

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

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

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UGANDA

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

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying Financial Statements of National Youth Council, which comprise the Balance Sheet as at 30th June 2017, the Statement of Income and Expenditure 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 1 to 9.

In my opinion, the financial statements of the National Youth Council for the year ended 30th June 2017 are prepared, in all material respects in accordance with International Financial Reporting Standards (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 the statement of financial position in the financial statements.

- **Non remittance of statutory deductions**

Included in note 8 of the statement of financial position are liabilities amounting to 51,975,588. These comprise PAYE of UGX 24,363,588 and NSSF totalling to UGX 27, 612,000 that were not remitted to the respective authorities.

I further noted that the un-remitted PAYE increased from UGX 16,082,000 to UGX 24,363,588 an increase of UGX 8,281,588, representing 51% while NSSF deductions had been outstanding for over one financial year.

Failure to remit statutory deductions attracts litigation and related surcharges, interest and penalties from the concerned bodies.

Management attributed this to insufficient funding to the Council and pledged to settle all the arrears by the end of the subsequent financial year.

I await the result of management's commitment in this regard.

- **Revenue Shortfall**

Review of the Council's budget revealed that out of the budgeted revenue of 1,075,000,000 only UGX 784,467,378 (73%) was realized, resulting into a shortfall of UGX 290,532,622 representing (27%)

As a result some planned activities such as monitoring and evaluation, staff training and procurement of stationery and printing were not implemented.

Management explained that the matter had been raised with the the Ministry of Gender Labour and Social Development and the Ministry of Finance,Planning and Economic Development for future consideration.

I await the outcome of management's engagement in regard to this matter.

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

Staffing Gaps

A review of the Council's staff establishment revealed that out of the 14 approved positions, only 8 were filled leaving 6 vacancies (43%).

The unfilled positions included key personnel such as programme officer, personal secretary and Account Assistant.

Lack of key staff in the Council affects the performance and the overall achievement of the council's goals and objectives.

Management attributed the shortfall to insufficient funding and pledged to fill the vacant posts as soon as the Council's funding level is improved.

I advised Management to liaise with the Ministry of Finance Planning and Economic Development and Ministry of Labour, Gender and Social Development to allocate funds for staff recruitment.

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 Authority.

The Accounting Officer is responsible for the preparation of the financial statements in accordance with IFRS 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 Council's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the Council'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 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 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 Council 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, sweeping flourish extending to the right.

John F.S. Muwanga
AUDITOR GENERAL

20th December 2017