



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL**

**ON THE FINANCIAL STATEMENTS OF UGANDA HIGH COMMISSION,**

**KUALA LUMPUR**

**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**OFFICE OF THE AUDITOR GENERAL**

**UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS**  
**OF UGANDA HIGH COMMISSION, KUALA LUMPUR FOR THE**  
**YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**Opinion**

I have audited the accompanying Financial Statements of Uganda High commission, Kuala Lumpur which comprise the Statement of Financial Position as at 30<sup>th</sup> June 2017, the Statement of Financial Performance, 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 8 to 37.

In my opinion, the financial statements of the Uganda High Commission, Kuala Lumpur for the year ended 30<sup>th</sup> June 2017 are prepared, in all material respects in accordance with section 51 of the Public Finance Management Act, 2015.

**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 Embassy 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 Matters**

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

- **Mission Charter**

I noted that the Embassy uses a draft Mission Charter which had not been approved by the Minister of Foreign Affairs (MoFA) contrary to guidelines. In the absence of an approved mission charter, there is a risk that the activities of the Mission are neither realistic nor in line with the Government objectives.

I also observed that most targets are ambitious and would require significant amounts of funding to achieve. For example, acquiring and maintenance of government property abroad for the mission in Kuala Lumpur, Promote at least USD 100m worth Uganda exports, attract at least 1,000 tourists, lobby for annual inward Investment of at least USD 100m in Agro-processing and infrastructure to Malaysia and other accredited countries, would necessitate having to budget for them annually. However a review of the Mission's MTEF ceiling showed that no annual allocation is earmarked for the acquisition of property. Also, to achieve the targeted annual USD100m worth of Investment and USD100m in exports would require the mission to hold activities like trade shows, workshops, investors meetings, export promotions etc. Without a corresponding budget to carry out such activities the targets would be difficult to achieve.

These targets are ambitious taking into consideration that almost 80% of the Mission budget is used towards employee costs (salaries and wages), utilities and property expenses.

The Accounting Officer stated that the Mission still uses the draft Charter as a guide meanwhile awaiting approvals from MoFA.

Regarding funding, the Accounting Officer explained that, for two years, the Mission, being top heavy in an area of Commercial and Economic Diplomacy, has requested for funding and is expectant that funds will be availed in the next budgets.

I advised her on the need for regular follow ups with MoFA and MoFPED.

- **Follow up of Initiatives**

I noted that although some mission staff, continue attending meetings, tradeshows and Tourism festivals in a bid to obtain scholarships, promote tourism, there is no evidence of follow up of such efforts to their final conclusion in Uganda especially those activities which require coordinating with other government Institutions like Universities, Tourism Board and Education and Sports. It is thus difficult to link the attendances and efforts with the anticipated or actual output as envisaged in the Charter.

In other instances audit noted cases where Education scholarships are sourced and secured but not taken up by Ugandans. These scholarships were offering between 35% and 100% bursaries (Negatech International College in 2015, various in 2017). In such circumstances the efforts and resources to secure such opportunities are put to waste.

Accounting Officer explained that although contacts have been made with relevant MDAs, the timelines and red tape of MDAs are parallel to those of the private sector within the ASEAN region, hence ending up losing such chances.

I advised management of the need to engage more stakeholders, like office of the Prime Minister to ensure follow-up is at a higher level so that opportunities and scholarships benefit the citizens of Uganda.

- **Land In Putrajaya**

The Mission has identified four plots of Land in the diplomatic enclave of Putrajaya intended to house the Chancery, Official Residence, FSO residences and proposed commercial building. The government of Malaysia offered this land to all diplomatic missions in 2016 at almost 40% below the market values.

In addition GoU was offered two options; outright purchase with a 10% down payment and balance paid after one year or exchange the land for freehold land in Uganda. This

offer has however not been taken up. During a site visit of the area I observed that the area has been built with upscale high rising office and residential blocks.

There is a risk that the Mission may miss out such opportunity which would save government almost UGX.1bn annually in rent.

Accounting Officer stated that the administration in Kampala had decided to concentrate on renovating and maintenance of the eight properties abroad that Uganda owns and are putting on hold the purchase of land for new properties.

I advised the accounting officer to liaise with MoFPED and MoFA to explore the seemingly cheaper and easier option of land exchange by providing the Malaysian government with similar land in Kampala.

- **Education and Child Allowance**

Public Service Standing Orders 2010 state that the Education allowance will be payable direct to the school and reimbursement from the officer for his or her personal share will be made at source. In addition, the allowance must be approved by the Responsible Officer and must be accompanied by a certificate by the officer's Head of Mission certifying that the circumstances described by the officer such as the period of education to be covered; the date of birth of the child; as well as evidence of child parenthood/adoption are correct.

Contrary to the above, the Mission paid USD.24,000 in respect of educational allowances direct to its officials instead of their respective educational institutions.

There were also no attachments in the form of a certificate by the officer's Head of Mission certifying the circumstances described by the officer such as the period of education to be covered; the date of birth of the child; as well as evidence of child parenthood/adoption are correct. This therefore casts doubt on the authenticity of the payments.

In addition, although Section (E - e) Paragraph 7 of the Public Service Standing Orders 2010 requires payment of Children Allowance to staff "for each child accompanying the

Officer” the Mission paid Children allowance to officers for children who had not accompanied the officers.

The practice amounts to a violation of the public Service Standing orders and leads to misuse of the Mission’s funds.

The Accounting Office explained that the Education allowance was being paid based on letters of entitlement from MoFA and that the Mission decided it was cheaper to pay the allowance on compassionate grounds due to limited resources.

I informed management that, although the Education allowances have now been standardised by the posting letters, they still have to be paid following guidelines stipulated in the standing orders. Meanwhile child allowance paid to non-accompanied officers is recoverable.

- **Diversion of Capital Expenditure**

Contrary to the Public Finance and Management Act (2015) and the related Regulations 2016 which require the Minister’s approval before virement within a vote, the Mission diverted an amount of MYR111,241 (approx. UGX93m) from capital development funds to pay FSA and shipments for the former Ambassador’s property back home which is a recurrent expenditure without authority from the Minister.

Unauthorised charging and reporting on inappropriate budget lines is not only misleading to the users of the statements but also negatively affects the procurement of capital assets for which funds had been budgeted.

Management explained that, when the directive for redeployment of Heads of Mission was received, they sought a supplementary from MoFPED which was not approved but the PS/ST advised that they should facilitate the Head of Mission using available resources.

I reminded the Accounting officer that the authority should have been sought from the Minister as per requirements of the financial regulations.

### **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 Mission.

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

John F.S. Muwanga  
**AUDITOR GENERAL**

24<sup>th</sup> December, 2017