



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF**  
**DIRECTORATE OF ETHICS & INTEGRITY**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**OFFICE OF THE AUDITOR GENERAL**  
**UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF  
DIRECTORATE OF ETHICS & INTEGRITY FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**REPORT ON THE FINANCIAL STATEMENTS**

**Opinion**

I have audited the financial statements of the Directorate of Ethics & Integrity for the year ended 30<sup>th</sup> June 2017. These financial statements comprise of the statement of financial position, the statement of financial performance, and cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of the Directorate of Ethics & Integrity for the year ended 30<sup>th</sup> June 2017 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015, and the Financial Reporting Guide, 2008.

**Basis of Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement's section of my report. I am independent of the Ministry in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

**Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined that there are no key audit matters to communicate in my report.

### **Emphasis of matter**

Without qualifying my opinion, I draw attention to the following matter.

- **Lack of Tenancy Agreement – UGX.280,802,254**

During the period under review, I noted that rent amounting to UGX.280,802,254 was paid to NSSF (land lord) in 4 instalments without a valid contract/MOU. Lack of a valid contract/MOU implies that the Directorate does not know the extent of its obligations, and whether the terms and conditions are being adhered to.

Management explained that the responsibility of getting the tenancy agreement is between Uganda Land Commission (ULC) and the Land Lord. The delay was due to the failure of ULC and the landlord to enter an agreement since September 2013 despite constant reminders by the Directorate. The Directorate is however in the advanced stage of getting the tenancy agreement. The payment to the landlord was based on the expired contract and on the same contract terms.

I advised management to enter into tenancy agreement with the Landlord to establish the extent of the parties' obligation.

### **Other Matter**

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

- **Implementation of non-planned activities – UGX.200,000,000**

Section 45 (3) of the Public Finance Management Act, 2015 states that " An Accounting Officer shall enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a financial year, submitted under section 13 (15)" of the said Act.

It was observed that UGX.200,000,000 was spent on St. Janan Luwum National Celebration Day during the period under review, however this activity had not been budgeted for.

There is a risk that other budgeted activities were not implemented because of lack of funds for the activity.

I advised management to continually engage the Permanent Secretary/Secretary to the Treasury, MoFPED to ensure that this activity is budgeted for given that the event is an annual celebration.

- **Failure to Implement Budget as approved by Parliament**

I observed that out of the budgeted revenue of UGX.5.630 billion, the entity received UGX.4.426 billion resulting into a shortfall of UGX.1.204 billion (20%). However, I noted that some of the planned outputs were not implemented as indicated in the table below. Service delivery is hampered and the appropriating authority's objectives are not met.

<b>Item Description</b>	<b>Planned Output/Quantity</b>	<b>Amount Budgeted (UGX) bn</b>	<b>Amount Released (UGX) bn</b>	<b>Unachieved Outputs</b>	<b>Management responses</b>
<b>145204</b> National anti-corruption strategies coordinated.	<ul style="list-style-type: none"> <li>• 4 Functional Inter Agency Forum working groups to be done</li> <li>• 40 stakeholders implementing National Anti-Corruption Strategy</li> </ul>	0.430	0.369	<ul style="list-style-type: none"> <li>• 1 Functional Inter Agency Forum working groups not done</li> <li>• 11 stakeholders implementing National Anti-Corruption Strategy not done</li> </ul>	Activities not done due to shortage of funds
<b>145202</b> Public education and awareness	<ul style="list-style-type: none"> <li>• 40 MDALGs in which National Ethical Value policy disseminated and sensitized</li> </ul>	1.174	0.827	<ul style="list-style-type: none"> <li>• 15 MDALGs in which National Ethical Value policy disseminated and sensitized were not done</li> </ul>	Activities not done due to shortage of funds

Management explained that some planned activities were not carried out due to budgetary cuts. The Directorate received 60% of the budget in financial year under review.

I advised management to continue liaising with the Ministry of Finance, Planning and Economic Development to ensure that the amounts appropriated are availed and used to implement planned activities.

- **Understaffing**

A review of the Directorate staff establishment revealed that out of 118 approved posts, only 49 posts (41%) were filled leaving 71 posts vacant. Most affected was the Division of Religious Affairs (policy and standards). Inadequate staff inhibits the entity from executing its mandate in the delivery of the services to the public.

I advised management to expedite recruitment of the required staff in order to achieve better performance.

## **Responsibilities of the Accounting Officer for the Financial Statements**

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of the Directorate of Ethics & Integrity.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act 2015, and the Financial Reporting Guide, 2008, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Directorate's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Directorate of Ethics & Integrity, and using the Financial Reporting Guide 2008 unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Directorate of Ethics & Integrity financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Directorate's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Directorate's ability to deliver its mandate. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Directorate of Ethics & Integrity to fail to deliver its mandate.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Accounting Officer, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga

**AUDITOR GENERAL**

KAMPALA

6<sup>th</sup> December, 2017

**FINANCIAL STATEMENTS**