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<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
</tr>
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<tbody>
<tr>
<td>ACCA</td>
<td>Association of Chartered Certified Accountants</td>
</tr>
<tr>
<td>AFROSAI</td>
<td>African Organisation of Supreme Audit Institutions</td>
</tr>
<tr>
<td>AFROSAI-E</td>
<td>African Organisation of English Speaking Supreme Audit Institutions</td>
</tr>
<tr>
<td>AG</td>
<td>Auditor General</td>
</tr>
<tr>
<td>ATAAS</td>
<td>Agricultural Technology and Agribusiness Advisory Services</td>
</tr>
<tr>
<td>Bn</td>
<td>Billion</td>
</tr>
<tr>
<td>CISA</td>
<td>Certified Information Systems Auditor</td>
</tr>
<tr>
<td>CIPs</td>
<td>Certified Institute of Procurement Specialists</td>
</tr>
<tr>
<td>CFA</td>
<td>Certified Financial Analyst</td>
</tr>
<tr>
<td>CFE</td>
<td>Certified Fraud Examiner</td>
</tr>
<tr>
<td>COSASE</td>
<td>Committee on Commissions, Statutory Authorities and State Enterprises</td>
</tr>
<tr>
<td>CPAU</td>
<td>Certified Public Accountant of Uganda</td>
</tr>
<tr>
<td>CPD</td>
<td>Continuous professional Development</td>
</tr>
<tr>
<td>CSR</td>
<td>Corporate Social Responsibility</td>
</tr>
<tr>
<td>FIIT</td>
<td>Forensic Investigations and Information Technology Audit</td>
</tr>
<tr>
<td>FINMAP</td>
<td>Financial Management and Accountability Programme</td>
</tr>
<tr>
<td>FY</td>
<td>Financial Year</td>
</tr>
<tr>
<td>GIZ</td>
<td>Deutsche Gesellschaft für Internationale Zusammenarbeit</td>
</tr>
<tr>
<td>GOU</td>
<td>Government of Uganda</td>
</tr>
<tr>
<td>ICBF</td>
<td>Institutional Capacity Building Framework</td>
</tr>
<tr>
<td>ICT</td>
<td>Information Communications Technology</td>
</tr>
<tr>
<td>IDI</td>
<td>INTOSAI Development Initiative</td>
</tr>
<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
</tr>
<tr>
<td>INTOSAI</td>
<td>International Organisational of Supreme Audit Institutions</td>
</tr>
<tr>
<td>ISA</td>
<td>International Standards on Auditing</td>
</tr>
<tr>
<td>ISACA</td>
<td>Information Systems Audit and Control Association</td>
</tr>
<tr>
<td>ISSAI</td>
<td>International Standards of Supreme Audit Institutions</td>
</tr>
<tr>
<td>KAM</td>
<td>Key Audit Matters</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KCCA</td>
<td>Kampala Capital City Authority</td>
</tr>
<tr>
<td>KfW</td>
<td>Kreditanstalt für Wiederaufbau (German Development Bank)</td>
</tr>
<tr>
<td>LGPAC</td>
<td>Local Government Public Accounts Committee</td>
</tr>
<tr>
<td>MDA</td>
<td>Ministries, Departments and Agencies</td>
</tr>
<tr>
<td>Mn</td>
<td>Million</td>
</tr>
<tr>
<td>MoFPED</td>
<td>Ministry of Finance, Planning and Economic Development</td>
</tr>
</tbody>
</table>
REFLECTIONS OF THE AUDITOR GENERAL
This report highlights our performance using funds appropriated to us to independently scrutinize management of public resources, as a contribution to improvements in public accountability and value for money spent, towards building our country.

This is our third year of reporting in accordance with the Public Finance Management Act, 2015 and our first year of implementing the corporate strategy 2016 – 2021 whose theme is; “Enhancing Public Accountability and Making a Difference.”

We utilize our audit insight and reporting to enable us to demonstrate our relevance to citizens. This is achieved by enhancing our audit reports through implementation of new report writing guidelines and revised International Standards for Supreme Audit Institutions on reporting.

We prioritized audits for the year using the Shared Overall Risk Assessment (SORA) in consultation with stakeholders with an objective of efficiently allocating resources to audit what matters. The SORA helps us to risk profile entities and determine the appropriate audit strategies to employ. Our Value For Money Audits targeted impact through formulating topics based on Sustainable Development Goals. This approach has helped us to conduct audits with high impact on service delivery.

The Office acknowledges the commitment of Parliament’s Oversight Committees in discussing our audit reports and the progress made is impressive. In this regard, it is our desire that the Oversight Committees step up their efforts in discussing all the pending reports. In addition, the discussion of Value for Money reports remains a challenge. We are ever ready to provide support required by the Oversight Committees to discuss and dispose of the reports.

In a note-worthy development, the Office started receiving the Treasury Memoranda from the Executive following the Parliament’s conclusion on discussion of a number of audit reports. We have embarked on audit of the same and the results will be submitted in the audit year 2018.

As an office, we have designed strategies to start measuring the impact resulting from our work. In addition, we are undertaking a perception survey as a precursor to evaluating the value of our work towards improving service delivery. The framework will be put in place during the next reporting period.

We value our stakeholders’ contributions and feedback throughout the audit value-chain. Our emphasis on stakeholder relations has provided additional insight into the work we do, hence promoting the society’s understanding of the role of the Office of the Auditor General in the public domain.

We shall broaden our consultations to enable us determine topical issues on audit to maximize the impact of our work and boost our stakeholder confidence. This will be done through consultative engagements and canvassing feedback using interactive platforms.

Our collaborative efforts have enhanced our influence and impact of our work. The partnerships with other Anti-corruption agencies continue to blossom and harness synergies in audit and investigations resulting in effectiveness in delivery of entities’ mandates.

With support from the Government of Uganda (GoU) and the Federal Republic of Germany (KfW Development Bank) through FINMAP, we have been able to enhance our operational independence by; constructing Hoima and Moroto regional branch Offices, as well as reconstruction of Arua regional branch Office.

Additionally, the procurement process for the Management Information System (MIS) is underway. The two new branches and the MIS Phase One will be completed and operationalized next year, 2018. This will augment our organizational performance, outreach and efficiency.
In pursuit of good governance and transparency in the public sector, we aspire to live by example and exhibit the requisite behaviour ourselves. We continue to approach our work using a risk-based approach to be more efficient, promote professionalism and uphold zero-tolerance to unethical conduct. We vigorously review our control environment with associated risks, and quality-assure our processes.

Consistent with the National objective on Human capital development, we endeavour to enhance our capacity to maximize our contribution to positive national transformation through executing our mandate. Our staff skills development has evolved from professional training in audit related matters to other specialities to enable us conduct non-traditional audits like Environmental, Oil and Gas, Gender, Public Private Partnerships and Engineering Audits.

Our relentless quest for excellence in implementing International Standards for Supreme Audit Institutions (ISSAIs) was recognised by AFROSAI-E (26 member organisation) with an award as the “Leading ISSAI implementing Supreme Audit Institution of the year 2017.” This wouldn’t have been possible without our continuous professional development and diligence in carrying out our duties. In addition, our journey towards professionalism has also led to some of our staff being recognized as the best subject students in their respective institutions.

Over the years, we have deepened our capacity and this has led to international recognition of our efforts in promoting public accountability and good governance. Our work as; the Chair of the INTOSAI Working Group on Extractive Industries (WGEI) and Chair of the African Union Board of External Auditors, member of the East African Community Audit Commission and the COMESA Audit board is a demonstration of confidence in the OAG’s capabilities. This does not come easily but rather, requires sustained efforts and sacrifices. However it is worth noting that this has increased pressure on our resources.

Finally, I take this opportunity to thank our staff for their selfless efforts towards delivery of our mandate. We also acknowledge all stakeholders’ efforts that have brought us this far. We pledge to continuously improve the way we do our work so as to positively impact the lives of citizens.

John F.S. Muwanga
Auditor General, Uganda

Date: 29th December 2017
The Auditor General is supported by two (2) Assistant Auditors General; (i) Assistant Auditor General – Audit and (ii) Assistant Auditor General /Accounting Officer – Corporate Affairs. In addition to the Auditor General and his Assistants, the Top Management of the Office consists of 6 Directors and 8 Assistant Directors.

**OUR MANAGEMENT TEAM**

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**MANAGEMENT TEAM**

**KETO NYAPENDI KAYEMBA**
Assistant Auditor General - Audit Division

**FRANCIS MASUBA**
Assistant Auditor General - Corporate Division

**STEPHEN KATEREGGA**
Director of Audit - Value For Money and Specialized Audits

**EDWARD AKOL**
Director of Audit - Central Government One

**JOSEPH HIRYA**
Director of Audit - Central Government Two

**JAMES BANTU**
Director of Audit - Forensic Investigations and IT Audits

**JOHN H. MUYIMBWA**
Director of Audit - Local Authorities

**MAXWELL POUL OGENTHO**
Director - Corporate Services/Head INTOSAI WGEI Secretariat
OUR MANAGEMENT TEAM

LIZ NAMBUYA
Assistant Director of Audit - Value For Money and Specialized Audits

MARTIN BAMULUMBYE
Assistant Director of Audit - Central Government One

ANTHONY KIMULI
Assistant Director of Audit - Central Government Two

BOB GODWIN MONDAY
Assistant Director of Audit - Forensic Investigations and IT Audits

FREDRICK AKYAIRE
Assistant Director of Audit - Local Authorities

SHEILA SSEMUGOOMA
Assistant Director of Audit - Local Authorities

FLORENCE BALEKE BUSINGE
Assistant Director of Audit - Corporate Services (Finance and Administration)

ROBERT KAMUKAMA
Assistant Director of Audit - Corporate Services (Technical and Executive Support)
INTRODUCTION

BRIEF HISTORY

The External Audit function in Uganda dates back to the 1920s when Uganda was a protectorate and had its accounts audited by the Colonial Audit Office in London. The first Auditor General was appointed in 1962 after attaining independence under the mainstream Public Service. Following the enactment of the National Audit Act (NAA), 2008, it became an independent body corporate.

The Office of the Auditor General headquarters are located at Audit House, Plot 2c, Sir Apollo Kaggwa road, Kampala. The office has nine regional offices in Gulu, Fort Portal, Mbarara, Masaka, Mbale, Soroti, Jinja, Arua and Kampala, while two new ones in Hoima and Moroto will be opened in 2018.

GEOGRAPHICAL COVERAGE OF OAG REGIONAL BRANCH OFFICES
MANDATE AND FUNCTIONS OF THE AUDITOR GENERAL

The Auditor General's mandate under Article 163 (3) of the Constitution of the Republic of Uganda, 1995, as amended and as amplified by Sections 13 (1) and 19 of the National Audit Act, 2008, is to audit and report on the public accounts of Uganda and of all public offices including the courts, the Central and Local Government administrations, universities and public institutions of like nature, and any public corporations or other bodies established by an Act of Parliament.

Article 163 (3) (b) requires the Auditor General to conduct financial and value for money audits in respect of any project involving public funds.

Article 163 (4) requires the Auditor General to submit to Parliament a report of the accounts audited by him or under clause 3 for the financial year immediately preceding.

Section 82 (4), of the Public Finance Management Act 2015, requires the Auditor General to audit and report to Parliament within 6 months after the end of the financial year.

OBJECTIVE AND SCOPE OF REPORTING

This Annual Performance Report provides an opportunity to demonstrate our values, benefits and accountability to stakeholders.

The report covers how we used resources, performance of the strategic plan and the financial statements for the FY 2016/17, and OAG performance of the audit year 1st January to December 2017. Our audit year straddles two financial years.

REPORTING CYCLE AND PERIOD FOR THE INFORMATION PROVIDED

We report annually and our last annual performance report was submitted to Parliament on 31st December 2016.

SIGNIFICANT CHANGES FROM PREVIOUS REPORTING PERIODS

The OAG developed report writing guidelines to align audit reports with the revised International Standards of Supreme Audit Institutions (ISSAIs), as well as guide our performance reporting. The OAG Report writing guidelines 2017 have been adopted and will impact on the outlook of the report.
Our operating framework is guided by the laws of Uganda which provide for the appointment, tenure and removal of the Auditor General, as well as the Office and its governance.

The Constitution sets out the appointment of the Auditor General and his or her mandate, as well as establishing the basis for; the National Audit Act, 2008, and Public Finance Management (PFMA) Act, 2015, and other enabling laws.

The National Audit Act, 2008, specifically creates the Office of the Auditor General and its functions, whereas the PFMA, 2015, sets out laws that regulates our budgeting and management of finances.

The figure below illustrates our legal operating framework.
Each member of staff strives to consistently carry out their professional duties in accordance with our Core Values, which are fully embedded in our Code of Ethics.
CORPORATE GOVERNANCE, LEADERSHIP ARRANGEMENTS, INTERNAL CONTROLS AND PRACTICES

OAG GOVERNANCE

The Parliamentary Committee on Finance, Planning and Economic Development was designated by the Speaker of Parliament to handle affairs pertaining to the Office of the Auditor General, in the spirit of good corporate governance. To effect this role the Committee reconstituted a sub-committee to ensure that the operations and the structures of the Office are governed by clearly defined principles of good governance, transparency and accountability to all stakeholders, through existence of effective systems.

The operations of the seven (7) members sub-committee are governed by rules of procedure of Parliament.

INTERNAL AUDIT AND RISK MANAGEMENT

In line with the strategic objective of our Corporate Strategy 2016-21 of continuously improving structures and systems to ensure better and efficient performance, the Internal Audit supports the Office by providing independent, objective assurance and a consulting function that strengthens OAG’s operations and averts risks with their associated impact. This is through a systematic evaluation aimed at improving the effectiveness of risk management, control and governance processes.

Our Internal audit function reports directly to the Auditor General and copies of the quarterly reports are given to the Internal Auditor General. The internal audit scope covers implementation of policies and review of systems to advise management on areas of improvement.

LEGAL SERVICES

The Legal function in the office is fully registered and approved by the Law Council to offer legal and advisory services to OAG and the Auditor General in the execution of the Audit and Corporate functions. It identifies potential legal and regulatory risks and advises on mitigation measures.

RELIABLE FINANCIAL REPORTING SYSTEM

The Office has a customised Financial Management and Accounting Manual in place that spells out financial transactions and reporting systems. We also use circular standing instructions and policies issued by the Accountant General and the Secretary to the Treasury.

We rely on the Integrated Financial Management System (IFMS) of government to run our financial system and generate periodic and annual financial reports. This system is audited by our Internal Audit and externally by our IT Audit team and the Accountant General Quality Assurance team.

However, this poses a risk of operational independence due to the fact that the system is administered by the Accountant General and is not flexible to the accounting and reporting needs of the office.
SERVING THE PUBLIC INTEREST
WHAT WE DO

AUDIT SERVICES

In executing our mandate as a Supreme Audit Institution (SAI), we support government oversight, accountability and governance structures in all public organisations. Our audit findings and recommendations empower our stakeholders to improve public accountability and make a positive difference. We do this by conducting and publishing the following audit reports:

Financial / Regularity Audits
These are undertaken to express an independent opinion on the financial statements prepared in accordance with the applicable financial reporting framework and legislation.

Performance/ Value For Money Audits
These are undertaken to assess the economy, efficiency and effectiveness in all government activities.

Forensic Investigations
These provide evidence that is admissible and used in courts of law for prosecution.

IT Audits
This is a review and an evaluation of an organization's information system to assess its integrity and performance.

Audit of classified expenditure
These are audits conducted on national security and other related matters.

Specialized Audits
These are performance evaluations in areas of Gender, Public Works, Environment, Public Private Partnerships, Energy and Extractive Industries etc.

It should be noted that our forensic investigations and IT Audits are triggered by stakeholder demands and red flags identified during other audits.
Accordingly, during the Financial Year 2016/17, the Auditor General authorized withdrawals from the consolidated fund amounting to UGX 28,690,139,027,468.

The details are in the Table 1 below:

<table>
<thead>
<tr>
<th>Expenditure</th>
<th>No. of Warrants Issued</th>
<th>Amount (UGX)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recurrent</td>
<td>59</td>
<td>18,516,780,379,414</td>
</tr>
<tr>
<td>Development</td>
<td>31</td>
<td>552,119,011,005</td>
</tr>
<tr>
<td>Statutory</td>
<td>12</td>
<td>9,621,239,637,049</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>102</strong></td>
<td><strong>28,690,139,027,468</strong></td>
</tr>
</tbody>
</table>

Article 154 (3) of the Constitution of the Republic of Uganda requires the Auditor General, to approve withdrawals of all monies from the consolidated fund.
SERVING THE PUBLIC INTEREST

WHO WE SERVE

We serve the wider public. Our stakeholders who are categorised as statutory and non-statutory. Statutory stakeholders include those charged with governance and management of the organisations audited and the general public, while non-statutory include; professional bodies, the academia, development partners, civil society, the media, etc. We have a duty to serve diligently through our audit work. We undertake audits to provide assurance on use of public resources to the citizens through Parliament as illustrated in the diagram below.

![Accountability Process Diagram](Image)

The Office as part of the Accountability value chain, works with Parliament and the Executive in delivering services while promoting accountability and good governance of public resources as illustrated in the cycle below:

- **STEP 1**: 2 months after the end of FY, Accounting Officers prepare and submit to the Accountant General the accounts and information set out in Paragraph 2 of schedule 5 of PFMA, 2015.
- **STEP 2**: 6 months after the end of the FY, Auditor General submits a report detailing audit findings on all Public Accounts to Parliament.
- **STEP 3**: 6 Months after the submission, Parliament is mandated to examine AG reports submitted. This includes the consideration by the accountability committees, tabling, debate and adoption process.
- **STEP 4**: 6 months after Parliament adopts the Committee report, Minister of Finance is required to submit the Treasury Memorandum to Parliament detailing Government actions on the report.
- **STEP 5**: Auditor General to audit the Treasury Memorandum and submit to Parliament.
- **STEP 6**: Parliament to consider the audited Treasury Memoranda.
In accordance with Article 163 (4) of the Constitution of Uganda 1995 (as amended) and in compliance with ISSAI 20, Principle 7, the Auditor General is required to report publicly on the results of their audits and on their conclusions regarding the overall Government activities.

In addition, Article 163 (5) of the Constitution of Uganda 1995 (as amended) requires Parliament to consider and debate the report submitted by the Auditor General in six months and take appropriate action. Parliament performs this duty through its Oversight Committees namely: the Public Accounts Committee (PAC) for Central Government, the Local Government Public Accounts Committee (LGPAC) for District Local Governments and the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE) for Government Parastatals and Commissions.

We maintain a strong relationship with the relevant Parliamentary Committees through our Parliamentary Liaison function. We offer technical support to Committees in executing their oversight role.
For purposes of ensuring that the audit resources are optimally used, a risk based audit approach is used in prioritizing the audits to be undertaken in the audit year.

In line with the above, the audits undertaken were categorized under High, Medium and Low risk. The description of the risk levels is shown in the table below;

<table>
<thead>
<tr>
<th>Overall Risk Score</th>
<th>Risk Category</th>
<th>Audit Approach</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>75% and above</td>
<td>High Risk</td>
<td>Highly Intensive, close supervision at Directorate level, and reviews as per Quality Assurance Policy.</td>
</tr>
<tr>
<td>2</td>
<td>50-74.9%</td>
<td>Medium Risk</td>
<td>Intensive, close supervision at Directorate level.</td>
</tr>
<tr>
<td>3</td>
<td>0-49.9%</td>
<td>Low Risk</td>
<td>Regular, Audit approach is determined at Directorate level.</td>
</tr>
</tbody>
</table>
OUR FINANCIAL AUDITS

The total number of audits planned for the year was 1,528. Of these, 986 were subjected to the process of SORA. The results indicated that a total of 173 (High risk) were subjected to a highly intensive audit, 231 (medium risk) intensively audited, and 582 (low risk) audited on a regular basis. The summary of the categorization is below:

![SORA Results for Financial Audits](image)

- High risk: 18%
- Medium Risk: 23%
- Low Risk: 59%

The high intensive audits (18%) covered Ministries, Departments, Agencies (MDAs), Statutory Authorities, Higher Local Governments and Production sharing agreements with high budgets and assets amounting to UGX.35 trillion.

The risk assessment for the remaining 542 of the planned audits was done during the planning for the individual audit engagements.
In January 2015, new and revised International Standards on Auditing (ISAs) were issued by the International Auditing and Assurance Standards Board. These were later adapted by INTOSAI and also issued revised ISSAIs with new related Practice Notices (PNs) to guide the SAIs on the implementation of these standards in the audit of public sector entities.

The reporting standards fundamentally changed the format of the audit report on the financial statements. We have adopted both the new standard on Key Audit Matters and the revised reporting standards in compliance with the INTOSAI guidance.

We implemented the revised standard for the first time, and this changed the standard format of our Audit reports.

The Office therefore undertook financial audits with a focus on the following thematic areas:

i. Compensations to Project Affected Persons (PAPs) under key government programmes 
ii. Budget performance /Implementation 
iii. Utilization of drugs and health commodities 
iv. Audit of domestic arrears in selected Government institutions for the financial year 2016/17 
v. Sustainable development goals.

In addition to the themes, we identified the following as areas of emphasis during the audit process.

i. Court Awards (MoJCA, MoFPED, Judiciary, and other concerned entities) 
ii. Implementation of key government programmes (e.g NAADS, infrastructure development, Community Agriculture Infrastructure Improvement Programme, Uganda Support to Municipality infrastructure Development Project) 
iii. Wage and Pension payroll 
iv. Management of government Land 
v. Performance of Uganda Road Fund

The above areas of focus were supplemented by undertaking specialized (engineering) audits, forensic investigations and IT Audits where appropriate to deepen the scope and enhance the quality of our products.
Our Value for Money or Performance audits were focused on topics relating to Sustainable Development Goals derived from the SORA process in consultation with stakeholders.

- Government preparedness in the implementation of Sustainable Development Goals
- Impact Evaluation of the PRIDE Project
- Regulation of Labour Externalization by Ministry of Gender Labour and Social Development
- Regulation and Supervision of Financial Institutions by Bank of Uganda
- Follow up on Solid Waste Management in Kampala City Council Authority
- Solid Waste Management in Municipal Councils
- Supervision and Monitoring of Government of Uganda Programs by OPM (Budget Performance)
PERFORMANCE OF OUR CORPORATE STRATEGY 2016-2021

OVERVIEW OF THE CORPORATE STRATEGY PERFORMANCE

Our Corporate strategy was formulated after consultations with our stakeholders and office performance assessments which provided a clear and objective basis for OAG's strategic direction.

In line with the principles of ISSAI 12, our 5 year Strategic plan has been developed to enhance our performance and demonstrate our relevance to the citizens under the strategic theme ‘Enhancing Public Accountability and Making a Difference’. The OAG strategic theme will be achieved through three strategic goals;

- **Goal One: Robust Reporting**
  Contributing to accountability, transparency, good corporate governance and value for money.

- **Goal Two: High Quality Audit**
  Targeting service delivery achieved through professional approaches and systems.

- **Goal Three: High Performance and model organisation**
  A model organisation with a culture that values people and systems leading to increased efficiency and effectiveness of performance, as well as leading by example.

The first year of implementation of our Corporate Strategy ended in June 2017 with good performance as indicated below:

<table>
<thead>
<tr>
<th>Goals</th>
<th>No. of Objectives</th>
<th>No. of Strategic Objectives</th>
<th>Completed</th>
<th>In-Progress</th>
<th>Not started</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robust Reporting</td>
<td>3</td>
<td>16</td>
<td>2</td>
<td>12</td>
<td>2</td>
</tr>
<tr>
<td>High Quality Audit</td>
<td>3</td>
<td>36</td>
<td>0</td>
<td>24</td>
<td>12</td>
</tr>
<tr>
<td>High Performance</td>
<td>5</td>
<td>92</td>
<td>3</td>
<td>61</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>144</strong></td>
<td><strong>5</strong></td>
<td><strong>97</strong></td>
<td><strong>42</strong></td>
<td></td>
</tr>
</tbody>
</table>
The Office started a process of refocussing its report to meet its stakeholders’ needs:
- Report writing guidelines were developed and approved.
- 24 trainers of trainers in report writing were trained.
- 303 staff trained in use of the guidelines with support from Strengthening Uganda’s Anti-Corruption Responses (SUGAR) project.
- One staff was trained in the integrated sustainable reporting standards in Pretoria, South Africa under AFROSAI-E.

OAG Quality Assurance and Audit Development spearheaded development of guidance and practical guidelines on implementation of the new ISSAIs and reporting on Key Audit Matters (KAM).

As part of the strategy towards producing robust reports; we continue to subject our reports to pre-issuance quality assurance using OAG Quality Assurance team and proof reading of audit reports using non-auditors to ensure production of user-friendly reports.

We continue to focus our audits across a range of cross-cutting themes and systematic issues. All financial audits done on Ministries, Departments, Agencies and Local Authorities were focussed on themes approved through the SORA process targeting areas where we can cause high impact and are relevant to the citizens. The SORA strategy highlighted 4 thematic areas and 14 focus areas, while the 10 Value For Money topic areas were derived from the Sustainable Development Goals.

In addition, we engaged stakeholders in determining audit themes under Value for Money Audits. Civil Society Organisations, Ministry of Water and Environment and NEMA were engaged in 2016 to determine the topic and scope of Environmental Audit.

In 2017, Ministry of Energy, National Oil Company, Tullow Uganda, Total Uganda, and Uganda Petroleum Authority were consulted in determining the scope and focus of environmental audit in Oil and gas sub-sector.

All these interventions and audit approaches have led to compliance with the audit standards while focusing on stakeholder needs; and have guided the office to audit what matters to society, hence contributing to improving citizens’ livelihood.
During the first year of our corporate strategy, the following reports were discussed by the oversight Committees supported by our Parliamentary Liaison Department.

In accordance with Article 153 and 154 of the Constitution, Parliament, through its Oversight Committees, performs the oversight function over public funds and requires the Executive to account for the public resources entrusted to them for the provision of goods and services.

During the first year of our corporate strategy, the following reports were discussed by the oversight Committees supported by our Parliamentary Liaison Department.

<table>
<thead>
<tr>
<th></th>
<th>FY 13/14</th>
<th>FY 14/15</th>
<th>FY 15/16</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audits</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Discussed</td>
<td>307</td>
<td>307</td>
<td>307</td>
</tr>
<tr>
<td>Tabled</td>
<td>0</td>
<td>134</td>
<td>100</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>307</td>
<td>327</td>
<td>150</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Districts and Municipalities</strong></th>
<th>FY 13/14</th>
<th>FY 14/15</th>
<th>FY 15/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussed</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Tabled</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Statutory Corporations</strong></th>
<th>FY 13/14</th>
<th>FY 14/15</th>
<th>FY 15/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussed</td>
<td>76</td>
<td>83</td>
<td>90</td>
</tr>
<tr>
<td>Tabled</td>
<td>11</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>87</td>
<td>94</td>
<td>90</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Ministries, Departments and Agencises</strong></th>
<th>FY 13/14</th>
<th>FY 14/15</th>
<th>FY 15/16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Discussed</td>
<td>105</td>
<td>82</td>
<td>88</td>
</tr>
<tr>
<td>Tabled</td>
<td>22</td>
<td>22</td>
<td>50</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>127</td>
<td>104</td>
<td>138</td>
</tr>
</tbody>
</table>
An analysis of the MDAs, Statutory Authorities and Local Government reports submitted to Parliament by the Auditor General, reports discussed by oversight committees and tabled to Parliament for the three financial years indicate significant improvements over the years.

**ESTABLISH RELATIONSHIP WITH OTHER PARLIAMENTARY COMMITTEES**

We continue to relate with the Parliamentary Budget Committee and the Sub-committee on Finance, Planning and Economic development of Parliament in relation to oversight and governance of the Office.

The 7-member sub-committee held three meetings during the year and the Budget committee discussed our Ministerial Policy Statement for the financial year 2017/18.

Additionally, we sensitised them together with Oversight Committees on the audit of key findings for the year 2016.

The Parliamentary Liaison office also held stakeholder engagements with the Parliamentary Committee on Natural Resources.
CONVEY INFORMATION AND AUDIT RESULTS EFFECTIVELY

EFFECTIVE DISSEMINATION OF AUDIT RESULTS

All audit reports for MDAs and Local Governments were disseminated to all statutory stakeholders and posted on the OAG website www.oag.go.ug for public access. This provides a wide opportunity to reach out to stakeholders at a minimum cost. We produced 1,500 copies of extracts of key findings and 1000 branded flash disks (memory sticks) with reports to stakeholders.

Our website users increased from 2,011 in 2015/16 to 11,276 in 2016/2017, an increase of 561%.

All the eight (8) VFM reports for the year ended 2016 were summarised into leaflets to ease their readability by the stakeholders. Nine (9) reports for Uganda Support to Municipal Infrastructure Development Program (USMID) were published during the year.

Eighty (80) media personnel in all regions of the country were trained on the office mandate, audit processes and matters to promote accurate reporting.

A screen-shot of the OAG Website (www.oag.go.ug)
ESTABLISH EFFICIENT AND EFFECTIVE APPROACHES AND PROCESSES THAT ENSURE HIGH QUALITY AUDITS

As part of our strategy for continuous improvements, our Regulatory Audit Manual 2013 was reviewed with emphasis on working papers on quality control questionnaires.

Our TeamMate software was also upgraded to the latest version R11.2 to enable real-time audit reviews and coaching by supervisors. This has led to improvements in the audit processes and quality of our audit work.

We have also developed and adopted mechanisms to track audit findings through the audit process. This is aimed at facilitating the tracking of audit recommendations through the audit process.

ENSURE QUALITY ASSURANCE

Our Quality Assurance team continues to innovate and initiate activities to ensure quality of our business processes.

During the period, we commenced the process of developing a quality control manual and guidelines for supervising the outsourced audits was started. When completed it will further enhance the quality control processes across the entire office operations.

PARTNER WITH EXTERNAL EXPERTS AND PEERS TO PROVIDE ADDITIONAL QUALITY ASSURANCE

We continue to partner with AFROSAI-E to conduct external quality assurance reviews on our processes across the office. In addition, the Swedish National Audit Office (SNAO) continues to support the Office in building capacity in quality assurance and quality control.

During the period;

i. One External quality Assurance review was conducted by AFROSAI-E,

ii. The Quality Assurance team benchmarked with SNAO on Quality Control and Quality Assurance in Sept 2016,

iii. The Quality Assurance team had a follow-up benchmarking visit to Sweden on quality control in June 2017.
As part of managing the expanding audit population and expectations from stakeholders, a Shared Overall Risk Assessment (SORA) Strategy is continuously being implemented to determine the scope and timing of audit in a more efficient manner.

Risk profiling is done in consultation with key stakeholders as indicated in our audit approach.

The office continues to build capacity in auditing specialised areas. These include;
- Public Private Partnerships (PPPs),
- Oil and Gas,
- Energy and Extractive Industries,
- Public works,
- Impact studies, Environment,
- Gender, among others.

Our Value for Money audits have been aligned to implementation of Sustainable Development Goals. During the period, ten staff were trained in impact assessment and a pilot impact assessment value for money study was undertaken in the Promotion of Rice Development (PRIDE) project. Furthermore, an assessment on Government Preparedness in implementation of SDGs was conducted in 2017.

We also continue to build capacity in audit of Oil and gas with financial support from the Government of Uganda through the Ministry of Energy and Mineral Development and; technical support from Norwegian National Audit Office.
MEASURING IMPACT OF AUDITS

In collaboration with GIZ project - Strengthen External Audit in Uganda, there are plans to establish mechanisms to measure the impact of OAG work.

A perception survey has also been commissioned to establish the stakeholder perception about the OAG.

The Inspectorate of Government has initiated 29 investigations and lined up a number of others arising from last year’s Auditor General’s report for the period ending December 2016.

CONDUCT AUDITS WITH HIGH IMPACT ON SERVICE DELIVERY

Through the SORA process and consultation with stakeholders we risk profiled our audits, which led to resources being focused on areas of high risk and where we can have more impact through our audit work. Our financial audits were planned and executed based on risk profiling results which identify thematic and focus areas targeting service delivery. In addition, we undertook infrastructure audits on 30 roads and bridges, 21 buildings and 3 Project Affected Persons (PAPs). Eight (8) Value for Money audits were undertaken in 2016 while ten (10) are being undertaken in 2017 as diagrammatically shown below;

IMPROVE THE FOLLOW-UP OF OAG WORK

We are developing a tool to track the impact of our audit work by measuring the rate at which audit recommendations have been adopted by Parliament as well as obtaining the feedback on those recommendations that may not be adopted. This will provide us with the opportunity to improve the quality of our work and at the same time track the impact of audit reports.

In addition, we are developing tracking mechanisms to track how the MDAs, Statutory Corporations and Local Governments are implementing audit recommendations.

We have collaborated with IG and Public Procurement and Disposal of Public Assets Authority (PPDA) on knowledge and information sharing. This has availed us with the opportunity to get information on how the Inspectorate uses our audit reports to investigate corruption.

The OAG also takes cognisance of the work done by PPDA in their work of auditing procurements.

In the same spirit, the Office signed a Memorandum of Understanding with Uganda Financial Intelligence Authority to share information on illicit financial flows.

Following the discussion of the audit reports by Oversight committees of Parliament, the first batch of Treasury Memoranda were received in April 2016 and its audit is on-going. The first audit report will be published in the 2018 audit year.
CORPORATE STRATEGY PERFORMANCE BY GOAL

GOAL THREE: HIGH PERFORMANCE

ENHANCE FINANCIAL AND OPERATIONAL INDEPENDENCE

REVIEW THE NAA, 2008

We have prioritised this activity by putting a committee in place to review the legislation holistically. Internal consultations and review processes are on-going. The proposed amendments with office approval will be ready by close of the 2017/18 financial year.

EXTERNAL AUDIT OF OAG

In accordance with Article 163(9) of the Constitution of the Republic of Uganda, 1995 as amended, Parliament appointed an External Auditor, Kisaka and Co. Certified Public Accountants to undertake the audit of the accounts of the Office of the Auditor General and the audit processes have commenced.

IMPROVE PLANNING, BUDGETING, FINANCIAL MANAGEMENT AND MONITORING

Outcome based budgeting was adopted as part of Government reforms and is being implemented by the OAG. This has led to creation of three program result areas namely: Financial Audit Services, Value for Money and Specialised audits and Support to audit services.

In addition, decentralized budgeting and reporting shall be implemented in the subsequent financial year.

Other financial systems to achieve efficiency and effectiveness have been specified as part of Management Information System (MIS) implementation project. The procurement of MIS has been initiated.

To effectively monitor organisational performance, the Office developed a policy for Monitoring and Evaluation as well as guidelines for collecting and analyzing data to facilitate decision making.

MANAGE, UPGRADE ACCOMMODATION, ASSETS AND OTHER INFRASTRUCTURE TO ENHANCE INDEPENDENCE AND EFFECTIVENESS OF OPERATIONS

The office has continued its efforts to attain operational independence and to ease audit work by constructing new offices in the critical and strategic areas of Hoima and Moroto to cover the Albertine graben and Karamoja areas respectively. The construction of these offices is scheduled to be completed by end of financial year 2017/18. In addition, the office secured funding from KFW for re-construction of Arua Branch office and the process is at design stage.

In management of fleet the office procured new vehicles to replace part of the old vehicles.

Over the years, the Estates management function has grown. It oversees facilities maintenance and renovation, while participating in the management of construction projects.

In an effort to improve on efficiency in managing the office's increasing infrastructure, a draft working guide has been developed.
BE AN INFLUENCING AND COLLABORATIVE ORGANISATION TO RAISE THE PROFILE OF THE OAG THROUGH STAKEHOLDER ENGAGEMENT

STRENGTHENING COLLABORATIONS WITH NATIONAL AGENCIES, INTERNATIONAL BODIES AND DEVELOPMENT PARTNERS

In line with strengthening the collaboration efforts with anti-corruption agencies, our office has signed Memoranda of understanding with:

a) The IG and PPDA on knowledge and information sharing and
b) Uganda Financial Intelligence Authority to share information on illicit financial flows.

The office is liaising with the Institute of Chartered Public Accountants of Uganda (ICPAU) in identifying possible areas of collaborations.

Our collaboration efforts as members of INTOSAI, AFROSAI and AFROSAI-E have continued to blossom. During the period, the Steering Committee of the Working Group on Audit of Extractive Industries (WGEI) extended the term of SAI-Uganda as the Chair of the working group.

IMPLEMENT AND MONITOR THE OAG STAKEHOLDER ENGAGEMENT STRATEGY AND PARLIAMENTARY LIAISON STRATEGIC PLAN

The Parliamentary Liaison team supports oversight committees regularly during the discussion of audit reports to guide them on audit matters. Plans are underway to institutionalise quarterly feedback meetings with oversight committees.

As part of our stakeholder’s engagement management strategy, a concept is being developed to establish regular meetings with Accounting Officers and Permanent Secretaries to discuss new audit developments, audit cross cutting issues and seek feedback.

A survey to establish how OAG is perceived by the Stakeholders has been outsourced to M/S Adroit Consults International with support from GIZ. The survey aims at establishing how the stakeholders perceive the OAG in areas of Office mandate, audit process and audit products, implementation and follow-up on the Auditor General’s report, communication with stakeholders and identify gaps and make recommendations for improvement.

IMPROVE COMMUNICATION OF AUDIT FINDINGS TO STAKEHOLDERS

We continue to communicate our audit findings to stakeholders through production and publication of individual audit reports, annual reports to Parliament, extracts of key findings as well as sharing the reports through soft copies. Majority of our audit reports for 2015/2016 were published on the OAG website accessible to the public.

As part of activities to submit our annual report to Parliament, a press briefing is always held to give highlights of the reports as well as to circulate the report to Media. The last one was held in January 2017 and we plan to make this a regular event whenever the audit reports are submitted to Parliament.

We engaged Civil Society Organisations; Uganda Parliamentary Watch, Transparency International, Uganda Debt network and Budget Advocacy during the year on different aspects related to audit reports as well as performance of the office.

As part of the commitment to improve our stakeholders’ engagement, three staff attended a one-week effective stakeholder engagement course in University of Pretoria, South Africa sponsored by GIZ.
DEMONSTRATE THE OAG’s CONTINUED COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY

A policy for Corporate Social responsibility was developed to guide our activities on conducting social responsibility activities.

During the first year of our Corporate Strategy, our people and the office participated in the various social responsibility activities namely;

i. Cancer run organised by Centenary Bank.
ii. 80 staff participated in the MTN marathon to improve toilet facilities in Kampala City Council Authority Public Schools.
iii. Donated 35 Units of blood to Uganda Blood bank by 150 staff and during the same exercise, 101 staff were tested for HIV (Human Immunodeficiency Virus).
iv. Deliveries of Sanitary towels were delivered to 5 primary schools in Central region, Western and South Western region.
ENSURE THE HIGHEST ETHICAL AND PROFESSIONAL STANDARDS IN ALL OF OUR WORK

We have integrated our ethical code of conduct into our activities. Our code of conduct was published on our website to ensure that the public holds us accountable. In addition, all auditors sign a code of ethics for every audit they undertake while members of the contracts, outsourcing and evaluation committees also sign a code of ethics.

We always encourage all our professional staff to adhere to their respective professional bodies’ code of conduct.

Joint Rules of integrity have also been developed by the Joint Committee composed of members from Inspectorate of Government, Public Procurement and Disposal of assets Authority and Office of the Auditor General. All these aim at strengthening our professional standards.

MANAGE AND ENABLE STAFF TO DELIVER

As part of the strategy to enable our people harness their potential, a Human resource strategy was developed and is being implemented. In addition, human resource plans on recruitment, staff development, succession, retirement are being developed.

In line with the objective and the principle of human resource motivation, the office revised the salary payment structure and created segments among permanent staff.
In addition, a consolidated allowance was introduced to enhance the welfare of staff as provided by the staff regulations.

MAINTAIN A HIGH QUALITY TRAINING PROGRAMME

An annual training plan was developed aligned and to the annual budget. A competence framework to match the job demands and competences for all professional staff was prepared pending approval by Top Management.
It is believed that this will go a long way in determining the nature and quality of training our staff require.

COMPLETE IMPLEMENTATION OF THE RESTRUCTURING PLAN

As part of the processes to strengthen our performance, the office, with support from GiZ project embarked on an exercise to conduct a comprehensive job evaluation to determine the job worthiness and equitable workload and this may lead to further restructuring of our operations.
IMPROVE STRUCTURES AND SYSTEMS TO ENSURE BETTER AND EFFICIENT PERFORMANCE

A communication strategy was put in place in line with the corporate strategy to facilitate smooth, co-ordinated internal and external communication.

In addition, the Office supported by GIZ, designed a Monitoring and Evaluation Policy and guidelines that will facilitate the gathering and processing of information for decision making.

As part of the initiatives to enhance internal communication, the OAG Intranet has been redeveloped with support from the Swedish National Audit Office and it is at final stage of design. This will strengthen internal communications alongside other solutions.

IMPLEMENT AN ENTERPRISE APPROACH TO INFORMATION TECHNOLOGY INFRASTRUCTURE AND COMMON ADMINISTRATIVE SYSTEMS THAT WILL FOSTER INNOVATION AND COLLABORATION

The office maintained Wide Area Network (WAN) services and other IT infrastructure that support our operations.

During the period the office received 36 laptops from FINMAP III, procured an APN solution (TeamMate modems) and installed 7 new printers with print management solution to manage central printing on a sustainable basis.

A web performance monitoring application (SLA) was acquired and procurement of Networking Equipment for Hoima and Moroto regional offices is on-going.

All these initiatives will have a positive impact on our operational efficiency.

ACHIEVE EXCELLENCE IN IT MANAGEMENT PRACTICES

We have adopted a project management approach in the implementation of a Management Information System as part of good IT management practices.

STRENGTHENING OAG INTERNAL CONTROLS

We continue to strengthen our internal control environment by designing and implementing policies and procedures to address areas for improvement.
OUR YEAR IN SUMMARY

912 Financial Audits
8 Value For Money/Performance Audits
13 Specialized Audits
23 Forensic Investigations and Special Audits
3 IT Audits
5 Regional Audits: AU, EAC, COMESA

AFROSAI-E Excellence Award - “Leading ISSAI implementing Supreme Audit Institution of the year 2017”

Support to Makerere University Visitation Commitee

Auditor General’s Report writing guidelines developed
550 Parliamentary Oversight Committee sessions supported
Wider Stakeholder engagement
Collaboration with IGG, CID, DPP, PPDA, FIA

Collaboration with SAI Norway, Sweden, USA and India
12 Staff and 21 Graduate Trainees recruited
Construction of Hoima, Moroto and Arua Regional Branch Offices
OAG Business Process Re-engineering completed. Procurement of a Management Information System is on-going.
OUTCOMES
FOR THE AUDIT YEAR

As part of our Corporate Strategy 2016-2021, the office plans to undertake activities to demonstrate value and deliver positive outcomes. The system to measure the impact through implementation of audit recommendations will be established in the 2018 audit year.

The Office developed a results framework to monitor annual performance against set objectives. This results framework was approved by the National Planning Authority (NPA) and is aligned to the Accountability Sector Strategic Investment Plan (ASSIP), National Development Plan II and derived from the Corporate Strategy 2016 – 2021.

OBJECTIVE ONE: TO CONDUCT INDEPENDENT, ROBUST AUDIT OF PUBLIC ACCOUNTS AND TREASURY MEMORANDA TO ENHANCE EQUITABLE SERVICE DELIVERY.

FINANCIAL AUDIT PERFORMANCE

During the audit year ending December 2017, the Office planned to conduct a total of 1,452 Financial Audits, 46 Forensic Investigations, 10 Value for Money Audits and 20 Specialised Audits. As at 31st December 2017, the Office completed a total of 912 Financial Audits, as shown in the table below.

<table>
<thead>
<tr>
<th>Audit Entities</th>
<th>Planned Audits</th>
<th>Completed Audits</th>
<th>Percentage (%)</th>
<th>Audits in Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MDAs</td>
<td>106</td>
<td>106</td>
<td>100%</td>
<td>0</td>
</tr>
<tr>
<td>Statutory Authorities</td>
<td>94</td>
<td>92</td>
<td>97.9%</td>
<td>2</td>
</tr>
<tr>
<td>Local Authorities</td>
<td>1,144</td>
<td>624</td>
<td>54.5%</td>
<td>520 *</td>
</tr>
<tr>
<td>Projects</td>
<td>104</td>
<td>90</td>
<td>86.5%</td>
<td>2 **</td>
</tr>
<tr>
<td>PSAs</td>
<td>4</td>
<td>0</td>
<td>0%</td>
<td>4 ***</td>
</tr>
<tr>
<td>Grand Total</td>
<td>1452</td>
<td>912</td>
<td></td>
<td>528</td>
</tr>
</tbody>
</table>

* Due to human resource limitations, the office schedules the audit of sub-counties in the third quarter of the financial year.

** At the time of audit planning, we included projects that were closing, hence the difference between the planned and actual performance.

*** The 4 PSA Audits remained in progress due to procedural delays between the Ministry of Energy and the oil companies, in spite of production of Management letters (draft audit reports). These shall be concluded and submitted after resolving the technicalities.
FINANCIAL AUDIT SERVICES

The financial audits are conducted annually and cover all Ministries, Departments and Agencies, Statutory Authorities, Projects, as well as all Local Governments including Districts, Urban Councils and Sub-counties.

They are sometimes referred to as Regularity Audits whose overall objectives are:

i. To obtain reasonable assurance whether the financial statements as a whole are free from material misstatements due to fraud or error, thereby enabling the Auditor General to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with applicable financial reporting framework,

ii. To report on the financial statements, and communicate as required by the International Standards of Auditing in accordance with the auditor’s findings and

iii. To communicate to the users, management, those charged with governance, or parties outside the entity in relation to matters arising from the audit as required by the standard or by legislation.

OBJECTIVE TWO: TO CONDUCT VALUE FOR MONEY, FORENSIC INVESTIGATIONS AND SPECIALIZED AUDITS ON THE UTILISATION OF PUBLIC RESOURCES.

SPECIAL AUDITS, FORENSIC INVESTIGATIONS AND IT AUDIT SERVICES

REGIONAL AUDITS

The Office chairs the African Union (AU) Board of External Auditors; is a member of the Audit board of the East African Community (EAC) and its organs; as well as being a member to the Audit Board of the Common Market for Eastern and Southern Africa (COMESA).

The Office participated in 5 audits under the EAC, African Union and COMESA.
FORENSIC INVESTIGATIONS

Our forensic audit investigations cover financial fraud and Information Technology systems. These interventions are more directly related to the fight against corruption.

The Office supports other Government investigative and prosecution institutions, such as: IG, Directorate of Public Prosecution and Criminal Investigation Department in investigations as well as appearing in court as witnesses.

During the reporting period, we received cases for investigation as summarized below:

Categorisation of cases received
The chart below shows the categorization of cases received by source.

The graph below shows a trend of cases received per category from 2015 to 2017.

Decline in payroll forensic investigations
There were no investigations on payroll management because of the results of the payroll investigations conducted last year.

These investigations were based on red flags identified by the financial audits however; the results indicated that the risks identified were not as high as anticipated.

In the audit year, we conducted 29 forensic investigations and special audits as per the table below;

<table>
<thead>
<tr>
<th>Audit Description</th>
<th>Planned</th>
<th>Actual</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forensic investigations</td>
<td>40</td>
<td>23</td>
<td>Unanticipated special audit requests</td>
</tr>
<tr>
<td>IT audits</td>
<td>4</td>
<td>3</td>
<td>1 audit is on-going</td>
</tr>
<tr>
<td>Total</td>
<td>44</td>
<td>26</td>
<td></td>
</tr>
</tbody>
</table>
SPECIAL AUDIT SUPPORT DURING FINANCIAL AUDITS

In addition, the office undertook special audits on Domestic arrears for 38 entities across government and new projects in Makerere University through our Directorate of Forensic Investigations and IT Audits.

The Directorate of Forensic Investigations and IT Audits (FIIT) was established 4 years ago and has not acquired all relevant skills to undertake the sophisticated investigations. As a result of capacity gaps and resource constraints, we do not undertake investigations on all cases reported. However, we profile the cases and investigate those with a high impact which require fewer resources.

VALUE FOR MONEY AUDITS

During the year, the Office planned to undertake 10 VFM audits and of those, 8 audits were carried out, due to resource constraints.

In addition to one study which started in 2016 on Bank of Uganda, 2 studies (Rural Electrification Agency and Government readiness to implement SDGs which is a collaborative audit with INTOSAI IDI) are still on-going. These audits shall be completed and reported on in 2018.

SPECIALIZED AUDITS

These types of audits are majorly on engineering works including roads and buildings. The objectives of the audits are to confirm whether the construction has been made in accordance to specifications, designs and quality.

The audits were conducted in the Health sector, Uganda National Roads Authority (UNRA), Kampala Capital City Authority, Uganda Revenue Authority, Ministry of Works and Transport and Compensation of Project Affected Persons.

Of the specialized audits planned for 20 projects, 13 were completed, while three (3) remain in progress. The work in progress relates to the audit of 2 road projects in UNRA and 1 project for the renovation of Mulago Hospital. These reports shall be issued in 2018.
OBJECTIVE THREE: TO ENHANCE ORGANISATIONAL EFFICIENCY AND PROMOTE INCLUSIVE, SUSTAINABLE ORGANISATIONAL PERFORMANCE

I. INTERNAL CONTROL ASSURANCE AND RISK MANAGEMENT

The Office has an internal audit function which conducts and provides assurance on internal controls and co-ordinates the Enterprise Risk management. The function produced 3 special investigations and 4 quarterly reports.

ii. QUALITY CONTROL AND ASSURANCE

- To comply with the new ISSAIs on report production, the office developed and implemented new Report writing guidelines. These have been adopted for the first time in 2017.

- Our level of compliance with International Standards for Supreme Audit Institutions (ISSAIs) has improved from 54% in 2016 to 61.1% in 2017 on average as assessed by our internal quality assurance function.

- We were also quality assured on our operations by an external team from AFROSAI-E. This led to recognition of our office as the best ISSAI implementing SAI in AFROSAI-E region for 2017.

The Assistant Auditor General-Corporate (4th from the left) receiving an award for the best SAI in implementing ISSAIs in 2017 from the Manager Quality Assurance and Audit Development Department in presence of senior staff.
iii. **STATUTORY REPORTING REQUIREMENTS**

We complied with statutory reporting requirements through timely production of external reports namely; Ministerial Policy statement, Budget framework paper, periodic financial statement, 4 quarterly internal audit reports, budget performance progress reports, monthly Procurement and Disposal reports, annual financial statements, etc.

iv. **CONSTRUCTION OF OUR NEW REGIONAL BRANCH OFFICES**

With support from KfW through FINMAP III, the office is undertaking construction of 3 new regional branch offices; Arua is at design stage, while Hoima and Moroto office constructions are in progress as shown below. These will be completed and operationalized in 2018.
v. INTERNAL AND EXTERNAL COMMUNICATION

Intranet
In order to improve internal communication and knowledge management, we have developed an intranet platform which will be commissioned early 2018.

Stakeholder engagements
We continue to engage our stakeholders and participate in activities organised by stakeholders. During the year, we organised and participated in Anti-Corruption commemoration week activities, Uganda Revenue Authority and World Bank Exhibitions among others.

vi. RESULTS FROM OUR COLLABORATIVE EFFORTS

Over the last three years, the Inspectorate of Government investigated 29 corruption cases arising from financial years 2013/14 to 2015/16 and 111 were referred to other investigation and prosecution institutions for further management.

vii. RECOMMENDED ACTIONS ARISING FROM LOCAL GOVERNMENT PUBLIC ACCOUNTS COMMITTEE OF PARLIAMENT

The Public accounts committee of Parliament on Local Governments completed discussion of the Auditor General’s report for the financial year 2014/15. The report was adopted and by Parliament and sent to executive for action.

Analysis of the report indicated that;

- They issued 734 punitive recommendations including, recovery of funds, investigations and blacklisting of Firms or individuals involved.
- Upheld 27 Auditor General Recommendations
- Dropped 47 recommendations

LG PAC recommended recoveries
The committee made recommendations to recover funds from employees, Accounting Officers, suppliers and contractors to the tune of UGX. 3.64 Bn.

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**Chart showing a number actions taken on Auditor General’s report on Local Government**

- Investigated and administrative actions: 21%
- Adopted: 91%
- Drope: 6%
- Punitive recommendations: 3%
OUR INTERNATIONAL WORK FOR THE AUDIT YEAR

OUR INTOSAI AND ITS AFFILIATED ORGANISATIONS

MEMBERSHIP

We are a member of the International Organisation of Supreme Audit Institutions (INTOSAI) which has 194 members and 5 Associate Members.

INTOSAI provides an institutionalised framework for supreme audit institutions to promote development and transfer of knowledge, improve government auditing worldwide and enhances professional capacities, standing and influence of member SAIs in their respective countries.

The exchange of experience among INTOSAI members and insights which result, are a guarantee that government auditing continuously improves.

The OAG is also a member of the following INTOSAI affiliated organisations; AFROSAI, AFROSAI-E, WGEI and WGEA.

INTOSAI-GOVERNING BOARD

The 70th governing board meeting was held in Graz between 6th and 7th November, 2017. The Assistant Auditor General Audit, Mrs. Keto Nyapendi Kayemba represented SAI Uganda and Chair of WGEI.
OUR ROLE IN THE INTOSAI WORKING GROUP ON EXTRACTIVE INDUSTRIES (WGEI)

SAI Uganda chairs the Working Group on the audit of Extractive Industries (WGEI) since its establishment in 2013 under INTOSAI Goal 3: Knowledge Sharing. Our responsibility was recently extended to 2022 by the Steering Committee of the Working Group.

The Working group has 45 members and 2 observers from all five INTOSAI regions. The Chair SAI- Uganda is supported by a steering committee comprising of four SAI’s (Norway, South Africa, Iraq and USA) to deliver the WGEI Mandate.

The SAi also hosts the Secretariat whose main responsibility is to support the chair in implementation of working group activities. The following were achieved;

i. The working group organised a steering committee meeting which was hosted by United States Government Accountability Office (GAO) in Washington D.C. from 25th- 28th September, 2017 at the request of the chair.

ii. In collaboration with the INTOSAI Working Group on the audit of Extractive Industries (WGEI), Community of Practice and AFROSAI – E organized an extractive industries training workshop that took place in Kampala Uganda from 11th -15th September 2017, focusing on knowledge sharing and experiences in enhancing the audit of extractive industries risks and mitigations.

The training attracted participants from ten countries. Out of 11 facilitators, 7 were from OAG.
iii. The WGEI community of practice facilitated and participated in the extractive industries knowledge sharing and benchmarking workshop in Lusaka from 16th - 20th October 2017. The two SAIs shared knowledge and experiences regarding illicit financial flows in the petroleum sector, discussed the different fiscal regimes employed in the extractive industries, analysed the legal frameworks employed in the two countries.

iv. In partnership with AFROSAI-E, other training workshops in extractive industries were held with participants from South Africa, Sierra Leone, Zambia, Uganda, Botswana, Namibia, Norway, Kenya, Vietnam, Saudi Arabia, Iraq, Sudan, Ghana, Tanzania and Other non-SAI organizations, namely; GIZ, and African Tax Administration Forum (ATAF).
INTOSAI WORKING GROUP ON ENVIRONMENTAL AUDIT (WGEA)

The international effort to ensure the world's environment remains sustainable and has been embraced by INTOSAI through its working group, the INTOSAI Working Group on Environmental Auditing (WGEA). OAG is a member of this group, which aims to improve the use of the audit mandate and audit instruments in the field of environmental protection policies, by both members of the Working Group and non-member Supreme Audit Institutions (SAIs).

The Working Group focuses encourage joint auditing by SAIs across borders on environmental issues and policies in line with international environmental accords. SAI Uganda did not attend any forum arranged by WGEA during the period of reporting, but undertook related VFM studies in the Management of Project Affected Persons in the Petroleum Sector and; on Solid Waste Management in Kampala City Council Authority.

AFROSAI AND AFROSAI-E

Our staff from the Human Resource Department who is accredited by AFROSAI-E, as a regional facilitator of Human Resource Capacity building initiatives, continued to provide facilitation services.

During the year, 8 staff participated in workshops organised by AFROSAI-E in the following areas; performance audit, quantitative data analysis audit of extractive industries, quality assurance reviews, technical updates, human resource management and development, communications, e-fiscal Governance, IT and development of training materials, Integrated Performance reporting, environment audit development workshop (AFROSAI-E WGEA) and other technical development workshops and meetings.

As required by AFROSAI-E, in order to monitor the progress of compliance with international standards, the office conducted an annual ICBF self-assessment for the year 2016 and the 2017 assessment has been scheduled.

OAG is participating in an AFROSAI regional co-operative audit on illicit Financial Flows together with 12 other SAIs (7 Anglo-phone and 5 Franco-phone). We hosted a one week workshop for all the participants to review the audit results. The workshop was opened by the Auditor General Uganda and his Kenyan counterpart.
UNITED NATIONS CONVENTION AGAINST CORRUPTION (UNCAC)

Uganda as a state party to the United Nations Convention against Corruption (UNCAC) participates in the adopted peer review mechanism for review of implementation of the convention by state parties. As a State Party, Uganda’s commitment to full implementation of the Convention is evidenced by its participation in the convention activities, among others.

In support of these efforts, the Office of Auditor General has contributed a staff to the seven member team of Uganda Government experts to represent the Republic of Uganda in the review of the state of Burkina Faso. Other Agencies represented on the Uganda team are Inspectorate of Government, Financial Intelligence Authority, Ministry of Justice and Constitutional Affairs, Directorate of Public Prosecution, Uganda Court of Judicature and Office of the President.

SECONDMENT OF STAFF TO SUPPORT INTERNATIONAL RESPONSIBILITIES

These secondments present an opportunity for staff and the office in form of on-job training and international exposure.

This is also recognition, on the part of International community, of SAI Uganda’s improvements and willingness to share our experiences.

In this regard, one staff of OAG is in South Africa supporting AFROSAI-E in the area of Performance audits while another staff through the Ministry of Public Service (Inter Government Authority on Development intervention), to support the National Audit Chamber of the Republic of South Sudan ended in October 2017.

HOSTING INTERNATIONAL DELEGATIONS

SAI Uganda is part of the International SAI Community and greatly participates and benefits from knowledge sharing with other SAIs. We have grown capacity in undertaking different types of audit including extractive industries.

This has created demand from other SAIs to benchmark with us in different areas. This is done either through participation in International meetings, workshops, seminars, conventions or study visits.

OAG has demonstrated progress in institutional capacity development to undertake public sector audits and has become a center for knowledge sharing in the region.

During the period under review, we hosted delegations from Parliament of Zimbabwe.
COLLABORATIONS WITH OTHER SAI

SAI NORWAY

Riksrevisjonen
Office of the Auditor General of Norway

The office is in the third year of implementation of the second Memorandum of Understanding (MoU) with SAI-Norway ending 2018. SAI-Norway continued to support audit of extractive industries and environmental audit.

During the reporting period, the office and SAI Norway collaborated in training of staff in the audit of Transfer pricing in extractive industries in the Energy sector and reviewed the audit plans in Value for money studies in Management of Project Affected Persons in the Petroleum Sector and follow up study on Solid Waste Management in Kampala City Council Authority.

SAI SWEDEN

The office Memorandum of Understanding with the Swedish National Audit Office (SNAO) in support of the Communication Unit, Quality assurance department, Records Management, Value for Money Audit (VFM) and Specialised audits.

The existing MoU ends 31st December 2020.

During the reporting period, SNAO supported:
- Intranet training and capacity building
- Training of media practitioners around 9 regional offices
- Development of quality control guide

SAI USA

The office has a running annual fellowship arrangement with the SAI of United States of America (USA) for a four month-attachment to the United States Government Accountability Office (GAO).

To date, 11 staff have benefited from this arrangement.

SAI INDIA

For many years we have been sending our staff to the International Centre for Information Systems Audit (ICISA), the centre of excellence established by the Controller and Audit of public auditing.

Our staff participation in ICISA programs has greatly improved our capacity to audit in the Public Sector.
MEMBERSHIP ON INTERNATIONAL AUDIT BOARDS

SAI Uganda is a member of three Audit Boards where we continue to participate in the audit of accounts at regional levels;

AFRICAN UNION BOARD OF EXTERNAL AUDITORS

SAI Uganda together with a team of five SAIs; South Africa, Algeria, Equatorial Guinea and Cape Verde, undertook the audit of all African Union activities and projects.

SAI Uganda chaired and coordinated the audit of African Union projects for year ended December 2016.

EAST AFRICAN COMMUNITY BOARD OF EXTERNAL AUDITORS

SAI Uganda continues to be a member on the audit commission of East African Community (EAC), together with SAI Kenya, Tanzania, Rwanda, South Sudan and Burundi which audit all East African Community activities and projects in accordance with EAC treaty.

COMESA BOARD OF EXTERNAL AUDITORS

SAI Uganda is a member of the Common Market for Eastern and Southern Africa (COMESA) Board of Auditors which is comprised of 20 SAIs.

We participated in the Special audit of the COMESA reserve account for the years 2008 to 2016. The audit of the financial statements for 2017 will commence early 2018.
OUR PEOPLE

We value and recognise the significance of our people as our most important asset. An important aspect of our strategy is to attract and retain the high quality staff, who we rely on to deliver our operating objectives.

The section below represents general developments in our staff structure, composition, distribution, welfare, capacity and performance management.

OAG STAFF STRUCTURE

The office has a staff establishment of 527 of which 463 positions are filled reflecting 87.9% operational capacity compared to 457 positions that were filled at the time of last year’s reporting which reflected 86.7% operational capacity. 34 of our staff are on 5-year contracts while 428 are permanent staff.
GRADUATE TRAINEE AND INTERNSHIP PROGRAMME

During the period, as part of OAG’s efforts towards increasing the capacity to undertake the audit mandate, the Office initiated and approved a graduate trainee programme for university graduates, to skill them in audit and leadership practices. 21 (12 female, 9 male) were recruited as graduate trainees and attached to different directorates/departments.

In addition, we offered 38 university students (24 female, 14 male) internship positions within the Office as part of the regular internship programme.

<table>
<thead>
<tr>
<th>Gender</th>
<th>Graduate Trainees</th>
<th>Interns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>Female</td>
<td>12</td>
<td>14</td>
</tr>
</tbody>
</table>

OUR PERFORMANCE MANAGEMENT

The core commitment by our staff is to lead by example in making the OAG a model organisation and rewarding place to work.

In supporting the career development and progress of staff, the OAG is dedicated to improving the quality of performance management, assessment and appraisal.

An assessment for the period from January to December 2016 is summarized in the chart below:

Interventions have been designed in line with the Corporate strategy to close staff performance gaps and remove any impediments encountered during the course of their work. A reward and sanction system has been proposed.

OUR PEOPLE-ORIENTED POLICIES

We developed a Human Resource Management and Development strategy to enhance skills development and performance of the Office.

RECRUITMENT AND PROMOTIONS

In line with the OAG Human Resource Manual 2013, we promote and recruit staff through a transparent, fair and competitive process.

During the year, 13 staff were promoted, 12 new staff were recruited and 21 graduate trainees were taken on.
STAFF WELFARE

The office is unwavering in its commitment to maintain and improve the wellbeing of its people. We have established programmes to promote a culture of healthy living through regular aerobics exercises which are conducted twice a week and team building activities organised by the directorates.

In addition, we have run a successful inter-directorate football league for 2 years. This year’s champions were the directorate of Central Government One as in the picture below.

All the above and many other initiatives are aimed at improving team work, productivity and vitality of staff. In line with the National Audit Act, 2008 and our staff regulations, we continue to provide medical insurance.

To comply with the Workers’ Compensation Act 2000, the office procured a group life insurance package for all staff.

JOB EVALUATION

We are undertaking Job evaluation to assess equitability of workloads between staff. During the year, a concept paper and terms of reference were produced.

STAFF EXITS

Four of our people left the organisation for various reasons including one case of disciplinary action due to unethical behaviour.

In addition, we tragically lost one of our own, Mr. Casiano Okecha, former Senior Principal Auditor heading the Parliamentary Liaison Department. We take this opportunity to recognise his distinguished and dedicated service. May God Rest his Soul in Eternal Peace.
STAFF TRAINING AND DEVELOPMENT

Our people are the most valuable resource and investment in their professional development generates a high return. We continue to prioritise staff capacity building because of the changing environment which requires new knowledge and skills, techniques and technology if we are to remain a relevant and value-adding office in our country’s development efforts.

In line with the National and Accountability Sector priorities on human capital development, we supported staff to undertake 485 trainings in general and specialised areas through support from GOU, FINMAP III and GIZ both locally and abroad.

The chart below shows the number of staff trainings undertaken in three broad categories;

CONTINUOUS PROFESSIONAL DEVELOPMENT

As part of enhancing professionalism in the office, we encourage and support staff to undertake professional development. Some of these professional development programmes (CPDs) are part of staff professional requirements.

In line with our mandate to audit and report on the accounts of all public offices, financial audits (regularity audits) constitute the biggest proportion of our deliverables. Therefore the share of financial audit trainings is a reflection of our commitment to fulfilling the mandate of the office.

During the year, International Standards for Supreme Audit Institutions (ISSAIs) on reporting were revised and consequently, the office developed new report writing guidelines. To effectively implement these guidelines, the majority of staff (303) were trained.

As part of Government Public Financial Management reforms, an E-cash payment platform was introduced and in this regard, 102 staff were trained on this system.

In an effort undertake our audits in a more efficient manner, we have reduced reliance on expensive data analysis applications and adopted the use of Microsoft Excel. As a result, 11 staff were trained as champions to support the audit teams in data analysis.

It is worth noting that Value for Money audits, Forensic investigations and IT Audits are emerging areas of our audit operations and constituted 2% of our trainings undertaken. These capacity building initiatives are specialized and costly. However, we have a deliberate programme to ensure that we create a critical mass of staff skilled in these areas.
PROFESSIONAL EDUCATION

Our staff have been encouraged to undertake professional courses and improve their knowledge in accounting, auditing and financial management. Progressively, 36% of our technical staff have attained professional qualifications in ACCA, CPAU, CISA, CFA, CIPS, and CFE. This would not be possible without staff commitment, support from development partners through FINMAP and GoU.

Professional Education

We aspire to be build a critical number in various professional disciplines to counter an evolving financial environment.

<table>
<thead>
<tr>
<th>Audit Year</th>
<th>Number at the beginning of the year</th>
<th>Number at end of year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>102</td>
<td>106</td>
</tr>
<tr>
<td>2014</td>
<td>106</td>
<td>116</td>
</tr>
<tr>
<td>2015</td>
<td>116</td>
<td>121</td>
</tr>
<tr>
<td>2016</td>
<td>121</td>
<td>134</td>
</tr>
<tr>
<td>2017</td>
<td>134</td>
<td>138</td>
</tr>
</tbody>
</table>

ACADEMIC UNDERTAKINGS

Our minimum entry requirement is a degree for technical positions in the entire office. Therefore our staff are generally highly qualified in varying disciplines from different universities. Over the years, our numbers have grown and have upgraded to post graduate qualifications. The composition of our technical staff qualifications is presented in the chart below:

The office supports staff to undertake graduate and post graduate courses in strategic areas relating to our audit work. Seven (7) staff are pursuing Bachelors and Master’s degree programmes under GoU funding.

Through Irish Aid and Ministry of Energy, three (3) staff are being sponsored for Masters Degrees in Oil and Gas-related programmes.
HOW WE USED OUR RESOURCES FOR THE FINANCIAL YEAR ENDING JUNE 2017

GOVERNMENT OF UGANDA FUNDING

In accordance with Sections 28 and 29 of the National Audit Act, 2008, the office of the Auditor General is funded by Government of Uganda through appropriations made by Parliament, grants and donations.

In the FY 2016/17, the Office of the Auditor General required a total budget of UGX 81.07Bn including taxes, but was allocated UGX 51.491Bn including taxes. This comprised of UGX 19.575Bn for wage, UGX 27.091Bn non-wage and UGX 4.826Bn development including taxes. The budget was thereafter revised to UGX 59.092Bn taking into account a supplementary budget of UGX 7.6Bn for settlement of court awards.

Of this budget UGX 59.091Bn representing 99.97% of the total budget was released by 30th June 2017. This comprises wage of UGX 19.575Bn; Non-wage of UGX 34.516Bn, including a supplementary budget of UGX 0.305Bn for pension arrears and development budget allocation of UGX 4.826Bn including taxes.

FY 2016/17 was the first year of implementation of the Programme–Based budgeting (PBB) reform, which aims at focusing resources to programmes linked to national priorities and outcomes.

To comply with this reform, the office developed a new budgeting structure consisting of 3 Programmes namely:

- Financial Audits
- Value for Money Audits
- Support to Audit Services

<table>
<thead>
<tr>
<th>Programme</th>
<th>Sub Programme</th>
<th>Budgetary Allocation (In Billions of UGX)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Audits</td>
<td>Central Government One</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>Central Government Two</td>
<td>5.4</td>
</tr>
<tr>
<td></td>
<td>Local Authorities</td>
<td>13.3</td>
</tr>
<tr>
<td>Value for Money and Specialized Audits</td>
<td>Value for Money audits</td>
<td>4.9</td>
</tr>
<tr>
<td></td>
<td>Forensic and IT Audits</td>
<td>4.1</td>
</tr>
<tr>
<td>Support to Audit Services</td>
<td>Corporate Services</td>
<td>21.7</td>
</tr>
<tr>
<td></td>
<td>Support to Office of the Auditor</td>
<td>4.8</td>
</tr>
</tbody>
</table>

The GOU Capital Development Fund supported with Donor funds were used to finance our development initiatives whereas the non-wage was used to finance audits.
FINANCIAL AUDITS

Under this output, for the FY 2016/17, the Office planned to carry out and report on a total of 2,203 financial audits covering the following entities; 96 MDAs, 100 Statutory Bodies, 147 projects, 51 forensic investigations and special audits and 1,809 Local Authorities.

By 30th June 2017, the office had undertaken a total of 2,097 financial audits (96 MDAs, 1666 Higher and Lower Local governments, 138 Projects, 4 PSAs, 97 Statutory Bodies, 89 Special Investigations, 4 regional audits and 3 IT system audits).

VALUE FOR MONEY AUDITS

In the FY 2016/17, the office planned to carry out a total of 14 audits which include 11 VFM audits, 3 specialised audits. By 30th June 2017, the office had undertaken 8 VFM Audits and 3 specialized audits.

<table>
<thead>
<tr>
<th>Vote function output</th>
<th>Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Audits</td>
<td>96 MDAs audited, 97 Statutory Authorities audited 138 Projects</td>
</tr>
<tr>
<td>Value for Money Audits and Specialized Audits</td>
<td>8 Value for Money Audits 3 Specialized Audits</td>
</tr>
<tr>
<td>Forensic Investigations and IT Audits</td>
<td>89 Forensic Investigations 4 Regional Audits 3 IT Audits</td>
</tr>
<tr>
<td>Support to Office of the Auditor General Project</td>
<td>13 Vehicles procured 6 Non-residential buildings maintained/ renovated</td>
</tr>
</tbody>
</table>

To achieve these outputs total expenditure incurred amounted to UGX 58,998bn (99.82% of total release) by 30th June 2017.
The Office continues to benefit from the Government of Uganda's four-year (2014/15 – 2017/18) public financial management reform strategy under FINMAP. It has continued to support capacity development initiatives and enhancement of the operational independence of the Office.

Under project the office was allocated UGX.13.231Bn (United States Dollar 3.619Mn) for the financial year 2016/17.

**FINANCIAL MANAGEMENT AND ACCOUNTABILITY PROGRAMME (FINMAP)**

The Office continues to benefit from the Government of Uganda's four-year (2014/15 – 2017/18) public financial management reform strategy under FINMAP. It has continued to support capacity development initiatives and enhancement of the operational independence of the Office.

Under project the office was allocated UGX.13.231Bn (United States Dollar 3.619Mn) for the financial year 2016/17.

**IRISH AID**

The office utilised the balance of UGX. 0.903Bn from Irish Aid on training of 200 staff in various professional courses including use of forensic tools, Module 3 and Advanced Value for Money, Oracle financials boot camp, Regulatory Audit and TeamMate Champion. The project was closed by December 2016.

**GIZ**

The Office continues to receive technical support from the German cooperation (GIZ) whose overall goal is to Promote Accountability and Transparency (PoAT) in Uganda. The PoAT project ended in March 2017 and a project component of Strengthening External Audit (SEA) under Governance and Civil Society support project has commenced. This project component will also end in March 2019.
OUR KEY STRATEGIC OBJECTIVES AND ACTIVITIES FOR THE FINANCIAL YEAR ENDING JUNE 2018

OUR STRATEGIC DIRECTION

Our Corporate Strategy 2016-21 is aligned to the National Development Plan (NDP) II and the National budget strategy which is focused on attaining a lower middle income status by 2020, through strengthening the country’s competitiveness for sustainable wealth creation, employment and inclusive growth.

The government priorities for the FY 2017/18 which will inform the audit strategy in 2018 include:

a) Enhanced Production and Productivity (Agricultural production and productivity, and Promotion of Tourism),
b) Development and Maintenance of Strategic Infrastructure (Transport Sector, Electricity Infrastructure, Oil, Gas and Mineral Development and ICT Infrastructure),
c) Human Capital and Skills Development (Education and Skills development, Health, Water, Sanitation and Environment),
d) Improving Good Governance (Law and Order, Improving Government effectiveness in Service Delivery),
e) Domestic Arrears

The audit strategy will be designed to cover the government priorities stated above, but will also address the following:

i. Cross-cutting thematic audit issues that target addressing systemic issues
ii. Ensure high quality, professional, risk-based and real-time audits
iii. Manage the expanding range and emerging scope of audit work by establishing a compressive audit scope database for all audits.
iv. Develop a strategy to clear audit backlogs in Lower Local Governments, PSA’s in Oil and Gas and Treasury Memoranda.
v. The UN 2030 Agenda for Sustainable Development (SDGs) was jointly committed to by UN member states including Uganda in September 2015 and will run from 2016-2030.

The broad scope of SDGs means that many challenges they address fall within the scope of the SAIs work in financial, compliance and performance audits.

As an audit office, we shall therefore play a contributing role in supporting Uganda’s preparation for the SDGs. It is therefore important to continue with the approach in identifying those areas linked to implementation of SDGs that will provide high impacts, through an analytical, consultative approach.

The directorates conducting financial audits will review their risk profiling procedures to identify themes and Key audit Matters using a consultative approach to enhance the SORA processes without compromising the independence of audit.

The office will identify and implement real-time audits and undertake capacity building in such audits. This will create more impacts in saving public resources through corrective actions.

Over the years, we have been improving the quality of our reports and stakeholder feedback shows an appreciation of our efforts. The new report writing guidelines have been formulated and implemented to enhance the presentation and packaging of our reports.

However, it should be noted that, a quality report is determined by the quality of the audit processes.

Therefore the following interventions will be implemented:

i. Implementing the quality Control Manual and strengthening of the quality review process should be prioritised.
ii. Develop and implement Quality Assurance procedures and guidelines
iii. Strengthening quality assurance by increasing on the number of quality assurance reviews and prioritising follow up by the Quality Assurance Committee.
iv. Use of TeamMate audit software will be enhanced. We shall interact with outside users through attending annual conferences or online engagements to explore ways to optimise the use of Teammate. The office shall undertake studies on other software alternatives to explore cheaper and sustainable options.
ESTABLISHING A SUSTAINABLE AUDIT FOLLOW-UP MECHANISM

In line with the corporate strategy, development of systematic and sustainable mechanisms for follow-up of implementation of audit reports and recommendations is being addressed. In this regard, the following is being instituted;

i. Review of the Parliamentary Liaison terms of reference in consultation with the Clerk to Parliament’s Office, to effectively support the Parliament Oversight function.

ii. Establishing a relationship with other Parliamentary Committees to spur influence and impact of our work.

iii. Exploration of mechanisms to further enhance the positive corporate image of OAG.

iv. Development of a comprehensive database on audit recommendations and follow-up actions

v. Establishing impact tracking mechanisms to enable us demonstrate the relevance of our office in accordance with ISSAI-12 through auditing Treasury Memoranda, following up on implementation of recommendations and measuring the impact of our audits on service delivery.

vi. Improve management of staff so as to enable them deliver in an effective and ethical manner.

vii. Developing and implementing a functional system to monitor staff compliance with the OAG code of conduct and carry out an integrity survey to collect baseline information and track improvements in this regard.

viii. Developing and implementing a clear plan for continuous professional development and training for all staff.

ix. Formulate a framework to manage all technical professional staff including non-accounting staff.

x. Development and updating the OAG policy handbook in addition to training all staff on the policies.

xi. Improve structures and systems to ensure better and efficient performance by implementing the Management Information System (MIS) project in a phased manner using a proactive change management approach.

xii. Human Resource and Management Department and the Legal Unit will explore alternatives to rapidly respond to any allegations on staff misconduct and ensure proper actions are undertaken to enforce good ethical behaviours as part of our commitment to professionalism.
STRATEGIC RISKS

The major challenges being encountered in the office are discussed below:

i. MISMATCH IN REPORTING TIMELINES
Following the enactment of the Public Financial Management Act 2015, the Auditor General is required to report to Parliament on the accounts he has audited by 31st December every year (6 months after the end of the financial year).
This poses challenges of aligning our audit year and the financial year outcomes. The six-month audit period following the end of the financial year exerts pressure on our lean resources to produce audit reports in a timely manner.

ii. OPERATIONAL SUSTAINABILITY
The office has been able to construct Audit House and regional branch offices with the support of GoU and development partners, which has strengthened our physical and operational independence.
This has enabled us to take audit services closer to the public. However this has led to increase in funding requirements to meet the necessary operational and maintenance costs. This poses a risk due to the limited budgetary allocation.

iii. INTERNATIONAL OBLIGATIONS
In addition, the Office of the Auditor General was appointed to Chair the Working Group on Extractive Industries tasked to ensure that Governments manage Extractive Industries in the best interest of the public through formulation of guidelines and promotion of transparency, accountability and knowledge sharing among others.
However, due to inadequate funding, it has been unable to fully operationalize the secretariat.

iv. FOLLOW–UP ON IMPLEMENTATION OF RECOMMENDATIONS
The slow pace in the discussion of audit reports by Parliament and preparation of Treasury Memoranda have also hugely limited the impact of audit work since recommendations are not implemented by the auditees.

v. INCREASING AUDIT SCOPE
The expanding scope of audit coverage in addition to increasing demand for public works audit, special audits and forensic investigations has been difficult to cope with due to limited staff and budgetary allocations to execute requests.

vi. STAFF RETENTION
Retention of qualified and skilled staff especially the non-accountants has been difficult due to poor pay and limited opportunities for career growth. This has led to exit of highly skilled staff which has negative impact on delivery of audits particularly in specialized areas.

vii. EXCHANGE RATE VOLATILITY
The volatility of the exchange rate as evidenced in the past financial year in which the exchange rate depreciated, adversely affected planning, monetary allocations and expenditure. This is especially in the areas with expenditures in foreign currency denominated costs such as travel abroad, long and short term consultancies, capacity building and subscriptions.

viii. PROCUREMENT DELAYS IN DONOR-SUPPORTED PROJECTS
Complex procurement procedures associated with Donor funded projects have led to implementation delays for example with regards to construction of Hoima and Moroto regional offices and installation of the Management Information System.
OAG UNAUDITED
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2017
OAG ANNUAL PERFORMANCE REPORT

2017

Vision
To be an effective and efficient Supreme Audit Institution (SAI) in promoting effective public accountability.

Mission
To audit and report to Parliament and thereby make an effective contribution to improving public accountability and value for money spent.