



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF**  
**UGANDA PRISONS SERVICE**  
**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 PRISONS SERVICE**

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

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

**REPORT ON THE FINANCIAL STATEMENTS**

**Opinion**

I have audited the financial statements of the Uganda Prisons Service for the year ended 30<sup>th</sup> 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 Prisons Service 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, 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 Prisons Service 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.

- **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.65,727,136,765 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 from UGX.35,173,385,290 in 2014/15, to UGX.49,889,787,029 in 2015/16, and UGX.65,727,136,765 in 2016/17. This makes the trend unsustainable.

I further observed that a paltry budget provision of UGX.7,086,061,661 was provided for financial year 2016/17 against arrears of UGX.49,889,787,029 accumulated in the prior year posing a risk of diversion of funds for settling the obligations. Despite insufficient budget provision, a total of UGX.34,054,261,119 was spent in settlement of arrears during

the year. As a result, a sum of UGX.26,968,199,458 was diverted from other budgeted activities and spent on settlement of outstanding obligations during the year under review.

Similarly, I noted a difference of UGX.31,860,997 arising from UGX.65,727,136,765 disclosed in the financial statements and the verified amount of UGX.65,758,997,762; I noted that Management did not prepare expenditure commitment reports to Treasury

This may be as a result of existence of a weak and ineffective internal control system over the control and management of domestic arrears, such as adherence to the government commitment control system.

The accounting officer explained that the increase was largely due to underfunding by Government and fixed budget against an increasing number of prisoners. The Accounting Officer further explained that the bulk of the arrears relate to food supplies.

I advised the Accounting Officer to put in place a strong commitment control system to enable proper tracking of domestic arrears accumulation levels as well as ensure sufficient budget provisions are made. Management should also continue liaising with MoFPED 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**

The entity expected to receive UGX.219,446,826,409 comprising of UGX.198,288,826,409 from the Central Government and NTR of UGX.21,158,000,000 during the year under review. However, only UGX.182,260,163,147 (Central Government grants of UGX.174,332,663,897 and UGX.7,927,499,250 from NTR) was received creating a shortfall of UGX.37,186,663,262.

I noted that that some targets were partially or not achieved at all despite release of some funds to the vote functions. **Details are in Appendix 1.** Service delivery is hampered and the appropriating authority's objectives are not met as the activities were not performed as planned.

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

- **Inadequate staffing**

Although the standard and ideal custodial staffs to prisoner ratio are 1 staff to 3 prisoners (1:3), the current ratio of staff to prisoners is 1:8.

The custodial staffing in financial year 2016/2017 was 8,938 uniformed staff against the required 15,262 indicating that 6,324 staff are required to reach the ideal ratio of 1 staff for every 3 prisoners. An inspection carried out in 17 prisons in September 2017 revealed the average warder prisons ratio was 1:9 which is far below the required ratio. Failure to have an ideal staffing level poses a risk of prisoners' escape.

Management explained that they have so far recruited 699 warders and wardresses on replacement basis and are currently undergoing training in the Prisons Training School expected to pass out in January 2018. Despite the continuously increasing number of prisoners, Government has still put a ban on recruitment of new staff until financial year 2019/2020.

I advised the Accounting Officer to liaise with the Ministry of Public Service for gap analysis and that of Ministry of Finance to obtain extra resources to address the staff gaps.

- **Inadequate staff accommodation**

UPS has 3,059 permanent houses and 5,060 makeshift structures to accommodate its 8,119 staff leaving 1,752 to rent by themselves. An inspection carried out noted that over 6,000 staff are not properly housed. They stay in improvised houses, Uniports, canteens, locally self-made grass huts, while others rent at their own cost. This may not only explain the high staff attrition rate of 250 staff per year but also compromises security of the prisons and the public at large.

Management explained that they will continue to handle the issue of accommodation of staff through 3 approaches namely; new constructions in stations with no permanent buildings, supporting self-initiatives by OCs through supply of building materials especially iron sheets, timber and cement to those who have started some work and

through installation of Uniports in stations where there is completely no accommodation and where materials for temporary structures are not available.

I advised the Accounting Officer to prioritize the construction of low cost houses for the staff to improve the staff welfare.

- **Congestion in prisons**

One of the strategic objectives of Uganda Prisons Service is to provide “safe, secure, and humane custody and rehabilitation of offenders in accordance with universally accepted standards”.

During the year, UPS had planned to provide a total carrying capacity of a daily average of 16,517 prisoners. However, audit inspection on a sample of stations carried out revealed that the population of prisoners as at August 2017 stood at 49,900 exceeding the available capacity by 33,383 inmates. The occupancy level of prisons is currently 260%.

Most of the prison wards are overcrowded, housing up to at least 4 times their designed holding capacities. Congestion in prisons has resulted into poor hygiene, outbreak of diseases and strikes in prisons as the prisoners continue to compete for the little resources.

Management explained that Prisoners’ congestion is still a big challenge and that whereas prisoner population is growing at a rate of 10% per annum, construction of prisoners’ accommodation is increasing at a rate of 1% per annum. Management continues to handle issues of congestion in Prisons through a number of initiatives such as; new constructions/expansion in stations with inadequate infrastructure, reconstruction in stations where the infrastructure is dilapidated, renovations/maintenance to keep the available infrastructure in good condition, internal transfers of inmates from highly congested prisons to prisons with reasonable space and implementing JLOS case backlog reduction programmes including Quick wins, Plea bargaining and linking of remands to actors of criminal Justice agencies.

I advised the Accounting Officer to liaise with the Ministry of Finance, Planning and Economic Development (MoFPED) and Parliament to obtain funding for additional accommodation facilities.

- **Prisoners on remand for more than two years**

According to the Justice Law and Order Sector's Strategic Investment Plan III, UPS is committed to have inmates to have better access to justice and lives in a safer and secure environment and more responsive to human rights and reduce the length of stay on remand from 30.3 month to 15.1 month for capital offences and from 6 to 4.4 month for other offences. This is also in accordance with Chapter 4 of the Constitution which requires speedy trial within stipulated time limits for capital and petty offences.

On the contrary, a review of prisons records showed that 4,598 prisoners, each being fed at UGX.3,000 per day have been on remand for more than 2 years. Consequently, Government spends UGX.5,034,810,000 per annum on feeding.

Audit inspection carried out in the stations sampled revealed that a total of 1,325 inmates out of 4,374 were on remand for more than two years. Besides, the percentage of the inmates that stay on remand for more than two years was 30 percent of the total number of the inmates in the stations sampled.

Having inmates on remand for more than two years without trial is a violation of prisoners' rights to trial which denies them timely justice as a result, resources are wasted to that effect.

Management explained that the majority of prisoners on remand are those who have been committed to High court. Unlike the other categories of remands, these have no defined mandatory period to be on remand. The mandatory period for Petty offenders is 2 months while it is 6 months for capital offenders who are not yet committed to high court. UPS is always engaging other Criminal Justice Agencies on how to reduce the length of stay on remand. Currently the average length of stay on remand for Petty offenders is 2 months, while for capital offenders it is 18 months.

I advised the Accounting Officer to continue liaising with the sister departments like Police, Office of the Director of Public Prosecutions and Judiciary so that the cases are investigated and heard within the stipulated time.

- **Mischarge of Expenditure**

Expenditure totalling UGX.82,282,792 was inappropriately charged on budget lines to fund activities that were not planned without authority as detailed in **Appendix 3**. Mischarge of expenditure translates into misrepresentation of expenditure balances in

the financial statements. It also questions the purpose for which the funds were appropriated by Parliament.

Management explained that mischarges arose out of the settlement of water Bills for prisons, Ministry of Finance had released inadequate funds for meeting water bills and the water body had threatened to cut supply to the prison stations, so there was an urgent need to clear these bills before cut off.

I advised the Accounting Officer to streamline the budget process to ensure that sufficient funds are allocated to significant account areas.

### **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

19<sup>th</sup> December 2017

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

<b>Planned outputs/Qty.</b>	<b>Amount (UGX) budgeted</b>	<b>Warrants/Actual Releases (BIG report)</b>	<b>Total actual payments</b>	<b>Actual output/ Quantity</b>	<b>Remarks</b>
<b>125701-Rehabilitation &amp; reintegration of offenders – 0386 – Assistance to UPS</b>					
12,000 prisoners reintegrated to their communities; All prisoners and staff given spiritual guidance	168,992,000	168,991,000	168,991,050	3,500 prisoners re-integrated to their communities; All prisoners and staff given spiritual guidance;	Under performance by 8,500
12,300 inmates imparted with life skills				14,627 prisoners were imparted with life skills training	Achieved
(9,300 in agricultural skills;				(10,963 in agricultural skills and	Achieved
3,000 in vocational skills);				3,664 in vocational skills training - Carpentry, tailoring, metal fabrication, hand craft and screen printing);	Achieved
7,000 offenders linked to the outside				12,215 offenders linked to the outside world;	Achieved

14,220MT of Maize produced in the 9 project prisons farms  64 tractors, maintained  3 lorries and other equipment maintained;	7,289,222,750	7,289,222,714	7,289,222,714	5,597MT of Maize produced in the 9 project prisons farm  48 tractors Maintained  3 lorries and other equipment maintained;	Under performance by 8,623  16 tractors not maintained  Achieved
A 3,000MT Silo storage procured and installed at Ruimi	4,025,442,600	2,868,438,440	2,650,363,474	Structural, architectural designs & BOQs for construction and installation of a 3,000MT capacity silo storage developed.	The activity implemented was done in the Wrong place
1,000 acres of land planted with breeder seeds;	3,857,000,000	3,410,933,834	3,410,933,834	0 acres of land not planted with breeder seeds	Under performance by 1000 acres
1,350MT of seeds produced;				772 MT of maize seed produced from 945 acres	Under performance by 578MT
				1,482.7 bales of cotton produced from 2,359 acres.  1,300 acres of land opened at Orom Tikau and Ragem farm prisons	The activities were not planned for  The activities were not planned for

				Staff trained in seed and cotton and production and productivity enhancement; Quality assurance ensured	The activities were not planned for
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**FINANCIAL STATEMENTS**