



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA NATIONAL COUNCIL OF SCIENCE AND TECHNOLOGY (UNCST)
FOR THE YEAR ENDED 30TH JUNE 2017**

OFFICE OF THE AUDITOR GENERAL
UGANDA

TABLE OF CONTENTSs

List of Acronyms..... 2

Key Audit Matters..... 4

Other Matter 4

Responsibilities of the Directors for the Financial Statements 7

Auditor’s Responsibilities for the Audit of the Financial Statements 8

Report on other legal requirements 9

LIST OF ACRONYMS

CAP	Chapter
GAR	Gross Annual Revenue
IESBA	International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants
INTOSAI	International Organization of Supreme Audit Institutions
IPSAs	International Public Sector Accounting Standards
ISSAS	International Standards of Supreme Audit Institutions
IT	Information Technology
UGX	Uganda Shillings
USD	United States Dollar
UTL	Uganda Telecom Limited
MoSTI	Ministry of Science, Technology and Industry
UNCST	Uganda National Council of Science and Technology

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF UGANDA
NATIONAL COUNCIL OF SCIENCE AND TECHNOLOGY
FOR THE YEAR ENDED 30TH JUNE, 2017

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the financial statements of Uganda National Council of Science and Technology for the year ended 30th June, 2017. These financial statements comprise of the Statement of financial position, Statement of comprehensive financial performance, cash flow statement, Statement of comparison of budget and actual amounts together with notes and accounting policies.

In my opinion, the Council's financial statements present fairly in all material respects the financial position of Uganda National Council of Science and Technology as at 30th June 2017 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS) and the Uganda National Council of Science and Technology Act.

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 Council 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:

- **Support to Scientists**

UNCST has over the years supported scientists in their research; however the outcomes/recommendations of the research activity have not been transformed into products for the market to utilize. In the budget of 2016/2017, a sum of UGX.26 million was included for incubation of projects in comparison to UGX.2,830,994,500 in MoUs to support scientists in research activities.

During the period under review, I noted that the Council signed MOU's with scientists worth UGX.2,830,994,500 to research on approved projects. At the end of the year only UGX.2,268,896,428 had been disbursed representing 80%. There is a risk that the expected results will not be achieved since most projects have a life span to execute and come up with results.

Management explained that delays in funds disbursements to projects are caused by delays in government releases. Technical interface is done during quarterly field visits, where projects are appraised on the progress.

I advised the Accounting Officer to ensure that projects are implemented as per MOU's in order to achieve the intended objectives. Funds for incubation should be increased in proportion to the research completed.

- **Diversion of UNCST Funds to MoSTI**

The Ministry of Science, Technology and Innovations (MoSTI) was created in 2016 and a Minister was appointed and housed in the UNCST premises with his staff. The Permanent Secretary was appointed in December 2016 and 1st batch of funds to run the Ministry were released through UNCST in Jan 2017. During the period July to December 2016 the Ministry spent UGX.571,598,047 from the UNCST accounts. UNCST was not able to accomplish some of its work because of this diversion.

Management explained that this reallocation was sanctioned by the Governing Council and it fell under UNCST mandate of nurturing Scientific Institutions.

I advised the Accounting Officer to seek authority to reallocate funds from the Permanent Secretary/ Secretary to the Treasury, in compliance with the law.

- **Delayed Development of land at Namanve**

According to the contract agreement between Uganda Investment authority (UIA) and UNCST dated December 17, 2014; UNCST was expected to have completed all the payments relating to premium and rates by December 31, 2016 (as per section 3) and to have commenced development of the land for instance approval of building plan, approved Environment Impact assessment and commenced construction by June 2016 or else the lease shall revert back to UIA. The agreement also states that if by the 3rd year (2017), UNCST has not completed development of the land then the lease would be cancelled and all the funds paid for the land forfeited.

I observed that nearly after 1 year and 10 months after expected construction commencement date, there has not been any development on site. There is a risk of UNCST losing this land and the funds so far invested of UGX.1.5 billion could be forfeited.

Management explained that funds have now been secured under the Innovation Fund to start developing the Namanve Science Park this financial year.

I advised the Accounting Officer to ensure the availed funds are used for the purpose the funds are budgeted.

- **Lack of a fully constituted Governing Council**

The UNCST Act section 6 states "Composition of the Council and qualifications of the members,

(i) The Council shall be composed of—

- one ex officio member from each of the Ministries, institutions and organizations set out in the First Schedule to this Act; and
- Not less than fifteen members to be appointed by the Minister on such terms and conditions as he or she may specify in the instruments of appointment.

(ii) There shall be a chairperson and a deputy chairperson who shall be appointed by the Minister from four persons recommended by the Council from among the members of the Council.

I observed that the Minister had appointed only 9 members to the Council. However, the composition of the Governing Council does not conform to the specification of the UNCST Act. There is a risk that decisions taken by the board may be null and void. Lack of a fully constituted Governing Council may also lead to lack of proper guidance on the running of the institution.

Management explained that the 9 members appointed to the Governing Council was an interim measure on the advice of the Solicitor General. The UNCST Act is being amended and the appropriate number will be appointed thereafter.

I advised the Accounting Officer to draw the matter to the attention of the appointing authority.

- **Unbudgeted expenditure- UGX.56,369,858**

Council supported the creation of the National Institute of Technopreneuership in Uganda and a sum of UGX.56,369,858 was spent. However, this activity was not budgeted for in the work-plan. The justification for the expenditure was not availed. Funds were diverted from planned activities to fund this activity.

Management explained that the item had been budgeted for under the UGX.124 million of Technology services to Scientists and innovators line with budget item 2.2.3.

I advised the Accounting Officer to ensure that all activities are budgeted for in order to achieve value for money.

- **Irregular payment of legal fees to a private law firm- UGX 34,680,000**

Article 119(4) of the Constitution of the Republic of Uganda of 1995 states that the functions of the Attorney General among others includes providing legal advice and legal services to the government on any Subject, drawing and perusing agreements, contracts, treaties, conventions and documents by whatever name called, to which the government is a party or in respect of which the Government has an interest.

It was noted that UNCST contracted and paid a sum of UGX.34,680,000 to a private law firm, Oundo & Co Advocates, without evidence that the entity sought advice from the Attorney General for provision of legal services. Besides, the activity was not provided for in the budget for the year 2016/2017 and as such funds were diverted to cater for this activity. The payment of the above amount of funds to private law firm was therefore irregular and denied other sectors of the entity service.

Management explained that it was the first of its kind for UNCST to handle an Engineering Procurement and Construction (EPC) contract and aware of the risks associated with EPC Contracts especially from the recent reports on media there was need for specialized skills and guidance.

The organization benefited from the services of the private law firm (value for money) as per the comments and guidance provided by both Solicitor General and the private firm. Refer to the advice and guidance provided by the private firm and Solicitor General herein attached.

I advised the Accounting Officer to seek guidance on legal matters from the Attorney General as required by law and diversion of funds stopped.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the International Financial Reporting Standards on Accrual basis of accounting and for such internal controls as management determines is 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 Directors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Council or to cease operations, or have no realistic alternative but to do so.

The Directors are also responsible for overseeing the Council's financial reporting process.

Auditor's 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 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 ISSAIs, I exercise professional judgment and maintain professional skepticism 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 Company'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 Authority's ability to continue as a going concern. 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 Authority to cease to continue as a going concern.
- 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 Directors 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 Directors 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 Directors, 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.

Report on other legal requirements

As required by the National Audit Act, 2008, I report to you, based on my audit, that;

- i. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.
- ii. In my opinion, proper books of account have been kept by the Council so far, as appears from my examination of those books; and
- iii. The statement of financial position and statement of comprehensive financial performance, cash flow statement, Statement of comparison of budget and actual amounts are in agreement with the books of account.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

22nd December, 2017

FINANCIAL STATEMENTS