



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL**  
**ON THE FINANCIAL STATEMENTS OF UGANDA HIGH COMMISSION, NAIROBI**  
**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, NAIROBI 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 Uganda High commission, Nairobi 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 20 to 37.

In my opinion, the financial statements of the Uganda High Commission, Nairobi 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 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 High Commission 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:

- **Delayed renovation of Uganda House**

Included in the cash and cash equivalent reported in the financial statements is a sum of UGX.8, 935,619,733 which has been accumulated over the period 2011/2012 to 2015/2016 financial years. The funds are meant for monitoring, supervision, consultancy, renovation and refurbishment of Uganda House. It was observed that the renovation works have been delayed by a court case filed by some tenants.

In response, management stated that the total cost of the project was estimated at UGX.15bn and the Ministry of Finance, Planning and Economic Development (MoFPED) had been releasing the funds in phases to enable realization of the target. The delay was further attributed to an ongoing court case between the mission and the tenants.

Management is advised to liaise with the Solicitor General and other relevant stakeholders to have the court case resolved. This will enable renovation of the building and enhance its revenue potential.

- **Legal costs**

Review of the financial statements and the general information provided alongside the financial statements revealed that the Embassy paid a total amount of KES.11,965,000 (UGX.418, 775,000) as legal fees for representing the High Commission in a court case regarding notice of eviction of tenants at Uganda House. It was further revealed that the mission had requested Ministry of Finance, Planning

and Economic Development for a budget provision of at least Kshs.15m (Approx.450m) to handle the appeal process. It was however noted that the High Commission had not sought advice from Solicitor General before engaging in a court case at the initial stage.

In response, management indicated that the Solicitor General had now been involved at the appeal stage and that tenants were being engaged to seek an out of court settlement.

Management is advised to always seek the help of the Solicitor General before engaging in court cases. Meanwhile I await the results of management's action in this regard.

- **Unauthorized Expenditure**

Review of the Financial Statements revealed that the mission spent a sum of UGX.746, 965,791 beyond its budget appropriation on some budget items without appropriate authority as shown in the schedule below;

<b>EXPENDITURE ITEM</b>	<b>ACTUAL EXPENDITURE</b>	<b>BUDGETED AMOUNT</b>	<b>EXCESS EXPENDITURE</b>
Employee costs	1,901,795,735	1,529,721,471	372,074,264
Goods and services consumed	1,458,479,530	1,392,724,599	65,754,930
Consumption of property, plant and equipment	320,000,000	629,136,597	309,136,597
<b>TOTAL</b>			<b>746,965,791</b>

The practice contravenes the intentions of the appropriating authority.

Management attributed excess expenditure to urgent obligations namely; Payment of legal fees, the 5% monitoring and supervision on non-residential, expenditure on deployment of outgoing and incoming officers, purchase of furniture and other house hold items for the newly deployed officers which had not been anticipated.

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

### **Other Matter**

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

- **Unclaimed Value Added Tax (VAT)**

A total amount of KES.2,900,000 was paid to a legal firm inclusive of VAT of KES 464,000 in respect of legal fees for representing the High Commission in a court case. However, the amounts were paid inclusive of 16% VAT contrary to VAT provisions which exempt foreign missions from paying VAT.

Delays in claiming the VAT refund could result in loss of public funds.

In response Management stated that it was in the process of claiming VAT refunds from the Kenya Revenue Authority.

I await the results of management's actions in this regard.

- **Lack of lease titles**

Inspection carried out at the High Commission revealed that two properties of the mission namely; the chancery offices located at Riverside Drive and official residence of the High commission located on Convent Drive lack original copies of lease titles. It was further observed that the title for the third property (Uganda house) was being kept at the hired lawyers premises without clear evidence of acknowledgement.

Lack of lease titles crates a risk of loss of the prime pieces of developed land.

Management explained that the mission lawyers have been requested to begin the process and search for these titles and / or apply for duplicate certificates. It was further explained that the certificate of title for Uganda House is kept by the mission lawyers only for the purpose of registering leases.

Management was advised to expedite the process of obtaining the lease titles for the said property. For the case of Uganda House, management was advised to consider keeping the original title and only share the duplicates with the lawyers.

### **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 High Commission.

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 High Commission's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the High Commission'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 High Commission'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 High Commission'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 embassy 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**

15<sup>th</sup> December, 2017