

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF UGANDA TOURISM BOARD

FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL

UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF UGANDA TOURISM BOARD (UTB) FOR THE
YEAR ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying Financial Statements of Uganda Tourism Board, which comprise the Statement of Financial Position as at 30th June 2017, the Statement of Financial Performance, Statement of Changes in Equity and the Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 38.

In my opinion, the financial statements of the Uganda Tourism Board 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 Board 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:

- **Unauthorized payment of the “Thirteenth cheque”**

Contrary to Section 12(2) of the Uganda Tourism Act, 2008 which requires the Board to approve terms and conditions of staff of the board, staff were paid an extra amount of salary commonly known as the thirteenth cheque amounting to UGX.69, 874,417 without proper authority. It was further observed that the benefit was neither provided for in the staff contracts nor the Human Resources Manual.

Unauthorised expenditure constitutes an improper charge on public funds.

In response, management stated that at the time of payment, the entity did not have the board of Directors and this payment was done for purposes of staff motivation after a management resolution.

Management is advised to seek approval for the expenditure from the sector Minister since the Board of Directors is not existent.

In the alternative, the funds are recoverable. In future, all expenditure should be budgeted for.

- **Mischarge of Expenditure**

Paragraph 4 (d) of the Accounting Officer’s appointment letter issued by the PS/ST requires Accounting Officers to use financial and other resources for the purposes for which they were voted. However, a sum of UGX 37,115,9320 was charged on codes other than those for which funds were appropriated leading to mischarge of expenditure.

The anomaly was attributed to ineffective budgeting and budget management weaknesses.

In response, Management acknowledged the need to improve on the budgeting processes.

Management should always undertake realistic budgeting and where inevitable seek timely and relevant authority to reallocate funds.

- **Unpaid tax on Gratuity**

Section 19(1) of the Income Tax Act Cap.340, defines employment income as any income derived by an employee from any employment and includes the following amounts, whether of a revenue or capital nature –any wages, salary, leave pay, payment in lieu of leave, overtime pay, fees, commission, gratuity, bonus, or the amount of any travelling, entertainment, utilities, cost of living, housing, medical, or other allowance. The Third Schedule also gives the tax rates applicable to employment income. However, payments totaling to UGX 161,311,733 were made to staff in respect of gratuity without deducting tax amounting to UGX 48,393,520.

The practice deprives Government of revenue for National Development, and in addition, could attract fines and penalties from the Tax Authority.

Whereas management stated that tax deduction was made on the basis of the circular from the ministry of Finance, the circular referred to indicates that the exemption covers only pension, Gratuity or other allowance granted under the pension Act.

In the circumstances, management should recover the tax and remit it to the tax body.

- **Outstanding Advances**

Regulation 33(4) of PFMR, 2016 requires a payment voucher to be accompanied with necessary supporting documents.

However, examination revealed that payments amounting to UGX.47, 841,840 lacked necessary supporting documents. The anomaly is attributed to weaknesses in enforcing timely submission of accountabilities by the recipients. Delayed accountabilities may result into falsification of documents.

In response management indicated that the supporting documents were available.

However, verification confirmed UGX.47, 841,840 as outstanding.

The Accounting Officer should ensure that the expenditure is adequately accounted for. In the alternative, the funds are recoverable for the concerned staff.

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 Board.

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 Board's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the Board'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 Board'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 Board'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 Board 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 'John F.S. Muwanga', with a long horizontal flourish extending to the right.

John F.S. Muwanga

AUDITOR GENERAL

10th November 2017