

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
THE INSPECTORATE OF GOVERNMENT FOR
THE YEAR ENDED 30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
KAMPALA, UGANDA

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LIST OF ACRONYMS

BFP	Budget Framework Paper
EGI	Electronic Government Information
F/Y	Financial Year
GOU	Government of Uganda
IEC	Information, Education and Communication
IG	Inspectorate of Government
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Auditing Institutions
MDA	Ministry, Department, and other Agencies
MICT	Ministry of Information and Communication Technology
NAA	National Audit Act
NBI	National Data Transmission Backbone
NITA-U	National Information Technology Authority-Uganda
ODA	Organisation Development Assessment
PFMA	Public Finance Management Act, 2015
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings
UTL	Uganda Telecom Limited

**REPORT OF THE AUDITOR GENERAL ON THE AUDIT
OF THE FINANCIAL STATEMENTS OF THE INSPECTORATE OF GOVERNMENT
FOR THE YEAR ENDED 30TH JUNE, 2018**

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of The Inspectorate of Government (IG) for the year ended 30th June, 2018. These financial statements comprise of the statement of financial position as at 30th June 2018, statement of financial performance and cash flow statement for the year then ended together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of the Inspectorate of Government 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 2008.

Basis of Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Inspectorate in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), 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;

- **Implementation of Budget approved by Parliament**

Section 21(1) of the Public Finance Management Act 2015, entrusts the Accounting Officers with the responsibility of planning and managing the entity activities as indicated in the policy statement of the votes based on the annual cash flow plan issued by the Secretary to Treasury during budget execution. Budget estimates are based on outputs to be achieved for the financial year and during implementation, effort should be made to achieve the agreed objectives or targets of the entity within the availed resources.

It has been observed over the years that planned and budgeted for activities of a number of Government entities are not implemented thereby affecting service delivery. In the overall office wide planning, I assessed risks of inadequate release of funds, and failure to undertake budget monitoring and supervision that are likely to be the causes of failure to implement entity planned activities. The focus was put on the planned major outputs of the entities which greatly impact on the wellbeing of communities.

Consequently, I developed specific audit procedures which included the evaluation of the financial and annual physical performance by analysing government releases, testing consistency of planned outputs with the approved budget and verifying the accuracy and completeness of the reported actual outputs.

Based on the procedures, I noted that whereas the total approved budget of the IG was UGX.43,933,290,000, the total releases to the entity amounted to UGX.41,666,987,139 hence causing a shortfall of UGX.2,266,302,861 as per table 1 below;

Table 1: Budget Performance Analysis

S/ N	ACTIVITY	BUDGET - UGX	ACTUAL- UGX	SHORTFALL- UGX
1	Corruption Investigation	2,604,985,000	2,104,985,000	500,000,000
2	Prosecution of corruption cases & civil litigation	2,815,603,000	2,105,000,000	710,603,000
3	Education & prevention corruption	1,966,625,000	1,350,000,000	616,625,000
4	Resolution & investigation Ombudsman Complaints	1,407,199,000	968,124,139	439,074,861
	TOTAL			2,266,302,861

Failure to obtain all the budgeted funds constrained the Inspectorate in implementing all its planned activities. For example, the above activities were not fully undertaken during the year.

In response, Management explained that the IG top management team met the Minister responsible for Finance on the issue of budget cuts and inadequate funding and promised to further follow up the issue with MoFPED. I await the results of the follow up.

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.

Management Responsibilities for the Financial Statements

The Accounting Officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Public Finance Management Act 2015, and the Financial Reporting Guide, 2008, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Inspectorate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Inspectorates

management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor General'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 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 judgement and maintain professional scepticism 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 my 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 Inspectorate's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of Managements' 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 Inspectorate's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of

my auditor's report. However, future events or conditions may cause the Inspectorate to cease to continue as a going concern.

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

I communicate with the 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 them 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 matter 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 NAA 2008, I have a responsibility to report material findings on the compliance of the Inspectorate of Government with specific matters in key

legislations. I performed procedures to identify findings but not to gather evidence to express assurance.

The material finding in respect of the compliance criteria for the applicable subject matters is as follows;

- **Inadequate staffing in the Internal Audit Department**

I observed that the 2017/18 Internal Audit work plan detailed a number of planned audits that should have been undertaken during the year. I however noted that the department is manned by only one staff and as such a number of audit activities were not carried out. For example, the audit of the payroll, procurements, governance and regional offices were supposed to be done quarterly, however only one component could be done per quarter. Besides, given the 17 regional offices spread across the country that require reviews, it was challenging for the Internal Auditor to accomplish all planned audits. I noted that whereas she would at times be assisted by a staff from the finance department, this remained on a temporary basis since the staff is substantively under the finance department.

Inadequate staffing in the department ultimately constrains its productivity in terms of providing timely reviews of the strength of the internal control systems in place.

I advised the Accounting Officer to liaise with the relevant stakeholders to have this unit staffed in accordance with the current requirements. In response, Management agreed with the recommendation and promised to comply amidst the current limitations in structure and wage budget.



John F.S. Muwanga
AUDITOR GENERAL
KAMPALA
13th December, 2018