

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

**ON THE FINANCIAL STATEMENTS OF UGANDA PETROLEUM INSTITUTE-
KIGUMBA**

FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL

UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF UGANDA PETROLEUM INSTITUTE-KIGUMBA FOR THE
YEAR ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Qualified Opinion

I have audited the accompanying Financial Statements of Uganda Petroleum Institute-Kigumba, which comprise the Statement of Financial Performance, the Statement of Financial Position as at 30th June 2017, 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 14 to 45.

In my opinion, except for the possible effect of the matter described in the Basis for Qualified Opinion section of my report the financial statements of the Uganda Petroleum Institute-Kigumba 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.

Basis of Qualified Opinion

• **Lack of Previous Year Comparative Figures**

ISSAI 1710 (5) requires the auditor to obtain sufficient appropriate audit evidence about whether the comparative information included in the financial statements have been presented, in all material respects, in accordance with the requirements for comparative information in the applicable financial reporting framework.

However, review of the financial statements revealed that the institute reported previous year comparative figures of only 6 months (January to July 2016) instead of 12 months (July 2015 to June 2016) period.

Incomplete information was the basis of my disclaimer opinion issued to the Institute on the previous year's financial statements.

Management explained that the former management (Uganda Industrial Research Institute) did not hand over financial records for the period July 2015

to December 2015. However, they indicated that they have written to the Permanent Secretary for Ministry of Education and Sports (MoES) to take administrative action.

Management was advised to continue liaising with the MoES to retrieve the records from the previous management.

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 Institute 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 Statement of Appropriation Account based on the nature of expenditure on page 13 in the financial statements:

- **Revenue shortfall**

Review of the statement of appropriation based on the nature of expenditure revealed that the Institute received only UGX.3,714,042,258 out of

UGX.10,000,000,000 appropriated by parliament resulting into a shortfall of UGX.6,285,957,742 (63%).

The shortfall hindered the Institute from implementing planned activities such as construction of student accommodation, completion of administration block and completion of firefighting training facility among others.

Management attributed the shortfall to budget cuts initiated by the Ministry of Finance, Planning and Economic development (MoFPED) which in turn affected what was remitted to the institute. They however indicated that they have written to the Ministries of Education and sports (MoES) and (MoFPED) requesting for consideration for a vote status.

Management was advised to continue liaising with MoFPED towards obtaining a vote status. Furthermore, management could explore avenues of raising extra revenue internally.

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:

- **Unaccounted for Advances**

Paragraph 7.4 of the UPIK Financial and Accounting procedures manual requires administrative advances to be accounted for within 48 days after the end of the activity for which it was issued.

Audit however noted that a sum of UGX. 46,261,224 advanced to staff had not been accounted for by the end of the financial year.

As a result, I was not able to confirm whether the funds were utilised for the intended purposes.

Management attributed the anomaly to lack of a full time officer responsible for advances in the bursar's office who has since been recruited.

Management was advised to ensure that the funds are accounted for, or institute recovery measures.

- **Procurement Irregularities**

Section 85 (2) of the PPDA Act 2003 requires direct procurement to be used to achieve efficient and timely procurement, where the circumstances do not permit a competitive method.

Contrary to the above, audit noted that the Institute obtained goods and services amounting to UGX.303,027,579 without following appropriate procurement procedures.

Failure to follow the procurement procedures hinders competition and attainment of value for money spent.

Management explained that there was need to keep the Institute running following management change and lack of procurement personnel to give technical advice, but who have since been recruited.

Management was advised to ensure that the recruited procurement personnel comply with the procurement procedures for subsequent procurements.

- **Land management**

Uganda Petroleum Institute Kigumba occupies an estimated 200 acres of land acquired in 2009 from Uganda Corporative of College -Kigumba. However, I noted that the Institute does not have land titles or any documentation of ownership for the said land. I further observed that most of the land was idle and not fenced.

Untitled and unfenced land is susceptible to encroachment.

Management explained that the former management had started the process of transferring land to the institute, the documents were not handed over for follow up despite several requests.

Management was advised to involve other stakeholders to retrieve relevant documents from the previous management.

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 Institute.

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 Institute's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the Institute'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 Institute'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 Institute'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 Institute 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, stylized flourish extending to the right.

John F.S. Muwanga
AUDITOR GENERAL

20th December 2017