



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF**  
**UGANDA REGISTRATION SERVICES BUREAU OPERATION ACCOUNT**  
**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 REGISTRATION SERVICES BUREAU - OPERATION ACCOUNT**  
**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 Registration Services Bureau Operation Account 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 Registration Services Bureau Operation Account 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 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 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.1,901794,514 was irregularly incurred as domestic arrears outside the approved estimates appropriated by Parliament. I observed that there was an increase of 119% for Sundry Creditors from UGX.868,413,832 to UGX 1,901794,514 as at 30<sup>th</sup> June 2017. This increase in domestic arrears over the period of two years makes the trend unsustainable. I further observed that there was no budget provision for settlement of

domestic arrears totaling to UGX.868,413,832 posing a risk of diversion of funds for settling the obligations.

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

Management explained that reallocation of funds was sought from the PS/ST to have the outstanding obligations cleared.

I advised the Accounting Officer to ensure that sufficient budget provisions are made to cater for settlement of outstanding domestic arrears. Also management should strictly 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:

- **Failure to Implement Budget as approved by Parliament:**

- **Under Collection of Non Tax Revenue (NTR) - UGX.11,791,035,955:**

I noted a significant shortfall in budgeted revenue collection for the current financial year. While the Bureau budgeted to collect UGX.45,500,000,000 from administrative fees for the various services as NTR, only UGX.33,708,964,045, was collected resulting into an under collection of UGX.11,791,035,955 representing an underperformance of 25.9%. There is unrealistic or ambitious budgeting that resulted into underperformance of non-tax revenue (NTR) collections.

Management explained that the NTR target of UGX.45.5bn was reached on the understanding that the Ministry of Finance, Planning and Economic Development would provide UGX.10bn for the expansion of services to regional offices; and other related infrastructure development which was not done.

I advised the Accounting Officer to liaise with MOFPED and ensure that adequate funding is provided to enable expansion of services.

➤ **Implementation of planned activities:**

I noted that out of the budgeted Government grant revenue of UGX.15.31 billion, the entity received UGX.14.29 billion (96%) resulting into a shortfall of UGX.1.02 billion (4%). I noted that some of the planned outputs were not implemented as indicated in **the table below.**

Directorate	Item	Planned Output	Actual Output	%Performance
Business Registration	New Companies registered	20,188	19,404	96.1%
Civil Registration	Civil Marriages	2,508	1,175	46.8%
	Marriage returns FBOs & District	109,392	10,578	9.7%
Official Receiver	Companies liquidated	0	10	Unplanned
	Court appearances	0	20	Unplanned
Intellectual Property	Local Trademark applications	3,000	1,225	40.8%
	Local Trademark Registrations	2,500	1,186	47.4%
	Local Trademark Renewals	0	109	0%
	Foreign Trademark Renewals	1,164	1,108	95.2%

Failure to implement activities negatively impacts on the achievement of the entity's mandate and defeats the purpose for which budgeting and budgetary controls are instituted.

Management explained that this was beyond the vote's control. In addition, the PS/ST indicated that there was a funding gap in the Government collection and this affected all votes alike. We continue to engage the Ministry of Finance, Planning and Economic Development to ensure 100% release to enable us implement our planned activities.

I advised the Accounting Officer to continue engaging the Ministry of Finance, Planning and Economic Development and ensure that budget deficiencies are addressed so that all the allocated funds are released and all activities are implemented according to the budget as approved by Parliament.

➤ **Under-utilization of available resources - UGX.393,497,956**

The Public Finance Management Act, 2015, section 45(3) requires an Accounting Officer to enter into an annual budget performance contract with the Secretary to the

Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a financial year, submitted.

I observed that a total sum of UGX.14,288,866,418 was released to cater for the Bureau activities. However, by the close of the financial year a total of UGX.13,895,368,462 had been spent resulting into underutilization of UGX.393,497,956.

Failure to utilize funds for planned activities raises concerns of lack of capacity and there is a possibility of inadequate service provision to the community.

Management explained that out of UGX.393,497,954, UGX.177,497,029 related to staff wages. During the financial year 2016/2017, the Bureau had staffing gaps and had requested the Ministry of Finance, Planning and Economic Development to provide additional funding under the wage budget to facilitate the gaps. This was however provided at the beginning of the 4<sup>th</sup> quarter, a time too late to carry out the staff recruitment exercise.

I advised the Accounting Officer to plan in time in the subsequent year and finalize the staff recruitment.

### **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 Registration Services Bureau-Operation Account.

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 Bureau's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Uganda Registration Services Bureau-Operation Account, 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 Uganda Registration Services Bureau's Operation Account 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 Uganda Registration Services Bureau's Operation Account 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 Uganda Registration Services Bureau'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 Registration Services Bureau Operation Account 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 'John F.S. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga

**AUDITOR GENERAL**

KAMPALA

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

**FINANCIAL STATEMENTS**