

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF THE UGANDA HIGH COMMISSION

PRETORIA

FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL

UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF THE UGANDA HIGH COMMISSION IN PRETORIA 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 Pretoria, 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 for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 37.

In my opinion, the financial statements of the Uganda High Commission Pretoria, 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 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 Consulate 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 as reported in the financial statements:

- **Unauthorized Excess Expenditure**

Section 21(1) of the PFMA, 2015 requires Accounting Officers to adhere to the budgetary allocation per vote or obtain prior permission before an over expenditure is incurred.

However, a review of the financial statements for the year revealed that actual expenditure on Employee Costs during the year under review exceeded the budget amount by UGX.180,401,222. This led to excess expenditure of UGX.42,917,986 over and above the approved budget. Apparently, the authority to overspend was not sought as required by the PFMA.

Management acknowledged the irregularity, stating that the cause of the excess expenditure was as a result of monies refunded from rent for officers on recall, since payment of rent is done in advance, some money was refunded by the Landlords. The Mission also received an amount of UGX 10,144,743 from Uganda Investment Authority for the promotion of Uganda.

The Accounting Officer was advised to ensure strict budget discipline and adherence to regulations.

- **Apparent Lack of Follow Up On Receivables**

A review of the Statement of Financial Position revealed that a sum of UGX.57,309,427 disclosed as receivables constituted VAT refundable claims. According to the Accounting Officer, the claims were in respect of the renovation works on the official residence.

However, a review of the respective VAT refund ledger from Navision revealed an increase of UGX 7,220,182 during the year, while no amounts had been refunded during the year.

This could be due to lack of follow up of the VAT claims by the Mission with the local tax body.

The continued lack of follow up exposes the Mission to the risk of eventual financial loss of the claimable VAT.

In response, management stated that consultations were already underway with the South African Revenue Service (SARS) to ensure that un refunded VAT money is paid to this effect, and the Mission had appointed an officer to specifically follow up on VAT refunds.

I await the developments out of this initiative towards the VAT recovery.

- **Non Disclosure of Domestic Arrears**

A review of the Navision Accounting software operated by the Mission revealed an amount of UGX 45,933,405, being unpaid amounts as at 30th June 2017. These arrears included unpaid allowances to staff, as well as utility bills. I noted that the mounts were not disclosed in the financial statements, rendering the Payables position understated.

The Mission risks being disconnected from the respective utility services, while the unpaid allowances may affect staff motivation at work.

Management acknowledged that this was an unfortunate oversight, and that the Mission had appealed to the Ministry of Finance, Planning and Economic Development to have the matter considered.

I advised the Accounting Officer to have them budgeted for during the next financial year and make respective adjustments in the following financial year's financial statements.

Other Matter

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

- **Non budgeting for Non -Tax Revenue (NTR)**

Section 5(1) of the Budget Act, 2001, provides for submission to the President, the preliminary estimates of revenue and expenditure by heads of all self-accounting units of Government.

However, a review of the financial statements for the year revealed that the High Commission had not budgeted for NTR collection during the year. I pointed out this anomaly to the Accounting Officer, who stated that she was not aware of this requirement, despite the existence of the accounting code in the chart of accounts.

Non-budgeting of NTR distorts the budget composition of the entity, and renders efforts to evaluate budget performance in this regard difficult due to lack of a basis for assessment. Lack of targets may also create laxity to collect revenue on the side of management.

Management acknowledged the observation and pledged to ensure that NTR will be budgeted for in the coming financial years.

The Accounting Officer was advised to comply with the provisions of the Budget Act, 2001, and the Financial reporting Guide 2008, and the provisions in the chart of accounts as issued by the Accountant General.

- **Staff accommodation**

During inspection, I found out that annual rental costs for six home based staff amounted to UGX 174,407,983. During the exit meeting, the Accounting officer stated that this was way too low, given that the budget for rent has not been revised for a number of years, and given the rising cost of living in Pretoria, the Mission would be better off acquiring apartments for staff to have decent accommodation if it was allocated a sufficient capital development budget. This would eliminate rental costs in the long run.

I also noted from the rental agreements that there was a provision for an annual increase, ranging from 5% to 7% depending on location.

The inadequate budget limits the Mission staff to afford accommodation in crime prone areas, exposing their lives to a security risk.

In response, management stated that the Mission had proposed increased the budget for accommodation of its officers, which we hope will be put into consideration.

The issue of insufficient budget for staff accommodation should be taken up with the relevant Ministries of Finance and Foreign Affairs for immediate address.

- **Non Contribution To Local Provident Fund for Local Staff**

A review of personal files for local staff revealed that, among the employment terms was a commitment by the High Commission to contribute 50% of the required contributions to the local provident fund on behalf of the staff.

However, audit noted that for the entire financial year, the Mission did not make any contribution to the provident fund on behalf of its nine local staff.

The Accounting Officer admitted the anomaly and stated that this has not been done since the Mission inception.

There is a risk that on exposure to the local provident fund, this risk will result into unmanageable amounts in terms of arrears and penalties.

Management stated that the Mission included within its budget FY2018/19, an amount to cater for this matter.

I await a positive response from the Finance ministry to have the budgetary request considered.

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 Consulate.

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 Financial Reporting Guide, 2008, 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 Consulate's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the Consulate'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 Consulate 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 Consulate'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 Consulate 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 November 2017