

**OFFICE OF THE AUDITOR GENERAL**



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF UGANDA HIGH COMMISSION, TEHRAN**

**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 UGANDA HIGH COMMISSION, TEHRAN FOR THE**  
**YEAR ENDED 30<sup>TH</sup> JUNE 2017**

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

**Qualified Opinion**

I have audited the accompanying Financial Statements of Uganda High commission, Tehran which comprise the Statement of Financial Position as at 30<sup>th</sup> June 2017, the Statement of Financial Performance, 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 9 to 36

In my opinion, except for the possible effects of the matter described in the basis of qualified opinion, the financial statement for the Mission 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 qualified Opinion**

• **Errors/omissions in Financial Statements**

Review of the financial statements revealed a number of errors and omissions as outlined below;

- i) Re-computation revealed that the operating surplus in the statement of financial performance was understated by UGX.20,558,254
- ii) The Cash and Cash Equivalents figure of UGX.73, 796,957 reported in the statement of financial position was not supported by certificates and end of year reconciliation.
- iii) The statement of arrears of revenue showed that the Mission had arrears of revenue amounting to UGX. 132,005,144 at the end of the previous financial year. However, this amount was neither reflected in the statement of financial position as receivables nor the Statement of Cash Flows as Cash Inflows.

Errors/Omissions in Financial Statements imply that the Accounts do not give a true and fair position and are misleading.

The accounting officer is advised to ensure that financial statements reflect a true and fair financial position of the Embassy.

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 Embassy 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 following matters disclosed in the financial statements.

- **Diversion of Capital Grants**

Note 4 to the financial statements revealed that the Mission received UGX.42, 851,211 for capital development. However, Note 10 to the accounts indicate that only UGX.7, 188,185 were spent to purchase equipment and there was no cash balance reported. This implies that the balance of UGX.35, 663,026 was diverted to finance recurrent expenditure.

The diversion of funds means that the Embassy failed to deliver on some of the planned capital items.

I advised the Accounting Officer to always ensure that the budgeted funds are used for the purposes for which they were appropriated.

- **Unauthorized excess expenditure**

Review of the statement of appropriation revealed that the Mission spent UGX.40, 377,970 over and above the allocated funds on employee costs without obtaining the necessary approvals as shown below;

| <b>approved budget</b> | <b>Actual expenditure</b> | <b>over expenditure</b> |
|------------------------|---------------------------|-------------------------|
| 1,227,259,175          | 1,267,637,145             | (40,377,970)            |

The practice contravenes the intentions of the appropriating authority.

I advised management to always comply with the budget provisions and where inevitable seek necessary authority before reallocation of funds in accordance with the prescribed procedures.

**Other Matter**

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

- **Lack of tenancy agreements**

Section 45 (2) of the Public Finance Management Act 2015, requires Accounting Officers to put in place effective systems of risk management, internal control and internal audit in respect of all resources and transactions of a vote. However, the Mission spent USD 172,300 on rent for staff but the payments were not supported by tenancy agreements, invoices and receipts.

Without tenancy agreements, I was not able to confirm the correctness of the payments.

I advised the Accounting Officer to ensure that in future, no payment for rent is approved without all the required support documents.

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

Under Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of the Mission.

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 Missions' ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the Agency'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 mission'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 mission'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 Hospital 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**

20<sup>th</sup> December 2017