

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

**ON THE FINANCIAL STATEMENTS OF THE SUPPORT TO HIGHER EDUCATION
SCIENCE AND TECHNOLOGY (EDUCATION V) PROJECT (ADB LOAN NO.
2100150028093) IN THE MINISTRY OF EDUCATION AND SPORTS**

FOR THE YEAR ENDED 30TH JUNE 2017

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SUPPORT TO HIGHER EDUCATION SCIENCE AND TECHNOLOGY (EDUCATION
V) PROJECT (ADB LOAN NO. 2100150028093) IN THE MINISTRY OF
EDUCATION AND SPORTS FOR THE YEAR ENDED 30TH JUNE 2017**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying Financial Statements of the support to Higher Education Science and Technology (Education V) project, which comprise the Statement of Financial Position as at 30th June 2017, the Statement of Consolidated income and Expenditure for the year ended 30th June 2017, a summary of significant accounting policies and other explanatory notes, as set out on pages 5 to 37.

In my opinion, the financial statements of the Higher Education Science and Technology (Education V) project for the year ended 30th June 2017 are prepared, in all material respects in accordance with section 51 of the Public Finance Management Act, 2015 and the ADB guidelines for Financial Reporting and Auditing of Projects.

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 Project 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.

Other Matter

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

- **Budget performance**

Out of the revenue budget of UGX.119,200,076,000, only UGX. 81,580,227,572 was realized, resulting into a shortfall of UGX.37, 619,848,428 (31.5%). As a result of the shortfall, VAT due to contractors amounting to USD.1,488,430.33 had not been paid by the end of the financial year.

Management attributed the shortfall to inadequate releases from the Ministry of Finance, Planning and Economic Development. (MoFPED)

The Accounting officer is advised to liaise with the MoFPED to ensure prioritization of counterpart funding as prescribed in the project funding agreement.

- **Mischarge of Expenditure**

Contrary to regulation 16(1) of the PFMA 2016 which requires an Accounting Officer to request the Minister responsible for finance for approval to vary, within a vote, the amount of money allocated to the vote, I noted that a total of UGX.132, 061,689 was irregularly charged on other codes other than those for which the activities related. Charging of the inappropriate codes undermines the importance of the budgeting process as well as the intentions of the appropriating authority.

Management attributed the mischarge to the emergence of critical activities related to AFDB supervision missions which could not be postponed.

Management is advised to always allocate sufficient funds for supervision missions since this activity is usually prescribed within the project agreement and work plan.

- **Low disbursement of project funds**

Review of the summary loan ledger dated 30-06-2017 revealed that only UA 20,945,020 (31.3%) out of an approved amount of UA 67,000,000 had been disbursed with 80% of the project duration elapsed. Failure to utilise the loan funds timely may result into payment of commitment charges of 0.5% per annum on the undisbursed portion of the loan as indicated in section 3.03 of the loan agreement.

Management attributed the low disbursement to the delay in constituting the project coordination unit and explained that a new disbursement schedule had been agreed with the Bank.

Management is advised to always undertake adequate preparations before contracting loans as this would prevent unnecessary commitment charges.

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 Project.

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 the ADB guidelines for financial reporting and auditing of projects, 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 project's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the project'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 project'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 project'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 project 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

12th December, 2017

