

**OFFICE OF THE AUDITOR GENERAL**



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF UGANDA NATIONAL CULTURAL CENTRE**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

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**UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS**  
**OF UGANDA NATIONAL CULTURAL CENTRE (UNCC) 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 National Cultural Centre, which comprise the Statement of Financial Position as at 30<sup>th</sup> June 2017, the Statement of Financial Performance and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies (pages 14 and 15) and other explanatory notes, as set out on pages i to vii.

In my opinion, the financial statements of the Uganda National Cultural Centre for the year ended 30<sup>th</sup> June 2017 are prepared, in all material respects in accordance requirements of the International Public Sector Accounting Standards (IPSAS).

**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 cultural centre 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 notes 3 and 5 in the financial statements:

- **Receivables**

The Cultural centre reported an increase in debtors from UGX 204,554,945 in the prior year to UGX 334,530,298 in the current year representing an increase of UGX 129,975,353(63.5%). I observed that management lacks a debt management policy and it did not maintain a debtors' ageing list to enable tracking of debtors.

Accumulation of receivables constrains the cash flow of the Centre and hampers implementation of its activities.

Management explained that they have installed quick books accounting package to aid in tracking debtors and also other stringent measures in recovering rental debts.

Management is advised to establish a debt management policy as this will guide management of debts in a sustainable manner. Meanwhile I await results of the recovery measures instituted by management.

- **Non-remittance of statutory deductions**

The statement of financial position reported liabilities of UGX 481,773,317 which comprise statutory deductions namely NSSF (UGX 310,789,945) and PAYE (170,983,372) that were not remitted to the relevant bodies.

Failure to remit statutory deductions could lead to penalties and other litigation costs.

The Accounting Officer explained that a memorandum of understanding has now been signed with URA and all outstanding deductions would be remitted.

I await results of management action in this regard; meanwhile management is advised to settle the NSSF statutory obligations without further delay.

- **Under-collection of internally generated revenue**

Review of the statement of financial performance revealed that out of the budget of UGX 1,512,660,000 from its internal sources only UGX 1,060,940,834 was collected resulting into a shortfall of UGX 451,719,166 (30%)

Under collection of revenue affects the implementation of planned activities.

The Accounting Officer attributed the under collection of non tax revenue to the on-going renovations of National Theatre and that revenue collections are expected to increase.

I await results of management's effort in this regard.

- **Outstanding Staff Advances**

The Centre reported staff advances amounting to UGX. 77,267,000. These increased from UGX. 10,800,000 in the prior year, an increase of UGX. 66,467,000(615%). However, the advances remained outstanding at the year-end contrary to paragraph 9.3 of the UNCC Finance Manual, 2014 which requires recovery of advances by the end of the financial year.

Outstanding advances represent idle assets which constrain the cashflow of the Centre.

The Accounting Officer explained that a policy has been put in place that requires full recovery from salaries before subsequent advance is given as per the Finance Manual.

I await the implementation of this commitment.

### **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 cultural Centre.

The Accounting Officer is responsible for the preparation of the financial statements in accordance with the requirements of the International Public Sector Accounting Standards (IPSAS), 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 cultural centre's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the cultural centre'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 cultural centre'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 culture'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 cultural centre's 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**

18<sup>th</sup> December 2017