



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
FINANCIAL INTELLIGENCE AUTHORITY
FOR THE YEAR ENDED 30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

TABLE OF CONTENTS

LIST OF ACRONYMS iii

REPORT ON THE FINANCIAL STATEMENTS 1

 Key Audit Matters..... 1

 Other Matter 3

 Other Information 4

 Responsibilities of the Accounting Officer for the Financial Statements 4

 Auditor’s Responsibilities for the Audit of the Financial Statements 5

 Other Reporting Responsibilities..... 6

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION 7

FINANCIAL STATEMENTS 8

LIST OF ACRONYMS

GOU	Government of Uganda
IEC	Information, Education and Communication
INTOSAI	International Organization of Supreme Audit Institutions
ISSA	International Standards on Auditing
FIA	Financial intelligence Authority
GoAML	Go Anti Money Laundering
STRS	Suspicious Transactions
AMLA	Anti- Money Laundering Act
ML/FT	Money Laundering and Terrorism Financing
FIUS	Financial intelligence Unit
TAI	Treasury Accounting Instructions
PPDA	Public Procurement and Disposal Act
PFMA	Public Finance and Management Act
UGX	Uganda Shillings
F/Y	Financial Year
MDA	Ministry, Department, and other Agencies

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
FINANCIAL INTELLIGENCE AUTHORITY (FIA) FOR
THE YEAR ENDED 30TH JUNE, 2018**

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the Financial Intelligence Authority (FIA) for the year ended 30th June 2018. These financial statements comprise of the statement of financial position, the statement of financial performance, and cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of the Financial Intelligence Authority (FIA) for the year ended 30th June 2018 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015, and the Financial Reporting Guide, 2018.

Basis of Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement's section of my report. I am independent of the Authority in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters

were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined the matter described below to be a key audit matter communicated in my report.

- **Domestic Arrears – UGX.215,837,175**

Domestic arrears refer to the total value of unpaid bills for goods and services rendered to a government entity, including wages and pension that remain outstanding at the closure of a financial year. There has been persistent accumulation of domestic arrears to unmanageable levels across government. Consequently, domestic arrears were considered a key audit matter which needed to be examined to assess: the appropriateness of recording, recognition and disclosure of domestic arrears; the trend and the underlying factors; and the adequacy of the internal controls surrounding management of domestic arrears.

During audit planning, I focused on examination of domestic arrears in regard to goods and services, salaries and wages, and pension and gratuity. I undertook the following procedures in relation to domestic arrears: a trend analysis to ascertain the underlying causes of accumulation; reviewed budget and commitment control procedures to assess their effectiveness; ascertained the authenticity of the supporting documentation and assessed the appropriateness of the accounting treatment. I also engaged the Accounting Officer to enable me arrive at the audit conclusions.

Based on the procedures performed, I observed that an amount of UGX.215,837,175 were disclosed as domestic arrears at the close of the financial year 2017/2018. This amount remained constant through the financial year indicating that the Authority failed to settle the outstanding creditors at the beginning of the financial year. The whole amount of creditors totaling to UGX.215,837,175 relate to outstanding rent as at the close of the financial year 2016/2017.

The continuous existence of domestic arrears implies that the Accounting Officer has not adhered to the commitment control system of government that is meant to stop entities from committing government beyond the level of availed

resources. The Accounting Officer attributed this to budget cuts at the close of the financial year 2016/2017 that affected payment of rent.

The Accounting Officer was advised to ensure sufficient budget provisions are made to cater for settlement of outstanding domestic arrears, and to strictly adhere to the government commitment control system to avoid risks associated with overcommitting government.

Other Matter

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

- **Understaffing**

According to Paragraph 2.1 of the FIA Human Resource Policy and Procedures Manual 2016, the Authority shall recruit and select employees based on its Human Resource Plan, which should have emphasis on the Authority's strategic and operational requirements.

Review of the Authority staff establishment revealed that out of 64 approved posts, only 39 (61%) posts were filled leaving 25 (39%) posts vacant. The vacant posts included key posts of; Director Legal, Inspection and Compliance, Director Audit, Director Finance & Administration among others. This was attributed to funding shortfalls. Understaffing negatively affects implementation of planned activities and is likely to curtail the Authority from affectively delivering on its mandate.

The Accounting officer acknowledged the observation adding that, the Authority will continue to source for funds from Treasury to make sure that all the relevant staff positions are filled.

I advised the Accounting Officer to follow up the matter with the relevant stakeholders with a view of ensuring that the vacant posts are filled to enable effective and efficient service delivery.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer, and other supplementary information. The other information does not include the financial statements and my auditors' report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

Responsibilities of the Accounting Officer for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of the Financial Intelligence Authority.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act 2015, and the Financial Reporting Guide, 2018, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Authority's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Financial Intelligence Authority, and using the Financial Reporting Guide 2018 unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Authority`s financial reporting process.

Auditor`s Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor`s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, I exercise professional judgment and maintain professional skepticism throughout the audit. I also;

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority`s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management`s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority`s ability to deliver its mandate. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor`s

report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Financial Intelligence Authority to fail to deliver its mandate.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Accounting Officer, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Responsibilities

In accordance with Section 19(1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements that;

- Except for the matters raised in the compliance with legislation section below, and whose effect has been considered in forming my opinion on the financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

In accordance with Section 13 of the National Audit Act, 2008, I have a responsibility to report material findings on the compliance of the Authority with specific matters in key legislations. I performed procedures to identify findings but not to gather evidence to express assurance.

The material findings in respect of the compliance criteria for the applicable subject matters are as follows;

- **Uncompetitive Procurement of Air Tickets**

Regulation 3.3 of the Public Procurement and Disposal Public of Assets Regulations, 2014 stipulates that procurement and disposing entity shall accord a fair and equal opportunity to all providers and there shall be no barrier created to deter competition.

During the financial year under review, UGX.162,261,990 was spent on procurement of air tickets. Examination of payment vouchers revealed that almost all the air tickets were procured from one provider. Besides, three quotations were not obtained from different providers as required by the regulations. Lack of competition exposes the Authority to a risk of procurements at exorbitant prices.

The Accounting Officer acknowledged the observations and indicated that going forward, proper procurement processes will be followed.

I advised the Accounting Officer to always ensure adequate competition in all procurement processes so as to achieve maximum value for money.



John F.S. Muwanga
AUDITOR GENERAL
KAMPALA
14th December, 2018

FINANCIAL STATEMENTS