



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA HUMAN RIGHTS COMMISSION
FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL
UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA HUMAN RIGHTS COMMISSION
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 Human Rights Commission 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 Human Rights Commission 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 Matter

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 matter described below to be a key audit matter communicated in my report.

- **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 4,594,934,863 was irregularly incurred as domestic arrears outside the approved estimates appropriated by Parliament. There was an increase of 67.8% for Sundry Creditors from UGX 2,737,844,87 as at 30th June, 2016 to UGX 4,594,934,863 as at 30th June, 2017. This makes the trend unsustainable. I further observed that there was only UGX.201,969,000 budget provision in the financial year 2016/17 for settlement of domestic arrears totaling to UGX.2,737,844871 incurred as at 30th June, 2016 posing a risk of diversion of funds for settling the obligations.

The continued growth in arrears implies that the Accounting Officer has not adhered to the commitment control system of government that is meant to stop entities from committing government beyond the level of availed resources.

The Accounting Officer explained that arrears relating to staff costs were a result of additional enhancement to salaries but without a corresponding increase in non-wage to pay 10% NSSF, gratuity and allowances which are calculated as a percentage of wages. Further management indicated that efforts had been made to provide for all operational items but had been affected by the perennial underfunding and all the responsible authorities have been engaged on the need to fully fund the Commission but with minimal success registered.

I advised the Accounting Officer to ensure that sufficient budget provisions are made to cater for settlement of outstanding domestic arrears. Management should also adhere to the government commitment control system so as to curb the escalation of domestic arrears.

Other Matter

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

- **Budget implementation**

Out of the budgeted revenue of UGX.13.8 billion, the entity received UGX.10.8 billion (97.1%) resulting into a shortfall of UGX.0.395 billion (2.9%). Further, as a result of the shortfall, I noted that some planned activities were not implemented as indicated in the **appendix 1**. Failure to implement activities denies service to the beneficiary communities and defeats the purpose for which budgeting and budgetary controls are instituted.

Management noted the observation and promised to follow up with the PS/ST for adequate release of funds in order to avoid a repeat in the subsequent years.

I advised Management to engage the relevant authorities and ensure that budget deficiencies are addressed so that all the allocated funds are released for implementation of planned activities.

- **Absence of legal justification for allowances paid to staff**

The Commission has been paying its staff an allowance comprising of 50% of the gross monthly salary of an individual employee. There was no justification to support this payment as I was not availed with evidence of an approval by the Ministry of Public Service for the payment of the said allowance. There was also no evidence that parliament had approved the payment of such an allowance to the staff of the Commission.

In 2016, the Permanent Secretary Ministry of Public Service communicated to the Commissions the approved structures and establishments in which cabinet had approved the salaries for the different staff categories. However, the Commission proceeded to award contracts to different staff with the allowance provision of 50% against the revised salary. The Commission did not provide a budgetary allocation to meet this cost resulting in the current arrears. Payment of unauthorized allowances is contrary to the law and affects entity cash flows. This has also led to unsustainable increment in arrears for settlement of the same.

Management promised to work with the Ministry of Public Service to address the matter.

I await the outcome of the consultations.

- **Irregular Remuneration to the Secretary of the Commission**

The Secretary of the Commission is appointed under Section 9 of the Uganda Human Rights Commissions Act Cap 24 by the Commission in consultation with the Public Service Commission upon such terms and conditions as may be determined by the Commission in consultation with the Public Service Commission and specified in the instrument of appointment which terms and conditions shall not be less favorable than those of a Permanent Secretary.

I observed a disparity between the conditions of service for the Secretary to the Commission and those of a Permanent Secretary. The conditions availed to the Secretary of the Commission are currently less favorable to those accorded to a Permanent Secretary with regard to salary, gratuity percentage, medical allowance and mobile phone allowance. The Commission risks exposure to legal action for violation of provisions of their statute.

Management explained that the legal provision relating to the terms and conditions of service for the Secretary seem to be clear. However, the Commission feels that further guidance should be obtained and as such they have communicated to the Solicitor General seeking clarification on terms and conditions of service for the Secretary to the Commission.

I await the outcome of this consultation.

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 Uganda Human Rights Commission.

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 Commission's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Uganda Human Rights Commission, 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 Commissions' 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 Commission'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 Commission'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 Uganda Human Rights Commission 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

22nd December, 2017

Appendix 1

Activity Performance

Performance Indicators	Set Targets	Annual Achieved	%age achievement	Management Response
OUTCOME 1: Reduced incidence of Human Rights violations				
Complaints Management Mechanisms				
Number of cases mediated;	200	131	66%	The under- performance was due to various reasons; 66% number of cases mediated was due to overestimate and will be corrected in the subsequent planning periods.
Disposal Rate of cases;	0.5	0.3	68%	68% disposal rate of cases was due to the absence of a member of the Commission which was compounded by the ill health and subsequent demise of one member of the Commission.
OUTCOME 2: Informed and Empowered Citizenry				
Your Rights magazine prepared and printed	1,100	0	0%	This was due to inadequate funding.
OUTCOME 3: Enhanced Focus on Economic, Social and Cultural rights				
Number of extractive industries/businesses inspected for human rights compliance.	12	2	17%	This was due to inadequate funding.
Number of oil and gas companies monitored on human rights	10	2	20%	This was due to inadequate funding.
Report on oil and gas companies monitored	1	0	0%	This was due to inadequate funding.
A research report on rampant land evictions in Uganda prepared	1	0	0%	This was due to inadequate funding.
A special report on right to health produced and disseminated to stakeholders.	1	0	0%	This was due to inadequate funding.
OUTCOME 4: Strengthened UHRC systems and institutional accountability				
Number of Monitoring and Evaluation exercises carried out	3	1	33%	This was due to inadequate funding.
Number of Media interactions by the chairperson conducted at head office.	18	8	45%	This was due to inadequate funding.
Quarterly Special reports on the post-election period produced by the UHRC Situation Room	4	0	0%	This was due to inadequate funding.

APPENDIX 1

FINANCIAL STATEMENTS