



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA PRINTING AND PUBLISHING CORPORATION
FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL
UGANDA

LIST OF ACRONYMS

Acronyms	Meaning
UPPC	Uganda Printing and Publishing Corporation
GAAP	Generally Accepted Accounting Principles
UGX	Uganda Shillings
PAYE	Pay As You Earn
NSSF	National Social Security Fund
WHT	Withholding Tax
VAT	Value Added Tax
LST	Local Service Tax

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FOR THE YEAR ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Qualified Opinion

I have audited the financial statements of Uganda Printing and Publishing Corporation (UPPC) for the year ended 30th June, 2017. These financial statements comprise of the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly in all material respects, the financial position of the Uganda Printing and Publishing Corporation as at 30th June 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and the Corporation Act (Cap 330 of the Laws of the Republic of Uganda).

Basis for Qualified Opinion

• **Non-provision for bad debts**

I observed that UPPC recognized a provision for bad debts of UGX.659,602,083 which was made as far back as 2011 and no further provision for bad debts have been made. A computation of the provision for bad debts revealed that the total provision for bad debts was UGX.1,849,658,286 including a specific provision of UGX.1,775,175,066. This implies that there was an under provision for UGX.1,190,056,203 in the financial statements. The value of the assets of the Corporation is misstated to the tune of UGX.1,190,056,203.

Management explained that in future, the provision for bad debts will be provided for on annual basis following the Finance and Accounting Policy Manual.

I advised Management to comply with the finance manual and adequately provide for the bad debts.

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. Except the matter described in Basis for Qualified Opinion section, I have determined that there are no other Key Audit Matters to communicate in my report.

Emphasis of matter

Without qualifying my opinion further, I draw attention to the following matters described in notes 14 and 16 of the financial statements.

- **Long Outstanding trade debtors**

The value of trade receivables increased from UGX.2,713,629,404 from 2015/2016 to UGX.3,188,651,591 as reflected in note 14 of the financial statements. These debts have been outstanding for over 10 years and are owed by Government of Uganda Ministries, Departments and Agencies as well as private institutions. The receivables may not be recovered.

Management explained that UPPC has agreed to ensure that debtors' statements of account are up to date; this would enhance debt collection.

I await the outcome of Management efforts to enhance its credit management system with a view of increasing debt collection.

- **Trade and other payables**

The Corporation's outstanding payables increased from UGX.4,578,956,936 in the financial year 2015/16 to UGX.5,673,553,666 as 30th June 2017 as reflected in note 16. The major payables were outstanding taxes amounting to UGX.3,725,077,381. These obligations expose the Corporation to fines and penalties thus affecting its operations.

Management explained that the Corporation has engaged URA with a view of signing a Memorandum of Understanding to settle the outstanding obligations on installment basis.

I advised Management to ensure that they comply with statutory obligations in order to avoid fines, penalties and interest.

Other Matter

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

- **Financial Analysis of the Corporation**

There was a significant decline in performance as evidenced in the comparative performance of the financial year 2015/2016 and 2016/17. The sales reduced by 13.05% from UGX.4,238,019,744 in 2015/16 to UGX.3,684,883,102 in 2016/17. Furthermore, the indebtedness of the corporation increased by 24% from UGX.4,578,965,936 in 2015/16 to UGX.5,673,553,666 in 2016/17. Under the circumstances, it may be difficult for the Corporation's assets to finance its liabilities in the long run.

Management explained that the Corporation has put in place a strategic plan and an organizational review. It is also in process of engaging a private public partnership with a foreign investor, all these plans are expected to revamp the Corporation and increase sales revenues.

I await the outcome of Management's efforts to revamp the Corporation's performance.

- **Non-preparation of Management reports**

According to the Corporation's Finance and Accounting Policy Manual 2014, The Finance Department is tasked to produce monthly and quarterly reports to help Management in decision making processes. However, I noted that management reports were not prepared for the financial year under review. This makes it hard for Management to make informed decisions without knowledge of the current financial position.

Management explained that the main challenge has been lack of an automated accounting system that could capture accounting information instantly and on a daily basis such that any financial report could be generated with ease at any time. Management further explained that the Corporation has adopted the approach of having quarterly performance review meetings through which, departmental management reports would be discussed and actions taken.

I advised Management to ensure that periodic Management reports are always produced and discussed in order to enhance decision making and performance of the corporation.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Uganda Printing and Publishing Corporation (UPPC) Act and International Financial Reporting Standards on Accrual basis of accounting and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibility

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 Corporation'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 Authority's ability to continue as a going concern. 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 Authority to cease to continue as a going concern.
- 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 Directors 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 Directors 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 Directors, 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.

Report on other legal requirements

As required by the Uganda Printing and Publishing Corporation Act and the National Audit Act, 2008, I report to you, based on my audit, that except for the effects of the matter described in the Basis of Qualified opinion:

- i. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.
- ii. In my opinion, proper books of account have been kept by the commission so far, as appears from my examination of those books; and
- iii. The statement of financial position and statement of Support, Revenue and Expenses are in agreement with the books of account.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

11th October, 2017.

APPENDIX I

FINANCIAL STATEMENTS