



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA POLICE FORCE
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 Uganda Police Force 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 Uganda Police Force 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 Police Force 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 to be the key audit matters communicated in my report.

- **Express Penalty Scheme (EPS)**

Section 179 of the Traffic and Road Safety (TRS) Act empowers the Uganda Police Force to enforce the Express Penalty Scheme (EPS). The Scheme started in 2001 as a pilot project in the districts of Kampala, Masaka, Entebbe and Mukono. It was later rolled out to the rest of the country in 2004. The major objectives of the scheme were:-

- To have minor offences handled expressly to reduce the work load at Police Stations.
- To reduce congestion at the Police Station and Courts
- To reduce inconveniences to motorists who commit offences which are considered minor in the Traffic and Road Safety Act.
- The scheme is also important for generating non-tax revenue for the Uganda Police and Government in general.

The EPS Regulation initially had 35 offences but was later revised in 2012 to cater for new offences and also to remove those which could not be enforced. Tickets are currently issued manually to traffic offenders throughout the country. It has been noted that enforcement under this scheme is inadequate. The collections from this scheme are very poor and there is no proper follow up of defaulters or offenders issued with tickets. Consequently, Express Penalty Scheme was considered a key audit matter which needed to be examined to assess: the appropriateness of ticket issuance, revenue collected, total amount imposed, the default rate, the trend and the underlying factors; and the adequacy of the internal controls surrounding management of the Express Penalty Scheme.

During audit planning, I developed a strategy and audit procedures on examination of ticket issuance, revenue collection, data compilation and data entry. I undertook the following procedures: reviewed the Road Traffic Act, verified the EPS returns at police quarters, visited and inspected a sample of police stations across the country and examined their records to ascertain their authenticity, carried out reconciliation of receipt books issued from URA, reconciled banking to ascertain what had been paid and outstanding and also carried out trend analysis over a period of ten years to ascertain the magnitude of default and underlying causes of default rate. I also engaged the Accounting Officer to enable me arrive at the audit conclusions.

Based on the procedure performed, I observed the following;

➤ **Outstanding Revenue from Express Penalty Scheme (EPS) fines**

UGX.52,685,427,000 has been outstanding in uncollected fines and penalties since 2007, to end of 2016. Uncollected revenue affects service delivery and exposes the entity to risk of loss of revenue.

A sample of 34 stations visited in September 2017 revealed that UGX.2,894,663,000 in respect of revenue from express penalty tickets was expected from these stations however, the actual revenue collected could not be ascertained. Government risks losing revenue in case the defaulters manipulate the inadequate internal controls to avoid paying the penalty. The objectives of the scheme may not be met under the circumstances.

Management explained that the Traffic and Road Safety Directorate has put in place interventions to address the problem namely; establishment of EPS Defaulters Tracking Unit equipped with patrol cars and mobile portable tracking devices and operates on all roads to track defaulters on daily basis. However, lack of computers with internet connectivity in almost all stations outside Kampala and issuing tickets to offenders manually makes it difficult for traffic officers to reconcile with URA EPS defaulters. Measures have been put in place to address the problem namely; 150 traffic officers from Police Stations with computers and internet connectivity have been trained in introduction to E-tax, EPS reconciliation, EPS tracking and records management.

I advised the Accounting Officer to develop debt recovery strategies to ensure that all outstanding debts are collected. The Accounting Officer should also ensure that the traffic personnel are trained on the simple basics of book keeping so that they are able to make a follow up of receipts issued and make reconciliation with paid up receipt. This will assist in future decision making processes especially on how the system can be harmonized with URA to provide proper transparency and accountability.

• **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 close of the 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 in the final accounts. 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.51,938,968,158 was stated as outstanding arrears with a significant increase of 90% from UGX.27,339,764,749 in the financial year 2015/16. Accruing domestic arrears without clearing the previous year's domestic arrears is a violation of the law and may lead to nugatory expenditure in form of litigation costs from suppliers due to delayed payments.

The accounting officer explained that increase in domestic arrears was largely due to underfunding by Government

I advised the Accounting Officer to continue liaising with MoFPED in order to obtain funds to settle the outstanding obligations.

Other Matters

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

- **Budget Implementation**

I observed that out of the budgeted revenue of UGX.525.3 billion from Government grants, the entity received all the budgeted funds. A review of the budget performance for the year revealed that some targets were partially or not achieved at all despite

release of some funds to the vote function. The activities that were not implemented included; Improvement of Police training facilities at Bwebajja, failure to drill of 4 Boreholes at PTS Ikaffe and Olilim, failure to construct 20 latrines at police stations and non-construction of Aircraft maintenance facility. **Appendix 1 refers.**

Service delivery is hampered and the appropriating authority's objectives are not met as the activities were not performed as planned.

Management explained that the non-implementation of some activities was due to the quarterly cash limits which are normally less than the projected.

I advised the Accounting Officer to continue liaising with the Ministry of Finance, Planning and Economic Development to ensure that the amounts appropriated are availed in time and used to implement planned activities.

- **Non-involvement of PDU in the procurement of rented accommodation for the various police stations**

UPF spent UGX.2,095,498,825 in respect of rent for its several stations country wide. However, a review of the procurement records revealed that procurement procedures were not followed in the process of acquiring these premises neither was there market assessment undertaken before to ensure that they were not over charged. There is a risk that the entity missed out on the benefits of competition and the possibility of procuring rental services at inflated prices could not be ruled out.

Management explained that the procurement of premises for rent still remains a big challenge as most times the need is determined by policing pressures though all the tenancy contracts were entered into after valuation of the premises by the Chief Government Valuer.

I advised the Accounting Officer to involve the PDU to ensure competitive procurement of rented premises after undertaking a market assessment of the prevailing rates.

- **Pending Criminal cases**

An inspection conducted in various police stations on the status of the criminal cases registered, concluded, under inquiry and/or settled out of court during the financial year 2016/2017 revealed that out of 59,491 cases registered in the 2016/2017, only 2,076

(3.4%) cases were concluded, 30,558 were still under inquiry and 3,181 were settled by mediation between parties.

Delaying to investigate and settle cases denies justice to the suspects and is costly to government in terms of keeping the suspects in prisons.

Management explained that are several challenges existing in the investigation and settlement of cases arising from different reasons that may be administrative or procedural. However, management is implementing the following initiatives to suppress the problem;

- Recruitment of additional detectives to build the capacity of Criminal Investigations Department (CID) and increased training.
- Roll out of the criminal records management system that tracks all cases with the UPF.
- Inspection of detectives: This is aimed at supervising and ensuring that investigations are done professionally.
- Seeking for more funding to improve on investigations and reduce case backlog.

I advised the Accounting Officer to expedite investigations of cases to avoid delaying and denying justice to suspects.

- **Inadequate staff accommodation**

According to the Strategic Policing plan 2015/16-2019/20 the current force stands at 44,601 as of May 2016. Out of this number, 80% (35,681) officers are entitled to accommodation in the barracks but the available accommodation of 4,360 units can only accommodate 9,331 officers leaving a gap of 26,350 officers without accommodation at the current strengths.

Secondly the policy adopted by Uganda Police Force is that officers at the rank of Assistant Superintendent of Police (ASP) and above must rent outside the barracks while those below are housed in the barracks. However, a sample of police stations inspected revealed that 1,997 officers below the recommended rank of ASP were either found renting outside the barracks or not having accommodation.

There is a risk of inadequate response of emergencies in cases as Forces leaving outside the barracks may not salvage an emergency situation leading to poor service delivery.

Management explained that the police is currently able to house only 20% (9,409) of the 39,422 entitled staff (PPC-IPS) leaving a gap of over 30,013. UPF has started addressing the acute shortage of accommodation by utilizing the commercial potential of its vast land in Kampala Metropolitan Area to provide housing through Public Private Partnerships (PPP) interventions and in a phased manner based on availability of resources.

I advised the Accounting officer to ensure that the policy is implemented by constructing and allocating to the officers housing units within the barracks to allow availability of officers for deployment as and when required.

- **Un-surveyed police land**

Although the entity had a budget for surveying and acquiring title to its land, a review of the Police records indicated that 556 police stations land have not been surveyed and as such, land titles have not been acquired. The Police Force stands to lose some of its land to encroachers due to non-survey and titling.

Management explained that the annual Police budget for survey and purchase of land is UGX.468m and yet the recorded Police land that needs legalization of ownership requires a budget of UGX.4.3bn. The allocated funds are being utilized to obtain titles in phases and prioritizing the ones in danger of encroachments. Unit Commanders have been facilitated to secure some of the boundaries by planting trees provided under Operation Wealth Creation.

I advised the Accounting Officer to continue engaging MoFPED to avail funds to enable securing titles for its land in phases.

- **Encroachment on police land by private developers**

It was observed that the UPF has 671 parcels of land of varying sizes and tenure system, of which 556 parcels have not been secured with land titles and most of the unsecured land is located in prime areas attractive to the business community and therefore prone to encroachment and grabbing.

An inspection carried out at Jinja Bugembe, Tororo, and Natete Police/ barracks revealed that land for Namasiga, Namaganga, Kamigo, Bunyala police posts and Buwenda, Mpumudde and Bugembe police barracks has been encroached on. In the absence of land titles, it is difficult for Management to claim legal ownership of the

barracks land in case of further encroachment by private developers. Besides, the encroachers may sue police in future attracting legal action that may become a cost to Uganda Police.

Management explained that legalization of UPF land ownership is still a big challenge resulting from inadequate resource allocation, however, the status for some areas is as follows;

S/N	Police Station Land	Details of encroachment	Status/Response
1	Tororo police station land	Encroached on by NSSF	Boundaries opened, investigations carried out and no encroachment reported
2	Natete police land	Encroached on by 65 illegal occupants	Profiling of squatters completed. Evaluation of existing squatters ongoing to ascertain their legitimacy.
3	Katuna police station land	Encroached on by 1 illegal occupant	The encroacher was stopped from pouring bricks on station land and it was immediately fenced.
4	Fort Portal police station land	Encroached on by 1 illegal occupant	The development on police land was immediately stopped, boundaries opened and titling at final stages.
5	Kaberamaido Police station land	The portion of land behind the Barracks is being claimed by a neighbour	Boundaries were opened, Dispute settled and land was properly fenced off.
6	Iganga police station land	The Barracks land is encroached on	Boundaries were opened and there is no encroachment.

I advised the Accounting Officer to mobilize funds and ensure formalization of the ownership of land and obtain the land titles.

- **Staffing gaps**

In 2015, Ministry of Public Service reviewed, restructured and approved 66,388 posts for both uniformed and civilians across all the directorates. However, I noted that 43,942 posts (66.2%) were filled, leaving a staffing gap of 28,791 posts in the Police Force (representing 33.8% of the approved structure). Failure to fill the vacant staffing positions affects the performance and overall achievement of the Police goals and objectives.

Management attributed the big staffing gap to wastage resulting from death, retirement, dismissal, desertion, a ban on recruitment till year 2019/20 and lack of resources for recruitment and training.

I advised the Accounting Officer to liaise with the Ministry of Public Service and MoFPED and have the vacant posts filled for improved service delivery by the Uganda Police.

- **Unaccounted for funds**

I noted that a total of UGX.64,735,000 in respect of advances to staff to carry out various activities remained unaccounted for as the payments lacked necessary supporting documents such as activity reports, acknowledgements and other documents. I was unable to confirm the genuineness of the expenditure. Failure or delay to account for the funds implies that the funds were not utilized for the intended purpose.

Management explained that at the time of audit, some of the accountability supporting documents were still up country.

I advised the Accounting Officer to ensure that funds advanced for Police activities are accounted for within the statutory period and where no accountabilities are made, recovery measures should be instituted.

- **Abandoned official motor vehicles/cycles**

An inspection carried out in September 2017, revealed that several motor vehicles and motorcycles were grounded and in bad condition at various police stations instead of having them towed to mechanical work shop in Kampala for repairs. **See photo below.**

In the absence of adequate transport facilities, police operations especially handling of emergencies like response to crime scene and other policing operations are hampered, negatively affecting service delivery to the community. Grounding motor vehicles/cycles in bad conditions in various police stations may lead to further deterioration of the same as they could be repaired in those stations.



Some of the grounded motorcycles parked at Barracks

Management explained that they are in the process of creating fully fledged regional maintenance centers to permanently address this problem. However, in the interim, repair of vehicles is done both at the regions as well as at the central workshop Kampala. Grounded motor cycles and motor cycles in bad mechanical condition are currently being collected to the regional headquarters, inspected and those which are recoverable will be repaired subject to availability of sufficient funds.

I advised the Accounting Officer to ensure that the UPF vehicles/cycles are centrally stored and repaired to avoid further deterioration in the police stations.

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.

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

KAMPALA

20th December, 2017

**Appendix 1-
Budget performance – Activity implementation**

Verification Output	Vote Function/item description	Planned Output/Qty.	Amount Budgeted	Amount Released	Actual Amount Spent	Actual Output/Qty.	Remarks
1256-Police services Project 0385- Assistance to Uganda Police	125672- Government buildings and administrative infrastructure		13,617,661,000	11,991,423,819	11,862,423,819		
		Ongoing residential buildings and administrative infrastructure constructed at Natete				Civil work completed and external works in progress for Natete Police stations.	Implemented
		Police medical Police medical cancer Centre (Phase 111) at Kololo improved				Completed the construction of the specialized health facility	Implemented
		Police training facilities improved at Bwebajja				Not implemented	This was not implemented because the funds were not released worth UGX.1,626,236,681 under the vote function

		20 latrines at police stations constructed		Not implemented	This was not implemented because the funds were not released worth UGX.1,626,236,681 under the vote function
		Aircraft maintenance facility constructed		Not implemented	This was not implemented because the funds were not released worth UGX.1,626,236,681 under the vote function

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