures but delays in disbursements have caused severe cash

flow problem on a number of occasions and yet the institution must continue to function. However during the month of March 1996, discussions were held with staff of the Financial Controller's office USAID/Kampala on commingling of funds. Following these discussions, UIA has effective April 16, 1996 opened a new bank account to be operated as a non-commingled account and shall seek prior USAID approval for any use of funds for non USAID funded activities.

Recommendation No. 17

Under normal circumstances, UIA maintains current accounts that do not earn any interest. In 1993 when some funds was deposited on a fixed account, interest of Shs.4.5 million accrued. However, UIA has always sought USAID approval before utilisation of any savings at the end of every Financial Year and which savings normally included the interest component.

Recommendation No. 18

In all cases UIA maintains supporting documents for all payment. The only exception has been where bank transactions requires original documents. In the past there have been instances where recipients of advances failed to bring back proper supporting documents for accountability. The instance of USA mission of June 1994, we have had to directly approach the hotels for supporting documents which we still await.

Recommendation No. 19

Fixed assets are currently marked by UIA serial numbers.

Recommendation No. 20

A log-in system to record and track private use of UIA project vehicle is in place. The repayment process for the private use of project vehicles is being implemented.

Recommendation No. 21

Recommendation noted we shall be sending a report for the quarter ending June 1996.

UGANDA INVESTMENT AUTHORITY						Printout No. 4
FUND ACCOUNTABILITY STATEMENT FOR A/C 80675						
FOR THE PERIOD APRIL 1991 THROUGH DECEMBER 1995						
	EPADU	JULY/JUNE 1991/92	JULY/JUNE 1992/93	JULY/JUNE 1993/94	JULY/JUNE 1994/95	JULY/DEC 1995
RECEIPTS						
USAID Advance	330,000,000	444,829,925	613,887,953	676,000,000	385,920,000	237,000,000
Transfer from foreign account				366,596,000	300,369,000	221,303,976
Trnsfer from Epadu		48,651,448		38,266,017		
Advance form other Account					40,000,000	
Refunds			71,070,239		46,990,167	500,000
Investment Fair			6,036,625	6,000,000		
Interest Received			4,886,569			
FUNDS AVAILABLE	330,000,000	493,481,373	695,881,386	1,086,862,017	773,279,167	468,803,976
PAYMENTS						
Salaries	59,278,055	89,576,074	344,044,605	371,602,483	258,765,894	168,209,197
Benefits	0	36,118,121				
Allowances	3,298,770	18,406,006	29,557,820	31,677,450	2,066,560	
Indirect Cost						
Office Rent	56,805,792		52,129,350	58,160,960		
Utilities	1,331,630	4,266,149	31,135,972	61,200,936	71,712,464	32,958,391
Publicity & Printing	1,108,710	17,058,623	25,747,483	5,605,650	19,011,107	10,819,850
Office Maintenance					15,426,093	4,250,652
Office Equipment Maintenance					4,250,300	4,657,308
Building /Interest Costs					1,233,100	
Consultancy Services						
Temporary Consultant	16,591,600		2,479,235			
Special Project			12,303,386	74,750		
Local Consultant				20,534,709		
Tourism Promotion					11,632,875	
Investor Survey			1,881,375	25,938,726	6,489,912	
Investment Promotion Consultancy				8,100,000		
Travel & Transport						
Vehicle Maintenance & Fuel	1,741,870	1,614,052	21,453,185	32,610,563	45,906,478	24,231,407
Travel Expenses Local		1,285,980	2,099,120	8,256,010	200,000	33,000
Staff Travel Foreign	3,225,168	5,464,523	28,206,584	22,570,324	7,741,020	
Board Travel		5,452,457	45,515,454	6,928,180		
Expendable Items						
Office Supplies	2,403,860	6,105,423	23,289,701	16,382,520	36,700,605	18,254,076
Non Expendable Items						
Office Furniture	48,104,918	4,117,389	35,438,024	11,882,591	31,010,305	1,754,000
Office Equipment	19,884,583	22,442,590	44,853,134	6,784,385	9,554,806	4,010,532
Vehicles	32,485,626	40,818,232				69,753,134
Interna decor	6,414,000					
Land					1,000,000	
Rennovation on building				208,367,470	9,469,859	
Other Costs						
Insurance	380,556	8,985,875	5,868,586	16,554,063	11,256,456	30,108,730
Contingency			2,000,000			
Information Materials					4,654,880	2,775,759
Computer Training				1,190,000		
Audit /Legal/Account Fees		110,350	919,852	11,964,108	6,440,457	2,917,555
Mileage Epenses						
All Taxes						
Training					22,798,095	6,574,330
Petty Cash	4,869,765	7,578,825	11,380,563	19,008,957	8,708,252	3,486,798
Others		5,497,864	5,160,000			1,580,000
Creditors				25,517,877	73,460,117	35,586,602
Salary Advance				91,973,000	14,023,458	40,707,536
Advance to other accounts				6,310,716	73,550,000	40,000,000
Taxes						
Tranfer to Fixed Deposit						
Refund to Epadu				137,969,468		
TOTAL PAYMENT	257,924,903	274,898,533	725,463,429	1,207,165,896	747,063,093	502,668,857

	EPADU	JULY/JUNE 1991/92	JULY/JUNE 1992/93	JULY/JUNE 1993/94	JULY/JUNE 1994/96	JULY/DEC 1996	
FUND FLOW ANALYSIS							TOTAL
Opening Balance	0	72,075,097	290,657,937	261,075,894	140,772,015	166,988,089	
Funds Available	330,000,000	493,481,373	695,881,386	1,086,862,017	773,279,167	458,803,978	3,838,307,919
Payments	257,924,903	274,898,533	725,463,429	1,207,165,896	747,063,093	502,668,857	3,716,184,711
Closing Balance	72,075,097	290,657,937	261,075,894	140,772,015	166,988,089	123,123,208	
Summary of Reconciliation A/c 80675 and F337							
Balance per Funds Statement 80675				123,123,208			
Balance per Funds Statement F337				13,170,534			
Total Fund Balance				136,293,742			
Represented by							
Balance as per bank A/C8075				81,529,786			
Balance as per bank A/C F337				15,911,762			
Advances to 80671				40,000,000			
Salary Advance				16,398,996			
Due from US Trade mission of US\$ 19,456 @ 960				18,677,760			
Due from EPADU				3,013,645			
Unpresented Cheques				-39,674,225			
Total				136,867,724			
Unreconciled difference				436,018			
				136,293,742			

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UIA SUPPORTED EXPENDITURES (NON-EPADU EXPENDITURES)

DATE	DETAILS	CHQ No.	USHS	REMARKS
SALARIES				
11/10/92	Fairway Hotel - Housing Adv. to ED	121080	1,604,890	1
24/08/95	Salaries overstated	282154	2,000	
	Total Salaries		1,606,890	
ALLOWANCES				
13/08/92	Frank Katusiime - Kabale/Mbrra Clinic (board exps)	27846	416,240	
	Total Allowances		416,240	
Publicity/Printing				
13/08/92	Frank Katusiime - Kabale/Mbrra Clinic (printing)	27846	1,140,960	
24/08/92	UCB Corporate - Euromoney Advert	115209	8,373,875	
28/08/92	Frank Katusiime Advance - Mbale/Tro Smnar (printing)	115263	881,440	6
10/12/94	Majestic Printing works/Printing Ad		6,077,250	
	Total Publicity/Printing		16,473,525	
CONSULTANCY SERVICES				
Special Projects				
20/05/93	Uganda Investment Auth. /Advance London Conf.	10442	5,000,000	
	Total Special Projects		5,000,000	
TRAVEL AND TRANSPORT				
Travel Expenses - Local				
13/08/92	Frank Katusiime - Kabale/Mbrra Clinic (local travel)	27846	421,560	
28/08/92	Frank Katusiime Advance - Mbale/Tro Smnar (travel)	115263	518,520	
	Total Local		940,080	
Staff Foreign Travel				
27/04/95	Stanchart - TC's for ED	254482	7,228,600	
01/10/93	Stanchart - fx bureau - ED's p/diem contingency	048528	900,600	12
17/05/93	P. Nyaika - p/diem to London conference	10431	15,549,600	
08/03/93	J. Sserubombwe - ED airticket club class	13146	5,022,000	
20/05/93	Uganda Travel Bureau - Tkt Kyora & Manzi		2,611,625	
24/08/92	UCB Corporate E.N. Ssemwanga Tkt - Sh1,805,010	115211		16
01/07/93	Sembule FXB Tkts & p/diem obonyo & Mugerwa	010593	12,349,250	
02/02/94	Sembule FXB Tkts USA/Tkyo trip		6,928,180	
22/07/94	Sembule FXB Tkts & p/diem - ED	228540	2,860,250	
	Total Foreign		53,450,105	

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DATE	DETAILS	CHQ No.	USHS	REMARKS
Board Travel - Foreign				
20/05/93	Uganda Travel Bureau - tkts Kyora & Manzi		2,305,375	
	Total Travel and Transport		2,305,375	
NON-EXPENDABLE EQUIPMENT & FURNITURE				
Office Furniture				
03/12/92	Lagoro Holdings supply of 60 Blockboards	12472	4,094,988	
02/06/94	Energo Ltd cost of shelves	228455	844,300	
	Total Office Furniture		4,939,288	
Office Equipment				
25/03/92	Forex Bid/UCB International Divn (equip)		22,288,890	
02/09/92	J Sserubombwe ED advance for office equipment	115300	2,775,410	24
	Total Office Equipment		25,064,300	
Vehicles				
10/10/95	Crane forex bureau - payment for VITARA	298860	27,421,125	
16/10/95	Crane forex bureau - payment for L/Rover Discovery	298874	40,100,209	
25/03/92	Forex Bid/UCB International Divn (vehicles)		39,526,232	
	Total Vehicles		107,047,566	
OTHER COSTS				
Contingency				
26/05/93	Ug. Govt Printers - 1000 codes	10486	2,160,000	
			2,160,000	
	Grand Total		219,403,369	

UGANDA INVESTMENT AUTHORITY				
FUND ACCOUNTABILITY STATEMENT FOR ACCOUNT F 337				
FOR PERIOD FEBRUARY 1994 TO DECEMBER 1995				
RECEIPTS	EPADU SUBS			TOTAL
	1994 Feb-June	1994/1995 July-June	1995 July-Dec	
USAID Advance	378,024,000	270,361,795	232,051,550	880,437,345
Advances for Missions		25,658,644	6,030,000	31,688,644
Advance form other Account				0
Refunds		12,160,500		12,160,500
Interest Received	41,207			41,207
FUNDS AVAILABLE	378,065,207	308,180,939	238,081,550	924,327,696
PAYMENTS				
Indirect Cost				0
Publicity & Printing		5,644,800		5,644,800
				0
Consultancy Services				
Investor Survey		7,222,035		7,222,035
Investment Promotion Consultancy				0
				0
Travel & Transport				
Travel Expenses Local				0
Missions	14,400,000	2,593,500	3,630,710	20,624,210
Foreign Travel	5,799,360	15,033,200		20,832,560
				0
Other Costs				
Charges	444,484	662,109	295,064	1,401,657
Interest Charges		1,386,927		1,386,927
Transfer to A/c 80675	291,600,000	300,379,000	262,065,973	854,044,973
TOTAL PAYMENTS	312,243,844	332,921,571	265,991,747	911,157,162
FUNDS FLOW ANALYSIS				
Opening Balance	0	65,821,363	41,080,731	
Funds Available	378,065,207	308,180,939	238,081,550	
Payments	312,243,844	332,921,571	265,991,747	
Closing Balance	65,821,363	41,080,731	13,170,534	
Balance as per Bank Statement as at 31st December, 1995				
				15,911,762
Less Exchange Difference				2,741,228
Balance as per FAS				13,170,534

**UGANDA INVESTMENT AUTHORITY
FUNDS ACCOUNTABILITY STATEMENT FRO A/C 80675 & F337
FROM APRIL 1991 TO DECEMBER, 1995.**

Note to the Funds Statement

In order to avoid the double counting that had become apparent in the previous report we have prepared two separate FAS for the two accounts. The revised FAS has been prepared on a cash in cash out basis and as a result we are able to portray a fair cash flow position from 1991 to date.

The revised FAS has been broken into two for A/C 80675 and A/C F337.

In this instance all items that does not represent a equivalent cash out flow and inflow has been excluded as this caused the reported over expenditure.

Note 1

All cash inflows, for instance refunds has been included in the Fund Statement as normally no direct adjustment are made on the advance for expenses.

Note 2:

All advances to & from the account has been directly reflected in the FAS.

Note 3:

Expected receipts has been left out as this does not represent any cash inflow.

Note: 4

All accrued expenses included contingencies that has no cash flow equivalent has been left out.

Included in the FAS is the reconciliation and we hope this note will help explain the variation in the previous FAS and the revised version.