

# **BRIGHT KIDS UGANDA (BKU)**

P. O. BOX 24 KISUBI, ENTEBBE ROAD

## **AUDITED FINANCIAL STATEMENTS AND REPORT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015**

**AUDITOR:**

**Richard Sabwe, ACCA**

**Certified Accountant**

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(BKU)**

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REPORT FOR THE YEAR ENDED  
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## 1.1 GENERAL INFORMATION

1. **Registered Office** : Bright Kids Uganda (BKU) a.k.a Sunrise  
Children's Village  
Entebbe Office  
P. O. Box Entebbe
2. **Bankers** : Equity Bank  
Kajjansi Branch
3. **Donors** : International Donors  
Local Donors
4. **Auditors** : Richard Sabwe, ACCA (Auditor-in-Charge)  
Certified Accountant  
Barbara Nalule, Auditor
5. **Key Personnel** : Prof. Louis A. Picard Director  
Victoria Nalongo Namusisi Director  
Shimali Tucker Julian Accountant

## 1.2 PROJECT BACKGROUND

Bright Kids Uganda vision is to establish long term community-based homes for orphaned, abandoned and neglected children.

BKU mission is to rescue vulnerable and economically disadvantaged children from the dire circumstances in which they are currently living, by providing housing, basic necessities, and education. BKU hope is that these children will have a chance to fully realise their God-given potential and empower them to become leaders and productive members of their community.

### **Audit Objectives**

The objective of the audit assignment was to conduct an audit of the Financial Statements of BKU.

The specific objectives of the audit assignment are to establish whether:

- The Financial Statements present fairly, in all material respects, the BKU's revenues and expenditure incurred for the period, and the financial position in conformity with the International Accounting Standards and any other applicable financial reporting framework;
- BKU has adhered to established financial compliance requirements;
- BKU internal control structure for financial reporting and/or safeguarding assets, including controls in computer based systems are suitably designed and implemented to achieve the control objective;
- The transactions are made in compliance with the provisions and procedures of the donors and other relevant laws, policies, practices, and regulations assess the viability of all income generating projects

### **The detailed scope of the audit assignment was as follows:**

- To ensure that appropriate supporting documents, records and books of accounts relating to all scheme activities have been kept;
- To ensure that the financial statements have been prepared in accordance with applicable accounting standards and give a true and fair view of the financial position of BKU as at the year-end December 31st, 2015 and of its receipts and expenditures for the period ended;
- To carry out a comprehensive assessment of the adequacy and effectiveness of the accounting and overall internal control system to monitor expenditures and other financial transactions and ensure safe custody of the fund financed assets and that they are being used for the intended purposes;

### 1.3 STATEMENT OF MANAGEMENT RESPONSIBILITIES

The Board of BKU is required to prepare the financial statements which presents fairly, in all material respects, the BKU's revenues and expenditures incurred during the period January 1<sup>st</sup> 2015 to December 31<sup>st</sup>2015. In preparing the Financial Statements, the Board of BKU is required to:

- Select suitable accounting policies and then apply them consistently;
- Implement accounting, administrative and financial procedures;
- Make judgments and estimates that are reasonable and prudent and
- State whether applicable accounting standards have been followed.

The Board of BKU is responsible for keeping proper accounting, which disclose with reasonable accuracy at any time, financial position of BKU and creating an enabling environment that ensures compliance with the applicable accounting standards. They are also responsible for safeguarding the assets of BKU, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of BKU:

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**DIRECTOR**

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**ACCOUNTANT**





# **PART II**

# **FINANCIAL STATEMENTS**

## **2.1 INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying Financial Statements presented on pages 9 to 11 for the financial year ended December 31<sup>st</sup>2015. The Financial Statements comprises the Statement of Financial Position, Statement of Comprehensive Income and Expenditure, Statement of Receipts and Expenditure and the accompanying Notes to the Financial Statements including significant Accounting Policies adopted.

### **Board Responsibility**

The Board of BKU are responsible for the preparation and fair presentation of the Financial Statements. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

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

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the Financial Statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Financial Statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion, the Financial Statements fairly present the financial position of BKU's revenues and costs incurred, for the financial year ended December 31<sup>st</sup> 2015 and in accordance with the Organizational Financial Reporting Standards and the accounting policies stated on pages 9.

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**Richard Sabwe, ACCA (UK)**  
**Certified Accountants**

## 2.2 STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31ST 2015

		Year Ended		Year Ended
		12/31/2015		12/31/2014
	Notes	UGX		UGX
<b>Non-Current Assets</b>	<b>2.5.1</b>			
Land		61,000,000.00		40,000,000.00
Building		213,102,926.00		116,301,304.00
Vehicle		14,100,000.00		18,800,000.00
Fixtures, Furniture and Fittings		52,166,512.50		21,095,287.50
Office Equipment		2,639,625.00		3,079,562.50
Computer		<u>2,016,875.00</u>		<u>0</u>
		<b>345,025,938.50</b>	<b>73.1%</b>	<b>199,276,154.00</b>
<b>Current Assets</b>				
Inventory		1,985,044.95		1,312,628.39
Debtors (Loan advance)	<b>2.5.2</b>	10,870,000.00		1,750,000.00
Bank Balance	<b>2.5.3</b>	3,120,769.99		1,747,719.70
Cash at hand	<b>2.5.3</b>	<u>11,064,529.90</u>		<u>2,125,990.50</u>
		<b>27,040,344.84</b>	<b>289.8%</b>	<b>6,936,338.59</b>
<b>Total Assets</b>		<b><u>372,066,283.34</u></b>	<b>80.4%</b>	<b><u>206,212,492.59</u></b>
<b>Reserves and Liabilities</b>				
Accumulated Funds	<b>2.5.4</b>	<u>365,081,783.34</u>	<b>81.6%</b>	201,064,992.59
Long Term Liabilities	<b>2.5.9</b>	<u>5,147,500.00</u>		<u>0.00</u>
		<b>370,229,283.34</b>	<b>84.1%</b>	201,064,992.59
<b>Current Liabilities</b>				
<b>Creditors</b>	<b>2.5.9</b>	<u>1,837,000.00</u>		<u>5,147,500.00</u>
		<b>1,837,000.00</b>		<b>5,147,500.00</b>
<b>Total Reserves &amp; Liabilities</b>		<b>372,066,283.34</b>	<b>80.4%</b>	<b><u>206,212,492.59</u></b>

*The Accounting policies and notes on pages 12 to 15 form part of these financial statements*

\_\_\_\_\_  
CHAIRPERSON

\_\_\_\_\_  
DIRECTOR

## 2.3 STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE FOR THE YEAR ENDED DECEMBER 31ST 2015

		Year Ended		Year Ended
		12/31/2015		12/31/2014
	Notes	UGX		UGX
<b>Income</b>				
Donor Funds	2.5.5	388,037,934.94	16.7%	332,612,392.12
Project Incomes	2.5.6	<u>18,429,498.05</u>		<u>15,904,165.65</u>
		<b>406,467,432.99</b>	<b>16.6%</b>	<b>348,516,557.77</b>
Less: Cost of Goods Sold	2.5.7	<u>(6,702,783.04)</u>		<u>(5,331,171.61)</u>
Gross Income		<b>399,764,649.95</b>	<b>16.5%</b>	<b>343,185,385.39</b>
<b>Expenditure</b>	<b>2.5.8</b>			
Education costs		(82,898,184.00)		(65,191,000.00)
Clinic Costs		0.00		(114,000.00)
Employment costs		(40,570,000.00)		(31,656,000.00)
Financial costs		(892,709.70)		(687,697.30)
Home expenses		(51,717,550.00)		(37,109,312.00)
Office costs		(8,464,500.00)		(7,251,100.00)
Professional fees		(1,870,000.00)		(1,892,000.00)
Telecommunications costs		(1,361,500.00)		(867,200.00)
Transport costs		(19,404,200.00)		(13,159,824.00)
Travel and Meetings		(127,000.00)		(10,000.00)
Utilities		(7,043,800.00)		(3,509,800.00)
Contract Services/Capital purchase (2014)		(3,690,000.00)		(1,300,000.00)
Depreciation	2.5.1	<b>(17,708,415.5)</b>	<b>68.2%</b>	(10,527,046.00)
<b>Total Expenditure</b>		<b>(235,747,859.20)</b>	<b>36.1%</b>	<b>(173,274,979.30)</b>
<b>Surplus/(Deficit)</b>		<b><u>164,016,790.75</u></b>	<b>-3.5%</b>	<b><u>169,910,406.86</u></b>

*The Accounting policies and notes on pages 12 to 15 form part of these financial statements*

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CHAIRPERSON

\_\_\_\_\_  
DIRECTOR

## 2.4 STATEMENT OF RECEIPTS AND PAYMENTS FOR THE YEAR ENDED DECEMBER 31ST 2015

		Year Ended		Year Ended
		12/31/2015		12/31/2014
	Notes	UGX		UGX
<b>Receipts</b>				
Cash & Bank Balance B/F	2.5.3	3,873,710.20		7,654,585.73
Donor Funds	2.5.5	388,037,934.94	16.7%	332,612,392.12
Project Incomes	2.5.6	<u>18,429,498.05</u>	15.9%	<u>15,904,165.65</u>
		<b>410,341,143.19</b>	15.2%	<b>356,171,143.50</b>
<b>Less: Payments During the Year</b>				
Project Cost of Goods Sold	2.5.7	(6,702,783.04)		(5,331,171.61)
Expenses (dep added back)	2.5.8	<u>(218,039,443.70)</u>		<u>(162,747,933.30)</u>
		<b>(224,742,226.74)</b>		<b>(168,079,104.91)</b>
Net Cash from Operations	2.5.9	(7,955,416.56)		<b>2,084,871.61</b>
Net Investing Activities	2.5.10	<u>(163,458,200.00)</u>		<b>(186,303,200.00)</b>
<b>Excess of Receipts Over Payments</b>		<b><u>(171,413,616.56)</u></b>		<b><u>3,873,710.20</u></b>
<b>Represented By:</b>				
Cash and Bank Balances as at 12.31.2015	2.5.3	<b><u>14,185,299.89</u></b>	226.2%	<b><u>3,873,710.20</u></b>

*The Accounting policies and notes on pages 12 to 15 form part of these financial statements*

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CHAIRPERSON

\_\_\_\_\_  
DIRECTOR

## 2.5 NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DEC 31ST 2015

### ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

#### (a) Basis of preparation

The Financial statements are prepared in compliance with Generally Accepted Accounting Principles (GAAPs). The measurement basis applied is the historical cost basis. The financial statements are presented in Uganda shillings.

#### (b) Property, Plant and Equipment:

All categories of property, plant and equipment are stated at their historical cost less depreciation.

Depreciation is provided on reducing balance at rates estimated to write off the assets over their expected useful lives. The annual rates used for the purposes are:-

Item	Rate
Office Equipment	12.5%
Furniture & Fittings	12.5%
Computers & Accessories	40%
Vehicle	20%
Building	2%

#### (c) Revenue Recognition:

Donor funds are recognized in the period in which the organisation receives funds from the donor agencies for the implementation of agreed upon activities. Other incomes are recognised as earned when realised.

#### (d) Translation of Foreign Currencies:

Transactions in foreign currencies during the year are converted into the functional currency, Uganda shillings using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses result on the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the profit and loss account.

#### (e) Cash and cash equivalents:

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities.

## 2.5.1 PROPERTY, LAND AND EQUIPMENT SCHEDULE

	Computers & Accessories	Office Equipment	Furniture & Fittings	Vehicle	Building	Land	Totals
	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.	Shs.
Rate	0.40	0.125	0.125	0.2	0.02		
Assets at Orig Cost Value		3,519,500	24,108,900	23,500,000	118,674,800	40,000,000	209,803,200
Additions	2,305,000		38,954,100		101,199,100	21,000,000	163,458,200
Disposals							
Balance as at 31/12/2015	2,305,000.00	3,519,500.00	63,063,000.00	23,500,000.00	219,873,900.00	61,000,000.00	373,261,400.00
Depreciation							
Balance B/D as at 1/1/2015	0	439,937.5	3,013,612.5	4,700,000	2,373,496	0	10,527,046
Charge for the year	288,125.00	439,937.50	7,882,875.00	4,700,000.00	4,397,478.00	-	17,708,415.50
AccDep B/F as at 12/31/2015	288,125.00	879,875.00	10,896,487.50	9,400,000.00	6,770,974.00	-	28,235,461.50
Net Book Value As at 12/31/2015	2,016,875.00	2,639,625.00	52,166,512.50	14,100,000.00	213,102,926.00	61,000,000.00	345,025,938.50

2.5.2	DEBTORS	Year Ended	Year Ended
		12/31/2015	12/31/2014
		UGX	UGX
	Loan advance to community customers	<u>10,870,000.00</u>	<u>1,750,000.00</u>
		<u>10,870,000.00</u>	<u>1,750,000.00</u>
2.5.3	CASH AND BANK BALANCES	Year Ended	Year Ended
		12/31/2015	12/31/2014
		UGX	UGX
	Equity Bank A/c No	3,120,769.99	1,747,719.70
	Cash Balance per Projects Account	937,300.00	718,300.00
	Cash Balance per Cash book	<u>10,127,229.90</u>	<u>1,407,690.50</u>
		<u>14,185,299.89</u>	<u>3,873,710.20</u>
2.5.4	ACCUMULATED FUNDS	Year Ended	Year Ended
		12/31/2015	12/31/2014
		UGX	UGX
	Accumulated Reserves B/F	201,064,992.59	7,654,585.73
	Capital Additions-Vehicle		23,500,000.00
	Add: Surplus/(Deficit) for the year 2015	<u>164,016,790.75</u>	<u>169,910,406.86</u>

	Accumulated Reserves C/F	<u>365,081,783.34</u>	81.6%	<u>201,064,992.59</u>
<b>2.5.5</b>	<b>DONOR FUNDS</b>	<b>Year Ended</b>		<b>Year Ended</b>
		<b>12/31/2015</b>		<b>12/31/2014</b>
		<b>UGX</b>		<b>UGX</b>
	Donations -Sponsors	22,880,903.64		26,365,832.66
	Cash Donations	358,118,631.30		295,728,827.46
	Donations in Kind	7,038,400.00		10,517,732.00
	Other Donor Funds	-		-
		<u>388,037,934.94</u>	16.7%	<u>332,612,392.12</u>

<b>2.5.6</b>	<b>BKU PROJECTS</b>	<b>Year Ended</b>		<b>Year Ended</b>
		<b>12/31/2015</b>		<b>12/31/2014</b>
		<b>UGX</b>		<b>UGX</b>
	Accommodation	9,080,100.00		3,153,750.00
	Crafts	4,732,700.00		5,205,100.00
	Loan interests	1,545,000.00		22,315.65
	Motor Vehicles	1,767,500.00		4,567,000.00
	Piggery	300,000.00		130,000.00
	Poultry	842,000.00		2,826,000.00
	Clinic	54,800.00		0.00
	Financing Income (Equity Bank)	107,398.05		0.00
	<b>Total</b>	<b>18,429,498.05</b>	<u>15.9%</u>	<b>15,904,165.65</b>
<b>2.5.7</b>	<b>PROJECT COST OF GOODS SOLD</b>	<b>Year Ended</b>		<b>Year Ended</b>
		<b>12/31/2015</b>		<b>12/31/2014</b>
		<b>UGX</b>		<b>UGX</b>
	Accommodation	1,765,700.00		793,100.00
	Crafts	3,025,583.04		1,547,371.61
	Loan interests	40,500.00		0.00
	Motor Vehicles	278,500.00		145,000.00
	Piggery	200,000.00		20,000.00
	Poultry	422,500.00		2,825,700.00
	Home Made	970,000.00		0.00
	<b>Total</b>	<b>6,702,783.04</b>	<u>25.7%</u>	<b>5,331,171.61</b>
<b>2.5.8</b>	<b>CASH EXPENSES</b>	<b>Year Ended</b>		<b>Year Ended</b>
		<b>12/31/2015</b>		<b>12/31/2014</b>
		<b>UGX</b>		<b>UGX</b>



	Education costs	(82,898,184.00)		(65,191,000.00)
	Clinic Costs	0.00		(114,000.00)
	Employment costs	(40,570,000.00)		(31,656,000.00)
	Financial costs	(892,709.70)		(687,697.30)
	Home expenses	(51,717,550.00)		(37,109,312.00)
	Office costs	(8,464,500.00)		(7,251,100.00)
	Professional fees	(1,870,000.00)		(1,892,000.00)
	Telecommunications costs	(1,361,500.00)		(867,200.00)
	Transport costs	(19,404,200.00)		(13,159,824.00)
	Travel and Meetings	(127,000.00)		(10,000.00)
	Utilities	(7,043,800.00)		(3,509,800.00)
	Contract Services/ Capital Purchase (2014)	(3,690,000.00)		(1,300,000.00)
	<b>Total</b>	<b>(218,039,443.70)</b>	<b><u>34.0%</u></b>	<b>(162,747,933.30)</b>

<b>2.5.9</b>	<b>NET CASH FROM OPERATION</b>	<b>Year Ended</b>		<b>Year Ended</b>
		<b>12/31/2015</b>		<b>12/31/2014</b>
		<b>UGX</b>		<b>UGX</b>
	Current Assets : Loans/ Advances	(9,120,000.00)		(1,750,000.00)
	Inventory Assets : Crafts	(832,416.56)		(1,152,628.39)
	: Poultry	160,000.00		(160,000.00)
	Creditor: Borrowings	1,837,000.00		3,147,500.00
	Creditor: Loans from Officers and Directors	0.00		2,000,000.00
	<b>Total</b>	<b>(7,955,416.56)</b>		<b>2,084,871.61</b>
<b>2.5.10</b>	<b>INVESTING ACTIVITIES</b>	<b>Year Ended</b>		<b>Year Ended</b>
		<b>12/31/2015</b>		<b>12/31/2014</b>
	<b>FIXED ASSETS</b>	<b>UGX</b>		<b>UGX</b>
	Furniture, Fixtures & Fittings: Original Cost	(38,954,100.00)		(24,108,900.00)
	Buildings: Original Cost	(101,199,100.00)		(118,674,800.00)
	Land: Original Cost	(21,000,000.00)		(40,000,000.00)
	Office Equipment: Original Cost	0.00		(3,519,500.00)
	Computer and Accessories: Original Cost	(2,305,000.00)		
	<b>Total</b>	<b>(163,458,200.00)</b>		<b>(186,303,200.00)</b>



**PART III**

**MANAGEMENT LETTER**

### 3.1.1 SUPERMARKET

We noted that the supermarket which is still in the initial take-off stage had several financial control weakness; (i) Record keeping and reporting is still done inappropriately, (ii) Point of sales receipts were incomplete and not fit for audit. (iii) Purchases for inbound goods could not be properly trailed.

Audit was only able to confirm stock taking figures per the stock present as of 1<sup>st</sup> January 2016 giving the supermarket value of Shs. 3,010,000

#### **Implication**

There is a risk of mismanagement of the supermarket's financial data due to improper books of accounts that are treated in isolation and, or not within the main accounting structure of BKU. The micro losses, if not addressed, could make the supermarket a non-viable project.

#### **Recommendation**

Management should re-design the internal controls and reporting lines of the supermarket activities by taking advantage of the already existing tally accounting software and BKU accounts department.

#### **Management comment**

*Effective 1<sup>st</sup> July 2016, the Accountant/Accts. Assistant, will go to the supermarket every day at 4:30pm to collect the money and verify the books of the supermarket.*

### 3.1.2 THE GREAT KINGS & QUEENS CHILDREN'S CENTRE (GKQCC)

The GKQCC founded 4 yrs ago is located in Wakiso District, Ndejje-Makindye, Sabagabo sub-county. It is a private primary school for both Day and Boarding school learners. It offers both accommodation & education to the homeless children. The school has a population of about 500 pupils who are charged UGX 150,000 as school fees for education services giving a gross income of UGX 75,000,000 per term.

Their main source of income is basically school fees and cash donations from ASA social fund for Hidden People in Uganda.

The Director/Founder is Medi Bugembe who is a product of Bright Kids believed to be among the first lot of kids to be picked from the streets of Kampala.

The structures for both School and dormitories are rented at UGX 3,920,000 per term or per (4 months). The other expenses incurred are salaries and wages for teachers and matrons, food and utilities.

However there is no written arrangements connecting BKU and GKQCC in terms financial reporting.

#### **Implication**

There is a risk of failure to follow up with GKQCC's accounts due to lack of Memorandum of Understanding (MoU) detailing working and or, reporting arrangements between the BKU and GKQCC.

### **Recommendations**

BKU management needs put in place a Memorandum of Understanding with a view of establishing a well-documented working relationship with GKQCC, with clear key deliverables and, or reportable items.

### **Management Response**

*Effective June 1st 2016, BKU assigned somebody to establish an accounting system at the GKQCC and all the necessary control basics are to be considered.*

## **3.1.3 NOAH'S ARK**

Noah's Ark was started in 2015 and is located in Wakiso District, Katabi Sub-County, Mpala Parish, Kitubilu village.

Noah's Ark emerged as a result of establishing Advocates for Children with Disabilities (ACD). It is also known as Noah's Ark Hands on training Centre, offering services like physical, material and educational support.

### **Organization structure:**

It has its Board of Trustees at the top followed by Director, Head Teacher, Accountant, Coordinator, Teachers and support staff (Matrons, cooks, Security guards)

Sources of Income:

Noah's Ark receives funds through;

- Donors(Foreign &Local)
- Sponsors for fees
- Sale of crafts
- School fees

### **Cost Centres:**

These are;

- Rent on premises which is 600,000 per month
- Utility bills
- Salaries
- Feeding
- Medical
- License
- Transport

The Centre has a total number of 30 disabled kids of which 3 are from BKU who contribute UGX 450,000 per kid per term in school fees. They maintain records for all the activities.

However, audit noted the absence of a clear Memorandum of Understanding (MoU) which should play a key role in detailing the working relationship between BKU and Noah's Ark, and how to incorporate in BKU accounts.

### **Implication**

Absence of MoU makes it difficult to establish reportable trails by BKU Management.

### Recommendation

There is need to put in place MoU detailing working relationship between BKU and Noah's Ark such that all key deliverables can be captured in the group accounts.

### Management Response

*Noah's Ark:*

*BKU management is working on the MoU for all BKU related projects & establish the accounting systems in the place noted above.*

## 3.1.4 OBSERVATION

On matching cashbook with cash receipt book and on examination of payment vouchers; we noted a number of weakness, errors and omissions as detailed in the table below:

### Implication

Date	Reference	Finding	Management Response
26-5-2015 29-5-2015	Receipt 438 Receipt 440	Valuation of gift in kind noted below wasn't done; it was recognised at zero value. <input type="checkbox"/> 16 BKU T-shirts. <input type="checkbox"/> 3 Polos BKU T-shirts and 9 BKU T-Shirts	<i>R# 438&amp;440; this was an old stock captured in the books of accounts for the year 2014(inventory) and under Cost of Goods Sold. Hence not gifts in kind. A total of 16 T-Shirts was given to Staff as Friday wear and the 3 Polo T- Shirts as damage. Therefore, valuing them at zero shillings.</i>
		<b>No dual control of the safe;</b> The safe in which monies and valuable documents are kept is solely controlled by the accountant. The accountant should either hold the code and another person keeps the key to reduce the risk of mismanagement.	<i>No dual control of the Safe; it's a simple safe with no code but a copy of 2keys. But the decision for the safe keys to be solely in the hands of the Accountant was made by the Director (Victoria NN). However, effective July 1<sup>st</sup>, 2016 we are going to have this changed.</i>
5-8-2015	Receipt 498	<b>Erroneous deposit</b> An amount of 910,300/= was erroneously received in the bank as a deposit.  This could be due to lack of monthly bank	<i>Erroneous Deposit; Indeed it's the accountant who identified the anomaly when reconciling with the</i>

		reconciliations which are purposed to identify and rectify such errors.  Efforts should be made to reconcile bank depositors to avoid the financial risks.	<i>monthly Bank Statement and the issue was raised back to our banker(Equity Kajjansi branch) to rectify it but later proved to be unanimous donor from Equity-Jinja road branch. Hence no financial risk for the bank deposits.</i>
26-Mar-15	V - 2830	<b>Un accounted for amounts:</b>  i. Voucher -2830 with the amount of 943,500: Receipts attached totalled to 568,500 however the difference of 375,000 was not accounted for.	<b>Unaccounted for amounts;</b>  <i>I. Voucher #2830. amounting to 943,500 but with a difference of 375,000. The accountant was able to receive 2 receipts as a third one was misplaced in the process of shopping after inquiring from both Richard and Victoria who did the shopping. However, the total amount as seen from the attached receipts was 943,500/=.</i>
27-Jan-15	V - 2396	ii. Voucher-2396 with the amount of 140,000/=; Receipts attached totalled to 120,000/=, the difference of 20,000/= was not accounted for.	<i>II. Voucher #2396. A total of 140,000/= was paid out as swimming charges at Kennedy School but a receipt of 20,000/= was given to a student(Bukenya Eddie) who paid last but didn't bring the receipt to the accounts office as he was nonresident at the children's home.</i>
27-Jan-15	V - 2394	iii. V- 2394 with the amount of 400,000/=, 100,000/= of it, was not accounted for.	<i>III. Voucher #2394. Amounting to 400,000/= from Kitala S.S.S term 1 fees&amp; Uniform deposit. A receipt of</i>
04-7-15	V - 3525	iv. Voucher 3525 with the amount of 151,600/=; receipts attached added up to 86,600/=, however, the difference of 65,000/= for the cake was not accounted for.	
23-Sept15	V - 3898	v. Voucher 3898 with the amount of 130,000/=; receipts attached amounted to 120,000/=,however, the difference of 10,000/=was not accounted for.	
13-Nov15	V - 4119	vi. Voucher 4119 with the amount of 125,000/=; Receipts attached totalled to 113000, however, 12,000/= for the shoes were not accounted for.	

			<p>100,000/= was given to one of the students by the name Namaganda Brenda to present it at school in order to get the school uniform but when the accountant demanded for the receipt after, she claimed to have misplaced it and needed time to look for it till to date</p> <p>IV. Voucher #3525. The difference of 65,000/= was for the Birthday cake which was locally made however a requisition form #594 was raised for accountability and signed.</p> <p>V. Voucher #3898. With a difference of 10,000/= was an error on the original entry by the accountant.</p> <p>VI. Voucher #4119. Totaling to 137,000/= was paid out but 12,000/= not accounted for. But this was locally purchased 3pairs of kid's sandals from a road side vender around this area and for that case therefore, a requisition form#748 was prepared and signed to show accountability.</p>
4-May-15	V- 3073	<p><b>Over/ under statement of expenditure</b>  Voucher-3073, with the amount of 50,000/=: had receipts attached paying a</p>	<p><b>Over/under statement of expenditure;</b></p>



27-May15	V - 3240	<p>water bill for Sunrise and Nalongo amounting to 150,000/= in total. However, the difference of 100,000/= was not recognised in the books of BKU.</p> <p>Voucher- 3240 with the amount of 530,000/= had a receipt attached amounting to 525,000/=, meaning payment was overstated by 5,000/=.</p>	<p><i>Voucher #3073, for this case, the accountant had captured the first expense for the water bill of 50,000/= (sunrise children home) but on attaching the receipt of 100,000/= of another water bill, I forgot to make the adjustments on both the voucher and in the system hence understating..</i></p> <p><i>Voucher #3240, this was as a result of the bad handwriting on the receipt by the Indian supplier(Plan &amp; Build Hardware) therefore nobody could tell the correct figures as the person who did the purchase also failed to match the totals as one figure was taken to be 4 hence overstating by 5,000/=</i></p>
10-Nov15	V-4109	<p><b>Classification</b></p> <p>Voucher 4109, with the amount of 1,400,000/=, paying for windows and doors classified as under furniture, fixtures and fittings ought to be under buildings.</p>	<p><b>Classification;</b></p> <p><i>Voucher #4109, this is based on the system customization as all materials like doors, windows, electricals, plumbing materials etc. are categorized under fixture, furniture &amp; fittings in the balance sheet.</i></p>
24-Jul-15	V - 3655	<p><b>Assertion of Ownership</b></p> <p>In view of the land purchased under lease agreement worth 21,000,000/= for BKU, the agreement being in the names of the director implies technically that BKU does not own it.</p>	<p><b>Assertion of Ownership;</b></p> <p><i>We can't do this until the organization names have been changed from Sunrise Children Village to Bright Kids Uganda hence other asserts.</i></p>
		<p><b>Loan project</b></p> <p>i. The terms of obtaining a loan from the project are not followed:  Maweje Bashir has no security  Lakot Christine has no security  Nanteza Lilian has no security  Ssekamate Edward has no security  Mubiru Nalongo has no security  Nakajjanko Betty has no security  Nakirijja Susan has no security  Namitazo Jane has no security  Nansubuga Jane has no security  Natuyamba Noredha has no security  Tukwasibwe Annet has no security</p>	<p><b>Loan Project;</b></p> <p><i>I. We have never had anything like security save for the fact that these women/ men are connected to Bright Kids Uganda and all is under a mutual understanding as most of them are widows and next</i></p>

<p>-Jul-15 22-May15 6-Jun- 15 4-Jun-15 6-Mar-15 22-Aug15</p> <p>Start date</p>	<p>1 st phase 2nd phase 7th phase 4th phase 1st phase 2nd phase</p> <p>1st phase 1st phase 1st phase 1st phase 3rd phase 1st phase 2nd phase 2nd phase 3rd phase 3rd phase 6th phase 3rd phase 3rd phase</p>	<p>ii. The second phase loan offer has a charge of interest at 12% but the terms and conditions of the loan still indicate 10%. These include: Nansubuga Jane Sekalala Augustine Kamyia NamusokeRobinah</p> <p>iii. Some loan offers have no approval signature from the authorised authority of the director. These include: Nanungiharriet 200,000 Namtazo Jane 400,000 Nansubuga Jane 500,000 NatuyambaNoredha 400,000 TukwasibweAnnet 200,000 400,000</p> <p>iv. There should be separation of duties of one who brings in clients to be vetted on whether they qualify for the loan from the one who approves the clients who have applied for loans. I.e. Loan officers should not be the ones to approve the loans to avoid the risk of fictitious loans. The loans approved by Loan officers include: Maweje Bashir 300,000 Naiga Rosemary 500,000 Nanteza Lilian 300,000 Ssekamate Edward 200,000 MubiruNalongo 1,000,000 Nabawesi Imelda 200,000 Nakato Angela 400,000 NakatoNisha 400,000 Nakirijja Susan 300,000 Namtazo Jane 800,000 Nansubuga Jane 450,000 NatuyambaNoredha 300,000 TukwasibweAnnet 800,000</p> <p>v. The following loans' interest in the loans book show they were paid by clients but the accounts section has no record of their receipt. Thus the loans interest income being understated by</p>	<p><i>of keen ( by helping BKU in paying some scholastics for their orphans)</i></p> <p><i>II. The 12% interest charge started effective 2016 therefore the mentioned persons i.eNasubuga J, Ssekalal Augustine K&amp;NamusokeRobinah were still in the bracket of 10%.</i></p> <p><i>III. During the time noted, the loan officers(Richard K&amp;SylviaBukirwa) were given the authority to approve the loans as in ref. to the above agreement(i)</i></p> <p><i>IV. This changed as all the loans from October 2015, are approved by the Director(Victoria N)</i></p> <p><i>V. True the accounts office didn't receive the mention</i></p>
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<p>7-Mar-15 23-Feb-15 2-Dec-15</p>	<p>2nd phase 2nd phase 2nd phase</p>	<p>125,000/=</p> <p>MubiruNalongo 50,000 NakatoAngella 40,000 NamusokeRobinah 35,000</p> <p>vi. NatuyambaNoredha defaulted on the loan repayment and apparently her financial status puts BKU in a position of not being able to recover the loan principle. If all the measures to recover the loan are futile then management should consider writing the loan off.</p>	<p><i>amount (125,000/=) however the issue was raised back to the loan in charge as of that time.</i></p> <p><i>VI. The loan department is still following up with the defaulter with her recommender and there is hope that she is going to pay. Legalizing of the loan project: we are already working on formalizing it and giving it a Name</i></p>
<p>31.Dec-15</p>	<p>Receipt 543</p>	<p><b>Financial Income</b> The interest paid on deposits in Equity bank account should be recognised separately from the interest income earned from the loans Project. As the two sources of income are different and their measurement and recognition in the financial statements should be separated to enable users to make informed decisions.</p>	<p><b>Financial Income;</b> <i>We are working on customizing the interest paid on our bank deposits in Equity bank under Incomes-Bank Interest to realize the difference. However this is always once in the year.</i></p>
		<p><b>School fees:</b> The amounts captured in BKU books for fees paid are inclusive of bank charges. This is not only misleading but it overstates the actual fees and creates a room for manipulation. Examples of such vouchers include: V - 2401 - 852,500 V- 2525 - 804,000 V- 2703 - 452,500 V-2950 - 1,122,000 V-2951 - 332,500 V-3075 - 1346,500 V-3103 - 402,000 V-3136 - 413,000 V-3137 - 602,500 V -3205 - 612,500</p>	<p><b>School Fees:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> <i>We had taken bank charges as an educational expense with in school fees because it only comes up when paying for fees and therefore no budget for bank charges.</i></li> <li><input type="checkbox"/> <i>Most schools don't give receipts when we pay through the bank as they</i></li> </ul>

		<p>V- 3744 - 602,700</p> <p>The following payments made for fees did not have receipts attached to serve as evidence that the payments were received by the appropriate school;</p> <p>V- 3105 - 946,000  V- 3112 - 502,700  V- 3136 - 413,000  V. 3250 - 152,500  V- 3737 - 1,568,000  V - 3843 - 702,000  V - 2687 - 152,000</p>	<p><i>assume on receipt of the school copy, the parent/payee retains the parents copy and all is squared up. However other schools do give receipts but we also do call the very schools to confirm receipt of school copies as this normally happens during the first day of the term.</i></p>
		<p><b>Compliance issues</b></p> <p><b>NSSF and PAYE</b>  These are statutory requirement for any business operating in Uganda. None payment of these by the business may attract penalties and interest when discovered by the authority.</p> <p><b>Loan Project.</b>  -The loan project is carried out on a humanitarian ground as BKU isn't licensed to carry out such a business. Efforts to formalise this business should be made to avoid the risk of failure to recover funds lent out</p> <p>It's hard to enforce recovery from defaulters using legal grounds.</p>	<p><b>Compliance Issues;</b></p> <p><i>NSSF&amp;PAYE; we are working hard towards to implementing this in the near future.</i></p>
22-Jan-15	V - 2345	<p><b>Vouchers' without supporting documentation.</b></p> <p>i. Voucher 2345 with the amount of 220,000/= paying for a bed, had no receipt/ accountability</p>	<p><b>Vouchers without supporting documents</b></p> <p><i>I. Voucher #2345. This was a bed purchased from our local carpenter but it was received and signed for by the concerned department in the names of Naiga Rosemary.</i></p>
17-Feb15	V- 2539	<p>ii. Voucher 2539 with the amount of 2,000,000/= paying for filming had no receipt/ accountability.</p>	<p><i>II. Voucher #2539 of</i></p>

17-Mar15	V-2704	iii. Voucher 2704 with the amount of 1,000,000/= paying for filming had no receipts/ accountability.	<p>2,000,000/= This was advance payment made to David Byarugaba contracted to film the Diehl fund projects. But when the accounted request for the invoice/receipts to authenticate the payments, he didn't have any and this prompted the accountant to make him sign on the payment voucher.</p> <p>III. Voucher #2704 of 1,000,000/=. This is same as above.</p> <p>IV. Voucher #2232 of 490,000/=. These were construction materials for the septic tank i.e 2000pcs of bricks@440,000 and 50,000/= for transport costs paid to the local supplier but the requisition form #436 was prepared and received for accountability.</p> <p>V. Voucher #2295 of 322,000/=. These were payments for back to school sundries like panties, stockings, water bottles, school bags&amp; hankies from the local market vendors by the social worker and the requisition form#433 was raised and signed to support the payments</p> <p>VI. Voucher #3489 of</p>
07-Jan15	V - 2232	iv. Voucher 2232 with the amount of 490,000/= has no receipt/ accountability.	
15-Jan15	V- 2295	v. Voucher 2295 with the amount of 322,000/= paying school essentials, had no receipts/ accountability attached.	
1-Jul-15	V- 3489	vi. Voucher 3489 with the amount of 3,240,000/= for office setup by Ceresar-had no receipt attached / accountability.	
12-May15	V-3159	vii. Voucher 3159 with the amount of 1,000,000/= paying for electrical had no requisition.	
23-Sept15	V-3938	viii. Voucher 3938 with the amount of 2,000,000 /= had no receipt attached/ accountability.	
26-Sept15	V-3949	ix. Voucher 3949 with the amount of 602,000/= paying fees; had no receipt/ accountability	
10-May15	V-3130	x. Voucher 3130 with the amount of 400,000/= paying for doors ; had no receipt/ accountability and requisition attached	
11-Dec15	V-4232	xi. Voucher 4232 with the amount of 770,000/=; had no receipt/ accountability	
12-Dec15	V-4294	xii. Voucher 4294 with the amount of 300,000/= paying video photos: had no receipt attached/ accountability.	

			<p>3,240,000/=. This was a cash payout by BKU to Ceresav Organization for the office set up but the cash requisition #1002 was prepared and received by Carol Nabifo the then office administrator of Ceresav.</p> <p>VII. Voucher #3159 of 1,000,000/=. Indeed the requisition form was not made but purchases receipts for electricals were attached to the payment voucher to support accountability and received.</p> <p>VIII. Voucher #3938 of 2,000,000/=. This was a deposit payment upon supply of bricks, sand, hardcore, stone aggregates by our local supplier (Hajji) and a cash requisition #1057 was prepared and signed by Hajji for accountability.</p> <p>IX. Voucher #3949 of 602,000/=. For the case of Entebbe Junior school, like other schools, they don't give receipts as longer as u present the bank slip-school copy and the parent retains his/her copy. However, the parent's copy</p>
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			<p><i>of the bank slip is attached to the voucher for proof of accountability.</i></p> <p>X. <i>Voucher #3130 of 400,000/=. This was paid to one of the local carpenters around this area (Sentongo) for labour on making the accommodation doors and the payment voucher was prepared and signed for. However most of these local people are semi illiterate but produce good work man ship but can't write or read.</i></p> <p>XI. <i>Voucher #4232 of 770,000/=. It was a payment to a local music producer with no receipt/invoice when composing the songs for the 15<sup>th</sup> BKU anniversary but the cash requisition#1307 was prepared and signed by Monica for accountability of the monies.</i></p> <p>XII. <i>Voucher #4294 of 300,000/=. This is same as above though it was a payment for the video&amp; photos for the same anniversary.</i></p>
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There is high risk of understatements or over statements of financial balances resulting from the several accounting errors noted in the table above.

#### **Recommendation**

Management should ensure the above errors leading to misstatements are properly explained, corrected and if amounts are of material nature, adjustments should be effected in the financial statements.

#### **Management comment**

*See table above for management comments*

## **FOLLOW UP ON 2014 AUDIT ISSUES RAISED**

### **3.1.5 PROCUREMENTS**

We noted the following weaknesses in the procurement function that require management attention in respect to improvements in this area:

#### **Observation**

Procurement of items are to a large extent done in an ad hoc manner with no clear basic controls in place. Although BKU has put in place pre-numbered requisition books, these were in most cases not used and lacked proper authorisation. In addition, there were no annual purchase plans being followed for purposes of prioritising expenditures. There is no clear designated individual to acknowledge receipt of procured goods with **Goods Received Notes**.

#### **Implication**

The organization is likely to suffer from inherent risks arising out of lack of basic procurement guidelines, such as paying for understated supplies of for no deliveries at all.

#### **Recommendation**

Management should put in place basic procurement guidelines which should be fully complied with in order to avert procurement associated risks.

#### **Management comment**

*BKU management has established a procurement committee which is going to comprise of 3 people including the Accountant to establish a proper procurement process and planning which was not there before and this will actually give a good picture for value for money on the items or assets purchased for the benefit of Bright Kids Uganda.*

#### ***Current Status of implementation***



*This has been addressed as a team has been put in place in all receiving departments i.e. food store, construction site, office etc.*

## **ISSUES OF NON COMPLIANCE WITH IMPLIED FINANCIAL POLICIES AND PROCEDURES**

### **3.1.6 OBSERVATIONS**

We noted issues of noncompliance with implied financial policies and procedures as known under the financial best practices. A few examples of such issues included the following:

#### Asset

Not all fixed assets were comprehensively insured against all losses, a case in point is the BKU Van.

#### **Implications**

Lack of compliance to the principles of best practices in form of proper internal control could result into loss of project assets going unrecovered by the organisation.

#### **Management comments**

*Bright Kids Uganda is in the process acquiring the TIN Number and this can be done by first registering it with the current name, from the previous one of Sunrise Children's Village. This will enable all the Assets of BKU to be registered under one roof (Tax Identification Number) case in point, the BKU Van- its Log Book, insurance and other assets for proper recovery in case of any loss or damage.*

#### **Current Status of implementation**

*The process is still ongoing though with some challenges like when a staff is assigned to make follow up on the registration& acquisition of TIN No. resigns case in point Jackie Nakamya who was assigned for this matter but left it at its initial stage. But efforts are being made that by the end of this financial year BKU will be fully registered and TIN acquired.*





