

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

**ON THE FINANCIAL STATEMENTS OF NATIONAL COUNCIL OF SPORTS FOR
THE YEAR ENDED 30TH JUNE 2017**

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UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF NATIONAL COUNCIL OF SPORTS FOR THE PERIOD ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the financial statements of National Council of Sports for the period ending 30th June 2017. These financial statements comprise the Statement of Financial Position as at 30th June 2017, the Statement of comprehensive income, Statement of Changes in Equity and Statement of Cash Flows for the period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 6 to 22.

In my opinion, the financial statements present fairly, in all material respects, the financial position of National Council of Sports for the year ended 30th June 2017 and its financial performance and cash flows for the period then ended in accordance with the IFRS.”

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 Statements section of my report. I am independent of the Council 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, are of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to notes 1 and 14 of the financial statements;

- **Trade and Other Payables**

Review of the trade and other payables revealed an increase from UGX.378,688,145 in 2015/2016 to UGX.1,168,557,015 in 2016/2017 indicating an increment of 33%. Included in the payables were URA (PAYEE and WHT) UGX.194,555,538, Gratuity arrears UGX.353,104,871, outstanding VAT obligations UGX.130,308,235 and National Social Security Fund UGX.114,955,669 which attract fines and penalties. Accumulation of payables was attributed to Management's laxity in settlement of debts.

In response management stated that the Council was experiencing cash flow constraints due to inadequate Government releases and low collections of non-tax revenue, thereby resulting into failure to settle its obligations timely.

Management is advised to prioritise the settlement of statutory debts to avoid penalties. More innovative revenue generating strategies should be implemented to enhance cash flow. In addition, management should liaise with Ministry of Finance, Planning and Economic Development to enhance allocation of resources to enable the Council handle its obligations.

- **Revenue shortfalls**

Review of the statement of comprehensive income revealed that out of the revenue budget of UGX.5,639,356,200 , only 3,997,609,520 was realised resulting into a shortfall of UGX.1,641,746,680 (29%). Consequently, some of the planned activities such as; renovation and modification of hostel, procurement of two vehicles, repair of boxing rings and construction of outdoor stadiums were not undertaken.

Management attributed the shortfall to partial release of subventions and increased competition within the industry which has forced hire charges of the Council's assets to drop.

Management should strengthen its internally generated revenue collection procedures and strategies. Further, the Council should liaise with Ministry of Education and Sports and Ministry of Finance, Planning and Economic Development to ensure adequate release of funds.

Other Matter

In addition to the matters raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

Irregularities in Management of Bank Loans

National Council of Sports acquired a loan of UGX.500,000,000 on 7th October 2016 for payment of Staff gratuity arrears amounting to UGX.423,665,445. Review of the records however noted the following matters;

- A total of UGX.77, 000,000 for legal fees, processing charges and loan recovery of another loan was instantly recovered leaving only UGX.423,000,000 available for the requested purpose.
- Out of the remaining amount of UGX.423,000,000 which was transferred to NCS Stanbic Bank account number 9030006243826 Lugogo Branch, only UGX.200,000,000 was used for paying staff gratuity arrears while the balance of UGX.223,000,000 was comingled with other Council funds and used on operational expenditure. The loan proceeds were thus not used for the intended purpose.
- It was further noted that a total of 24,000,000 relating to PAYE was deducted from gratuity arrears paid but not remitted to the Uganda Revenue Authority.

Diversion of funds resulted into further accumulation of outstanding gratuity amounting to UGX.353,104,871 as at 30th June 2017.

In response management attributed the diversion to cash flow constraints resulting from budget cuts in the fourth quarter initiated by MoFPED.

I urged Management to always utilize loan funds for the intended purposes.

Responsibilities of the Accounting Officer for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards (IFRS) 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, Management is responsible for designing, implementing and maintaining internal control as a way of assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless Council's management either intend to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 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 judgement and maintain professional scepticism 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 my 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 Council's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Council's ability to continue as a going concern. 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 Council to cease to continue as a going concern.
- 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 Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them 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 Management, 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

14th December, 2017