

**OFFICE OF THE AUDITOR GENERAL**



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE  
CONTINGENCIES FUND FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**DECEMBER, 2017**

**OFFICE OF THE AUDITOR GENERAL**

**UGANDA**

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## **ACRONYMS**

<b>ACRONYM</b>	<b>MEANING</b>
<b>GoU</b>	Government of Uganda
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>ISSAIs</b>	International Standards for Supreme Audit Institutions
<b>MOFPED</b>	Ministry of Finance Planning and Economic Development
<b>OPM</b>	Office of the Prime Minister
<b>PFMA</b>	Public Financial Management Act
<b>UGX</b>	Uganda Shillings

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE  
CONTINGENCIES FUND 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 the Contingencies Fund for the year ended 30<sup>th</sup> June, 2017, 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 together with other accompanying statements and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements of the Contingencies Fund, 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, and the Financial Reporting Guide, 2008.

**Basis for Opinion**

I conducted my audit in accordance with International Standards for Supreme Audit Institutions (ISSAIs) and the National Audit Act, 2008. 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 management of the Contingencies Fund, 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 (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

I have determined that there are no key audit matters to communicate in my report.

## **Other Matter**

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

- **Failure to operationalize the Contingencies Fund**

In the year under review, financial statements were prepared in respect of the Contingencies Fund in accordance with the requirements of Section 26(15) of the PFMA, 2015; however, however, I did not obtain any evidence that funds were set aside to respond to urgent unforeseen disasters as envisaged by the law, and there was no bank account opened in respect of the Fund. As such, the contingencies fund was never operationalised as required by the law.

Failure to establish and operationalize the Contingencies Fund is a violation of the law and undermines the objectives of the requirements in the Act. There is a risk that expenditures meant to be paid from this Fund were irregularly incurred from other sources/votes. I advised the Minister to operationalise the Contingencies Fund as provided for in the Act.

- **Supplementary expenditure on natural disasters outside the Contingencies Fund**

I noted that, as a result of natural disasters during the year under review, the Ministry of Finance, Planning and Economic Development issued supplementary budget allocations to the Office of the Prime Minister (amounting to UGX.25bn) and to the Ministry of Agriculture, Animal Industry and Fisheries (UGX.2.1bn). However, I noted that the funds were authorised and paid as an ordinary supplementary under section 25 of the PFMA 2015, instead of a special supplementary under section 26 of the Act. The practice violates the Act, deprives the country of an appropriate organized mechanism of responding to disasters and distorts the budgeting process. It in a number of instances, results into insufficient address of the disaster which may be detrimental to the nation. It also disguises the emergency expenditure since the financial statements for the Contingencies Fund show nil withdrawals. I advised the Secretary to the Treasury to ensure that expenditures of emergency nature and for natural disasters are expended through the Contingencies Fund.

### **Management's Responsibility 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 Contingencies Fund.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act 2015, and for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the ability of the Contingencies Fund to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Fund and using the Public Finance Management Act 2015, unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives as required by Article 163 of the Constitution of the Republic of Uganda, 1995 (as amended) and Sections 13 and 19 of the National Audit Act, 2008 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 ISSAI's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the 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 ISSAI's, I exercise professional judgment 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 ability of the Fund 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 Fund 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 Accounting Officer 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 Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her 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 Accounting Officer, 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 'John F.S. Muwanga', with a long horizontal flourish extending to the right.

John F.S. Muwanga  
**AUDITOR GENERAL**

7<sup>th</sup> December, 2017.



## **FINANCIAL STATEMENTS**