

Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ)

Financial Audit of “Responsible Fisheries Business Chain on Lake Victoria - FFOU Component”

18 October 2023

Contract subject to Audit:	No. 81246624
Entity subject to Audit:	Federation of Fisheries Organisations Uganda (FFOU)
Project location:	Uganda
Audit location:	Uganda
Framework Contract:	No. 81243990
Service Contract:	No. 81293710
Audit:	No. UGA-012-P3
Period subject to audit:	1 September 2021 - 30 November 2022
Dates of audit fieldwork:	8- 12 May 2023
Project status:	Completed

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This report is made solely to GIZ. Our audit work has been undertaken so that we might state to GIZ those matters we are required to state in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than GIZ, for our audit work, for this report, or for the opinions we have formed. The report may only be disclosed to those national authorities having regulatory right of access to it, such as the German Federal Court of Auditors.

INDEPENDENT AUDITOR'S REPORT

Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH
Dag-Hammarskjöld-Weg 1-5
65760 Eschborn
Germany

Unmodified opinion

We have audited the expenditure and revenue as stated in the Financial Report of the project entitled 'Responsible Fisheries Business Chain on Lake Victoria -FFOU Component'(the 'Project') prepared by the Federation of Fisheries Organisations in Uganda('the entity') for the period from 1 September 2021 to 30 November 2022 which is set out in Annex 1.

Our findings are set out in the relevant sections of our report, which is made solely to GIZ in order to gain assurance that the Project funding provided has, in all material respects, been used in conformity with the applicable Contractual Conditions which are set out in section 2.1 of our report, and to facilitate determination with the Entity of any balance of funding which is payable or recoverable.

In our opinion:

- The Financial Report presents fairly, in all material respects, the actual expenditure incurred and revenue received for the Project for the period from 1 September 2021 to 30 November 2022 in conformity with the applicable contractual conditions; and
- The Project funds provided by GIZ have, in all material respects, been used in conformity with the applicable contractual conditions.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), insofar as these standards can be applied in the specific context of a contractual compliance audit. Our responsibilities under those provisions and standards are further described in the 'Auditor's responsibilities for the audit of the Financial Report' section of this report.

We are independent of GIZ and the Entity in accordance with the IESBA Code of Ethics for Professional Accountants. We have fulfilled our other ethical responsibilities in accordance with these requirements. We have taken into account all the available evidence presented to us during our fieldwork, which we finalised on 12 May 2023, and additional evidence and information provided electronically up to the date of this report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to the other findings as set out in the relevant sections of our report that represent issues of non-compliance with the grant agreement which we came across during the conduct of our financial audit.

Our opinion is not modified in respect of these matters.

Responsibilities of the Entity's management

In accordance with the Contractual Conditions, the Entity's management are responsible for the preparation of the Financial Report and for being satisfied that it presents fairly the actual expenditure incurred and revenue received for the Project in conformity with the applicable Contractual Conditions.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are set out in the Terms of Reference for the audit engagement, and include obtaining reasonable assurance about whether the Financial Report is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of the Financial Report.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

We communicate with the Entity's management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

BDO LLP
BDO LLP

18 October 2023

1 SUMMARY OF FINDINGS

1.1 Summaries of all Findings

Description	Amount €	% of total Project expenditure reported
Total expenditure reported for the Project (see Annex 1)	271,561.73	
Financial Findings (ineligible expenditure established)	-	-
Total of all Financial Findings	-	-
Total eligible expenditure for the Project	271,561.73	

The financial findings are summarised further in section 1.2 below. Our internal control and other findings are summarised in sections 1.3 and 1.4.

Overall, our findings can be summarised as follows:

Financial Findings			
N°	Category of Finding	No. of findings	Amount €
1	Missing / inadequate documentation	-	-
2	Reported expenditure not based on actual costs	-	-
3	Expenditure incurred outside contractual period	-	-
4	Expenditure double-counted/double-funded	-	-
5	Budget exceeded/expenditure not budgeted	-	-
6	Expenditure not for project purposes	-	-
7	Sub-recipient expenditure	-	-
8	Incorrect procurement procedure	-	-
9	Calculation/allocation error	-	-
10	Expenditure includes non-eligible VAT/taxes	-	-
11	Incorrect exchange rates	-	-
12	Income not reported	-	-
13	Adjustment to indirect costs	-	-
14	Other	-	-
Total Financial Findings		-	-

Internal Control Findings		
N°	Category of Finding	Total No. of findings
21	Weaknesses in documentation / audit trail	-
22	Monitoring of sub-Recipient	-
23	Accounting system and procedures	-
24	Financial reporting system and procedures	-
25	IT systems and procedures	-
26	Expenditure control	-
27	Cash and bank management	-
28	Procurement procedures	-
29	Asset management	-
30	Human resources and payroll management	-
31	Control environment (general)	-
32	Governance and Organisation (incl. Policies)	-
33	Other	-
Total Internal Control Findings		-

Other Findings		
N°	Category of Finding	Total No. of findings
41	Delays in/lack of project reporting to GIZ	-
42	Reporting format not respected	1
43	Lack of visibility and publicity of GIZ as donor	-
44	Incorrect bank account used	-
45	Lack of transfer of assets at project end / Inventory listing	-
46	Value for Money principle not respected	-
47	Project activities delayed/not completed	-
48	Other contractual requirements not met	-
49	Incorrect exchange rate applied	-
50	Other	-
Total Other Findings		1

1.2 Financial Findings

We have not raised any financial findings.

1.3 Internal Control Findings

We have not raised any internal control findings.

1.4 Other Findings

Our detailed other findings in Section 5 can be summarised as follows:

Finding No.	Title	Priority (1)
1	Financial statement submitted in incorrect format	2

Priority levels for ranking recommendations

Priority 1 - Urgent remedial action is required. Key internal controls are absent or are not complied with on a regular basis. There is a fundamental weakness or deficiency in an internal control or in a series of internal controls which involves a substantial risk of either material error, or irregularity or fraud with regard to the expenditure and revenue stated in the Financial Report of the Project. There is a substantial risk of failure to achieve the control objectives for the Project which concern reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations notably the Contractual Conditions for the Project. Such risks could lead to an adverse impact on the financial report of the Project. Remedial action should be taken urgently.

Priority 2 - Prompt specific action is required. There is a weakness or deficiency in an internal control or in a series of internal controls which, although not fundamental, relates to shortcomings which expose specific internal control areas (e.g. cash and bank management or budgetary and expenditure control) to a less immediate level of risk of either error, or irregularity or fraud. Such a risk could impact on the effectiveness of the internal controls and on the internal control objectives and should be of concern to the Entity's management. Prompt specific action should be taken.

Priority 3 - Specific remedial action is desirable. There is a weakness or deficiency in internal control which individually has no major impact but where the Project would benefit from improved internal controls and/or where the Entity would have the opportunity to achieve greater effectiveness and/or efficiency. There is a possibility of undesirable effects at the process level, which, combined with other weaknesses, could give cause for concern.

2 ENGAGEMENT CONTEXT

2.1 Contractual Conditions

The Grant Agreement states that the maximum grant is € 433,668.55 with a set period of execution from 1 September 2019 to 30 June 2021.

The project implementation period was subsequently extended to 30 November 2022 by Supplement 1 to the Grant Agreement.

2.2 Financial information subject to audit

The financial information subject to audit is the expenditure and revenue stated in the Financial Report of the Project for the period from 1 September 2021 to 30 November 2022 (see Annex 1).

Sources of funding and revenue	Budget (39 months) *	Actual (39 months) *	Actual (15 months) **	Eligible (15 months) **
GIZ contribution (as per Grant Agreement)	433,668.55	390,302.29	228,846.75	228,846.75
Total of funding and revenue	433,668.55	390,302.29	228,846.75	228,846.75

Expenditure category as per Grant Agreement	Budget (39 months) *	Actual (39 months) *	Actual (15 months) **	Eligible (15 months) **
Staff	103,483.20	102,522.80	36,625.31	36,625.31
External Experts/ Consultants	54,435.60	54,223.66	21,177.11	21,177.11
Transport/ Travel Costs	30,319.35	30,397.00	26,754.15	26,754.15
Training Costs	136,958.46	160,506.48	145,397.94	145,397.94
Procurement of Goods	41,196.14	29,186.84	8,290.90	8,290.90
Other Costs/ Consumables	38,904.96	28,145.41	15,550.61	15,550.61
Administration costs (7 %)	28,370.84	28,348.73	17,765.71	17,765.71
Total expenditure for the project	433,668.55	433,330.92	271,561.73	271,561.73
Less: Financial Findings			-	
Total eligible expenditure for the project			271,561.73	271,561.73

*Period from 01 September 2019 to 30 November 2022

**Period from 01 September 2021 to 30 November 2022

3 FINANCIAL FINDINGS

We have not raised any Financial Findings.

4 INTERNAL CONTROL FINDINGS

We have not raised any Internal Control Findings.

5 OTHER FINDINGS

Finding n°: 1	Title: Financial statement submitted in incorrect format
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Compliance issue: 42 - Reporting format not respected

Description of the finding:

Article 3.8 of the Grant Agreement states:

“Upon completion of the Project, but not later than 8 weeks after the completion of all measures, the Recipient shall submit to the GIZ a final financial statement originally signed (see specimen in Annex 3) and provide the GIZ with evidence of how the amounts disbursed have been used. The financial statement must be made up in the currency of the contract. The expenditures shall be entered chronologically and broken down according to expenditure categories or measures as specified in the Schedule of Estimated Expenditures (Annex 1)”.

We noted that the financial statement submitted to GIZ did not respect the format which is specified in Annex 3 of the grant agreement, ‘Annex 3e - Totals per expenditure category’ (the financial statement) and Annex 3f - ‘Breakdown of expenditures per category’ (the transaction listing).

We noted that cumulative figures stated in each report, did not reflect the sum of the previously submitted reports. The detail is shown in the table below.

Report	Cumulative as per individually submitted reports EUR	Cumulative as stated in the report EUR	Difference EUR
01.11.2021 - 31.03.2022	161,769.20	162,106.83	337.63
01.04.2022 - 30.06.2022	242,111.91	242,449.53	337.62
01.07.2022 - 30.09.2022	303,585.09	303,922.69	337.60
01.10.2022 - 30.11.2022	389,986.28	390,323.89	337.61
Total			

Additionally, we noted that the Recipient did not submit a report for the period 01.09.2021 -31.10.2021. The Recipient confirmed that they did not incur expenditure during this period.

Recommendation:

We recommend that the Recipient adhere to the reporting formats required by the Grant Agreement, and submit its financial report(s) in the format specified in Annex 3 / Annex 5.

Any amendments should not be processed directly in the cumulative column of the report. Amendments should be shown in the transaction listing and in the individually submitted reports.

Recommendation priority: Priority 2 - Prompt specific action is required

Comments from the Recipient:

1. Article 3.9 of our Grant Agreement states something different from what is provided above. It states that any financial statement shall be accompanied by copies of supporting documents for every single expenditure exceeding the amount of EUR 1,000. We always complied and hard copies were shipped to German before approving the call for disbursements.

2. We have been using the same templates of the Financial Statements right from 2019, I understand there could be new templates that may have been adopted. However going forward, we shall be sticking to those that you have recommended.

3. It’s true that during this period (01.09.2021 -31.10.2021) there was a prolonged delay in the disbursement of funds. The report submitted should have indicated the correct period of (01.09.2021 - 31.03.2022) instead of (01.11.2021 - 31.03.2022). Fortunately the summary where sample vouchers were selected rightly considered the period.

Further comments from the auditor:

Finding updated to state 3.8.

ANNEXES

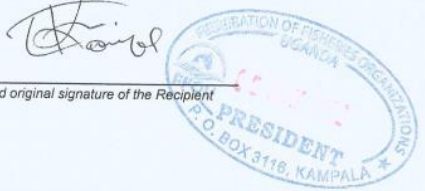
ANNEX 1: FINANCIAL REPORT SUBMITTED TO GIZ

Financial Statement - Totals per expenditure category (budget lines)

Recipient: **Federation of Fisheries Organisations Uganda (FFOU)**
 Project Processing No.: **16.0126.9-102.00** Contract No.: **81246624**
 Period from: **01.11.2021**
 to: **31.03.2022**

I Expenditure category (according Grant article 1.2)	II Expenditures for the current period (transfer from breakdown/Annex 3e) €	III Only for GIZ	IV Expenditures from previous periods €	V Budget lines according to Grant article 1.2 €	VI Rest budget in €	VII Rest budget in %
Staff	18,807.95		65,897.49	103,483.20	18,777.76	18.15%
External Experts	4,802.65		33,046.55	54,435.60	16,586.40	30.47%
Transport/ Travel Costs	6,327.52		5,752.27	30,319.35	18,239.56	60.16%
Training Costs	34,293.21		13,268.08	136,958.46	89,397.17	65.27%
Procurement of Goods	6,901.05		20,895.94	41,196.14	13,399.15	32.53%
Other Costs	3,954.27		12,641.39	38,904.96	22,309.30	57.34%
Administration Costs (7%)	5,256.06		10,605.11	28,370.84	12,509.67	44.09%
Total €	80,342.70 €		162,106.83 €	433,668.55 €	191,219.02 €	

Date and original signature of the Recipient



Note: the Recipient did not submit a report for the period 01.09.2021 - 31.10.2021. They confirmed that they did not incur expenditure during this period.

Financial Statement - Totals per expenditure category (budget lines)

Recipient: Federation of Fisheries Organisations Uganda (FFOU)
 Project Processing No.: 16.0126.9-102.00 Contract No.: 81246624
 Period from: 01.04.2022
 to: 30.06.2022

I Expenditure category (according Grant article 1.2)	II Expenditures for the current period (transfer from breakdown/Annex 3e) €	III Only for GIZ	IV Expenditures from previous periods €	V Budget lines according to Grant article 1.2 €	VI Rest budget in €	VII Rest budget in %
Staff	8,336.19		84,705.44	103,483.20	10,441.57	10.09%
External Experts	5,454.81		37,849.20	54,435.60	11,131.60	20.45%
Transport/ Travel Costs	3,622.69		12,079.79	30,319.35	14,616.87	48.21%
Training Costs	36,972.57		47,561.29	136,958.46	52,424.60	38.28%
Procurement of Goods	241.69		27,796.99	41,196.14	13,157.47	31.94%
Other Costs	2,823.62		16,595.66	38,904.96	19,485.68	50.09%
Administration Costs (7%)	4,021.61		15,861.17	28,370.84	8,488.05	29.92%
Total €	61,473.19 €		242,449.53 €	433,668.55 €	129,745.83 €	


 Date and original signature of the Recipient

Financial Statement - Totals per expenditure category (budget lines)

Recipient: Federation of Fisheries Organisations Uganda (FFOU)
 Project Processing No.: 16.0126.9-102.00 Contract No.: 81246624
 Period from: 01.07.2022
 to: 30.09.2022

I Expenditure category (according Grant article 1.2)	II Expenditures for the current period (transfer from breakdown/Annex 3e) €	III Only for GIZ	IV Expenditures from previous periods €	V Budget lines according to Grant article 1.2 €	VI Rest budget in €	VII Rest budget in %
Staff	5,680.75		93,041.63	103,483.20	4,760.82	4.60%
External Experts	7,274.68		43,304.01	54,435.60	3,856.91	7.09%
Transport/ Travel Costs	13,857.00		15,702.46	30,319.35	759.90	2.51%
Training Costs	46,973.39		84,533.86	136,958.46	5,451.21	3.98%
Procurement of Goods	336.00		28,038.68	41,196.14	12,821.46	31.12%
Other Costs	6,626.96		19,419.28	38,904.96	12,858.72	33.05%
Administration Costs (7%)	5,652.41		19,882.78	28,370.84	2,835.64	9.99%
Total €	86,401.19 €		303,922.69 €	433,668.55 €	43,344.66 €	


 Date and original signature of the Recipient

Financial Statement - Totals per expenditure category (budget lines)

Recipient: **Federation of Fisheries Organisations Uganda (FFOU)**
 Project Processing No.: **16.0126.9-102.00** Contract No.: **81246624**
 Period from: **01.10.2022**
 to: **30.11.2022**

I	II	III	IV	V	VI	VII
Expenditure category (according Grant article 1.2)	Expenditures for the current period (transfer from breakdown/Annex 3e) €	Only for GIZ	Expenditures from previous periods €	Budget lines according to Grant article 1.2 €	Rest budget in €	Rest budget in %
Staff	3,800.42		98,722.38	103,483.20	960.40	0.93%
External Experts	3,644.97		50,578.69	54,435.60	211.94	0.39%
Transport/ Travel Costs	2,946.94		29,559.46	30,319.35	-2,187.05	-7.21%
Training Costs	27,158.77		131,507.25	136,958.46	-21,707.56	-15.85%
Procurement of Goods	812.16		28,374.68	41,196.14	12,009.30	29.15%
Other Costs	2,145.76		26,046.24	38,904.96	10,712.96	27.54%
Administration Costs (7%)	2,835.63		25,535.19	28,370.84	0.02	0.00%
Total €	43,344.64 €		390,323.89 €	433,668.55 €	0.02 €	



Date and original signature of the Recipient

ANNEX2: PERSONS CONTACTED OR INVOLVED IN THE AUDIT

Auditor - BDO LLP	
Sean Geekie	Audit Manager
Benjamin Bihira Kallemera	Auditor

Entity subject to audit - Federation of Fisheries Organization Uganda (FFOU)	
Ezra Kanyana	President
Micheal Baidhuse	Advisor
John Muyimba	Project Accountant

GIZ HQ / GIZ office in Uganda	
Friederike Sorg	Project Manager (AV)
Adolf Gerstl	Project Leader -Responsible Fisheries Business Chains Project

ANNEX 3: FOLLOW-UP OF THE RECOMMENDATIONS RAISED IN THE PREVIOUS AUDIT AT RECIPIENT, OF GRANT AGREEMENT NO. 81246624 IN NOVEMBER 2021

N°	Title	Recommendation	Level of implementation
1	Excessive use of cash	Cash transfers should be minimised, and the organization should transition to adopting the online money transfersplatforms which allow training and other project activities' attendees to receive the facilitation and otherrelated reimbursement allowances via mobile phones or else opt for electron bank transfers only.	Implemented. Transfers and mobile money payments used.
2	Poor record keeping	The practice of maintaining multiple versions of the same payment acceptance forms should be stopped. TheRecipient should ensure that they maintain supporting documents and records which are easily accessible andsystematically filed. This may involve training staff to ensure accounting descriptions are appropriate anddeveloping procedures for systematic filing.	Implemented. No issues noted in this audit.

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