

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF NATIONAL LIBRARY OF UGANDA

FOR THE YEAR ENDED 30TH JUNE 2017

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UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF NATIONAL LIBRARY OF UGANDA FOR THE
YEAR ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying Financial Statements of National Library of Uganda which comprise of the Statement of Income and expenditure, Balance Sheet, Statement of Changes in Equity and Cash Flows Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 5 - 15.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the National Library of Uganda for the year ended 30th June 2017 and its financial performance and cash flows for the period then ended in accordance with the basis of accounting described in Note 1 to the financial statements.

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 Entity 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.

Other Matter

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

- **Failure by the National Library of Uganda to exercise its powers**

According to Section 5 (a) of the National Library of Uganda Act 2003, the National Library of Uganda (NLU) has the right to require every publisher of a book or document in Uganda at his/her cost to deposit three copies of the book or document or one copy of the videogram or film and ten copies in the case of any Government department with the National Library. In addition, Section 5 (c) gives NLU the powers to allocate International Standard Book Numbers (ISBN) and International Standard Serial Numbers (ISSN) to publishers in Uganda who have deposited such copies as required.

A review of records revealed that out of 738 publishers who were issued with the ISBN and ISSN numbers, 499 (68%) did not deposit the required copies contrary to provisions of the NLU Act. This was attributed to non-availability of funds for carrying out monitoring and enforcement activities.

Failure to deposit the required copies denies readers information with a risk of loss of important information for heritage purposes.

Management explained that inadequate funding had much bearing in limiting the institution to exercise its powers like incriminating those that do not abide by the law. Management further explained that it had tried to conduct sensitization activities to many of the publishers and many were responding positively.

I advised Management to lobby for more funding to enable the entity exercise its mandate and power or enforce the provisions of the NLU Act.

- **Inadequate space**

I noted that the National Library is currently housed in a rented property that belongs to the Patidar Samaj community. Besides, the roof is leaking, the building is rather small and can house only 60 library users as compared to a population of

200 users usually received during peak seasons. The current available space is 300 square meters as compared to the required optimum space of 2,000 square meters.

I further noted that the storage conditions at National Library are not ideal and do not benefit housing of the country's documented heritage. Due to limited storage space, the publications cannot be put in a conspicuous display but rather they are kept in boxes which are not easily accessible for library users. The boxes are also prone to heat, damp and dust thus leading to fading of information. The photos below refer:



Management attributed the inadequate space to lack of capital development funds for construction of a new Library as well as loss of the entity's land in Nakawa to a private developer.

Under the circumstances, the public is denied access to vital information. There is also a risk of loss of documented heritage due to poor storage and loss of revenue due to limited space.

Management explained that the Land problem in Nakawa still remains unresolved although negotiations with OPEC Prime Properties (the earlier developer of Nakawa –Naguru Satellite City) were ongoing. Management was still following up the matter with the president's Office.

I advised Management to lobby for funds from government for the construction of a spacious National Library building in order to ensure safe custody of the documented heritage as well as ensure ease of access by the public.

- **Staffing gap**

A review of the NLU staff structure revealed that out of the 32 established posts, only 23 are filled leaving 9 (28%) vacant. Some of the in filled positions include key staff such as Senior Accountant, Librarians, Assistant librarians, ICT specialist and Preservation specialist. This was attributed to lack of funds for the recruitment of additional staff.

Lack of key staff implies that management was operating below capacity and may fail to execute its mandate.

Management explained that the unfilled 9 positions was a result of some staff who passed on and others who resigned. The Board was however in the process of making new appointments to fill some of the vacant positions.

I advised Management to follow up with the Board to ensure that the recruitment process is expedited and all vacant positions are filled.

- **Lack of a substantive Executive Director**

Section 9(1) of the National Library of Uganda Act 2003 states that, "the National Library of Uganda shall have a director who shall be appointed by the Board with the approval of the minister".

Review of the minutes for the National Library Board for the meeting held on 20th January 2017 minute 7/5/2017 revealed that in the month of October 2016 the current Director's contract expired in May 2017. Although interviews were conducted in April 2017, by the time of audit (November 2017), the Minister had not approved the appointment.

Lack of a substantive director creates anxiety and may affect the acting holder in making key decisions.

Management explained that the Board conducted interviews in June this year and forwarded results to the Minister for approval. The Minister's response was still being awaited.

I advised management to liaise with the Board and the Minister to expedite the process of recruitment in order to have a substantive Director and other key staff in place.

- **Expired tenancy agreement**

The tenancy agreement between National Library of Uganda and the Registered Trustees of Patidar samaj that commenced on 1st January 2012 expired on 31st Dec 2014 and has since not been renewed. This was attributed to failure by the Ministry of Gender Labour and Social Development's (MoGLSD) laxity to prioritize this activity.

Operating under an expired tenancy agreement could lead to misunderstandings with the land lord and unnecessary legal suits. I could also not ascertain what rates and duration of contract are subsisting.

Management acknowledged the anomaly but attributed it to the delay by the land lord to come up with a new agreement. However, the agreement was eventually drafted with a proposed increment and submitted to the Ministry of Gender, Labour and Social Development for consideration.

I advised Management to follow up with the MoGLSD so as to expedite the process of renewal of the tenancy agreement.

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 University.

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 National Libraries' ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the National Libraries' 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 Library internal controls.
- 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 Library 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.



John F.S. Muwanga
AUDITOR GENERAL

20th December, 2017