



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
OFFICE OF THE PRESIDENT
FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL
UGANDA

LIST OF ACRONYMS

RDC	Resident District Commissioner
DRDC	Deputy Resident District Commissioner
MoFPED	Ministry of Finance, Planning and Economic Development
UGX	Uganda Shillings
NALI	National Leadership Institute
MOLHUD	Ministry of Lands, Housing and Urban Development
PMT	Project Management Team

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THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the financial statements of Office of the President 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 Office of the president 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. I have determined that there are no key audit matters to communicate in my report.

Emphasis of matter

Without qualifying my opinion, I draw attention to the following matter;

- **Budget implementation**

A sum of UGX.1,661,000,000 was budgeted for the construction of two (2) Government buildings/offices for RDC's offices in Adjumani and Mubende Districts. UGX.764,985,095 was released for this activity leaving a balance of UGX.896,012,905. The Office did not construct the two administration blocks as planned. Out of the funds received, UGX.562,856,295 was diverted to complete RDC's offices in Lwengo, Lira and Bundibugyo. There was no authority to divert the funds as required by PFMA. Diversion of funds affected implementation of planned activities thereby denying services to the intended users.

Management explained that poor funds release was the major hindrance to implementing the contract in accordance with the time lines in the procurement plan. The procurement process was initiated and concluded in the same financial year however signing of the contract was halted given the poor release of funds in quarter three of financial year 2016/17.

The above notwithstanding, the entity had outstanding final certificates and retention monies arising out of works which had commenced in the middle of financial year 2015/16. Such funds could only be paid after the Project Management Teams (PMT) confirmed practical completion of the works. Consequently, in a bid to avoid loss of the available funds released in financial year 2016/17 and basing on the guidance from the PS/ST, the entity processed payment to several contractors whose practical completion certificates had fallen due after the closure of financial year 2015/16.

I advised the Accounting Officer to continually engage the Ministry of Finance, Planning and Economic Development to ensure that budgeted funds are released timely. In case of virement, authority should always be sought.

Other Matters

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

- **Increased maintenance costs of RDC Motor Vehicles**

The entire budget, for Maintenance of all vehicles for the whole year was UGX.677,000,000.

It was noted that 144 vehicles (82% of the total fleet) used by the Resident District Commissioners (RDCs) and Deputy Resident Commissioners (DRDCs) were above the recommended five year official use and were due for boarding off. Continued use of these motor vehicles across the country has led to increased maintenance costs, as noted in my previous report for the year ended 30th June 2016. Scrutiny of the entity's budget indicated that the allocation for procurement of vehicles for the RDCs and DRDCs was only UGX.750,000,000. During the year, the Office procured only five vehicles which translate into 3.5%, of the planned procurement leaving a balance of 96.5% (139) aged vehicles. Frequent breakdowns of these vehicles negatively impacts on the effective monitoring of government programs in the districts.

Management explained that during the year 2017/18, the Office will replace only 10 vehicles against a requirement of 144 for officers in the field. The Office has also pursued the matter of requesting for additional funds from MOFPED in order to replenish the fleet.

I advised the Accounting Officer to continue liaising with MoFPED to secure additional funding to procure new vehicles and replace the aged fleet.

- **Land Matters**

The Office of President owns various properties in different districts across the country. I noted that the land is categorised under the stages namely; land with titles, land with deed plans submitted for title processing and status of surveying. 9 districts have land titles, 5 have deed plans submitted for title processing and 50 plots are being surveyed. I note that there was limited progress as compared to last year's position. The untitled land is prone to encroachment and misuse.

Management explained that the process of securing land titles is resource intensive. For example, rural titling process for one acre of land, involving facilitation for MoLHUD officials costs UGX.3-4 million. The resource constraints notwithstanding, the Office will effective financial year 2018/19 set aside funding to process 10-15 titles per annum, with a view of clearing the backlog within three years in a phased approach.

I advised the Accounting Officer to liaise with MoFPED and MoLHUD to ensure that titles for all the Office land are secured.

- **Construction of residential hall at National Leadership Institute Kyankwanzi (NALI)**

National Leadership Institute Kyankwanzi (NALI) took an initiative to construct a residential hall for accommodation of Cabinet and State Ministers and conference halls for use during government retreats. Construction started in April 2016 and is now at roofing level. It was however noted that no funds have ever been earmarked to NALI for this project. All the developments have been financed by little savings made from the subvention funds advanced to the Institute. UGX.63,621,000 was spent on this project from the subvention fund during the year under review.

Failure by Government to allocate the necessary funds to NALI to construct the residential building may compromise the quality of works on the building that may eventually lead to loss of lives by the users. Because of the limited funds, management could not engage a supervising engineer and this is likely to further compromise the quality of works.

Management explained that the initiative to construct the accommodation hall was undertaken after the various groups of senior leaders who come to NALI Kyankwanzi identified the need for VIP accommodation. Although over the years the Institute has attempted to use normal means to obtain funding for this hall, none has been availed despite the critical need for VIP accommodation. The current level of construction has only been made possible by using funds obtained outside Vote 001 as well as employing the cheapest method to build (using force accounts and direct labour).

I advised the Accounting Officer to liaise with relevant authorities and have funds allocated to this project in order to enable construction of decent facilities for the Institute.

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 Office of the President's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of Office of the President, 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 Office of the Presidents' 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

15th December, 2017

FINANCIAL STATEMENTS