



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA NATIONAL COUNCIL OF SCIENCE AND TECHNOLOGY (UNCST) FOR THE
YEAR ENDED 30TH JUNE 2018**

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

F/Y	Financial Year
GOU	Government of Uganda
IESBA	International Ethics Standards Board for Accountants
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSA	International Standards on Auditing
JLOS	Justice Law and Order Sector
MDA	Ministry, Department, and other Agencies
MOJCA	Ministry of Justice and Constitutional Affairs
MoSTI	Ministry of Science, Technology and Innovation
MTEF	Medium Term Expenditure Framework
PFMA	Public Finance Management Act, 2015
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings
UNCST	Uganda National Council of Science and Technology

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA NATIONAL COUNCIL OF SCIENCE AND TECHNOLOGY FOR THE YEAR
ENDED 30TH JUNE, 2018**

THE RT. HON. SPEAKER OF PARLIAMENT
REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the accompanying financial statements of the Uganda National Council of Science and Technology for the year ended 30th June 2018. These financial statements comprise of the consolidated statement of financial position as at 30th June 2018, the Consolidated Income and Expenditure statement, statement of cash flows and statement of changes in equity, together with other accompanying statements, notes and accounting policies.

In my opinion, except for the possible effect of the matter described in the basis for qualified opinion section of my report the financial statements of the Uganda National Council of Science and Technology for the year ended 30th June 2018 are prepared, in all material respects, in accordance with the International Financial Reporting Standards (IFRS) and the Uganda National Council of Science and Technology (UNCST) Act 1990, CAP 209.

Basis of Qualified Opinion

• **Unaccounted for Funds**

Section 18.5.1 (g) of the Treasury Instructions (TIs) 2017 requires that accountabilities of funds advanced to Public Officers should be submitted within 60 days from the date of payment. In addition, Article VI of the Disbursement and payment of the Innovation Fund Grant Agreement stipulated that subsequent disbursements shall be made upon receipt of satisfactory accountability for the expenditure in the previous quarter

It was however established that funds totaling to UGX.179,858,250 advanced to staff as well as to projects under the innovation fund remained un-accounted for beyond the stipulated period. In the absence of relevant accountability documents, it was not possible to confirm whether the funds were used for the intended purposes.

I advised the Accounting Officer to always promptly follow up on all advances to staff and to project implementers, failure of which recovery measures are initiated in accordance with the requirements under the regulations.

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 Council 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 (IESBA) for Professional Accountants (Parts A and B) , 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 qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined the matters described below to be key audit matters communicated in my report.

- **Implementation of the approved Budget**

Section 45 (3) of the Public Finance Management Act 2015, states that "An Accounting Officer shall enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a Financial year, submitted under Section 13 (15)" of the said Act. 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.

During 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 performed, I observed a total of UGX.28,909,101,000 was budgeted to cater for the UNCST activities. However, by the close of the financial year 79% of the approved budget i.e. UGX.22,774,127,000 had been received resulting into a budget shortfall of UGX.6,134,974,000 (21%). I noted that the collections from the

Innovation Fund and Support to UNCST projects were the least attained given a performance of only 64% and 77% respectively. The shortfalls in revenue were attributed to the fact that the Ministry of Science, Technology, and Innovation relocated Innovation funds to other priority activities at the ministry. Inadequate funding to the Council affects the implementation of its planned activities which eventually affects fulfilment of its mandate in the long run. I advised the Accounting Officer to liaise with the responsible stakeholders to ensure complete and adequate funding of the budget.

An analysis of the total expenditure budget of UGX.25,159,470,000 showed that it was far below the revenue budget of UGX.28,909,101,000 approved by the Board. Management attributed this variance to the alteration of the Council plan by the ministry which reduced their budget. A further analysis of expenditure performance at an individual activity level showed an average expenditure of 70% with the worst performance under the Innovation Fund program at only 46%. I also noted the following development activities under UNCST Development Budget that did not take place;

- Namanve Science Excellence Centre (Architectural Designs & Master Plan);
- National Science, Technology and Innovation Programme activities;
- Purchase of Motor vehicles;
- International Cooperation Agreements (South Africa & NAM Centre); and
- National Science week.

Management attributed the non-implementation of planned activities to unreleased funds especially for Innovation Fund which had an impact on attainment of project specific objectives.

The Accounting officer is advised to always liaise with MoFPED and MoSTI to ensure that the budgeted funds are realized.

Other Matter

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

- **Lack of operational guidelines for the Innovation Fund Management**

Government created an innovation fund to support innovation, product development and commercialization effective FY 2017/2018. The fund aims at enhancing the

capacity of local scientists and breaking the bottlenecks along the research and innovation value chain leading towards a knowledge society.

It was noted that the Council did not have operational guidelines for the innovation fund management. This has left a grey area in aspects of project selection criteria. Despite the Council funding 17 projects under this fund, details on how they came on board remained scanty as there was no record evidencing call for proposals and technical evaluations. I observed that although the Council received guidance from the Line Ministry pointing out four projects that should be given priority during funding, it is not clear how the other 13 projects came on board. As a result, there is a risk that researchers with brilliant inventions may not be accorded the chance to benefit from the innovation fund and also, the lack of fund management guidelines exposes the fund to a risk of abuse.

Management explained that the guidelines are in draft form and are due for approval. I advised the Accounting Officer to liaise with the Ministry of Science Technology and Innovation to ensure that fund management guidelines are put in place.

- **Inspections of Projects**

Inspections of some of the projects that received funds from the Innovation Fund were undertaken and the following observations were made;

- a. Some of the projects visited were implementing the deliverables as per the funding commitments and audit observed activity and continued utilization of the resources.
- b. Some of the projects were not visited because I failed to locate or contact the Principal Investigators. In spite of prior communication about the visit, some of the PIs were unreachable at the time of the visit. One of the PIs, refused to meet my team without the presence of a lawyer. Under the circumstances, we could not confirm the actual existence of such projects.
- c. Some of the projects visited had not succeeded in achieving the deliverables for which the funds were sent. This may imply that no value for money was obtained under those projects.

The failure to achieve the set conditions for the grant in spite of funding can point to the risk of misuse of allocated funds. It could also indicate a failure to monitor and evaluate the projects by UNCST.

- d. I also noted some difficulty in distinguishing deliverables of projects being funded by multiple funders. This made it difficult to fully establish whether the conditions of the grant from UNCST were being met.

Management in response explained that the failure to deliver all deliverables was as a result of late release of funds to projects. They also stated that the Innovation Fund guidelines had been developed but were yet to be approved by cabinet. I advised the Accounting Officer to ensure regular monitoring of the projects and visits to ensure compliance and implementation of project objectives and only release more funds upon satisfactory accountability and evidence of completion of all tasks under the initial funding.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibility of the Executive Secretary, financial performance overview 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 Uganda National Council of Science and Technology.

The Accounting Officer is responsible for the preparation of financial statements in accordance with the requirements of the International Financial Reporting Standards 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 Council's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Council, and using the International Financial Reporting Standards unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Council'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 Council'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 Council'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 Council 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 (NAA) 2008, I have a responsibility to report material findings on the compliance of the Council with specific matters in key legislations. I performed procedures to identify findings but not to gather evidence to express assurance.

The material finding (s) in respect of the compliance criteria for the applicable subject matters are as follows;

- **Absence of a fully constituted Governing Council**

Section 6 of the UNCST Act 1990, highlights the composition of the Council as follows;

- One ex-officio member from each of the Ministries, institutions and organizations set out in the First Schedule to this Act; and
- Not less than fifteen members to be appointed by the Minister on such terms and conditions as he or she may specify in the instruments of appointment.
- There shall be a chairperson and a deputy chairperson who shall be appointed by the Minister from four persons recommended by the Council from among the members of the Council.

I observed that the current composition of the Governing Council falls short of the provisions in the Act where the Minister had appointed only 9 out of the 36 members to the Council. Under the circumstances, the decisions taken by the Council may be null and void due lack of quorum as guided by Section 9(5) of the Act. This issue has been raised in two of my previous reports and in response management intimated that the appointment of 9 members to the Governing Council was an interim measure on the advice of the Solicitor General and that the UNCST Act was being amended and the appropriate number would be appointed thereafter. However, to date this has not been done.

In response, management explained that the MoSTI was in advanced stages of revising the UNCST Act. The Ministry was working closely with the Cabinet and Solicitor General's Office on this matter and that the Draft UNCST Act amendment bill is expected to be presented by MoSTI to Parliament before close of the financial year.

I advised Management to closely follow the amendment process to ensure that in line with the new law that is to be passed, the Governing Council is subsequently properly constituted.



John F.S. Muwanga
AUDITOR GENERAL
20th December, 2018

APPENDIX 2

FINANCIAL STATEMENTS