



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES
FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL
UGANDA

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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 the Ministry Of Agriculture, Animal Industry and Fisheries for the year ended 30th June 2017. These financial statements comprise of the statement of financial position, the statement of financial performance, and cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of the Ministry Of Agriculture, Animal Industry and Fisheries 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 Statement's section of my report. I am independent of the Ministry 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, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion

thereon, and I do not provide a separate opinion on these matters. I have determined the matters described below as key audit matters to be communicated in my report;

- **Inadequate Controls Surrounding Management of Domestic Arrears**

Domestic arrears refer to the total value of unpaid bills for goods and services rendered to a government entity, including wages and pension that remain outstanding at the closure of a financial year. There has been persistent accumulation of domestic arrears to unmanageable levels which has led to settlement of arrears that are not authorized, unbudgeted for, inadequately supported and in some instances there has been inadequate recognition and disclosure of the domestic arrears. The variances between the reported figures in the financial statements and the amounts verified by Internal Auditor General formed a basis of my qualification of consolidated GOU financial statements for the year ended 30th June 2016.

Consequently, domestic arrears were considered a key audit matter which needed to be examined to assess: the appropriateness of recording, recognition and disclosure of domestic arrears; the trend and the underlying factors; and the adequacy of the internal controls surrounding management of domestic arrears.

During audit planning, I focused on examination of domestic arrears in regard to goods and services, salaries and wages, and pension and gratuity. I undertook the following procedures in relation to domestic arrears: a trend analysis over a period of three years to ascertain the underlying causes of accumulation; reviewed budget and commitment control procedures to assess their effectiveness;_ascertained the authenticity of the supporting documentation and assessed the appropriateness of the accounting treatment. I also engaged the Accounting Officer to enable me arrive at the audit conclusions.

Based on the procedure performed, I observed that an amount of UGX.27,329,773,534 was irregularly incurred as domestic arrears outside the approved estimates appropriated by Parliament and consequently, there has been an increase in domestic arrears over the period of three years which makes the trend unsustainable. I further observed that there was no budget provision for settlement of domestic arrears totaling to UGX 639,809,980 posing a risk of diversion of funds for settling the obligations.

This may be as a result of existence of a weak and ineffective internal control system over the control and management of domestic arrears. For example, the government commitment control system was not adhered to.

The Accounting Officer explained that failure to provide for domestic arrears was occasioned by constrained budget allocation from MoFPED. The ministry was under threat of losing its membership to the international Organisation if they had not paid the UGX.639,809,980 yet there was no budget provision and thus money was sourced from other items since it was too late to seek for reallocation for money released in the 4th quarter.

The Accounting Officer should liaise with Treasury and ensure that sufficient budget provisions are made for domestic arrears to enable their eventual settlement.

Emphasis of matter

Without qualifying my opinion, I draw attention to the following matter included under operating expenses in the statement of financial performance.

- **Mischarge of Expenditure**

Expenditure totaling to UGX.375,106,623 was inappropriately charged on budget lines to fund activities that were not planned for without authority. Mischarges undermine the budgetary process and the intentions of the appropriating authority as funds are not utilized for the intended purpose. The practice also leads to financial misreporting.

According to management, this was occasioned by inadequate budget allocations on certain crucial budget line items where the ministry had spending pressures. MoFPED sets a ceiling on some items which are considered consumptive in nature yet they are spending pressures for the ministry.

The Accounting Officer is advised to streamline the budget process to ensure that sufficient funds are allocated to each account and budget controls are fully adhered to such as seeking authority for any reallocations.

Other Matter

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

- **Budget performance**

- **Inadequate Funding of the agricultural Sector**

An analysis of the of the agricultural sector Policy statement and work plans of the different MDAs and projects within the sector revealed that though budgetary provisions are increasing, the average agricultural budget allocation for the country was only 3.1%. The allocation is contrary to the "Maputo declaration on Agriculture and food

security in Africa” that was endorsed by African heads of states and Governments committing 10% of the national budgetary resources to Agriculture and rural development policy within five years under the rubric of the Comprehensive African Agricultural development Program (CAADP).

Year	Overall Budget (Trillion)	Approved Sector Budget (billion)	% of CAADP declaration
2016/17	20.33681	795.03	3.6
2015/16	18.311	479.97	2.6

Low funding in this sector exposes the livelihoods of millions of Ugandan agriculturists to a broad range of risks from climate and other natural hazards, to price volatility and unpredictable markets hence low productivity in agriculture. Management explained that this was a policy issue that was discussed at high level policy engagements with MoFPED, the 2015 NRM Kyankwanzi retreat and Management will continue to engage the MFPED for increased funding.

Management should liaise with MoFPED to find ways of gradually improving the percentage investment in the sector to that required by the declaration.

➤ **Budgetary shortfall**

Review of the budget performance for the year under review revealed that out of UGX.113,354,502,540 that was budgeted for, only UGX.83,676,318,373 was released causing a budget shortfall of UGX.29,678,184,167 representing 26% underperformance. As a consequence, critical planned activities such as commencement of the Agriculture Cluster Development Project by the World Bank, control of ticks and tick borne disease, operations of fisheries enforcement exercise by the UPDF, providing operational and scholastic expenses for agricultural training institutions and undertaking technical support and supervisory activities for ensuring increased survival rate of seeds and seedlings being provided to farmers by government could not be undertaken. The details of un-achieved planned outputs are in **Appendix I**.

Management explained that failure to implement some activities was occasioned by little or no release of funds to these projects by MOFPED. The ministry’s overall budget performance stood at 52% during the year under review which affected service delivery in the financial year and various reminders were made to MOFPED on the effects of low releases to service delivery.

The Accounting Officer should continue engaging the MoFPED to ensure that all funds budgeted for are received to enable service delivery in this critical sector.

- **The Fall Army Worm (FAW) attack**

Uganda was ravaged by the Fall Army Worm (FAW) pest in the year under review and the damage it caused was visible country wide. Audit noted that a national task force was brought together; comprising members from the MAAIF, NARO, Uganda National Farmers' Federation (UNFFE), OWC to respond to the disaster. The national task force engaged in activities such as collection of information on the FAW, designing messages for the public, guidance and agreeing on the emergency measures to be undertaken by farmers such as what chemicals and what amounts were to be applied. The task force also drafted the National Strategic Plan for control of the FAW and the Action plan for the control of the FAW. The Task force has also been involved in disseminating information on how to handle the fall army worm on different radio stations across the country. However, a review of the Ministry response to the FAW revealed the following shortcomings;

- **Inadequate funding to the emergency outbreak of the fall army worm**

Following the outbreak, the Ministry requisitioned for UGX.4,115,000,000 to handle the emergency, however only UGX.2,100,000,000 was disbursed for the activities relating to the control of the FAW representing 51% of the required funding. Of the amount received, UGX.1.6bn was spent on medical supplies and UGX.0.5bn was spent on travel inland by the Directorate of Crop Resources towards the control of the FAW.

- **Lack of formalization of the task force**

Additionally, the appointment of this task force was never formalized; and thus is operating without a legal framework despite the enormous task being undertaken that is critical to the sector.

- **Outstanding Contributions to International Organizations -USD.6,793,787**

Uganda is a member of the Desert Locust Control Organization for East Africa (DLCO-EA); an organization of countries in East Africa and the Horn of Africa which helps with pest and disease control. This membership requires annual contribution from the member states.

Furthermore, Uganda was originally a member of the International Red Locust Control Organization for the Central and Southern Africa (IRLCO-CSA), but withdrew from the organization in December 2000.

It was noted that, the cumulative balance payable to Dessert Locust Control Organisation for East Africa (DLCO-EA) totalled to USD.4,955,770 by the time of audit. At the time of withdrawal from the International Red Locust Control Organisation for the Central and Southern Africa (IRLCO-CSA) in 2000, Uganda had an outstanding amount of USD.1,838,017. This makes a total outstanding of USD.6,793,787 from the two key locust control organizations.

Inadequate funding for the emergency activity resulted into losses to farmers and food insecurity to the nation. The informal nature of the task force and inability to fund its operations may hinder their performance, hence may lead to slow response to such attacks in the future. Further, failure to fully contribute the required annual amounts restricted the support that DLCO-EA organisation could have provided to Uganda to deal with the FAW outbreak and the country is faced with a threat of litigation from IRLCO-CSAA as noted in their letter dated 10th December 2015.

The Accounting Officer explained that some losses were inevitable due to the lapse in response time. However the Ministry using the limited resources availed was able to mitigate these losses and it has not been possible to fully contain the outbreak due to financial constraints and the prevalence is currently estimated at 5%. It is likely to re occur because of its migratory nature with wide host range and thus the need for MOFPED to fast track the operationalization of the contingency fund to enable entities to respond to emergencies /disasters such as the fall army worm.

The National Task Force on Fall Armyworm (FAW) was constituted in March 2017 though not formalised to guide efforts on control of FAW and given that the funds were not released as requisitioned, facilitation of the task force in terms of sitting allowances was foregone at the expense of other pressing priorities in the control of the FAW. The outstanding contributions, is a result of little budget allocations on the item of contributions to International organizations.

The Accounting Officer should engage MoFPED with a view of obtaining funds to clear the arrears to international organizations. Further, the task force should be

formalized and facilitated to sustain their interest in keeping abreast with the new developments in regard to the FAW so as to mitigate future invasions.

- **Single Spine Extension System**

The Government, through the Ministry, committed to provide support towards the implementation of the single spine agriculture extension system (SSES) in the medium term starting 2015/16 financial year in line with the reform of the National Agricultural Advisory Services (NAADS) to create a unified “single spine extension system.” In the last two years, the ministry has intensified the establishment of unified single spine extension system with the main focus on recruiting and filling vacant posts in the production departments of local governments and lower local governments; as well as developing a link to MAAIF headquarters.

Through interviews with the Principal Entomologist (PE) and Commissioner Agriculture Extension and skills management, a review of the status of implementation revealed the following;

- **Slow recruitment process in Local Governments**

I noted that the total planned number of staff to be recruited at District, Municipality and Sub county levels was 5,000. However, by close of the financial year 2016/2017 the number of positions filled was only 2,760 leaving a staffing gap of 2,240. Comparatively, the number of staff positions planned to be advertised and filled in the financial year 2016/2017 was 1,360 out of which 616 were filled leaving a gap of 744 staff. Audit also noted that the Extension to Farmer ratio of 1:1800 is substantially lower than the recommended ration of 1:500.

I also observed that local governments were unable to attract some professionals like in Veterinary, Entomology, and Agriculture Engineering. Whereas some disciplines on the structure did have clearly defined career growth, disciplines like Entomology and Agriculture engineer did not have entry points as staffs were recruited right from senior levels. Similarly, the maximum promotion of Animal Production Officers is up to senior level and this demotivates the officers as well as prospective candidates.

Failure to provide agricultural extension services to farmers, more especially at the Sub County level hinders the Ministry from increasing agricultural production and productivity. Further, farmers are denied access to inputs procured, new

technologies generated, training on utilization of inputs and services rendered by sector projects that are gained through the extension system.

The Accounting Officer explained that the planned staff were not recruited during the year under review because some districts had no functional District Service Commissions. Secondly some districts advertised towards the close of the financial year hence these newly recruited personnel had not accessed the payroll at the time of audit and lastly some local governments failed to attract certain categories of professionals' e.g. Veterinary, Entomologists, District Production Officers and Agricultural Engineers.

In order to attract and retain the rare professionals, the ministry has recommended review of the structure to create officers at regional level and pay them retention allowance. For career progression public officers at District level are free to apply for promotional positions at the centre on transfer of service. It is also true that some entry level posts were not provided for at the Districts level, however, the Ministry is in consultation with Ministry of Public Service (MOPS) to provide the posts in the structures through trade off of non-core positions.

The Accounting Officer should expedite the recruitment process to enable provision of extension services throughout the country in order to support agricultural production and productivity. I also await the Accounting Officer's efforts in regard to trade-offs of noncore positions.

- **Inadequate Facilities for Pest control, Seed and Crop Certification**

Section 11 of the Agricultural seed and plant Act, 1994 requires the Minister for the purposes of the Act, to establish a national seed testing laboratory under the National Seed Certification Service. Seed testing and certification is critical to the agricultural economy and any achievement in the sector should be supplemented by the right seeds.

However, the laboratory meant to carry out both pesticide analysis and residue analysis had never been put to use because certain components and reagents had not been supplied since 2010. Further, the current Gas Chromatograph (GC) can only carry out pesticide analysis. It needs to be upgraded to mass spectrometry so as to be able to identify and quantify any traces of pesticide residues in crops like fruits and vegetables.

The non use of the equipment implies that the country is at risk of inferior seed that affect productivity in the sector.

The Accounting Officer should engage the Ministry of Finance, Planning and Economic Development to secure resources so that the equipment is operational.

- **Inadequate facilities at the Pest & disease diagnostic laboratory-Post-entry quarantine station, Namalere**

The post-entry quarantine station (PEQS), Namalere is a facility in the Department of Crop Inspection and Certification that is charged with the responsibility of ensuring that plants and plant products that have been allowed into the country do not pose any plant health concerns to the country. The PEQS is also responsible for supporting the quality assurance function of the crop sub-sector of MAAIF through quality checks of agro-inputs including planting materials and agro-chemicals. This is done through a consortium of laboratories including the pest and disease diagnostic laboratory which is charged with pest and disease identification for both plants and plant products grown in the country and what enters the country.

The pest and disease diagnostic laboratory is currently operational but with a number of shortcomings that have hindered its effectiveness. The inadequacies in the laboratory are due to inadequacies in the equipment outlined below;

S/N	Equipment	Remarks
1	Heavy duty autoclave	Currently a small autoclave in the laboratory but with the volume of samples anticipated this cannot handle the work. The volume of items to be sterilized in the laboratory is quite enormous which demands that a heavy duty autoclave is required for efficient utilization of the human resource in the laboratory.
2	A range of refrigerators	There is an inadequate refrigeration facility at the station. When dealing with samples delivered to the laboratory, the temperatures for storage vary from one end to another but currently the refrigerators available can only cool up to +ve 4 C, however the requirements should have a range of -ve 4 C to -ve 8 C.
3	Real time PCR machine	The PCR machine at the station has no capabilities of carrying out functions in the laboratories adequately. To reduce the time of handling samples delivered for DNA based analysis there is need to have a real-time PCR machine to accurately diagnose diseased samples using DNA based methods using the latest technologies.
4	Ice-maker machine	The ice breaker at the station is now non-functional. There is need to procure one since ice is required in large quantities where samples are collected and maintained at a given temperature when being worked on.
5	Distiller	The laboratory lacks a distiller. Most of the water used in the laboratory is distilled water and therefore the need for a fully

		functional distiller.
6	Power stabilizers	Because of the fluctuation of power, there is need to have power stabilizers for all electricity powered machines
7	Assorted pipettes	The laboratory lacks a range of pipettes for different volumes for drawing extracted samples
8	Nitrogen liquid containers	The laboratory uses substantial amounts of liquid nitrogen in the extraction of samples but the laboratory lacks containers for carrying the nitrogen
9	Ice buckets	The laboratory is in dire shortage of ice buckets used in the collection of samples from the field, there is need to have ice buckets in which ice can be placed and maintained in ice form
10	Gas cylinders & accessories	The laboratory lacks gas cylinders and accessories for the day to day operations of the laboratory
11	Titrating stands	There are no titrating stands for purposes of titrating.
12	Assorted consumables	For the day to day operations of the laboratory, besides the equipment, there are several chemicals and other materials that are required but are lacking because of inadequate funds and these include; Gloves, Primers, dNTPs, Taq polymerase, magnesium, pipette tips (different sizes), beakers, burets, rackets, ELISA plates (several), petri dishes, forceps, liquid nitrogen, PCR tubes, Maize lethal necrosis disease diagnostic kits, and several laboratory based chemicals.

Lack of adequate laboratories for the department exposes the country's agricultural sector to risks of inferior crop varieties being imported into the country and failure to control the new invading pests.

According to management this laboratory was originally housed in the department of crop protection and supported by Crop Pest and Disease Project 0970. Following the structural adjustments of the Ministry the laboratory moved to the department of crop inspection and certification without a budget line for procurement of equipments and consumables for the last three years since its creation. However through support from the Agricultural Cluster Development Project (ACDP) funded by the World Bank, laboratory equipment and consumables for pesticide formulation and analysis have been budgeted for in 2017/2018. Further, management explained that they are currently operating at 50% of the approved structure and the ministry has submitted staff requirements to MOPS for recruitment of the 50%.

The Accounting Officer should ensure that the issue is urgently addressed by fully stocking the laboratories with the required equipment.

- **Management of Fishing Activities**

- **Defunct Status of the Beach Management Units (BMUs)**

I observed that the beach management units at all the designated fish landing sites were non-functional. In a letter dated 11th November 2015, the Minister was

instructed to stop all activities and operations of the BMUs and fisheries officers citing several complaints about the manner in which management carried out enforcement activities, illegal fishing methods and trading in immature fish among others. Accordingly, the Ministry was to develop strict and clear guidelines on the operations, activities and election before new units and committees were elected.

By the time of this audit in June 2017, the Ministry was yet to develop re-licensing procedure and regulation of fishing activities. In the circumstances, management is significantly constrained in terms of fishing activity regulation and control which has an adverse impact on the fishing industry.

According to management Guidelines were developed together with the Ministry of Justice and Constitutional Affairs (MoJCA) and gazetted in November 2016, however while District local Governments (DLGs) had started the process for reconstituting BMUs further guidance was provided on amending the laws to disband BMUs. MAAIF halted the BMU formation process and amendment of the Fish Act is on-going to provide for alternative form of co- management arrangements.

The Accounting Officer should ensure that proper re-licensing procedures providing for all the requisite checks and information critical in monitoring, supervision and regulation of the fishing activities are put in place.

➤ **Inadequate monitoring by the fisheries protection force**

Fisheries protection force was meant to cover 17 sections on various water bodies, however, only three bodies (Lake Victoria, Edward/George and Lake Kyoga) had been covered. Several other bodies such as Lakes Albert, Kakyeeera, Nyakibaale, Bisina and Wamala have been left without any regulation. Accordingly, the available force cannot reliably monitor and regulate fishing activities on all the landing sites.

In the circumstances, management is significantly underperforming in terms of fishing activity regulation and control which has an adverse impact on the fishing industry.

According to management Illegalities in the fisheries subsector had escalated to unmanageable levels and the President instituted a Fisheries Protection Force to curtail further decline of the fishing stocks and the force is still limited in coverage due to human resource capacity and financial resources but capacity will

progressively increase. MAAIF is developing an enforcement strategy for effective and sustainable regulation of the subsector.

Management should ensure that the fisheries protection force covers all water bodies where fishing activities are carried out to minimize illegal activities on water bodies.

➤ **Vessel Licenses Issued without Specifying the Vessel Registration Number**

Section 17(1) of the Fish Act directs that a fishing vessel license shall be personal to the owner of the vessel concerned at the time of the issue of the license and shall not be transferred or assigned. Further, condition 1 in Form 3, 4, 5 and 6 (fishing vessel license) of the sixth schedule of fish (fishing) rules 2010 states that the license is not transferable.

Review of all the licenses (citizens and non-citizens) issued for the year 2017 revealed that management failed to identify the vessel registration number upon which the licenses were issued contrary to Section 17(1) of the Fish Act which requires a fishing vessel license to be personal to the owner of the vessel concerned at the time of the issue of the license and should not be transferred or assigned. The licenses issued could easily be transferred to different vessels.

According to the Accounting Officer this was attributed to issuance of the license and number plates at different times. This was because vessel plates were procured later and efforts to procure vessel plates are on as reflected in the budget and procurement plan however MAAIF is looking at contract frameworks arrangement with future plans to outsource/privatize the process with strict control measures by the competent authority.

Management should ensure that all boats are issued with vessel number plates which should be matched to the licences issued.

• **Tick Resistance to acaricides and Foot and Mouth Disease**

The agricultural sector during the financial year 2016/17 suffered resistance of ticks to acaricides and the foot and mouth disease (FMD). In response to this situation, the Ministry advised farmers on the measures to be undertaken in the interim and also developed a plan. My review of the Ministry's response to the above revealed that the Ministry did not have any budget provision for tick control in the year under review

despite its prevalence in the country. Further, the plan developed to handle tick resistance was not approved.

Management explained that the problem of tick resistance stems from the liberalization of the economy where by the importation of these acaricides was left to the private sector. Regulation was left to NDA who have limited capacity to monitor importation, sale and use of these acaricides. Currently the tick control in the country has been majorly left to individual farmers and yet there should have been switching classes of acaricides between three to five years to avoid resistance. The Ministry has come up with the strategy of cleansing ticks that are resistant to acaricides by zoning the country according to classes.

The Accounting Officer should ensure adequate budgetary provisions for the sector and promote corroboration with international organizations. Further, management should fast track the plan for handling tick resistance and FMD as enshrined in the National Policy for the Control of Ticks and Tick-Borne Diseases which should be widely circulated for farmers' sensitization.

- **Pension Management**

- **Incomplete Files**

527 files did not have adequate records. The basis upon which payments were effected could not be justified. The Human Resource Personnel had explained that the files had been forwarded from the Ministry of Public Service without adequate documentation and that they did not have a choice but to pay. This limited the staff in notifying the pensioners to provide additional information required.

Lack of relevant pension records on files raises a high possibility that non-bonafide retirees and non-existent pensioners may be paid. Further, use of inflated rates without basis cannot be ruled out which leads to loss of government funds.

Management explained that some pension files are incomplete but they have communicated to the Ministry of Public Service requesting for authority to photocopy the 527 pension files in their custody and authority was granted. Efforts are underway to photocopy the 527 incomplete pension files.

I advised the Accounting Officer to take all necessary measures to ensure that adequate documentation is availed by the Ministry of Public Service for audit verification.

➤ **Unverified Pensioners on the monthly payroll**

The Ministry of Public Service advised all Accounting Officers to return all unverified records to the Ministry of Public Service and those who are not compliant with the directive should be personally held accountable for their existence on the payroll.

Management communicated to the Ministry of Public Service (MoPS) indicating returns of the unverified records to the Ministry of Public Service. However, a review of the monthly payroll from the MoPS revealed that all the 64 names submitted in the letter have continued to appear on each monthly payroll since then, contrary to the communication. Whereas there is no evidence of payment as verified from a sample of monthly payrolls, there is a possibility that money could be paid to non-existent pensioners.

Management explained they sent a reminder to Ministry of Public Service to verify and decentralise the records to their respective votes and are waiting for the response from them to either delete the invalid records or decentralise genuine records to their respective votes of retirement.

I advised the Accounting Officer to continue liaising with the Public Service Ministry to ensure these names are completely deleted from the MAAIF payroll.

➤ **Over or under payment of pension**

A recast of the pension payroll for the month of May revealed that for a very long time (since decentralization), 262 pensioners had been over paid and 913 pensioners had been under paid. Computation 11 months of the financial year revealed that UGX.265,209,912 had been overpaid whereas UGX.1,254,101,332 had been underpaid as tabulated below;

Particulars	Total amount	No. of month	Total
Over payment	24,109,992	11	265,209,912
Under payment	114,009,212	11	1,254,101,332

Management had initially explained that these anomalies were due to clerical issues in the past where wrong calculations were applied to obtain the payable figure in the public service.

Under payments give rise to accumulation of arrears which are bound to be demanded by the affected pensioners thus delaying funding of critical service delivery outputs. Further, overpayments lead to loss of public funds since the entity may fail to recover from deceased pensioners.

Management explained that that they had put in place measures to address the anomaly such as carrying out a revalidation exercise of pension in the month of April 2017 and in the month of May 2017. As for the overpaid pensioners, the Ministry sought for guidance from the Solicitor General who advised that they needed to obtain concurrence of the beneficiaries on the modality of recovery and a recovery plan has been generated and recovery will commence in November, 2017.

I advised the Accounting Officer to ensure that all funds lost are recovered from subsequent payments while arrears for the under paid pensioners should be provided for in the subsequent budget.

- **Staffing Gaps**

Out of 723 approved positions, only 396 had been filled and the rest of the positions (327) were still vacant representing 45% staffing gap. Notably, I observed a number of unfilled substantive key positions such as directors, commissioners, assistant commissioners and principals in several departments and this could adversely affect the efficiency and effectiveness of the overall performance. Significant levels of staffing gaps lead to work overload on the existing staff and also negatively impacts on the Ministry's capacity to deliver its mandate.

Management explained that this was due to the limited wage bill provision. However, by end of FY 2016/17, some staff had been recruited. While the Ministry has lobbied for additional wage of UGX.1,157,524,663 to fill some of the critical positions in the FY 2017/18 and the Ministry has also submitted a recruitment plan to Ministry of Public Service to fill 159 core positions in FY 2018/19.

The Accounting Officers Action on the matter is awaited.

- **Encroachment on Bukalasa Agricultural College Land**

The Agricultural College owns land measuring 299.9 acres comprised of Volume 33, folio 2 of the Mailo Register registered on 7th July, 1931 and land measuring 98 acres Volume 38, folio 4 of the Mailo Register registered on 28th April 1933. However, Luwero District Local Government (lands office) had encroached on the college land claiming ownership. By the time of audit in September 2017, the district lands office had cleared part of the paddocks belonging to the college farm in an attempt to construct offices.

Management explained that there was land conflict between the College and Luwero District Local Government which has been a squatter on the land for very many years and acquired a title on land measuring 33.52 hectares from part of the land belonging to the College. Lack of new titles exposes the college to a risk of further subdivisions of its land without its knowledge and thus loss of the land.

Management explained that the process of reverting this land to the College is in advanced stage and the process of cancelling un-authorized titles is on-going.

Management should follow up the matter with the responsible officials and ensure acquisition of the new college titles. The school management is further advised to address the matter to the parent ministry for possible intervention in conjunction with the ministry of Lands.

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 Ministry.

The Accounting Officer is also responsible for the preparation of 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 Ministry's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Ministry, and using the Financial Reporting Guide 2008 unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Ministry'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 Ministry'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 Ministry'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 Ministry 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 Accounting Officer 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 Accounting Officer 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 Accounting Officer, 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

8th December, 2017

APPENDIX 1

Vote function	Project/program	Output Item description	Planned outputs/Quantity	Amount (Shs Bns) budgeted	Amount released (Shs)	Achieved outputs	Remarks
0101 Crops	1263 Agriculture Cluster Development Project	Output: 010107 Promotion of Production & Productivity of priority commodities	Ensure access to and utilization of improved seeds, integrated soil fertility management and sustainable mechanization for cassava, maize, rice and coffee through implementing the e-voucher system	10	0	Expression of interest issued to potential contractors to provide e-voucher services	-Delayed commencement of the Agriculture Cluster Development Project by the World Bank though the Project start-up activities were carried out. -Activities far below expectation due to lack of funding
	1263 Agriculture Cluster Development Project	Output: 010108 Increased value addition of priority commodities	Ensure the necessary agribusiness linkages for increasing the value, quality and quantity of agricultural products sold in domestic, regional and international Markets	7.08	0	None	-Delayed commencement of the Agriculture Cluster Development Project by the World Bank. -Activities far below expectation due to lack of funding
	1263 Agriculture Cluster Development Project	Output: 010182 Dam Construction (Crops)	Develop irrigation and drainage infrastructure; including internal and access roads to selected schemes	13.15	0	None	-Delayed commencement of Agriculture Cluster Development Project. -Activities far below expectation due to lack of funding
	1195 Vegetable Oil Development Project Phase 2	Output: 010171 Acquisition of Land by Government	Acquire, open boundaries and survey land in Buvuma for the oil palm nucleolus estate	9.39	23.45	Acquisition, opening boundaries and survey of land in Buvuma was partially completed	-The acquisition, opening boundaries and survey of land in Buvuma was incomplete yet the Ministry acquired supplementary funding for this activity. -Long process required for due diligence in the land acquisition process has delayed completion of the land hand over

Vote function	Project/program	Output Item description	Planned outputs/Quantity	Amount (Shs Bns) budgeted	Amount released (Shs)	Achieved outputs	Remarks
	1195 Vegetable Oil Development Project Phase 2	Output: 010172 Government Buildings and Administrative infrastructure	Construction of structures and hand over of Project considered options for the fertilizer store designs	1	1	One fertilizer store was completed on Bugala island.	-Other fertilizers stores were not constructed in Bunyama and Bubembe.
0102 Animal Resources	1330 Livestock Diseases Control Project Phase 2	Output: 010209 Vector and disease control in priority animal commodities	Procure assorted vaccines;500,000 doses of FMD, 1,000,000 doses of CBPP, 500,000 doses of Rabies, 1,000,000 doses of Brucellosis, 1,000,000 doses of ECF, 1,000,000 doses of PPR, 1,000,000 doses of Sheep and Goat pox, 1,000,000 doses of Black quarter	4.38	1.773	Procured 300,000 doses of FMD, 500,000 doses of CBPP, 500,000 doses of rabies vaccine.	- Inadequate funds for the procurement of the planned and required doses of vaccines
149 Support Services	1328 Support to Agricultural Training Institutions	Output: 014953 Support for Agricultural Training Institutions	Logistical support provided to Bukalasa Agricultural College and Fisheries Training Institute	0.95	0.638		-Insufficient release of funds affected the operations of the ATIs. -Institutes were underfunded by 233 millions
	Programme 01 Headquarter	212102 Headquarters Pension for General Civil Service	Payment of pension and gratuity for the retired staff	10.96	10.96	Payment of pension and gratuity for the retired staff	UGX 0.02 bn not utilized due to delayed submission of claims from beneficiaries.
Mechanization	1357 Improving Access and Use of Agricultural Equipment and Mechanization	Output 77 Purchase of Specialized Machinery & Equipment	Purchase of assorted equipment for water for agricultural production Purchase of low Bed and pick up for supervision	2.1	0.141	Purchase of assorted equipment for water for agricultural	-Most of the assorted equipment for water for production was not purchased because of significantly low releases

Vote function	Project/program	Output Item description	Planned outputs/Quantity	Amount (Shs Bns) budgeted	Amount released (Shs)	Achieved outputs	Remarks
	through the use of labor Saving Technologies		initiated			production Purchase of low Bed and pick up for supervision not completed because of inadequate funds	

