

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA EMBASSY ANKARA
FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL

UGANDA

TABLE OF CONTENTS

LIST OF ACRONYMS iii

Opinion.....1

Basis for Opinion1

Key Audit Matters.....1

Other Matters.....2

Management’s Responsibility for the Financial Statements6

Auditor’s Responsibilities for the Audit of the Financial Statements6

FINANCIAL STATEMENTS - APPENDIX I.....9

LIST OF ACRONYMS

Acronym	Meaning
MOFA	Ministry of Foreign Affairs
HOM	Head of Mission
PS	Permanent Secretary
MoFPED	Ministry of Finance, Planning and Economic Development
PS/ST	Permanent Secretary/Secretary to the Treasury
NTR	Non Tax Revenue
TK	Turkish Lir
AO	Accounting Officer
PSSO	Public Service Standing Orders
UGX	Uganda Shillings
US \$	United States Dollars
PV	Payment Vouchers

**REPORT AND OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL
STATEMENTS OF UGANDA EMBASSY, ANKARA
FOR THE YEAR ENDED 30TH JUNE 2017**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the financial statements of Uganda Embassy, Ankara which comprise the Statement of Financial Position as at 30th June 2017, and the Statement of Financial Performance, Statement of Changes in Equity and statement of Cash flows together with other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements of Uganda Embassy, Ankara as at 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 for Opinion

I conducted my audit in accordance with International Standards for Supreme Audit Institutions on Auditing (ISSAs), the National Audit Act 2008 and the Audit Methodology of my Office. 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 Uganda Embassy, Ankara 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 (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. 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. I have determined that there are no key audit matters to communicate in my report.

Other Matters

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

- **Irregular allowances**

The Allowances, emoluments and benefits payable to civil servants and support staff are stipulated in the Government standing orders. A Public officer employed in the Foreign Service or a Home Service Officer posted to a Uganda mission abroad shall be paid specific allowances as specified in Section E – e of the standing orders.

The Mission paid allowances to local staff to a tune of UGX.90,706,257 under two (2) categories i.e. Bonus and Ramathan allowances. These payments were not backed with any administrative circulars/standing order instructions approving them thus rendering the payments irregular. There is a risk that funds were not budgeted for and thus affecting the entity cash flows for implementing planned activities.

Management explained that the payment of 13th month (bonus) is a practice in European Countries and in all missions in Turkey and it is always budgeted for and approved.

I advised the Accounting Officer to regularise these allowances through the local staff contracts.

- **Contributions to the Social Security Scheme of Turkey**

The Embassy entered into a contract of service with its local staff. At the time of inspection, all the contracts were running and none had expired. The contract terms of payments, services and facilities provided by the employer, working hours and termination etc. were clearly defined. However, what was not clearly defined were terms related to Social Security Contributions despite the Embassy incurring a expenditure to a tune of UGX.96,918,082 on this item. This expenditure was irregularly undertaken. There is a risk that funds were not budgeted for and thus affecting the entity cash flows for implementing planned activities.

Management acknowledged the observation and explained that they will address the issue of regularizing the expenditure by amending the local staff contracts of service to cater for the expenditure.

Management action on the matter is awaited.

- **Medical Expenses**

Section M (m-a) (14) of the Public Service Standing Orders, 2010 requires Foreign Service Officers, while serving in a mission abroad, to be covered by full medical insurance. This should cover both in-patient and out-patient treatment. Medical insurance should also be provided for the spouse and up to four children.

The Mission procured a medical insurance cover for its staff (including the local staff) and paid staff medical expenses to the service provider (Medicana International) a total sum of TL.54,775.89 (approximately UGX.64,148,593). However I observed that the Mission in a number of instances did not use the services of a procured medical insurance and instead paid medical refunds in cash to two (2) of its homebased staff amounting to TL.135,955.48. This amount alone exceeded the budget by TL.51,237.83 (UGX.60,005,135) thus causes unauthorized excess expenditure.

In addition, some refunds were not accompanied by approved medical personnel prescriptions to certify that the staff actually needed the treatment. There is a risk that refunds could have been based on false claims.

Management agreed with the findings and explained that action will be taken.

I advised the Accounting Officer to urgently stop paying cash to staff resulting from medical claims and only use the services of the procured medical insurance as required by PSSO.

- **Shipping of Officers property back to Uganda**

Standing order 23 (E-e) stipulates that an officer on posting from Uganda to a mission or from a mission to Uganda or from a mission to another shall be paid a consolidated

baggage allowance to cover the cost of packing, collection, storage, delivery, insurance, handling, deck and freight charges.

Standing orders 24 (E-e) also stipulates that where an officer sends his or her baggage from the country to which he or she has been accredited, to another country, or back to Uganda by surface, he/she will make arrangements for transportation and shipment of the baggage with a suitable local agent whose bills should be settled by the officer.

It was observed that an officer at the Embassy whose tour of duty expired was requested to report to MoFA Headquarters' in Kampala by 1st July 2017. Subsequently, a sum of US\$.13,000.00 was paid to the officer Vide PV 3403 dated 6th April 2017 as shipment allowance to make arrangements for transportation and shipment of the baggage. At the time of inspection, the officer was still at the station and had not moved. The circumstances under which this payment was effected could not be explained. I found this irregular. There is a risk that the funds could have been lost.

Management explained that it was agreed in the meeting that payment of the officer allowance be made to enable him ship his car and property on 10th April 2017. But after sometime, he requested for extension which was granted by Permanent Secretary (PS), Ministry of Foreign Affairs up to October 2017.

I advised the Accounting Officer to liaise with MOFA with a view of resolving the matter otherwise the funds are recoverable.

- **Proposed Chancery at Birlik Mahallesi 396. Sokak No.2 Cankaya Ankara Turkey**

Uganda Embassy in Ankara received an offer to procure a Chancery building at an price of US\$.7,494,360. In order not to lose out on this procurement, Permanent Secretary and Secretary to Treasury (PSST) in his letter reference PAD 51/255/01 requested PS MOFA to reallocate UGX.10bn from Uganda Embassy-Nairobi which later will be transferred to Uganda Embassy in Ankara as part payment to cater for this development expenditure. This premises located in diplomatic and strategic location.

It was observed that at the time of inspection, no progress had been registered. The Mission had neither received the funds nor signed the contract. If this matter is handled urgently, the cost spent on rentals (chancery) will be saved in the long run. This action would be in line with Uganda Government objective of acquiring premises as per the approved Mission Charter.

Besides, I was not provided with evaluation reports from MOFA to enable me appraise the project.

Government is likely to lose this property located a very prime and lucrative area.

Management agreed with the findings and explained that the HOM is following up the matter with PS MOFA.

I advised the Accounting Officer to continue liaising with the relevant authorities with a view of not losing on this offer.

- **Mischarges**

The Parliament of Uganda appropriates funds in accordance with the needs of the country and this appropriation is implemented through the budget in which funds are tagged to particular activities and outputs using account codes and MTEF codes.

A review of the Embassy's expenditures revealed that the entity charged wrong expenditure codes to a tune of UGX.123,003,869. Mischarges undermine the importance of the budgeting process as well as the intentions of the appropriating authority and lead to misleading reporting.

Management explained that the payments relate to medical claims whose receipts were presented with a lot of pressures to effect payments. This matter was raised to the Finance Committee meeting who approved the payments. The Accounting Officer informed MOFA for comments but no response was received. Management will take into consideration streamlining of the budget process to ensure that sufficient funds are allocated to each account.

Management action on the matter is awaited.

Management's Responsibility 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 Uganda Embassy, Riyadh.

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 for such internal control as management determines 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 Accounting Officer is responsible for assessing the Uganda Embassy, Riyadh ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Uganda Embassy, Ankara, and using the Public Finance Management Act 2015 unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Uganda Embassy, Ankara financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives as required by Article 163 of the Constitution of the Republic of Uganda, 1995 (as amended) and Sections 13 and 19 of the National Audit Act, 2008 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 International Standards for Supreme Audit Institutions on Auditing (ISSAs) 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 International Standards for Supreme Audit Institutions on Auditing (ISSAs), I exercise professional judgment 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 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 Uganda Embassy, Ankara 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 Uganda Embassy, Ankara 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 Uganda Embassy, Ankara 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.

A handwritten signature in black ink, appearing to read 'John F.S. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

19th December, 2017

FINANCIAL STATEMENTS - APPENDIX I