

**OFFICE OF THE AUDITOR GENERAL**



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF NATIONAL CURRICULUM DEVELOPMENT**

**CENTRE 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 NATIONAL CURRICULUM DEVELOPMENT CENTRE FOR THE**  
**YEAR ENDED 30<sup>TH</sup> JUNE 2017**

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

**Opinion**

I have audited the accompanying Financial Statements of National Curriculum Development Centre, which comprise the Statement of Financial Performance, the Statement of Financial Position as at 30<sup>th</sup> June 2017, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 37.

In my opinion, the financial statements of the National Curriculum Development Centre 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.

**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 Centre 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 the matters described below as key audit matters to be communicated in my report;

- **Inadequate Controls Surrounding Management of Domestic Arrears**

Domestic arrears refer to the total value of unpaid bills for goods and services rendered to a government entity, including wages and pension that remain outstanding at the closure of a financial year. There has been persistent accumulation of domestic arrears to unmanageable levels which has led to settlement of arrears that are not authorized, unbudgeted for, inadequately supported and in some instances there has been inadequate recognition and disclosure of the domestic arrears. The variances between the reported figures in the financial statements and the amounts verified by the Internal Auditor General formed a basis of my qualification of consolidated GOU financial statements for the year ended 30<sup>th</sup> June 2016.

Consequently, domestic arrears were considered a key audit matter which needed to be examined to assess: the appropriateness of recording, recognition and disclosure of domestic arrears; the trend and the underlying factors; and the adequacy of the internal controls surrounding management of domestic arrears.

During audit planning, I focused on examination of domestic arrears in regard to goods and services, salaries and wages, and pension and gratuity. I undertook the following procedures in relation to domestic arrears: a trend analysis over a period of four years to ascertain the underlying causes of accumulation; reviewed budget and commitment control procedures to assess their effectiveness; ascertained the authenticity of the supporting documentation and assessed the appropriateness of the accounting treatment. I also engaged the Accounting Officer to enable me arrive at the audit conclusions.

Based on the procedures performed, I observed that an amount of UGX.424,081,408 was irregularly incurred as domestic arrears outside the approved estimates appropriated by Parliament and consequently, there has been an increase in domestic arrears over the period of four years from UGX.268,311,318 in the year ended 31<sup>st</sup>

December 2014 to UGX.483,801,805 in the year ended 31<sup>st</sup> December 2015, UGX.502,226,659 in the 6 month period ending 30<sup>th</sup> June 2016 and UGX.424,081,408 in 2016/17. It was noted that the entity changed its reporting period from 31<sup>st</sup> December to 30<sup>th</sup> June effective FY 2016/17. Although a slight reduction was realized in FY 2016/17, the continued accumulation of domestic arrears is against the commitment control system initiated by Government. Long outstanding payables may result into litigation and its attendant costs.

This may be as a result of existence of a weak and ineffective internal control system over the control and management of domestic arrears. For example, the government commitment control system was not adhered to.

Management indicated that the verified domestic arrears for supply of goods and services have been taken over by the Ministry of Finance, planning and economic development for settlement starting financial year 2017/18.

I advised management to adhere to the commitment control system.

### **Emphasis of Matter**

Without qualifying my opinion, I draw your attention to the following matters reported in the financial statements:

- **Revenue Shortfall**

A review of the statement of appropriation based on services voted and the cash flow statement revealed that only UGX.7,124,324,613 out of UGX.8,982,000,000 appropriated by Parliament, was realized resulting into a shortfall of UGX.1,857,675,387 (21%).

Consequently, planned activities such as; developing of a manual to guide making of play materials for Early Childhood Development (ECD), digitalizing P.4 Curriculum content and development of 2 diploma programmes were not implemented.

In addition, it was noted that the centre's lift has not been operational since 2015. The lift has been grounded due to lack of capital development funds of UGX.112,582,160 to address the defects.

Failure to carry out planned activities affects service delivery and attainment of the Centre's objectives. The Centre remains inaccessible to people with disability contrary to government policy.

Management indicated that the Centre is currently engaging with Ministry of Education and Sports and Ministry of Finance, Planning and Economic Development, to have additional funds allocated to the centre.

I await the outcome of managements' action in this regard.

### **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:

- **Non Remittance of salary deductions**

Analysis of the monthly deductions revealed that only UGX.819,811,383 out of

UGX,908,935,159 deducted from employees was remitted to the respective beneficiary institutions resulting into a variance of UGX. 89,123,776. The unremitted deductions relate to local service tax of UGX.2,970,000, UGX.1,870,000 and UGX.1,650,000 to Kira town council, Wakiso district and Kampala capital city authority respectively and NCDC SACCO deductions of UGX.82,633,776.

Failure to remit salary deductions in full creates unnecessary arrears.

In response management stated that the deductions in question were voided because of IFMS system challenges. However, a subsequent request for supplementary funding had not been honoured by the Treasury.

I advised management to always ensure timely follow up of salary payments to establish any unapplied payments and resolve them immediately. Meanwhile, the matter should be followed up with the PS/ST for conclusion.

### **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 Centre's.

The Accounting Officer is responsible for the preparation of the financial statements in accordance with the requirements of the Public Finance Management Act, 2015 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 Centre's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the Centre's operations, or has 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 Centre 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 Entity'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 Centre 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 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 the 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 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, stylized flourish extending to the right.

John F.S. Muwanga

**AUDITOR GENERAL**

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