



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE UGANDA HIGH COMMISSION, OTTAWA,
CANADA FOR THE YEAR ENDED 30TH JUNE, 2017

DECEMBER, 2017
OFFICE OF THE AUDITOR GENERAL
UGANDA

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ACRONYMS

Acronym	Meaning
CAD	Canadian Dollars
GoU	Government of Uganda
IESBA	International Ethics Standards Board for Accountants
ISSAIs	International Standards for Supreme Audit Institutions
NTR	Non Tax Revenue
PFMA	Public Financial Management Act
PPDA	Public Procurement and Disposal of Assets
TAI	Treasury Accounting Instructions
UCF	Uganda Consolidated Fund
UGX	Uganda Shillings
USD	United States Dollars
VAT	Value Added Tax

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
UGANDA HIGH COMMISSION, OTTAWA, CANADA FOR THE YEAR ENDED
30TH JUNE, 2017**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of the Uganda High Commission, Ottawa, Canada for the year ended 30th June, 2017, which comprise the Statement of Financial Position as at 30th 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 Uganda High Commission, Ottawa, Canada, 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 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 Uganda High Commission, Ottawa, Canada, 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 Matter

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 matter, which has also been disclosed in the financial statements;

- **Unauthorised Expenditure - UGX.585,194,445**

The Public Finance Management Act (PFMA), 2015, Section 22, states that the Minister may, upon request by an Accounting Officer, vary within a vote, the amount of money allocated to the vote. A review of the financial statements for the year revealed that the High Commission over spent its authorized budget to the tune of UGX.585,194,445 on Employee costs (UGX.86,090,004), Goods and services consumed (UGX.40,178,329), Non-Residential Buildings UGX.624,685,858 and Consumption of Property Plant and Equipment (UGX.631,106,120). I did not obtain evidence of authorization by the Minister as required by the Public Financial Management Act (PFMA) 2015. Unauthorized expenditure is an indication of budget indiscipline and defeats parliamentary objective of appropriating funds.

- **Collection and Remittance of NTR**

Any revenue received by the Mission should be paid into the Consolidated Fund in accordance with Section 29 (2) (a) of the Public Finance Management Act, (PFMA) 2015. In addition, according to a letter from Finance Ref. AGO/288/113/15; all Accounting Officers of Missions were prohibited from the use of NTR at source, and were advised to seek for supplementary budgets as per Section 25 of PFMA (As amended), 2015, in case of need for additional funds. I noted that the HC collected UGX.198,555,330 as NTR in the year under review and remitted UGX.330,605,438 to the Uganda Consolidated Fund (UCF). This was found irregular given the negative balance of UGX.(190,952,795) of NTR for the previous year not remitted. This error has also been reflected in the closing balance of arrears of revenue which is stated as a negative balance of UGX.(323,542,522). The analysis of NTR is incorrect and the statement of arrears of revenue in the financial statements is misleading.

Other Matter

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

- **Advance Payment for Consultancy Services**

I noted that the supervision contract for construction of the Chancery building on Plot 231 COBOURG STREET, OTTAWA ONTORIO K1N 8J2 was awarded to a Consultant at a cost of CAD.397,590.5 (equivalent to UGX.1,098,618,093) in the FY 2015/16, in March, 2015. However, I noted that although the supervising contractor has been fully paid in advance, the construction of the proposed Chancery building on Plot 231 COBOURG STREET, OTTAWA ONTORIO K1N 8J2, has not yet commenced, and the construction contractor has not been identified. Under the circumstances, I did not obtain a justification for engaging the supervising contractor before identification of the construction contractor and commencement of the construction works.

- **Unspent Balances - UGX.3,261,173,649**

Section 17(2) of the Public Finance and Management Act (PFMA), 2015, (as amended) states that "a Vote that does not expend money that was appropriated to it for the financial year shall at the close of the financial year repay the money to the Consolidated Fund". I noted that at the close of the financial year under review, the High Commission had a total of UGX.3,261,173,649 unspent and which it did not pay into the Consolidated Fund, contrary to Section 17(2) of the Public Finance and Management Act (PFMA), 2015, (as amended). However, the Accounting Officer explained that money has been accumulated over a period of time from previous financial years in anticipation of construction projects the High Commission intends to embark on. I further noted that the amount was committed prior to authorization from the PS/ST, and has not been appropriated in the subsequent financial years. In addition, the projects are multi-year projects which have not been treated as such in accordance with Section 23 (1) and (2) of the PFMA, 2015, which require authorization and appropriation of funds to such projects by Parliament. Non remittance of unspent balances is a violation of the government internal control system in place as well as the laws governing budgeting and utilization of public funds.

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 PFMA 2015, the Accounting Officer is accountable to Parliament for the funds and resources of Uganda High Commission, Ottawa.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the PFMA 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 High Commission to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Commission and using the PFMA 2015, unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Uganda High Commission 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 our 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 Commission'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 Commission 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 Commission 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 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 'J. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga
AUDITOR GENERAL

KAMPALA

11th December, 2017.

FINANCIAL STATEMENTS