

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA RETIREMENTS BENEFITS REGULATORY AUTHORITY
FOR THE YEAR ENDED 30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
KAMPALA, UGANDA

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LIST OF ACRONYMS

GoU	Government of Uganda
IESBA	International Ethics Standards Board for Accountants
INTOSAI	International Organization of Supreme Audit Institutions
ISSAIs	International Standards for Supreme Audit Institutions
MoFPED	Ministry of Finance, Planning and Economic Development
NAA	National Audit Act, 2008
NTR	Non Tax Revenue
PDE	Procuring and Disposing Entity
PFMA	Public Financial Management Act, 2015
PPDA	Public Procurement and Disposal of Assets
TAI	Treasury Accounting Instructions
URBRA	Uganda Retirement Benefits Regulatory Authority
UCF	Uganda Consolidated Fund
UGX	Uganda Shillings
USD	United States Dollars
VAT	Value Added Tax

**REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF FINANCIAL STATEMENTS OF
UGANDA RETIREMENTS BENEFITS REGULATORY AUTHORITY 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 Uganda Retirements Benefits Regulatory Authority for the year ended 30th June 2018. These financial statements comprise of the statement of financial position as at 30th June 2018, the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows for the period then ended, accompanying schedules and a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements of the Uganda Retirements Benefits Regulatory Authority 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 Authority 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.

I have determined that there are no key audit matters to communicate in my report.

Other matter

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

- **Staffing gaps**

A review of URBRA's organization structure revealed that out of the approved 58 posts, only 30 are filled implying that 48.3% are unfilled. It was further noted that out of the 28 unfilled positions, 9 were at managerial level including the Chief Executive Officer and 12 were at senior level. Given the level of staffing gaps, Service delivery may be hampered due to inadequate staffing. The Accounting Officer attributed this to funding challenges.

I advised the Accounting Officer to pursue this matter with the relevant stakeholders to ensure that key positions are filled to enable effective 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. 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 Retirements Benefits Regulatory 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 Uganda Retirements Benefits Regulatory 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 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 Authority'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 Authority'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 Authority 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 matters raised in compliance with legislation section below, and whose effect has been considered in forming my opinion on 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 URBRA management with specific matters in key legislations. I performed procedures primarily 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;

- **Payments on behalf of MoFPED: UGX.401,945,391**

Section 21 of the Public Finance Management Act 2015 states that “an Accounting Officer shall, based on the annual cash flow plan issued by the Secretary to the Treasury under section 15, plan and manage the activities as indicated in the policy statement of the vote.”

A review of the books of accounts revealed that on 1st January 2014 the Authority entered into a lease agreement with a landlord for renting four floors of office space for five years on Plot 1, Clement Hill Road Kampala at a total of USD.344,256 (equivalent to UGX.1,273,747,200) per year, payable half yearly in advance. Subsequently, the Authority sublet one floor to the Ministry of Finance Planning and Economic Development (MoFPED) at UGX.31,228,000 per month paid quarterly as per agreement

signed on 1st October 2016. This arrangement meant that the Authority would receive funds from MoFPED and pay to the Land Lord at terms agreed earlier.

However in the year under review, MoFPED did not promptly pay for rent, cleaning services and electricity totalling to UGX.401,945,391, which necessitated the Authority to pay the Land Lord out of its own resources on behalf of MoFPED. I observed that MoFPED had not settled the amount in question by the time of audit. This distorts the Authority's cash flow plans and may lead to failure to undertake planned activities.

In response, Management promised to continue pursuing MoFPED for the funds in question and that during the planned renewal of the contract on 31st December 2018, the extra space would not be contracted by the Authority.

I advised the Accounting Officer to follow up the outstanding payment from the Ministry of Finance, Planning and Economic Development.

- **Delays in remitting collected revenue to BOU A/C: UGX.489,446,464**

Paragraph 2.7.6 (VI) of the URBRA Finance and Accounting Manual 2015 requires that all revenue collected by the designated Commercial Banks shall be swept into the Authority Revenue Collection Account in BOU on Day-two (D-2) basis (i.e. within 48 hours). This arrangement should be governed through an MOU's signed by the Commercial Banks and URBRA.

It was however noted that there was no signed MOU between URBRA and two Commercial Banks as per the URBRA manual. Consequently, by the end of the Financial Year 2017/2018, the Authority still had UGX.489,446,464 on the two revenue collection accounts. Holding these funds on Commercial Banks revenue collection accounts contravenes the Authority's Finance Manual and also creates cut off challenges regarding which financial year the said revenue should be recognised and utilised.

In response, management acknowledged the omission and attributed it to delays in reconciliation. I advised the Accounting Officer to ensure that the MoUs are put in place and that funds are transferred to the UCF following a fixed routine which should be regular enough to avoid delays.

- **Non-remittance of unspent balances to the UCF (Expiry of Appropriation):**
UGX.577,892,780

According to Section 7(1) of Public Finance Management Act 2015, every appropriation by Parliament shall expire and cease to have any effect at the close of the financial year for which it is made. Section 7(2) of the same Act states that; a vote that does not expend money that was appropriated to the vote for the financial year shall at the close of the financial year, repay the money to the Consolidated Fund.

Contrary to the above, the Authority did not remit UGX.577,892,780 held on account number 000080088000223 with BOU to the UCF. This is irregular as it contravenes the requirements in the Act highlighted above.

Though management in their response indicated that all the funds had been transferred to the Uganda Consolidated Fund as required, my subsequent verification established that the above amount had not been transferred. I advised the Accounting Officer to fully adhere to the provisions of the Act and always ensure timely remittance of unspent funds to the UCF.



John F.S. Muwanga

AUDITOR GENERAL
KAMPALA

13th December, 2018

FINANCIAL STATEMENTS