ANNUAL PERFORMANCE REPORT 2018
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We strive to attain high performance by being a model organisation with a culture that values people and systems leading to increased efficiency and effectiveness of performance.
In accordance with my mandate as stipulated under Article 163 of the Constitution of the Republic of Uganda and as amplified by the National Audit Act, 2008, it is my pleasure to present to you the Annual Performance Report for the audit year ending 31st December 2018. This is our fourth year of reporting in accordance with the Public Finance Management Act, 2015 and our second year of implementing the corporate strategy 2016-2021 whose theme is; ‘enhancing public accountability and making a difference.’

In pursuit of our goals and objectives to drive improvement in public service delivery, we enhanced our audits through implementation of the integrated audit approach, report writing guidelines and International Standards of Supreme Audit Institutions. The integration will positively improve our contributions in enhancing public accountability, transparency, good corporate governance and value for money.

The office will continue to adopt new methodologies to attain high quality audits targeting service delivery achieved through professional approaches and systems. We have been undertaking regulatory audits which combined financial and compliance audits. This year, compliance and financial methodologies have been piloted. This will lead to higher compliance with International Standards of Supreme Audit Institutions; improve our audit processes and quality of our audit reports.

We strive to attain high performance by being a model organisation with a culture that values people and systems leading to increased efficiency and effectiveness of performance, as well as leading by example. In this regard, our operational independence was enhanced with support from KFW by commissioning Moroto and Hoima regional offices, and the procurement of an Integrated Information Management System is in progress.

During the year AFROSAI-E awarded the Office a prize in recognition of its outstanding achievements in stakeholder engagement and uplift in internal and external communication.

Our engagement with the various Parliamentary committees during the year were fruitful. We note that the Local Government committee cleared the backlog of Districts and Municipal Council Audit Reports, and other oversight committees made steady progress on other Reports. The OAG Parliamentary oversight committee continued to provide guidance to us in the implementation of our work.

In line with National priorities, the Office will continue to focus on those areas which contribute towards the national development and impact on international sustainable development Goals. The Office will continue to strengthen its capacity to undertake audits in infrastructure, oil and gas.

I would wish to extend my sincere gratitude to the Government of Uganda and Development partners for the support they have rendered to my office in delivering its mandate. I also acknowledge all stakeholders who have supported us in our endeavours.

Finally, I take this opportunity to thank all my staff for their selfless efforts towards delivery of our mandate. We look forward to a fruitful year of 2019 as we continue to contribute towards improving good governance and transparency in the public sector.

John F.S. Muwanga
Auditor General

31st December 2018
2.0 Our Management Team

Assistant Auditors General

The audit process is an exciting journey that we commence in January every year and close in December exhausted and spent, walking half asleep to accompany the AG to deliver the report to Rt Hon Speaker.

2018 has been yet another interesting journey, starting with the Shared Overall Risk Analysis (SORA) process in January when we make a nationwide risk assessment. The SORA concludes with a categorization of the audits into highly intensive, intensive and regular. This enables identification of competencies for particular audits and influences the allocation of teams. The 2018 SORA prioritized focus areas and three main themes to study in detail: budget performance headed by CG1, Public Debt by FiIT, and Youth Livelihood which was co-managed by LA and CG2. The teams did a commendable job and the results of these studies bring out elements that will enable government make far reaching decisions to improve on service delivery.

This year, in accordance with our corporate objective of ensuring high quality audits, the office adopted the Integrated Audit Approach (IAA). The approach aims to build optimum capacity in all audit disciplines to enable all directorates undertake financial and performance audits.

Keto Nyapendi Kayemba
Assistant Auditor General - Audit

IAA has also enabled better distribution of work across the Directorates. The Directorate of VFMSA guided the roll out of VFM and produced their own 6 VFM reports (including a must read on SDG’s) and participated in an additional 4 audits from CG1 and CG2 according to the IAA. I applaud them copiously.

To further improve on the quality of audits during the year our methodology was re engineered and split into Financial Audit Methodologies /Compliance Audit Methodology to enable a more focused execution of the financial audits with a guided approach to the compliance audits. We accordingly had to amend the reports in compliance with the standards.

The SORA process, mentioned above, guided the strategic planning, and was followed by Directorate audit execution. The teams started reporting in September, exit meetings were held in Oct, Nov and Dec and a finalisation of the report went deep in December. The loyalty and dedication shown by staff in this very difficult stressful reporting period is astounding.

The Auditor General under the Petroleum Regulations has handled Cost Recovery Audits for the period 2012 to 2015 during the audit year and reports will be concluded in 2019.

The biggest challenge experienced was response to special audits and investigations given the limited staff. Notable were the audits on the PTA loan, BoU closed banks, National Consultative Forum, 15 LG special audits, participation in African Union audits, including the PAP special and various Engineering audits.

In the 2019 audit, we intend to increase on engagement of the stakeholders in our SORA process to enrich the audit. We will bring our PSA, Schools and LLG audits to date. We will have a full roll out of the IA approach and ensure equitable distribution of work and hope that it will ease the pressure at the end of the year. LA is overburdened with work and the office is working out an LA audit strategy with the help of GIZ to ensure total elimination of backlogs and a friendlier working environment.

I applaud all staff and urge them to continue with their dedication to work as we explore more ways to make work more professional, interesting and with less stress. I acknowledge the work of the Consolidating Director, CG2 and his team and their effort that enabled us conclude on time.
The office of the Auditor General is committed to being a high performing and model organization in pursuit of executing the Auditor General's mandate. This calls for continuous improvement across all aspects of our work as we strive to be an influential organization in the realm of public accountability.

The office is introducing innovative solutions to create efficiencies, enhance organizational linkages, and aid management in making effective decisions. These include;

a) The procurement of a comprehensive Integrated Management Information System which will automate all business processes.

b) A Job Evaluation exercise that will facilitate the process of organization structural changes through comprehensive job analysis, aligning functions and compensations, and determining skill requirements for each job.

c) Establishment of Monitoring and Evaluation (M&E) unit which will continuously gather and assess information, track performance to determine the extent of achieving our desired goals and objectives hence improving our performance and impact.

In a bid to demonstrate our relevance to the stakeholders we serve, a mechanism for tracking implementation and impact of audit recommendations has been initiated. This will provide feedback on our contributions to public sector service delivery and improvement of the lives of citizens.

Ethics and integrity is a fundamental premise in attaining the highest professional standards in our work. The office introduced a mentoring and coaching program to instill a positive culture to better performance through upholding highest ethical values.

The office continues to upgrade its physical and operational independence throughout the Country. Two regional offices; Hoima and Moroto were completed during the year and Arua construction procurement completed. This was achieved with support from KFW through FINMAP.

In addition, the Office has embarked on reviewing the National Audit Act 2008 that will facilitate the strengthening its mandate and operational independence.

Finally, Parliament appointed an Auditor to audit our operations and financial statements. The audit of 12 years from 2005 to 2017 were completed and discussed by the sub Committee of Finance of Parliament which oversees our operations. This has enhanced our accountability and transparency in our operations.
Directors of Audit

Edward Akol
Central Government 1

Joseph Hirya
Central Government 2

Maxwell Poul Ogentho
Corporate Services

James Bantu
Forensic Investigations and Information Technology

John Muyimbwa
Local Authorities

Stephen Kateregga
Value For Money and Specialized
Assistant Directors of Audit

Martin Bamulumbye  
Central Government 1

Anthony Kimuli  
Central Government 2

Florence Baleke  
Corporate Services

Robert Kamukama  
Corporate Services

Bob Godwin Monday  
Forensic Investigations and Information Technology

Sheila Ssemugooma  
Local Authorities

Frederick Akyaire  
Local Authorities

Liz Nambuya  
Value For Money and Specialized
3.0 Introduction

Who we are

The Office of the Auditor General is a body corporate created under the National Audit Act, 2008. It is headed by the Auditor General who is appointed under Article 163 of the Constitution of Uganda, 1995 (as amended).

The Office of the Auditor General is recognised as the Supreme Audit Institution of Uganda (SAI Uganda) and a member under the umbrella of International Organisations of Supreme Audit Institutions (INTOSAI).

The Office of the Auditor General headquarters are located at Audit House, Plot 2C, Apollo Kaggwa Road, Kampala.

The office has eleven regional offices located in Gulu, Fort Portal, Mbarara, Masaka, Mbale, Soroti, Jinja, Arua, Kampala, Hoima and Moroto.
Auditor General’s Mandate

The Auditor General’s mandate is envisaged under Article 154 and 163 (3) of the Constitution of the Republic of Uganda, 1995, as amended. His mandate is further amplified in the National Audit Act, 2008, and other enabling laws.

Our Operating Framework

Our operating framework is laid out in the Constitution of Uganda which sets out the appointment of the Auditor General and his or her mandate, and is amplified by the National Audit Act, 2008, and Public Finance Management (PFMA) Act, 2015, and other enabling laws.

The National Audit Act, 2008, specifically creates the Office of the Auditor General and its functions, whereas the PFMA, 2015, sets out laws that regulates our budgeting and the accounting framework.

Purpose and Scope of our Performance Reporting

The purpose of our Annual Performance Report is to demonstrate our value and benefits to citizens, and account to stakeholders.

The report covers, how resources were utilized in the audit year starting 1st January to 31st December 2018 and the cumulative performance of the OAG Corporate Strategy 2016-2021. Our audit year straddles two financial years (2017/18 and 2018/19).

Accountability and Reporting Cycle

The Performance Report is produced annually and our last report was submitted to Parliament on 29th December 2017 in compliance with statutory obligation.

The difference we made from previous Reporting period

As part of our OAG Corporate Strategy 2016-2021, the following significant changes in delivering our mandate and enhancing operational independence were made;

a) OAG conducts regularity audits that cover both financial and compliance audits. To fully comply with ISSAIs, financial and compliance audits were conducted separately. This will help in improving the quality of audits and presentation of reports.

b) Our audit operations were integrated and all audit directorates conducted compliance, financial and Value for Money audits. The integrated audit approach involved allocating sectors to different directorates and rationalizing the deployment of available audit skills and other resources across the directorates. The approach seeks to create a pool of multi-skilled teams across all directorates.

c) We conducted Treasury Memoranda audits. This has enabled us to determine the extent to which the Executive has implemented Parliament recommendations arising from our audits.

d) We took audit services closer to the people by commissioning two regional offices in Hoima and Moroto districts respectively. These offices will handle audits of the Local Governments and other Public offices in their respective regions.

Our Mission, Vision and Core Values

- To be an effective and efficient Supreme Audit Institution (SAI) in promoting effective public accountability.
- Integrity: We inspire our staff to conduct their work with ultimate honesty.
- Objectivity: We display impartiality and professional judgment in performing our work.
- Professional Competence: We act with diligence, proficiency and team spirit.

To audit and report to Parliament and thereby make an effective contribution to improving public accountability and value for money spent.

We instigate our staff to uphold our values in delivering the OAG mandate and their assignments. Violation of the values attracts punitive disciplinary action as defined by our enabling legal frameworks.
The Office has a governance structure of internal and external players. The governance structure guides in effective and efficient delivery of our mandate. The Auditor General is responsible for the overall governance of the OAG and reports to Parliament. Our governance structure is illustrated below;

**OAG Governance**

Top Management
- Approve office regulations, strategies, policies, budgets and procedures.
- Ensure management of organizational risks.
- Review business performance and ensure corrective actions.
- Constitute OAG governance and adhoc committees.

Human Resource Advisory Committee
Advise the Auditor General on staff recruitment, appointment, performance, promotions, welfare, complaints and discipline, and exit.

Quality Assurance Committee
- Discuss internal and external Quality Assurance Review Reports.
- Oversee implementation of the Quality Assurance Policy.

Audit and Risk Committee
- Follow-up the status of implementation of audit recommendations by audited entities.
- Review audit population, risk profile and prepare the audit strategy.
Parliament

In accordance with the Parliament Rules of Procedure, the Speaker appointed the Committee of Finance to handle the governance issues of the Office of the Auditor General. For ease of operations of the assignment, the Committee delegated this function to a sub-committee to specially develop clear methods of operation that are transparent and managed in accordance with the National Audit Act, Parliamentary Rules of Procedure and the Constitution.

The sub-committee is guided by the Procedural Manual on the Office of the Auditor General, 2011. In the year 2018 the sub-committee had two (2) sittings and the following are the governance matters discussed;

a) OAG Internal Audit Reports for FY 2016/17.
b) OAG Performance Report for FY 2016/17 and the highlights for FY 2017/18.
c) Performance of the OAG Corporate Strategy 2016-2021.
d) The effectiveness of introducing a OAG Intergrated Management Information System (IMIS).
e) Approved the OAG Organisational structure.
f) Discussed the OAG audited Financial Statements for FY 2005/06 - 2016/17.

Top Management

In accordance with the Office of the Auditor General Governance Guidelines for Committees and Sub-committees, 2013, Top Management Committee had 9 sittings in the year 2018.

The following are the key strategic tasks that they undertook in line with their governance role in the office;

a) Relaunched and approved the operationalisation of the OAG Intranet that will be used as mode of communication among staff.
b) Approved the Intergrated Management Information System project governance structure and Terms of Reference for procurement.
c) Approved the Annual Overall Audit Plan 2018.
d) Approved the interim Guidelines on the Audit of the Treasury Memoranda.
e) Approved the Integrated Audit Approach.
f) Approved the Financial and Compliance Audit Methodologies, and an addendum to the Report Writing Guidelines.
g) Approved the OAG Perception Survey Report.
h) Discussed the OAG Budget Performance Report FY 2017/18 and approved the roadmap for the implementation of the Budget for 2018/19.

k) Approved areas for support from GIZ-PoAT from April 2019 to December 2021.
l) Approved the Internal Audit Manual.
m) Initiated the Job Evaluation exercise.
n) Approved the Monitoring and Evaluation function.
Human Resource Advisory Committee

The Committee discussed and recommended to the Auditor General the following;

a) Job evaluation and streamlining of the organisational structure exercise.
b) Retirement of one staff in public interest following disciplinary measures in accordance with staff Regulations, 2011.
c) Promotional positions of Senior Principal Auditor, Senior Planner and Senior Internal Auditor.
d) Recruitment of new Auditors in the fields of; Accounting, Social Sciences, Economics /Statistics and Information Technology.
e) Performance appraisals of 203 staff.

Quality Assurance Committee

The Committee discussed and approved the following;

a) 2018 Quality Assurance plan.
b) AFROSAI-E and internal Quality Assurance Reports.
c) Report on implementation of QAC recommendations.

Internal Audit and Risk Management

Our Internal Audit function supports the Governance structure, by providing independent and objective assurance, that strengthens OAG’s operations and averts risks with their associated impact.

This is through a systematic evaluation aimed at improving the effectiveness of risk management, control and governance processes. Specifically;

a) 4 internal Audits with 20 recommendations were issued in 2017/18.
b) 8 special investigations concluded in FY 2017/18 and half of 2018/19.

Internal Control Environment

In order to be an efficient and effective organisation, we rely on internal Policies, Manuals, Standing Instructions and other Government of Uganda procedures and IT Systems to better manage our processes and mitigate risks. In addition, the office has in-house legal and advisory services as part of her risk and control environment.
Our Audit Services

We serve the public through our audit services. Our audits cause influential change and add value to the accounting and accountability system through implementation of audit recommendations. In addition, audit acts as a deterrent to misuse of public funds hence enhancing public service delivery.

Our Forensic Investigations, Special and IT Audits are triggered by stakeholder demands and red flags identified during other routine audits.

Grants of Credit

Article 154 (3) of the Constitution of the Republic of Uganda requires the Auditor General, to approve withdrawals of all monies from the consolidated fund.

Accordingly the Auditor General issues grant of credit on appropriation and supplementary budgets. The grants of credit are the authority given by Auditor General to Ministry of Finance to use funds as approved by Parliament.
Our Approaches to Audit

To ensure our resources are optimally used, a risk based audit approach is used in prioritizing the audits to be undertaken in the audit year. We use the Shared Overall Risk Approach (SORA) to profile our audits. This involves categorizing audits into high, medium and low risk, as illustrated in the table below;

<table>
<thead>
<tr>
<th>Overall Risk Score</th>
<th>Risk Category</th>
<th>Audit Approach</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>75% and above</td>
<td>High Risk</td>
<td>Highly Intensive Financial and Compliance Audit with an Expanded Scope Approach. This requires close supervision at Directorate level, and reviews as per Quality Assurance Policy.</td>
</tr>
<tr>
<td>2</td>
<td>50-74.9%</td>
<td>Medium Risk</td>
<td>Intensive Regularity Audit with close supervision at Directorate level.</td>
</tr>
<tr>
<td>3</td>
<td>0-49.9%</td>
<td>Low Risk</td>
<td>Regular Audit approach is determined at Directorate level.</td>
</tr>
</tbody>
</table>

Source: OAG SORA Strategy 2018

Our Audit Process

Our audit process has the following stages;

01 Planning
- Risk Analysis at high level (SORA),
- Team formation (staff deployment),
- Entrance meetings,
- Understanding the entity,
- Risk Assessment at entity level,
- Determining overall and performance materiality.

02 Execution
- Systems documentation,
- Evaluation of controls,
- Determining sample sizes,
- Document review / Examination,
- Field work / inspections.

03 Reporting
- Compilation of audit observation summary,
- Audit differences,
- Management letters,
- Management responses,
- Exit meetings,
- Final AG Reports.

04 Follow-up
- Follow up on previous audit matters in subsequent audits according to ISAs / ISSAIs,
- Follow up after Parliamentary Committee discussions,
- Follow up after submission of Treasury Memoranda.
Audit Population

The Auditor General is required under the Constitution of the Republic of Uganda, 1995 (as amended) and the National Audit Act, 2008, to audit all Public Accounts of Uganda.

The Office focused on audit of the financial year 2017/2018 with the appropriated budget of UGX 28.998 trillion, Statutory Corporations accounts and some projects whose budgets are not appropriated by Parliament but relate to the financial year. Our total audit population is 4,093 audits, as illustrated in the Table below.

<table>
<thead>
<tr>
<th>Audit Entities</th>
<th>Total Audit Population (No of Entities/ Projects)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministries, Departments and Agencies</td>
<td>90</td>
</tr>
<tr>
<td>Statutory Corporations</td>
<td>117</td>
</tr>
<tr>
<td>Projects</td>
<td>128</td>
</tr>
<tr>
<td>Regional Audits</td>
<td>3</td>
</tr>
<tr>
<td>Forensic Audits</td>
<td>76</td>
</tr>
<tr>
<td>IT Audits</td>
<td>113</td>
</tr>
<tr>
<td>VFM Audits</td>
<td>31</td>
</tr>
<tr>
<td>VFM Infrastructure</td>
<td>138</td>
</tr>
<tr>
<td>HLGs</td>
<td>379</td>
</tr>
<tr>
<td>Sub counties</td>
<td>1,463</td>
</tr>
<tr>
<td>Divisions</td>
<td>124</td>
</tr>
<tr>
<td>Sec. Schools</td>
<td>1,280</td>
</tr>
<tr>
<td>Tertiary Institutions</td>
<td>151</td>
</tr>
<tr>
<td><strong>Total Population</strong></td>
<td><strong>4,093</strong></td>
</tr>
</tbody>
</table>

Source: OAG SORA Strategy 2018

SORA Results

The SORA results for the 2018 Audit year show a total of 153 entities as High Risk, 366 Medium Risk, and 3,574 Low Risk. The Low Risk audits include 3,018 lower local governments and schools under the Directorate of Local Authorities that have not been profiled (i.e. 1,463 Sub counties, 124 Divisions, 1,280 Secondary Schools and 151 Tertiary Institutions).

However, due to budget constraints, sub county and secondary schools totalling to 1,463 and 1,000 respectively are likely not to be audited, thus reducing regular Financial audits to 1,112.

<table>
<thead>
<tr>
<th>Audit strategy discretion</th>
<th>No. of Entities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Intensive</td>
<td>153</td>
</tr>
<tr>
<td>Intensive</td>
<td>366</td>
</tr>
<tr>
<td>Regular</td>
<td>3,574</td>
</tr>
<tr>
<td><strong>Total Population</strong></td>
<td><strong>4,093</strong></td>
</tr>
</tbody>
</table>

Source: OAG SORA Strategy 2018
Our Audit Focus

The Office undertakes its financial audits based on focused areas which are selected after consultation with key stakeholders.

The 2018 Audit year thematic areas are highlighted below:

<table>
<thead>
<tr>
<th>Thematic Area</th>
<th>Audit Objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Budget Performance</td>
<td>To assess the performance of national revenue collection, application and implementation at all levels</td>
</tr>
<tr>
<td>Implementation of Youth Livelihood Programme</td>
<td>To assess the performance of the programme and review accountability of funds utilized for the period.</td>
</tr>
<tr>
<td>Government/Public Debt Management</td>
<td>To assess the compliance of the acquisition and disbursment of Public Debt and the debt sustainability.</td>
</tr>
</tbody>
</table>

In addition to the themes, we undertook Value For Money audits in the following areas:

- **Budget Performance Health Sector 2017/2018.**
- **Management of Wetlands by Ministry of Water and Environment.**
- **a) Budget Performance Works Sector 2017/2018.**
- **b) The facilitation and promotion of export trade by Uganda Export Promotions Board.**
- **c) Kalangala Infrastructure Services Project.**
- **Reliability of meteorological information by Uganda National Meteorological Authority.**
- **The regulation of Universities by the National Council for Higher Education.**
- **An evaluation of the Output Based Aid Project implemented by Rural Electrification Agency.**
- **Follow up on waste management in Albertine Graben by National Environment Management Authority.**
- **The identification and registration of persons by the National Identification and Registration Authority.**
Serving the Public Interest

We serve the wider public which includes primary and secondary stakeholders. Our Primary stakeholders are the Parliament of Uganda, Executive branch of Government and those listed under different statutes. Our secondary stakeholders are those who influence consumption of our audit services e.g. Development Partners, Media, Civil Society, the Academia and wider public.

We undertake audits to provide assurance and recommendations on effective use of the public resources to the citizens through Parliament as illustrated in the accountability cycle below.

The Office is part of the Accountability value chain and reports to Parliament on the Executive's accountability on the use of allocated funds in delivery of public services. The Chart below demonstrates the legal accountability roadmap.
OAG Support to Parliament

In accordance with Article 153 and 154 of the Constitution, Parliament, through its Oversight Committees, performs the oversight function over public funds and requires the Executive to account for the public resources entrusted to them for the provision of goods and services.

Article 163 (5) of the Constitution of Uganda 1995 (as amended) requires Parliament to consider and debate on the report submitted by the Auditor General in six months and take appropriate action. Parliament performs this duty through its Oversight Committees namely: the Public Accounts Committee (PAC) for Central Government, the Local Government Public Accounts Committee (LGPAC) for District Local Governments and the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE) for Government Parastatals and Commissions.

The Constitution provides for a symbiotic relationship between the Office of the Auditor General and Parliament through Articles 163 and 164. The Parliamentary Liaison department was created in 2012, in line with the Office of the Auditor General (OAG) Corporate Plan 2011-2016 to foster an effective SAI – PAC relationship and good governance. Parliamentary Liaison provides technical support to Committees through: preparation of briefing notes, providing technical guidance through discussion and public hearing of audit reports, providing feedback to and from OAG, and participating in writing oversight committee reports, and liaising with Parliament, Speaker’s Office and Clerk to Parliament.

Relationship with Other Parliamentary Committees

We continue to relate with the Parliamentary Budget Committee and the Committee on Finance and other sectoral and standing committees of Parliament, in relation to oversight and governance of the Office. The office of the Auditor General continues to strengthen the Parliamentary Liaison in its support roles to Parliament.

The 7-member sub-committee of Finance held three meetings during the year and the Budget committee discussed our Ministerial Policy Statement for the financial year 2018/19. Additionally, we sensitized the committee members together with Oversight Committees on the key findings for the year 2017 and the mode of discussing Value for Money audit reports.

The Parliamentary Liaison Department held stakeholder engagements with other sectoral committees on issues related to policies raised in the Auditor General's Reports and participated in the African Organization of Public Accounts Committees (AFROPAC) between 19th to 20th November 2018; with the theme of echoing “One Voice In Managing Public Debt And Fighting Corruption”.

In this symposium the Assistant Auditor General-Audit gave a key note speech on sustainable Debt and the Role of Parliamentary oversight and another on approaches towards accountability in Debt Management and Credit Ratings. AFROPAC implored stakeholders to curb illicit flow of its resources through corruption and money laundering.
4.0 Our Annual Performance

Our Year in Summary

Programme 1 Objective:

To conduct independent and robust audit of Public Accounts and Treasury Memoranda to enhance equitable service delivery.

Financial Audits

1,896

UGX. 28.998 trillion Budget audited

92 MDAs
103 Statutory Corporations
109 Projects
1516 Districts, Municipal Councils, Secondary Schools & Lower Local Governments

Treasury Memoranda

9 Entities

Audits to determine the extent to which the Executive has implemented Parliament recommendations arising from the Auditor General’s Reports.

Audit Process & Reporting

Compliance to International Standards of Supreme Audit Institutions increased from 61.1% to 63.15%

Financial & Compliance Audit Methodologies
Integrated Audit Approach
Addendum to Report Writing Guidelines

Infrastructure Audits

18

Forensic Audits

20

Special Audits

20

Programme 2 Objective:

To conduct Value for Money, Forensic and Specialized Audits in the utilization of public resources.
Programme 3 Objective: **To promote efficient and effective organizational performance.**

**Parliamentary Oversight**

- 464 - Districts and Municipalities Reports discussed and tabled including backlogs.
- 50 - Statutory Corporations Reports discussed and tabled.
- 162 - Ministries, Departments and Agencies Reports discussed and tabled.

**OAG Perception Survey**

<table>
<thead>
<tr>
<th>Perception</th>
<th>2018 Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders aware of OAG’s mandate</td>
<td>96.8%</td>
</tr>
<tr>
<td>Stakeholders satisfied</td>
<td>30.9%</td>
</tr>
<tr>
<td>Stakeholders receive AG’s Report</td>
<td>84.5%</td>
</tr>
<tr>
<td>Stakeholders satisfied with the Audit process</td>
<td>85.9%</td>
</tr>
</tbody>
</table>

**Human Resource Management**

**Training:** 320 Staff trained in Financial & Compliance Audit Methodologies; 103 in other Professional disciplines; 31 staff undertaking CPA & ACCA

**OAG Staff SACCO:** 190 Members enrolled

**Staff Promotions:** 22

**Staff Recruitments:** 17

**Staff Structure:** 89% of 527 positions filled

**Intergrated Management Information System**

**Procurement On-going:** Automation of OAG business processes will enhance organizational linkages, information availability and effective decision making.

**External Audit of OAG**


Audit concluded in August 2018, reports submitted to Parliament, and discussed by sub-committee of Finance.

**Communication and Stakeholder Management**

- **AFROSAI-E Award**
  - “2018 leading SAI in Communication and Stakeholder Management”

- **OAG Intranet:** To enhance internal communication.

- **Wider Stakeholder Engagement:**
  - Cabinet, MoFPED, OPM, Parliament, Civil Society, Media, Academia, DPACs & Local political leaders.

- **Collaboration with Anti-Corruption Agencies**
  - Synergies with PPDA and IG, to improve capacity to effectively promote public accountability and fight against corruption.

- **Monitoring and Evaluation**
  - **M&E Unit** established to gather and assess information, to track progress and performance, as a basis for decision-making.

- **Construction of Regional Offices**
  - Hoima and Moroto completed, and commissioned by the Speaker of Parliament.
  - Construction of Arua Regional Office is on-going.

Office of the Auditor General: Enhancing Public Accountability through Audits focussed on Fiscal Management, Productivity and Service Delivery.
Our Audit Year Performance

As part of our Corporate Strategy 2016-2021, the Office planned to undertake audits in-line with National objectives. The Audit theme for the year was "Enhancing public accountability through audits focused on Fiscal management, productivity and service delivery."

The performance for this audit year is aligned to our Corporate Strategy goals and Programme Based Budgeting System objectives as follows;

Programme 1: Financial Audits

The objective of Programme 1 is "To conduct independent and robust audit of Public Accounts and Treasury Memoranda to enhance equitable service delivery."

The financial audits are conducted annually and cover all Ministries, Departments and Agencies, Statutory Authorities, Projects, as well as all Local Governments including Districts, Urban Councils and Sub-counties.

Production Sharing Agreements (PSAs) Audits - objective is to audit recoverable costs statements to ensure that the costs claimed by the Oil Companies are appropriate.

The overall objectives of the Financial Audits are:
a) To obtain reasonable assurance whether the financial statements as a whole are free from material misstatements due to fraud or error, thereby enabling the Auditor General to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with applicable financial reporting framework,

b) To report on the financial statements, and communicate as required by the International Standards of Auditing in accordance with the auditor’s findings and

c) To communicate to the users, management, those charged with governance, or parties outside the entity in relation to matters arising from the audit as required by the standard or by legislation.

During the audit year ending December 2018, the Office planned to conduct a total of 1,118 Financial Audits. As at 31st December 2018, the Office had completed a total of 1896 Financial Audits, while 455 remained in progress, as shown in the table below.

<table>
<thead>
<tr>
<th>Audit Entities</th>
<th>Planned Audits</th>
<th>Completed Audits</th>
<th>Percentage (%)</th>
<th>Audits in progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>MDAs</td>
<td>90</td>
<td>92</td>
<td>102.2</td>
<td>0</td>
</tr>
<tr>
<td>Statutory Authorities</td>
<td>113</td>
<td>134</td>
<td>118.58</td>
<td>6</td>
</tr>
<tr>
<td>Local Authorities</td>
<td>783</td>
<td>1,561</td>
<td>199.36</td>
<td><strong>440</strong></td>
</tr>
<tr>
<td>Projects</td>
<td>128</td>
<td>109</td>
<td>85.16</td>
<td>0</td>
</tr>
<tr>
<td>PSAs</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>***9</td>
</tr>
<tr>
<td>Total</td>
<td>1,118</td>
<td>1,896</td>
<td>455</td>
<td></td>
</tr>
</tbody>
</table>
No. of Recommendations | Implemented | Partially Implemented | Not Implemented |
---|---|---|---|
215 | 66 | 74 | 75
| 31% | 34% | 35%

* This includes 355 Secondary Schools and 1042 Lower Local Governments for FY 2014/15, issued this year.

** Due to human resource limitations and resource rationalization, the office will undertake these audits in the third quarter of the financial year. It should be noted that with support from European Union the office shall clear all lower local Government audit backlogs.

*** 4 PSA Audits relating to last year have remained in progress due to procedural delays between the Ministry of Energy and the oil companies. In addition 5 other management letters relating to PSAs have been issued this year. The technicalities relating to management responses from oil companies, and discussion of the audit issues raised has remained a challenge. The 9 reports will be issued upon completion.

Audit of Treasury Memoranda

The Office audited Treasury Memoranda which were submitted to Parliament in April 2016 by the Minister of Finance, Planning and Economic Development. It covered 9 entities during the period 2010 to 2012.

The entities covered by the Treasury Memoranda were; under the Health sector, special audits and compensations to Haba and Rhino, Beachside Services, Dura Cement, Presidential Initiative on Market Vendors, UCDA, UIRI and Office of the Prime Minister. The implementation is shown below;

Table showing the summary of implementation of Audit recommendations.

The Office is also undertaking audit of treasury memoranda issued in March 2017, and the report will be produced 2019.

Programme 2: Value For Money Audits and Specialised Audits

The objective of Programme 2 is “To conduct Value for Money, Forensic and Specialized Audits in the utilization of public resources.”

The performance during the year is as follows;

a) Value for Money Audits

The VFM audits are conducted to assess the economy, efficiency and effectiveness in government activities.

Our performance in Value for Money audits increased from 8 last year to 11 this year. The VFM directorate conducted 7 audits, and Central Government One and Two Directorates that are responsible for Financial Audits, each produced 2 Performance Audit reports.
b) Specialized Audits

These types of audits are majorly on civil construction works including roads and bridges, buildings, irrigation, and power dams. The objective of the audit is to confirm whether the construction has been made in accordance to specifications, designs and quality.

The audits were conducted in the Health sector, Uganda National Roads Authority (UNRA), Municipal Councils in Local Government and Kampala Capital City Authority, Ministry of Works and Transport.

The office planned to undertake 6 infrastructure audits and by 31st December 2018, 18 reports had been produced.

c) Forensic Investigations

Our forensic investigations cover financial fraud and Information Technology systems. These interventions are more directly related to the fight against corruption.

The Office supports other investigative Government institutions, such as: Inspectorate of Government, Directorate of Public Prosecutions and Police Criminal Investigation Department in investigations as well as appearing in court as witnesses. The investigations reports are not part of the annual report to Parliament and are directly submitted to the respective institutions that requested them.

During the reporting period, the office undertook 20 forensic investigations out of a planned number of 31.

d) Special Audits

Our Special Audits cover particular interest areas identified by various stakeholders. They consist of an in-depth audit of a specified aspect perceived to be risky.

The office undertook 20 special audits in areas/entities such as Bank of Uganda, PTA Loan, National Consultative Forum and District Local Governments.
Programme 3: Support to Audit services

The objective of Programme 3 is “To promote efficient and effective organizational performance.”

During the reporting period, the following significant outputs were realized:

a) Support Parliamentary Oversight and Scrutiny

198 staff of OAG supported Oversight Committees in discussion and hearing of 676 Audit Reports. The support was in the form of preparing briefs for each audit report and providing technical guidance in discussions, as well as writing oversight committee reports.

All the Districts and Municipal Councils’ Audit Reports were discussed and tabled by the Oversight Committees of Parliament, and there is no more backlog.

Below is the analysis of the reports discussed and tabled by the Oversight committee;

<table>
<thead>
<tr>
<th></th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Submitted</td>
<td>Discussed</td>
<td>Tabled</td>
</tr>
<tr>
<td>Districts and Municipalities</td>
<td>307</td>
<td>134</td>
<td>134</td>
</tr>
<tr>
<td>Statutory Corporations</td>
<td>83</td>
<td>11</td>
<td>9</td>
</tr>
<tr>
<td>Ministries, Departments and Agencies</td>
<td>82</td>
<td>82</td>
<td>22</td>
</tr>
</tbody>
</table>

*464 Reports includes a backlog of 264 from previous years challenges

**162 Reports includes a backlog of 56 from previous years
b) Continuous Professional Development

In line with the Accountants Act 2013, section 5 (2) which requires members to undertake and complete qualifying examinations approved by the board and in line with our strategy to enhance professionalism in delivering our mandate, the office through FINMAPIII supported 31 Staff to undertake CPA and ACCA studies to be eligible to be members of chartered Accountants of Uganda (ICPAU). Membership to the accountancy body brings professional and ethical skills in our work.

The office will continue to support its valuable human resources in capacity development.

c) Mentorship and Counselling

During the year under review, the Office introduced a mentorship programme for its staff. The objective is to impart leadership skills and provide hands on training to effectively deliver on their assignments.

This initiative is spearheaded by a Committee chaired by Director of Audit. The Office has counselling teams that help to provide counselling services to individual staff that need those services to improve their productivity and effectiveness.

d) Job Evaluation

The National Audit Act, 2008 requires the Office of the Auditor General to employ such staff as maybe necessary for the efficient performance of its functions. The implementation of the NAA resulted into a series of structural changes that included creation of new directorates and recruitment of various disciplines.

In this regard, the office with support from GIZ is undertaking a job evaluation exercise to determine the relative worthiness of each position, determine a fair and equitable reward system and to clarify reporting relationships with clear roles and responsibilities.

The job evaluation process is in progress and it's anticipated to be completed by FY 2018/19.
e) Quality Assurance on Audits

In line with our Corporate Strategy, we quality assure our audit processes to assess and ensure compliance with ISSAIs. This leads to high quality audit reports and attainment of our ultimate goal of making an effective contribution to lives of the citizens.

Our level of compliance with International Standards for Supreme Audit Institutions (ISSAIs) has improved from 54% in 2016 to 63.15% in 2018, as assessed on a sample basis by our independent internal Quality Assurance team. Below is a chart showing the compliance trends;

![Audit compliance trends chart]

f) Construction of Regional offices

With support from the Government of Uganda (GoU) and the Federal Republic of Germany (KfW Development Bank) through FINMAP, we have been able to enhance our operational independence by constructing, equipping and commissioning Hoima and Moroto regional branch Offices, as well as reconstruction of Arua regional branch Office.

Specifically, the Moroto regional office was supplemented with 2 staff residential units to address the scarcity of conducive accommodation in the region.

This enables the office to realise its objective of extending audit services to the key strategic areas and brings the number of regional offices to 11.
g) Strengthening our Control Environment

In a bid to strengthen our control environment and enhance our governance, the Internal Audit manual was developed with support from GIZ.

This is aimed at improving our internal audit processes. Additionally, the office is developing a quality control manual that will guide implementation of sustainable checks and balances towards improved governance and delivery of our mandate.

h) Compliance with Statutory Requirements

The Office is obliged to comply with government policies that promote accountability and good governance. These include PFM Act 2015, PPDA Act 2003 and Treasury Accounting Instructions 2016 among others.

In this regard, the office complied with statutory reporting requirements through timely production of key documents required by law. These include but are not limited to; Periodic financial statements, Budget Framework Paper FY 2019/20, Ministerial Policy Statement for FY 2018/19, Quarterly budget performance, donor budget and internal audit reports and Monthly procurement and disposal reports to PPDA.

i) Asset acquisition and maintenance

The Office receives support from the Government of Uganda using the development budget allocation through a retooling project named Support to Office of the Auditor General. The purpose of these funds is to enhance our operational independence and to facilitate efficient and effective service delivery in a well-equipped, independent and conducive working environment.

With this support, the Office procured 101 computers, software and assorted furniture to replace the obsolete items. In addition 2 new vehicles were acquired to replace our aging, insufficient fleet. The Office also commenced the construction of wall fences at 3 regional offices.

j) Implementation of Integrated Management Information System

The IMIS is envisaged to streamline processes and increase efficiency and effectiveness of services across all the functions of the OAG, to aid follow up of audit recommendations and promote collaboration with other government investigating agencies.

During the reporting period, the IMIS project governance structures were established.

In compliance with Government policies, the Office engaged NITA-U on development of system specifications and integration with other existing government systems. Subsequently, the Expression of Interest stage was concluded and the Request for Proposal document is awaiting a no objection in accordance with the KfW’s procurement procedures.
k) Communication with Stakeholders

As part of the office’s efforts to live up to ISSAI 12 on the Value and benefits of SAIs aimed at reaching out to the wider public and enhancing stakeholder engagement to demonstrate our value and benefits to citizens, the Office launched the Intranet for effective internal communication, produced reports and extracts of key findings for stakeholders.

In addition to the stakeholder joint engagement activities, the Office engaged Parliament specifically the oversight Committees, media, Auditees, Civil Society and Development Partners. These initiatives were applauded by AFROSAI-E.

AFROSAI-E recognised and awarded SAI Uganda for demonstrating the value of effective internal communication and stakeholder engagement during the 13th Technical workshop held in Johannersburg.

l) Perception Survey

The office undertook a perception survey with the objective of collecting data and measuring how key stakeholders perceive the OAG in delivering its mandate.

The results of the survey indicated that: 96.8% of our stakeholders are aware of OAG’s mandate; 84.5% receive AG’s reports; 85.9% are satisfied with the Audit process; while 30.9% are satisfied with the audit products.
m) External Audit of the OAG

In accordance with Section 36 of the National Audit Act, 2008, Parliament appointed an external auditor to audit the Office of the Auditor General.

The appointed Audit firm, Kisaka and Co. was contracted to audit 12 financial years from FY 2005/6 to FY 2016/17. The audit was concluded in August 2018, reports submitted to Parliament, and discussed by sub-committee of Finance.

n) Coverage of our reports in the Media

Under Goal 1; objective 3 of our Corporate Strategy 2016-2021, which is to convey information and audit results effectively, the office has undertaken, number of activities to build capacity of media houses to effectively publish audit findings and recommendations.
This has created a wider audience for Auditor General’s reports thereby effectively promoting public accountability and value for money spent.

For the year 2018, the Auditor General’s report gained a wider media coverage in both print and electronic media, which has increased awareness on accountability and Office of the Auditor General’s mandate.

Graph showing number of articles published by different News Papers during the year 2018.
Our Collaborative Activities

Collaboration with other SAIs

Swedish National Audit Office (SNAO)

The Swedish National Audit Office has continued to provide peer support in communication, Quality Assurance reviews in VFM Audits and development of capacity in Quality assurance department.

Norwegian National Audit Office (NAO)

The Norwegian National Audit office has been our partner in developing capacity in auditing Oil and Gas and environmental audits relating into extraction of Oil and Gas. Their technical support has helped the OAG to enhance its ability to understand Oil and Gas sector and undertake the audit of recoverable costs.

US Government Accountability Office (GAO)

The Office has a partnership with GAO to build capacity of our senior staff. The office facilitates staff to attend the programme. During the year 1 staff was supported to attend the 3 month course attachment.

Collaborative efforts with other Anti-Corruption Agencies

The Office has utilized synergies with other oversight/investigation agencies namely: PPDA and IG, to improve capacity to effectively promote public accountability and fight against corruption.

In a joint publication on collaborating to strengthen Accountability, the Auditor General in his message indicated “When you collaborate, you reduce the amount of work and resources including the time each institution would take if they are working independently.” The following were the joint activities undertaken during the year:

Heads of Institutions Retreat

With support from GIZ the heads of OAG, PPDA and IG held a retreat in June 2018 to review the collaboration arrangements and set a roadmap for the future activities.

Key action points from the retreat were;

a) Improving ethics and integrity among staff.
b) Joint awareness campaigns on good governance and fight against corruption.
c) Organise stakeholder engagement activities in oil and gas.
d) Follow-up on implementation of audit recommendations.
Anti-Corruption day 2018

Among the initiatives that were approved include joint participation in the Anti-corruption events under the theme “Citizens’ participation in the fight against corruption: A sustainable path to Uganda’s transformation,” with the following objectives;

a) To sensitize the public about their constitutional duty to combat corruption and misuse or wastage of public resources.

b) To encourage MDAs, Local Governments and Political Leaders to effectively respond to citizens’ concerns.

The objectives were achieved through;

i) Stakeholder engagements through boardroom sessions in the Oil and Gas, Education and Justice, Law and Order sectors

ii) Upcountry drives and outreaches to engage the citizens in the fight against corruption

iii) Commemoration of the Anti-Corruption day which was graced by His Excellency, the President of the Republic of Uganda.

iv) Media appearances on 7 radio talk shows, 2 TV shows to reach out to the public on Anti-corruption initiatives to explain mandates, functions and achievements.


2. AAG-C Francis Masuba responding to questions raised at the University debate during the Accountability Sector week at KCCA- City Hall.

3. Deputy IGG George Bamugemerire introducing Institutional representatives during a Baraaza at Busia.
Engagements with stakeholders

Executive

During the year, we engaged MoFPED, OPM, and Cabinet. The purpose of the engagement was to create awareness on what we do and outcomes of the year 2017, as well as to elicit their support in implementation of audit recommendations. The engagement was appreciated by the Executive and requested the initiative to be sustained.

Parliament

The AG addressed the Parliament of Uganda on his mandate, functions and Audit Reports he produces. He specifically explained the objective of each audit he undertakes and types of financial audit opinions.

In addition, the OAG engaged Oversight Committee Members of Parliament and Parliament sub-committee of Finance Planning and Economic Development on audit key findings for 2017 and soliciting feedback that informed the audit planning process for audit year 2018. 38 Members of Parliament attended the workshop.

Civil Society

We engaged 48 Members of CSBAG on our mandate, functions, and key audit findings for 2017. The purpose of the engagement was to sensitise the Civil Society on the outcomes of audit work and to guide their advocacy on the implementation of audit recommendations.

In this regard the Anti-Corruption coalition is undertaking a study on the implementation of seven Value for Money audit reports recommendations in Water and Environment sector.
**ASJAR and IAF**

OAG is a member of Accountability Sector and Inter Agency Forum. The IAF discusses good governance, Accountability and corruption related matters within the Accountability Sector. During the year 2018, the Sector held its 4th Joint annual review in which OAG participated under a theme of “Accountability, a key component in building public trust.”

The OAG chairs the Audit and Anti-corruption thematic area which contributes to the Objective 11 (Improve compliance with accountability rules and regulations) of the Sector Strategic Investment Plan (ASSIP).

The workshop underscored the need to enhance capacity in undertaking Financial and Value for Money audits and to strengthen corporation with other Anti-Corruption Agencies.

**Universities and UPDF**

The office offered support training on its mandate, roles and functions to Uganda People’s Defence Force cadets and Uganda Christian University management.

OAG also provided practical training to students pursuing human resource management degree in Mbarara University of Science and Technology. This exercise has been on-going for 3 years.
Our contribution to the International Audit community

INTOSAI and affiliated organisations

The International Organisation of Supreme Audit Institutions (INTOSAI) provides an institutionalized framework for supreme audit institutions to promote development and transfer of knowledge, improve government auditing worldwide and enhances professional capacities, standing and influence of member SAIs in their respective countries.

SAI Uganda is a member of INTOSAI, AFROSAI, AFROSAI-E, INTOSAI Working Group on Environment Audit and the chair of the INTOSAI Working Group on Extractive Industries.

INTOSAI Governing Board

This exercises strategic leadership, management and ensures continuity of work between INTOSAI congresses.

SAI Uganda as the chair of WGEI under INTOSAI goal 3 knowledge sharing and knowledge services, attended the 71st Governing board meeting that was held in Moscow in November 2018.

INTOSAI Working Group on Audit of Extractive Industries (WGEI)

SAI Uganda appointed INTOSAI WGEI Chair in 2013. To continue holding portfolio until 2022.

SAI Uganda also hosts the WGEI Secretariat and Community of Practice.

Member Countries

The Chair SAI Uganda is supported by a steering committee comprising of 10 SAIs (Uganda, Norway, South Africa, Iraq, Fiji, Zambia, Ecuador, Ghana, India and USA) to deliver the WGEI mandate.
The following INTOSAI WGEI activities were undertaken during the reporting year.

### Annual WGEI Steering Committee meeting

OAG chaired the annual WGEI Steering Committee (SC) meeting which was hosted by SAI South Africa in Pretoria under the theme of “illicit financial flows”. The objective of the meeting was to get progress reports on the implementation of the WGEI work plans.

The meeting was attended by representatives from the SAIs of Uganda, South Africa, USA, Norway, Fiji, Zambia, Ghana and India.

The Steering Committee resolved to:

a) Fast track completion of Extractive Industries Training framework, Extractive Industries Tool Kit.

b) Engage INTOSAI Regional Organisations in WGEI activities.

c) Update the WGEI Terms of Reference.

### Extractive Industries Training Framework

The learning task force of WGEI headed by SAI Uganda and comprising of the Supreme Audit Institutions (SAIs) of Zambia, Ghana, Norway, Zimbabwe, Ecuador, India, Vietnam and AFROSAI-E met in Jaipul, India in January 2018 and Lusaka, Zambia in April 2018 to develop the Extractive Industries Training Framework.

The Training Framework will be used as a guide by SAIs and interested stakeholders, within and outside the INTOSAI, to develop course content for training/learning in the audit of extractive industries. This will improve the capacity of SAIs to audit Extractive Industries.
INTOSAI Committee on Knowledge Sharing and Knowledge Services (KSC)

OAG hosted the 10th KSC Steering Committee meeting at Audit House, Kampala, from 20th to 22nd August 2018. The purpose of the meeting was to receive progress reports from the various Working Groups under the KSC.

The meeting was attended by representatives from the SAIs of India, Uganda, Philippines, Indonesia, France, China, and the INTOSAI General Secretariat, the INTOSAI Development Initiative and the INTOSAI Professional Standards Committee.

Key issues discussed at the meeting were;

a) SAIs need to audit the implementation of the SDGs by their Governments.

b) KSC Working Groups to strengthen their relationships with the INTOSAI Regional Organisations which will foster the exchange of Knowledge and information on audit with SAIs.

INTOSAI Development Initiative

The OAG hosted an IDI workshop in June 2018 on stakeholder engagement strategy formulation and two staff participated. The same staff attended a follow-up workshop in Pretoria, South Africa.

In addition two staff continued to support capacity building on audit to SAI Somalia through IDI.
AFROSAI and AFROSAI-E

During the year, 27 staff participated in workshops and trainings organised by AFROSAI-E in the following areas; performance audit, quantitative data analysis audit of extractive industries, quality assurance reviews, technical updates, communications, e-fiscal Governance, IT and development of training materials, Integrated Performance reporting, environment audit development workshop (AFROSAI-E WEGEA in Rwanda) and other technical development workshops and meetings.

We contribute to AFROSAI-E by providing technical staff who facilitate various capacity building initiatives. In addition, 1 staff is attached to AFROSAI-E on full-time basis.

In order to monitor the progress of compliance with international standards, as required by AFROSAI-E, the Office conducted an annual ICBF self-assessment for 2017.

SAI Kenya Benchmarking Visit

OAG hosted SAI Kenya on a benchmarking visit from 11th to 22nd June 2018. The purpose of the visit was to share knowledge and experience in audit of oil and gas. The exchange covered;

a) The legal mandate to Audit Oil and Gas,

b) Audit Methodologies,

c) A field visit to the oil region and

d) Future plans.

Regional Audits

The Office is a member of regional boards of audit, namely;

a) African Union (AU)

b) East African Community (EAC)

c) Common Market for Eastern and Southern Africa (COMESA).

The Office participated in 3 audits under the EAC, African Union and COMESA.
Overview of the Corporate Strategy Performance

Our 5 year Corporate Strategy has been under implementation since July 2016. The theme for the strategy is ‘Enhancing Public Accountability and Making a Difference’. The theme will be achieved through three strategic goals:

1. Robust Reporting
   - Contributing to accountability, transparency, good corporate governance and value for money.

2. High Quality Audit
   - Targeting service delivery achieved through professional approaches and systems.

3. High Performance and model organisation
   - A model organisation with a culture that values people and systems leading to increased efficiency and effectiveness of performance, as well as leading by example.

Our second year of implementation of the Corporate Strategy ended June 2018. The cumulative performance of the strategy is summarized in the table and charts below;

<table>
<thead>
<tr>
<th>Goals</th>
<th>No. of Objectives</th>
<th>No. of Strategic Activities</th>
<th>Completed</th>
<th>In-Progress</th>
<th>Not Started</th>
</tr>
</thead>
<tbody>
<tr>
<td>Robust Reporting</td>
<td>3</td>
<td>16</td>
<td>5</td>
<td>9</td>
<td>2</td>
</tr>
<tr>
<td>High Quality Audit</td>
<td>3</td>
<td>36</td>
<td>1</td>
<td>29</td>
<td>6</td>
</tr>
<tr>
<td>High Performance</td>
<td>5</td>
<td>92</td>
<td>6</td>
<td>72</td>
<td>14</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
<td>144</td>
<td>12</td>
<td>110</td>
<td>22</td>
</tr>
</tbody>
</table>

Graph showing 2018 status of OAG Corporate Strategy 2016-2021 implementation

Graph showing 2017 status of OAG Corporate Strategy 2016-2021 implementation
Summary of Corporate Strategy Performance

The details of our Corporate Strategy performance for the reporting period are summarised below per goal;

![Graph showing OAG Corporate Strategy 2016-2021 Performance by Goals]

goal 1: Robust reporting that contributes to accountability, transparency, good corporate governance and value for money.

provide robust audit reports

a) Developed and adopted an addendum on OAG Report Writing Guidelines to include Financial and Compliance Audit Methodologies reporting templates, as well as annual report to parliament.

b) OAG Annual performance and Annual Auditor General’s reports to Parliament were redesigned to improve communication to stakeholders.

c) OAG held an Annual workshop with 38 members of Parliament Oversight Committees on outcomes of the Audit for 2017.

d) OAG held a workshop of 48 members from Civil Society Budget Advocacy Group to disseminate key audit findings for 2017.

e) 35 Treasury memoranda were audited and communicated to Parliament.

f) 53 Grants of credit were issued in accordance with Public Financial Management Act to authorize release of appropriated funds by Parliament.

Support Parliamentary oversight and scrutiny

a) 676 Briefs on the audit reports were prepared for oversight committee.

b) 198 OAG staff supported Oversight Committee of Parliament to discuss the Auditor General’s report. 2 staff supported the Committee in writing their report.

c) Parliament sub-Committee of Finance, Planning and Economic Development was sensitized. 2 Board meetings were held.

d) The Auditor General addressed Parliament on his mandate and types of audit reports he conducts, as well as the type of opinions for the financial audits.
Convey information and audit results effectively

Our website usage increased by 22%.

Goal 2: High Quality Audit

Ensure High Quality, Professional, Risk-Based and Real-Time Audits Reviews

a) Financial and Compliance Audit Methodologies and teammate library were developed and implemented.

b) Forensic investigation methodology and teammate library was developed and implemented.

c) The Annual Audit Strategy was produced and implemented based on thematic areas.

d) Materiality guidelines developed, Outsourced audit supervision guidelines reviewed and Quality control and assurance procedures guidelines in-progress.

e) Over 320 staff were trained in use of Financial and Compliance Audit Methodologies and 6 staff were trained as Trainer of Trainers.

2 staff undertook Refresher training in FAM and CAM methodologies by AFROSAI – E and Customization of audit manuals.

f) 2 staff trained in information system audit.

g) 5 staff attended a regional workshop in quality assurance practices together with Kenya and Tanzania participants.

h) The OAG supported SAI Tanzania, South Africa, Zimbabwe, and Seychelles in building capacity to implement Financial and Compliance Audit Methodologies.
Manage the expanding range and emerging scope of audits

a) The audit database was updated, without associated costs.

b) SORA strategy capturing cross cutting themes and areas of focus were developed for 2018.

c) Training of 3 staff in impact assessment.

d) In addition to 4 Petroleum Sharing Agreements backlog audits, another 5 audits were undertaken all await discussion with exploration companies.

e) Oil and Gas audit guidelines were reviewed.

f) The Office has 12 staff with post-graduate qualifications in the oil and gas related fields. 1 staff started her masters course in oil and gas, whereas 2 have completed this year.

Demonstrate impact and instill a culture of service delivery in our audits

a) Started a process of following up audit recommendation using TeamMate Audit Management System.

b) Monitoring and Evaluation Unit was established and two staff were recruited.

c) Funds secured to establish a framework to measure the audit impact.

d) Oversight Committees of Parliament and 48 members from CSBAG provided feedback and insights on our audits.

e) OAG participated in Publication of the special edition on collaborating to strengthen Accountability.

f) Maintained a relationship with Law enforcement agencies as per the signed MoUs as previously reported.

Graph showing performance of Goal 2

Office of the Auditor General: Enhancing Public Accountability through Audits focussed on Fiscal Management, Productivity and Service Delivery.
Goal Three: High Performance

Enhance Financial and Operational Independence

a) Reviewed the constitution provisions and proposed amendments to top management for approval.

b) Financial statements for 12 years ending June 2017, were audited and reports submitted to Parliament.

c) MIS – expression of interest was completed and request for proposal documents developed, pending approval from funder.

d) With support from FINMAPIII, 5 staff trained in change management and 4 staff trained in project management. The trained staff will play a leading role in the implementation of IMIS.

e) Outsourcing compliance report was drafted.

f) While Arua branch reconstruction procurement is in the final stage, Moroto and Hoima offices were commissioned.

Be an Influencing and Collaborative Organization to Raise the Profile of the OAG through Stakeholder Engagement.

a) External stakeholder Perception survey on OAG was undertaken and a report was produced.

b) Engaged accounting officers during the audit planning (Entry meetings/conferences) on the previous audit report’s cross-cutting issues, and during the finalization of the audit process (exit meetings) to provide feedback and responses on audit issues raised.

c) Anti-corruption coalition is undertaking a study on follow-up of audit recommendations on 7 Value For Money Audits on the environment and forestry.

d) 2 staff trained with support from IDI in stakeholder engagement.

e) Trained 196 District Public Accounts Committees out of 208 in 37 districts.

f) Sensitized 231 Local Government Political Leaders out of 266 in 37 districts.

g) A press conference was held during submission of 2017 Annual report to Parliament.

h) The Office appeared on 7 radio talk shows and 2 TV shows to engage the public on its mandate and achievements.

Ensure the highest ethical and professional standards in all of our work

The Office is undertaking an integrity survey, and training on integrity is planned for January 2019.
Manage and enable staff to deliver

a) We conducted 3 focus group sessions on integrity, to remind staff to uphold ethical values.

b) A Job evaluation exercise is on-going.

c) Draft Competence framework developed.

d) Staff Salary was revised to compensate staff efforts.

e) Training facility was partially furnished to ease delivery of training.

Improve structures and systems to ensure better and efficient performance

a) Intranet and TV displays to enhance staff communication and to other stakeholders were introduced. In addition 4 Information flyers produced.

b) 70 laptops, 30 desktops and assorted IT parts and accessories for in-house repair and maintenance of IT equipment for were procured.

c) Procurement ongoing for 2 IFMS routers, 5 Multi-Functional Printers for branch offices and 2 LPO printers.

d) Payment of annual internet subscription, WAN services, Mobile APN/TeamMate, Modems for remote access by field staff to the TeamMate system was done.

e) Annual Closed User Group (CUG) communication solution for staff (380 users) subscription paid.

f) Change management workshops for Intergrated Management Information System for all staff held.

g) OAG Website maintained and regularly updated as well as the INTOSAI WGEI website and services hosted by OAG maintained.

h) Liaising with GIZ to procure consultant to customize the TeamMate Audit Management system to track AG’s Report Recommendations.

i) Procurement on-going for reverse proxy server and E-mail Gateway to enhance security of OAG IT systems

j) IT Project Team for management of OAG MIS project in conjunction with NITA-U, was approved to spearhead implementation of MIS.
Our Strategic Direction for 2019/20

Our Corporate Strategy 2016-21 is aligned to the National Development Plan (NDP) II and the National budget strategy. It focuses on attaining a lower middle income status by 2020, through strengthening the country's competitiveness for sustainable wealth creation, employment and inclusive growth.

The government priorities for the FY 2019/20 which will inform the audit strategy in 2019 include:

a) Harnessing Growth Opportunities in key sectors such as Agriculture, Extractives.
b) Enhancing Private Sector Growth and Development.
c) Trade and Export Promotion.
d) Enhancing domestic revenue collection and debt sustainability.
e) Strengthening Public Sector interventions to support private sector led growth.

In line with the above, during the OAG Budget Conference for the F/Y 2019/2020, the Auditor General guided staff to prioritise the following:

a) Undertake risk-based and real-time audits.
b) Address systemic issues through counselling and guidance.
c) Manage the expanding range and emerging scope of audit work by establishing a compressive audit scope database for all audits and establish a comprehensive audit scope database for all audits as well as a strategy to clear audit backlogs in LLGs.
d) Effective implementation of the Integrated Audit Approach.
e) Enhance support to Parliamentary oversight and scrutiny.
f) Establish a framework and build capacity to measure impact of OAG work.

Improve structures and systems to ensure better and efficient performance

i) The UN 2030 Agenda for Sustainable Development Goals (SDGs) was jointly committed to by UN member states including Uganda in September 2015 and will run from 2016-2030. The broad scope of SDGs means that many challenges they address fall within the scope of the SAIs work in financial, compliance and performance audits.

As an audit office, we shall therefore play a contributing role in supporting Uganda's preparation for the SDGs.

It is therefore important to continue with the approach in identifying those areas linked to implementation of SDGs that will provide high impacts, through an analytical, consultative approach.

ii) The directorates conducting financial audits will review their risk profiling procedures to identify themes and Key audit Matters using a consultative approach to enhance the SORA processes without compromising the independence of audit.

iii) The Office will identify and implement real-time audits and undertake capacity building in such audits. This will create more impacts in saving public resources through corrective actions.
Over the years, we have been improving the quality of our reports and stakeholder feedback shows an appreciation of our efforts. The new report writing guidelines have been formulated and implemented to enhance the presentation and packaging of our reports. However, it should be noted that, a quality report is determined by the quality of the audit processes. Therefore the following interventions will be implemented;

i) Full roll-out of the Integrated Audit Approach with a view to increasing performance audits and skills.

ii) Strengthening the usage of the Audit Control Manual and the quality review process.

iii) Develop and implement Quality Assurance procedures and guideline.

iv) Strengthening Quality Assurance by increasing on the number of quality assurance reviews and prioritising follow up by the Quality Assurance Committee.

v) Use of TeamMate audit software will be enhanced. We shall interact with outside users through attending annual conferences or online engagements to explore ways to optimise the use of TeamMate. The office shall undertake studies on other software alternatives to explore cheaper and sustainable options.

### Integrated Management Information System (IMIS)

**Objective**

OAG intends to implement a dependable and robust Integrated Management Information System (IMIS) across all its business functions for seamless exchange of information within the organization. The IMIS is envisaged to streamline processes and increase efficiency and effectiveness of services across all the functions of the OAG, to aid follow up of audit recommendations and promote collaboration with other government investigating agencies.

**Business case for IMIS**

Article 163(6) of the Constitution of the Republic of Uganda amplified by Section 14 of the National Auditor Act 2008 provides that in performing his or her functions, except for a Presidential directive the Auditor General shall not be under the direction or control of any person or authority.

To achieve functional independence there must be infrastructures in place to enable autonomous management of all internal procedures including the human capital management, finance and accounting, fleet management, document storage and retrieval etc. Implementation of the IMIS is envisioned by the Auditor General as one of the structures needed to enable him execute his role independently and free from influence.

Article 163(3a) of the Constitution of the Republic of Uganda mandates the Auditor General to audit and report on the public accounts of Uganda and of all public offices, this mandate covers a total population of over 4,000 entities. The office is challenged with the magnitude and volume of manual records at the end of every audit, requirement by audit standards to keep the records for beyond 7 years, storage and retrieval especially when audit results have ended up in court and presentation audit evidence is required.

**Planning and funding for IMIS**

The office planned for IMIS in its current Corporate Strategy (2016-2021) under objective three of strengthening financial and operational independence, attained through higher organisational performance. Funding was sourced and obtained from KfW and the office is grateful for the funding.
The system is expected to take care of the following business processes:

Status of project implementation
a) Stakeholder Buy-In was carried out in form of workshops, conversations etc.to Top Management, Parliament, Ministry of Finance, National Information Technology Authority Uganda (NITA-U).

b) Benchmarking and consultations, specifically with Uganda Revenue Authority, since they have the same system was carried out.

c) Redesigning of the business processes across all levels within OAG as far as related to the IIMIS is required was conducted by PBLQ consultant. Two reports were produced: one presenting results of the As-Is-Analysis phase in which the current processes (including bottlenecks and opportunities for improvement) were mapped. The second report referred to as the To-Be-Analysis (mapped the desired improved processes in the future). Also a report on Gap Analysis (between As-Is and To-Be situations) was produced.

d) Terms of reference for IMIS were developed and approved by the user.

e) Approval for a go ahead was obtained from National Information Technology Authority Uganda (NITA-U).

f) Governance structures were installed: A Project management team and a Change management team reporting to the sponsor and the executive.

g) Currently the system is being procured, the Expression of interest was concluded and the Request for proposal was completed and submitted to KfW (funder) for approval.

h) Project management and Change management training was carried out for staff directly in charge of the project.

Expected benefits
i) A more logically clustered set of responsibilities and accountabilities,
ii) Better distinction between process owners and responsible staff for the execution of the process,
iii) Built-in authorizations and mandates, as also the reduction of required approvals,
iv) Management to focus on strategic management and decision making, rather than processes,
v) More simplification in external stakeholders’ involvement,
vi) Standardization and simplification of the archiving function,
vii) Standardized way of message handling for all incoming and outgoing messages.
Our Challenges

The major challenges being encountered in the Office are discussed below:

a) Mismatch in Reporting Timelines

Following the enactment of the Public Financial Management Act 2015, the Auditor General is required to report to Parliament on the accounts he has audited by 31st December every year (6 months after the end of the financial year).
The six-month audit period exerts pressure on our lean resources to produce audit reports in a timely manner.

b) Operational Sustainability

The operational and maintenance costs of our assets has increased, without a corresponding budget. This poses a risk of asset deterioration if they are not regularly maintained.

c) International Obligations

SAI Uganda continues to chair the INTOSAI Working Group on Extractive Industries tasked to ensure that Governments manage Extractive Industries in the best interest of the public through formulation of guidelines and promotion of transparency, accountability and knowledge sharing among others. However, due to inadequate funding, it has been unable to fully operationalize the secretariat.

d) Follow-up on Implementation of Recommendations

The backlog in the discussion of audit reports by Parliament and preparation of Treasury Memoranda have hugely limited the follow-up of implementation of audit recommendations and measurement of the impact of audit work.

e) Increasing Audit Scope

Section 13 of the National Audit Act 2008, mandates the Auditor General to audit and report on all public accounts of Uganda and of all public offices. The wide scope and increasing demand for public works audit, special audits and forensic investigations remains a challenge due to limited resources.

f) Staff Retention

Retention of qualified and skilled staff especially the non-accountants has been difficult due to inadequate pay and limited opportunities for career growth.
This has led to exit of highly skilled staff which has negative impact on delivery of audits particularly in specialized areas.
Our Workforce Structure

Our most valuable asset in delivering our mandate is our people. OAG’s diversity makes us who we are in enhancing public accountability and making a difference. OAG invests in professional development of staff to ensure that they are sufficiently empowered to deliver audits to our clients, Parliament and other stakeholders.

Through our corporate strategy goal three on high performance and model organization, the office has created structures and environment to enhance performance and maintain high ethical and professional standards in all of our work. The office has a staff establishment of 527 of which 469 positions are filled reflecting 89% compared to 87.9% of last year’s operational capacity. 36 of our staff are on 5-year contracts while 433 are permanent staff.

Attracting and Skilling High Quality People

OAG has completed second year in running graduate trainee programme aimed at imparting skills in audit and leadership.

During the year we attracted 3 more graduate trainees and 52 university undergraduate student interns. In addition, the Office recruited 17 staff to replace those who had left through retirement and greener pastures. The recruitment was within the OAG wage bill.

The Office held a 5 day workshop with Ministry of Public Service to train staff from HRMD, Internal Audit, and Finance and Accounts, on legislation and management of pension and gratuity.

Promotions

Promotion is a way to add more responsibilities to strengthen our supervision roles which results in high productivity and prevents loss of valuable and important employees. It also provides hope and career growth within the Office.

In line with the OAG Human Resource Manual, 2013, we promoted 22 staff through a transparent, fair and competitive process. These include; 2 Senior Principle Auditors, 5 Principle Auditors, and 15 Senior Auditors.
Supporting our People

Promotion of Healthy Living

We continue to support staff through programs that promote healthy living. These include: OAG football league which has been running for the last 3 years. In addition, we run a program for aerobics in Audit House, walking and jogging throughout the year.

These programs promote fitness, team building and general wellness of our workforce. We run other team building initiatives across the office departments and branches.

Staff Health Benefits

In compliance with National Audit Act, 2008, Workers’ compensation Act 2000 and our staff regulations, we provide medical insurance and group life insurance package for all staff.

OAG Savings and Credit Cooperative Organisation (SACCO)

OAG staff established a voluntary OAG SACCO in 2016 with the objective of pooling resources through monthly contributions by members and offer soft loans to members at low interest rates. This reduces dependency on banks and money lenders, as well saving for the future.

To date, the SACCO membership stands at 190 members with a contribution of UGX. 256 million. The SACCO is managed by a team of 4 OAG staff and supervised by another team of 3 staff.

OAG Standards and Women's fora

We support diversity and gender in our office. Since 2009 OAG has supported the Women’s Forum whose vision is “To be an effective forum that empowers OAG women to realise their full potential in their contribution to the attainment of the OAG Vision and Mission.” By default all OAG women belong to the forum.

To achieve the vision, the Forum organizes periodic meetings, workshops and seminars, to discuss matters that affect them at work, and how to realize their potential.

The Forum has been instrumental in organizing Standards Forum whose main objective is to promote professionalism and adherence to standards that guide our work. Through these trainings, workshops and seminars, certificates are awarded and they contribute to Continuous Professional Development (CPD) of our staff. These CPDs are recognized by most professional bodies registered and accredited in the country.
Staff Exits

The office recognizes the distinguished services of 8 staff that left the OAG fraternity during the year.

5 retired and 3 transferred their services to other organizations. We take this opportunity to appreciate their contribution to the Office and the country at large.

Ethical Conduct

We value and cherish good ethical behaviour. During the year, we received 3 complaints of misconduct. The cases were investigated and led to retirement of one staff in public interest and other 2 cases are before human resource advisory committee for determination.

Investment in Human Capital

Our investment in our people’s professional development is an effort to realise our ultimate goal of enhancing our value towards demonstrating our relevance to citizens.

In line with the National and Accountability Sector priorities on human capital development, we built capacity of 320 staff to undertake Financial and Compliance audits using the revised methodologies and 103 staff in other professional disciplines to enhance performance. The investment in human capital was supported by GoU, FINMAPIII and GIZ.
The Office continued to implement the Programme–Based budgeting (PBB), which aims at focusing resources to programmes linked to national priorities and outcomes.

In compliance with the reform, the Office implements 3 Programmes, namely;

a) Financial Audits.
b) Value for Money and Specialized Audits.
c) Support to Audit Services.

These programmes were allocated funds in FY 2017/18 as shown below;
The following Financial and Compliance Audits were completed and Reports issued;
- a) 106 MDAs audited.
- b) 92 Statutory Corporations.
- c) 92 Projects.
- d) 367 Districts and Urban Councils.
- e) 1,589 Lower Local Governments, including Schools and backlogs.

The following Value for Money studies and Specialized Audits were completed and Reports issued;
- a) 8 Value for Money Audits.
- b) 13 Specialized Audits.
- c) 32 Forensic Investigations.
- d) 4 IT Audits.

The following key activities, excluding operational were undertaken;
- a) 5 Vehicles procured the previous year and delivered this F/Y.
- b) 70 Laptops procured.
- c) 30 Desktops procured.
- d) Renewal of TeamMate Audit Software licence.
- e) Assorted furniture and other IT equipment procured.
- f) OAG assets maintained.
Support from Development Partners

The Office continues to get support from development partners to augment the GoU resource envelope.

During the year 2018, the GoU Budget was UGX 51.491Bn and Development Partners’ financial support totalled to UGX. 13.231Bn. In addition, technical support was received from NAO, SNAO and GIZ.

Financial Management and Accountability Programme (FINMAP)

The Office continues to benefit from the Government of Uganda’s four-year (2014/15 – 2017/18) public financial management reform strategy under FINMAP III. It has continued to support capacity development initiatives and enhancement of the operational independence of the Office.

Under the project, OAG was allocated UGX.11.794Bn (USD. 3.37M) for the Financial Year 2017/18. The funds allocated were used to;

a) Construct and commission the Hoima Regional Audit Office.

b) Construct and commission the Moroto Regional Audit office.

c) Engage a Consultant for procurement OAG Management of Information System and related OAG capacity building. The expression of interest was completed and request for proposal documents drafted.

d) Build capacity for District Local Government Public Accounts Committee and sensitize Political Leaders in districts covered by our three regional offices of Masaka, Gulu and Mbale.

FINMAP III is being concluded in the F/Y 2018/19 and transitioning into a new reform programme named Resource Enhancement and Accountability Programme, which will oversee the next phase of PFM reforms from FY 2018/19 to FY 2022/23. The new programme is comprised of 6 clusters aligned to the key objectives of the PFM strategy. The OAG was nominated and appointed to chair the sixth cluster on governance and oversight, whose objective is “to strengthen the oversight and PFM governance function for the sustainability of development outcomes.”

GIZ

The Office continues to receive technical support from the German cooperation (GIZ). Strengthening External Audit (SEA) component which is under Governance and Civil Society support project started in 2017 and will end in March 2019. The component supports OAG, IG and PPDA. Specific support to OAG included;

a) Job Evaluation – on going.

b) Operationalizing M&E unit – on going.

c) Conducted the Perception survey,

d) Established the follow-up audit recommendation – on going

e) Various capacity building initiatives.

f) Collaborative activities with IG and PPDA.

g) Supported 3 staff to undertake training on impact assessment.

h) Supported 6 staff to attend AFROSAI-E Technical Update workshops.

A new project is being designed focusing on collaborative efforts to fight corruption.
European Union

The office is a beneficiary of support from European Union under the Justice and Accountability Reform (JAR) contract covering three financial years starting from 2018/19 to 2021/22.

For the FY 2018/19, the office received financing to the tune of UGX 5bn which was allocated to; Audit of Karuma and Isimba Hydro power projects (UGX 2.42 Bn), Clearing of audit backlogs in Lower Local Governments (UGX 2.31 Bn), undertaking 5 forensic investigations (UGX 77.6 Mn) and Capacity building (UGX 0.19 Bn). The implementation of these activities is on-going.
6.0  The Independent Auditor’s Report to the Speaker of Parliament for the year ended 30 June 2017

6.1  Opinion

We have audited the financial statements of the Office of the Auditor General (OAG) which comprise the statement of financial position as at 30 June 2017, the statement of financial performance, statement of changes in networth and statement of cash flows and other statements listed under section 7.0 for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Office of the Auditor General (OAG) as at 30 June 2017, of its financial performance and its cash flows for the year then ended in accordance with Public Finance Management Act 2015, Government of Uganda Treasury Accounting Instructions, 2003 and other approved financial reporting guidelines issued by the Accountant General.

6.2  Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of Financial Statements section of our report. We are independent of the Office of the Auditor General in accordance with the International Ethics Standards Board for Accountants’ Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Uganda and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

6.11  The engagement partner on the audit resulting in this independent auditors report was:

CPA, Dr. J.K. Mulumba (PHD)-P0045
Certified Public Accountant
Plot 77 Buganda Road, Kampala

..............................August 2018.
7.0 Financial Statements

7.1 Statement of Financial Performance for the year ended 30th June 2017

[Based on classification of expenditures by nature]

<table>
<thead>
<tr>
<th>Note</th>
<th>Actual 30 June 2017 (Shs)</th>
<th>Actual 30 June 2016 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OPERATING REVENUE</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>8.5</td>
<td>0</td>
</tr>
<tr>
<td>External Grants Received</td>
<td>8.6</td>
<td>0</td>
</tr>
<tr>
<td>Transfers received from the Consolidated Fund</td>
<td>8.7</td>
<td>57,583,572,661</td>
</tr>
<tr>
<td>Transfers from the Contingencies Fund</td>
<td>8.8</td>
<td>0</td>
</tr>
<tr>
<td>Transfers received from Other Government units</td>
<td>8.9</td>
<td>0</td>
</tr>
<tr>
<td>Non – Tax revenue</td>
<td>8.10</td>
<td>6,100,000</td>
</tr>
<tr>
<td>Total operating revenue</td>
<td></td>
<td>57,589,672,661</td>
</tr>
<tr>
<td>OPERATING EXPENSES</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>8.11</td>
<td>29,331,223,228</td>
</tr>
<tr>
<td>Goods and services consumed</td>
<td>8.12</td>
<td>16,229,694,359</td>
</tr>
<tr>
<td>Consumption of property, plant &amp; equipment</td>
<td>8.13</td>
<td>4,825,462,236</td>
</tr>
<tr>
<td>Subsidies</td>
<td>8.14</td>
<td>0</td>
</tr>
<tr>
<td>Transfers to other Organizations</td>
<td>8.15</td>
<td>0</td>
</tr>
<tr>
<td>Social benefits</td>
<td>8.16</td>
<td>654,833,257</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>8.17</td>
<td>7,599,999,998</td>
</tr>
<tr>
<td>Total operating expenses</td>
<td></td>
<td>58,641,213,078</td>
</tr>
<tr>
<td>Excess of revenue over expenditure from operating activities</td>
<td>(1,051,540,417)</td>
<td>131,513,976</td>
</tr>
<tr>
<td>Foreign exchange loss (Gain)</td>
<td>8.18</td>
<td>0</td>
</tr>
<tr>
<td>Finance costs</td>
<td>8.19</td>
<td>0</td>
</tr>
<tr>
<td>Transfers to Treasury</td>
<td>8.20</td>
<td>(6,100,000)</td>
</tr>
<tr>
<td>Excess of Revenue over expenditure for the year</td>
<td>(1,057,640,417)</td>
<td>84,201,976</td>
</tr>
</tbody>
</table>

FRANCIS MASUBA Signature:...................................
Accounting Officer

Date: 22/08/2018
# 7.2 Statement of Financial Position as at 30 June 2017

<table>
<thead>
<tr>
<th>Notes</th>
<th>30 June 2017 (Shs)</th>
<th>30 June 2016 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>8.21</td>
<td>0</td>
</tr>
<tr>
<td>Receivables</td>
<td>8.22</td>
<td>74,646,296</td>
</tr>
<tr>
<td>Inventories</td>
<td>8.23</td>
<td>0</td>
</tr>
<tr>
<td>Investments</td>
<td>8.24</td>
<td>0</td>
</tr>
<tr>
<td>Non Produced Assets</td>
<td>8.25</td>
<td>131,824,400</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>8.26</td>
<td>0</td>
</tr>
<tr>
<td>Payables</td>
<td>8.27</td>
<td>0</td>
</tr>
<tr>
<td>Pension Liability</td>
<td>8.28</td>
<td>456,750,399</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net assets (liabilities)</strong></td>
<td>(324,925,999)</td>
<td>206,470,296</td>
</tr>
<tr>
<td><strong>REPRESENTED BY:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Worth</td>
<td></td>
<td>(324,925,999)</td>
</tr>
</tbody>
</table>

# 7.3 Statement of Changes in Equity (net worth)

<table>
<thead>
<tr>
<th>Schedule</th>
<th>30 June 2017 (Shs)</th>
<th>30 June 2016 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 July - Net worth Last Year (B/F)</td>
<td></td>
<td>206,470,696</td>
</tr>
<tr>
<td>Less: Transfers to the UCF account (Previous Year Balances)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Less: Transfers back to the Contingencies Fund</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>+/- Adjustments (Cash and cash equivalents)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Payables adjustments (See statement of outstanding commitments)</td>
<td>0</td>
<td>(2,619,628)</td>
</tr>
<tr>
<td>Recognition of the Pension Arrear</td>
<td>-801,140,437</td>
<td>0</td>
</tr>
<tr>
<td>Revaluation reserve</td>
<td>1,398,113,397</td>
<td>0</td>
</tr>
<tr>
<td>Write off WHT on cancelled invoice b/f from 2015/16</td>
<td>-70,729,238</td>
<td>0</td>
</tr>
<tr>
<td>Add: Excess of revenue over expenditure for the Year</td>
<td>-1,057,640,417</td>
<td>84,201,976</td>
</tr>
<tr>
<td><strong>Closing Net Financial Worth</strong></td>
<td>(324,925,999)</td>
<td>206,470,696</td>
</tr>
</tbody>
</table>

FRANCIS MASUBA  
Signature:  
Accounting Officer  
Date: 22/08/2018
### 7.4 Cash flow Statement for the period ended 30th June 2017 [Direct Method]

<table>
<thead>
<tr>
<th>Description</th>
<th>30 June 2017 (Shs)</th>
<th>30 June 2016 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Revenue from Operating activities</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External Grants Received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers received from the Consolidated Fund</td>
<td>57,583,572,661</td>
<td>47,417,995,783</td>
</tr>
<tr>
<td>Transfers from the Contingencies Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers received from Other Government units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non – Tax revenue</td>
<td>6,100,000</td>
<td>47,312,000</td>
</tr>
<tr>
<td>Deposits received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances recovered</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Transfer to Treasury (Balances and NTR)</td>
<td>(69,956,000)</td>
<td>(6,100,000)</td>
</tr>
<tr>
<td><strong>Total Operating revenue</strong></td>
<td>57,583,572,661</td>
<td>47,417,995,783</td>
</tr>
<tr>
<td><strong>PAYMENTS FOR OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>29,331,223,228</td>
<td>25,528,492,954</td>
</tr>
<tr>
<td>Goods and services consumed</td>
<td>16,225,777,301</td>
<td>16,222,629,022</td>
</tr>
<tr>
<td>Subsidies</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transfers to Other Organisations</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other Operating expenses</td>
<td>7,599,999,998</td>
<td>7,599,999,998</td>
</tr>
<tr>
<td>Social benefits</td>
<td>654,833,257</td>
<td>660,311,288</td>
</tr>
<tr>
<td>Foreign exchange loss/(gain)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net Advances paid</td>
<td>0</td>
<td>74,646,296</td>
</tr>
<tr>
<td>Domestic arrears paid during the year</td>
<td>0</td>
<td>9,555,680</td>
</tr>
<tr>
<td>Pension Arrears paid during the Year</td>
<td>344,390,038</td>
<td></td>
</tr>
<tr>
<td>Losses of cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letters of Credit receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total payments for operating activities</strong></td>
<td>(54,156,223,822)</td>
<td>42,495,635,240</td>
</tr>
<tr>
<td><strong>Net cash inflows/(outflows) from operating activities</strong></td>
<td>3,427,348,839</td>
<td>4,922,360,543</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>4,825,462,236</td>
<td>4,922,360,543</td>
</tr>
<tr>
<td>Purchase of non-produced assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash inflows/(outflows) from investing activities</strong></td>
<td>(4,825,462,236)</td>
<td>4,922,360,543</td>
</tr>
</tbody>
</table>
### CASH FLOWS FROM FINANCING ACTIVITIES

<table>
<thead>
<tr>
<th>Description</th>
<th>30 June 2017 (Shs)</th>
<th>30 June 2016 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from external borrowings</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Repayments of external borrowings</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Proceeds from other domestic borrowings</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Repayments of other domestic borrowings</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net cash flows from financing activities</strong></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**Net increase (decrease) in cash and cash equivalents**

- (1,398,113,397)  
- (1,398,113,397)

---

### Cash flow Statement for the year ended (continued)

#### Reconciliation of movement of cash during the year

<table>
<thead>
<tr>
<th>Description</th>
<th>Notes</th>
<th>30 June 2017 (Shs)</th>
<th>30 June 2016 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the beginning of the year</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Less: Transfers to the UCF account (Previous Year Balances)</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Add/ (Less): Adjustments to the opening balance</td>
<td></td>
<td>1,398,113,397</td>
<td>0</td>
</tr>
<tr>
<td>Add/ (Less): Adjustments in cash and cash equivalents</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net increase (decrease) of cash from the Cash flow Statement</strong></td>
<td></td>
<td>(1,398,113,397)</td>
<td>0</td>
</tr>
<tr>
<td>At the end of the year</td>
<td></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

---

For purposes of the cash flow statement, cash and cash equivalents comprise

<table>
<thead>
<tr>
<th>Description</th>
<th>30 June 2017 (Shs)</th>
<th>30 June 2016 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balances</td>
<td>8.21</td>
<td>0</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>8.22</td>
<td>0</td>
</tr>
<tr>
<td>Net cash and bank balances</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

---

Francis Masuba  
Signature: ................................

Accounting Officer

Date: 22/08/2018
Unaudited OAG Financial Statements for the FY ended June 2018

GOVERNMENT OF THE REPUBLIC OF UGANDA

OFFICE OF THE AUDITOR GENERAL

REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

For Accounting Officers of the Central Government
Statement of Responsibilities of the Accounting Officer

The financial statements set out on pages ...to...have been prepared in accordance with the provisions of the Public Finance Management Act, 2015 (the Act). The financial statements have been prepared on the modified cash basis of accounting and comply with the generally accepted accounting practice for the public sector. Under the modified cash basis of accounting, only financial and non-produced assets and liabilities are recognized and presented in these financial statements.

In accordance with the provisions of Section 45 and Schedule 5 of the Public Finance Management Act, 2015, I am responsible for and personally accountable to Parliament for the activities of the vote to which I am the accounting officer. Further, I am responsible for the regularity and proper use of the money appropriated to the vote to which I am the Accounting Officer. I am also responsible for authorizing any commitments made by the vote and for controlling resources received, held or disposed of by or on account of the vote. Finally, I am responsible for putting in place effective systems of risk management and internal control in respect to all resources and transactions of the vote.

Section 45 (3) of the Act require the 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.

Sections 50 and 51 of the Act respectively require me to prepare and submit half-yearly financial statements of my vote to the Secretary to the Treasury, and also to prepare and submit annual financial statements of my vote to the Auditor General for audit and to the Accountant General within two months after the end of each financial year.

Accordingly, I am pleased to report that I have complied with these provisions in all material respects and I am also pleased to submit the required financial statements in compliance with the Act. I have provided, and will continue to provide all the information and explanations as maybe required in connection with these financial statements.

To the best of my knowledge and belief, these financial statements agree with the books of account, which have been properly kept.

I accept responsibility for the integrity and objectivity of these financial statements, the financial information they contain and their compliance with the Public Finance Management Act, 2015.

......... FRANCIS MASUBA.........

Accounting Officer [Names & Signature]

............................

Date: 28/08/2018
Commentary on the Financial Statements by the Accounting Officer

General Information about the Reporting Entity

The Office of the Auditor General derives its mandate from Article 163 of the Constitution of the Republic of Uganda. Article 163 (3) of the Constitution and as amplified by Sections 13 (1) and 18 of the National Audit Act, 2008, mandates the Auditor General to audit and report on the Public Accounts of Uganda and of all public offices, including the courts, the central and local government administrations, universities and public institutions of like nature, and any public corporation or other bodies or organisations established by an Act of Parliament; and conduct financial and value for money audits in respect of any project involving public funds.

Article 163 (4) requires the Auditor General to submit to Parliament annually a report of the accounts audited by him or her under clause (3) of this article for the financial year immediately preceding.

The key vote function of the Office of the Auditor General is External Audit and the office is a member of the Accountability Sector.

Key Performance highlights (Statement of Performance)

During the reporting period, the office undertook a total of 2246 financial audits, 8 Value for money audits, 13 specialised audits, 36 forensic investigations and special audits and participated in 5 regional audits. The Financial audit reports comprise; 1956 Local Authorities (including backlogs), 106 MDAs, 92 Projects, and 92 Statutory Authorities. The office achieved 100% dissemination of all audit reports to stakeholders (including wider dissemination activities) by 15th March 2018.

Under the GoU funded Development project, TeamMate audit software licenses were renewed, pending payments on transport equipment were cleared, 3 regional offices were fenced, 30 desktops, 70 laptops and 2 motor vehicles, assorted furniture and IT equipment were procured; maintenance and installation works were undertaken at Audit house and all regional branches.

The Auditor General Mr. John F.S Muwanga handing over the Annual Audit Report for the year ended 30th June 2016 to the Speaker of Parliament Rt Hon Rebecca Kadaga.
Risk Management Practice and Internal Control

The vote maintained a system of internal control through... (explain how the entity designed, implemented and maintained appropriate risk management practices and internal controls to: comply with relevant legislative and policy requirements; accurately record all relevant financial transactions; and to prevent or detect and correct misstatements, whether due to fraud or error.)

In accordance with the provisions of Section 45 of the Public Finance Management Act, 2015, (2) In the exercise of the duties under this Act, an Accounting Officer shall, in respect of all resources and transactions of a vote, put in place effective systems of risk management, internal control and internal audit.

The Internal Audit function supports the audit process by providing an independent, objective assurance and consulting function designed to add value and improve OAG’s operations, through a systematic evaluation aimed at improving the effectiveness of risk management, control and governance processes of OAG. The objective of the Internal Audit function is to provide an independent, objective assessment of the operations of the Office in areas to do with Performance; Risk management; and Financial & Compliance; and make recommendations there from for improvement, to support the Office of the Auditor General (OAG) in the effective discharge of its responsibilities by identifying risks that may impinge on the achievement of its objectives. This seeks to determine whether OAG’s internal control functions promote efficient and effective processes and provide reasonable assurance that errors and/or irregularities can be detected during the normal course of operation.

Performance audit is an assessment of how successfully the Organization is meeting its set objectives. The audit involves checking; that the Office is well structured and has sufficient tools for the fulfillment of its mandate; that OAG has clearly set out objectives and performance standards for each implementation period; that the Office is achieving its objectives with economy, efficiency and effectiveness; that performance standards are being met; and that OAG ensures compliance to all applicable laws and agreements in the implementation of its mandate.

Risk Management audit is an assessment of an Organization’s current risk position and the procedures in place for the management of and mitigation of risk. The audit involved the following procedures: establishing the context of OAG and its risk environment; checking if there is a system in place for risk identification and profiling; checking the OAG processes of risk analysis and assessment, and that there is a formal process in place for risk management; checking that OAG has a system for regular monitoring and review of its risk position, and that there is evidence that appropriate action is taken. This takes guidance from the Institute of Internal Auditors.

A financial audit involves critical examination of the organization’s financial documents and records with a view of adding value and assuring management on presence and reliability of internal controls systems and that the appropriate laws and regulations have been followed.

The Office's internal control structure consists of the policies and procedures established by management to provide reasonable assurance that a specific entity’s objectives would be accomplished. The internal control structure comprises the following elements:

The control environment which reflects the overall attitude, awareness and actions of management;

The accounting system (IFMS) which consists of methods and records to identify, assemble, analyses, classify, record and report transactions; and this system is reviewed on a periodical basis and reports generated; and

Control procedures covering the policies and procedures, in addition to the control environment and accounting system that management has established to safeguard the Office's resources.
Risk assessment which specifies appropriate objectives, identify and analyses the risks, evaluate fraud risks and identify and analyses changes that could significantly affect internal controls

Information and communication whereby the information has to be relevant, quality information to support internal control function. This information will be communicated both internally and externally following OAG policies.

Monitoring which involves ongoing and periodic evaluations of internal controls and internal control deficiencies are communicated to management for action

The planning, execution and reporting of Internal Audit reviews are guided by International Standards for the Professional Practice of Internal Auditing. These include ISIA 1100 (Independence and Objectivity), ISIA 1200 (Proficiency and Due Professional Care), ISIA1300 (Quality Assurance and Performance Standard), ISIA 2000 (Managing the Internal Auditing Activity) among others.

During the course of our reviews, we identify a number of areas where we believe that it may be appropriate for management to consider improvements to the accounting and internal control systems. Our report is set out in a format, which summarizes the nature of the findings, identifies the risks/implications to which the Office may be exposed as well as the recommendations for improvement. The implementation of all audit recommendations is essential in mitigating risk and strengthening the internal control environment in which the Office operates. The recommendations are prioritized so as to assist management in deciding on the order in which recommendations should be implemented. In an effort to promote a proactive approach in identifying, evaluating, reporting and managing risks associated with the attainment of the objectives of the Corporate Plan, the OAG risk register was reviewed and updated.

The unit produced three (3) quarterly internal audit reports for the quarterly periods July 2017 to June 2018; One (1) special investigation report was completed and submitted for action. Proactive preventive checks, assurance engagements and verifications were carried out on monthly payroll and deliveries to stores. In addition, the OAG salary and pension payrolls were reviewed and all deliveries to the stores witnessed.

The major challenges faced during the year include: lack of a separate risk management unit, lack of convenient transport facilities, inadequate training & skills and capacity in use of computer based audit packages.

Report on achievements of the audit committee and internal audit as well as progress on implementaiton of their recommendaitons

The oversight of OAG exists and receives and discusses internal audit reports.

Internal audit achievements include: preparation of timely internal audit reports, update of enterprise risk management framework, carrying out monthly verifications of payrolls, verification of deliveries to the stores

2500 – Monitoring Progress of the recommendations.

We usually follow-up the recommendations in each of the Internal audit reports as per the guidance of the standards.

The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.
2500. A1 – The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.

2500. C1 – The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.

2600 – Communicating the Acceptance of Risks

When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.

Action on Parliamentary Recommendations

Provide high level summary report of actions taken on the recommendations of Parliament based on the reports of the Auditor General

Annex report on action taken on recommendations of Parliament based on reports of the Auditor General

.................................................................

Accounting Officer [Names & Signature]

......FRANCIS MASUBA......

Date: 28/08/2018
Commentary on the Financial Statements by the Head of Accounts

The approved budget for FY 2017/18 was UGX.55.02Bn compared to UGX 59.092Bn in FY 2016/17 (including a supplementary budget of UGX.7.6Bn). The FY 2017/18 budget comprises UGX.23.275Bn for wage, UGX 27.365Bn for non-wage and UGX 3.976Bn on development (including taxes) whereas the FY 2016/17 breakdown comprised UGX.19.575Bn for wage, UGX 27.991Bn non-wage and UGX 4.826Bn for development. With these resources, the Office planned to conduct a total of 1452 financial audits, 10 value for money audits, 20 specialised audits and 46 forensic and special audits.

Of this budget, UGX.56.36Bn (including a supplementary to settle court awards) representing 100% of the total budget (including aforementioned supplementary) had been received by 30th June 2018. This comprises wage of UGX.23.607Bn; Non-wage of UGX.28.376Bn and development of UGX.3.976Bn including taxes. Approved virements and re-allocations approved during the course of the reporting period explain the difference between budget and release in the recurrent budgets.

By contrast Shs.59.091Bn representing 99.97% of the total budget was released in FY 2016/17.

As at 30th June 2018, the Office completed a total of 2246 financial audits, 8 value for money audits, 13 specialised audits, 36 forensic investigations and special audits (including 4 IT Audits) and participated in 5 regional audits. The Financial audit reports comprise; 1956 Local Authorities (including a backlogs), 106 MDAs, 92 Projects, and 92 Statutory Authorities.

Under GoU funded Development project, the office planned to; procure 2 motor vehicles; procure assorted furniture; procure ICT equipment, software and installations; undertake routine maintenance of OAG building facilities (Audit House and Regional branches; procure and maintain machinery and equipment mainly generators, air conditioning and lift equipment, CCTV and access control, and install power back up (Inverter system) for Arua, Gulu, Jinja, Mbarara, Soroti and Mbale branches.

At the time of reporting, a total of UGX 3.976Bn (100%) of the development budget had been released. This was used to undertake maintenance works at Audit house and all regional branches, construct wall fences in Soroti, Fort Portal and Gulu regional offices, procure 2 new vehicles, 70 laptops, 30 desktops, assorted furniture and other IT equipment and renewal of TeamMate audit software licenses. Additionally the office completed payment for the acquisition of 5 vehicles whose delivery had been delayed.

To achieve these outputs total expenditure incurred amounted to UGX 56,2 Bn (99.71% of total release) by 30th June, 2018. Comparatively total expenditure for FY 2016/17 amounted to UGX.58.99Bn (99.82% of total release) by 30th June 2017.

There isn't any departure from accounting principles or practice. I take full responsibility for the completeness and integrity of these Financial Statements.

Nicholas Kibuuka
Head of Accounts [Names & Signature]
Date: 28/08/2018
Statement of Financial Performance for the period ended 30th June 2018  
[Based on classification of expenditures by nature]

<table>
<thead>
<tr>
<th></th>
<th>Actual 30 June 2018 (Shs)</th>
<th>Actual 30 June 2017 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUE</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>External Grants Received</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Transfers received from the Consolidated Fund</td>
<td>56,231,045,095</td>
<td>57,583,572,661</td>
</tr>
<tr>
<td>Transfers from the Contingencies Fund</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Transfers received from Other Government units</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Non–Tax revenue</td>
<td>69,956,000</td>
<td>6,100,000</td>
</tr>
<tr>
<td><strong>Total operating revenue</strong></td>
<td>56,301,001,095</td>
<td>57,589,672,661</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>34,743,886,867</td>
<td>29,331,223,228</td>
</tr>
<tr>
<td>Goods and services consumed</td>
<td>15,072,275,859</td>
<td>16,229,694,359</td>
</tr>
<tr>
<td>Consumption of property, plant &amp; equipment</td>
<td>3,974,203,842</td>
<td>4,825,462,236</td>
</tr>
<tr>
<td>Subsidies</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transfers to other Organisations</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Social benefits</td>
<td>689,844,282</td>
<td>654,833,257</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>1,343,214,335</td>
<td>7,599,999,999</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>55,823,425,185</td>
<td>58,641,213,078</td>
</tr>
<tr>
<td><strong>Excess of revenue over expenditure from operating activities</strong></td>
<td>477,575,910</td>
<td>(1,051,540,417)</td>
</tr>
<tr>
<td>Foreign exchange loss (Gain)</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Finance costs</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Transfers to Treasury</td>
<td>(69,956,000)</td>
<td>(6,100,000)</td>
</tr>
<tr>
<td><strong>Excess of Revenue over expenditure for the year</strong></td>
<td>407,619,910</td>
<td>(1,057,640,417)</td>
</tr>
</tbody>
</table>


署名：FRANCIS MASUBA

Accounting Officer [Names & Signature]

Date: 28/08/2018
### Statement of Financial Position for the period ended 30th June 2018

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Shs)</th>
<th>30 June 2017 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Receivables</td>
<td>2,651,400</td>
<td>0</td>
</tr>
<tr>
<td>Inventories</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Investments</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Non Produced Assets</td>
<td>131,824,400</td>
<td>131,824,400</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>134,475,800</td>
<td>131,824,400</td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowings</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Payables</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Pension Liability</td>
<td>188,018,324</td>
<td>456,750,399</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td>188,018,324</td>
<td>456,750,399</td>
</tr>
<tr>
<td><strong>Net assets (liabilities)</strong></td>
<td>(53,542,524)</td>
<td>-324,925,999</td>
</tr>
<tr>
<td><strong>REPRESENTED BY:-</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Worth</td>
<td>(53,542,524)</td>
<td>-324,925,999</td>
</tr>
</tbody>
</table>

### Statement of Changes in Equity (Net Worth)

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Shs)</th>
<th>30 June 2017 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 July - Net worth Last Year (B/F)</td>
<td>-324,925,999</td>
<td>274,646,296</td>
</tr>
<tr>
<td>Less: Transfers to the UCF account ( Previous Year Balances)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Less: Transfers back to the Contingencies Fund</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>+/- Adjustments ( Cash and cash equivalents))</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Payables adjustments ( See statement of outstanding commitments)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognition of the Pension Arrear</td>
<td>-136,236,435</td>
<td>-801,140,437</td>
</tr>
<tr>
<td>Adjustments in the receivables</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revaluation reserve</td>
<td>1,398,113,397</td>
<td></td>
</tr>
<tr>
<td>Write off WHT on cancelled invoice b/f from 2015/16</td>
<td>-70,729,238</td>
<td></td>
</tr>
<tr>
<td>Derecognize recurrent expenditure on cost of Land</td>
<td>-68,175,600</td>
<td></td>
</tr>
<tr>
<td>Add: Excess of revenue over expenditure for the Year</td>
<td>407,619,910</td>
<td>-1,057,640,417</td>
</tr>
<tr>
<td><strong>Closing Net Financial Worth</strong></td>
<td>(53,542,524)</td>
<td>-324,925,999</td>
</tr>
</tbody>
</table>

---

Accounting Officer [Names & Signature]

Date: 28/08/2018
# Cash flow Statement for the year ended [Direct Method]

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Shs)</th>
<th>30 June 2017 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue from Operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>External Grants Received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers received from the Consolidated Fund</td>
<td>56,231,045,095</td>
<td>57,583,572,661</td>
</tr>
<tr>
<td>Transfers from the Contingencies Fund</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transfers received from Other Government units</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non – Tax revenue</td>
<td>69,956,000</td>
<td>6,100,000</td>
</tr>
<tr>
<td>Deposits received</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Advances recovered</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less Transfer to Treasury (Balances and NTR)</td>
<td>(69,956,000)</td>
<td>(6,100,000)</td>
</tr>
<tr>
<td><strong>Total Operating revenue</strong></td>
<td>56,231,045,095</td>
<td>57,583,572,661</td>
</tr>
<tr>
<td><strong>PAYMENTS FOR OPERATING EXPENSES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee costs</td>
<td>34,743,886,867</td>
<td>29,331,223,228</td>
</tr>
<tr>
<td>Goods and services consumed</td>
<td>15,072,275,859</td>
<td>16,225,777,301</td>
</tr>
<tr>
<td>Subsidies</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Transfers to Other Organisations</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Social benefits</td>
<td>689,844,282</td>
<td>654,833,257</td>
</tr>
<tr>
<td>Other Operating expenses</td>
<td>1,343,214,335</td>
<td>7,599,999,998</td>
</tr>
<tr>
<td>Foreign exchange loss/(gain)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Other expenses</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net Advances paid</strong></td>
<td>2,651,400</td>
<td>344,390,038</td>
</tr>
<tr>
<td>Domestic arrears paid during the year</td>
<td>404,968,510</td>
<td></td>
</tr>
<tr>
<td>Pension Arrears paid during the Year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses of cash</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Letters of Credit receivable</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total payments for operating activities</strong></td>
<td>52,256,841,253</td>
<td>(54,156,223,822)</td>
</tr>
<tr>
<td><strong>Net cash inflows/(outflows) from operating activities</strong></td>
<td>3,974,203,842</td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>(3,974,203,842)</td>
<td></td>
</tr>
<tr>
<td>Purchase of non-produced assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Net cash inflows/(outflows) from investing activities</strong></td>
<td>(3,974,203,842)</td>
<td>3,427,348,839</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Proceeds from external borrowings</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment</td>
<td>4,825,462,236</td>
<td></td>
</tr>
</tbody>
</table>
Repayments of external borrowings
Proceeds from other domestic borrowings
Repayments of other domestic borrowings
Net cash flows from financing activities 0 0
**Net increase (decrease) in cash and cash equivalents** - (1,398,113,397)

FRANCIS MASUBA
Accounting Officer [Names & Signature]

Date: 28/08/2018

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**Cash flow Statement for the year ended (continued)**

**Reconciliation of movement of cash during the year**

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Shs)</th>
<th>30 June 2017 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>At the beginning of the year</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Less: Transfers to the UCF account (Previous Year Balances)</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Add/ (Less): Adjustments to the opening balance</td>
<td>0</td>
<td>1,398,113,397</td>
</tr>
<tr>
<td>Add/ (Less) : Adjustments in cash and cash equivalents</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase (decrease) of cash from the <strong>Cash flow Statement</strong></td>
<td>0</td>
<td>(1,398,113,397)</td>
</tr>
<tr>
<td>At the end of the year</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

**For purposes of the cash flow statement, cash and cash equivalents comprise**

<table>
<thead>
<tr>
<th></th>
<th>30 June 2018 (Shs)</th>
<th>30 June 2017 (Shs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and bank balances</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Cash and bank balances</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>Net cash and bank balances</strong></td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

FRANCIS MASUBA
Accounting Officer [Names & Signature]

Date: 28/08/2018