

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA EMBASSY, BEIJING
FOR THE YEAR ENDED 30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

ACRONYM	MEANING
GoU	Government of Uganda
IESBA	International Ethics Standards Board for Accountants
ISSAIs	International Standards for Supreme Audit Institutions
MoFA	Ministry of Foreign Affairs
MoFPED	Ministry of Finance, Planning and Economic Development
NAA	National Audit Act
NTR	Non Tax Revenue
PFMA	Public Financial Management Act
PPDA	Public Procurement and Disposal of Assets
TAI	Treasury Accounting Instructions
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 EMBASSY, BEIJING FOR THE YEAR ENDED 30TH JUNE, 2018
AND COMPLIANCE MATTERS**

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Uganda Embassy Beijing, for the year ended 30th June 2018. These financial statements comprise 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 Uganda Embassy Beijing, for the year ended 30th June 2018 are prepared, in all material respects, in accordance with the Public Finance Management Act (PFMA), 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 Embassy in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act (NAA), 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 other key audit matters to communicate in my report.

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.

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 (PFMA), 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 Embassy'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 Embassy management either intend to liquidate the Embassy 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 Embassy'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 Accounting Officer'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 Embassy'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 Embassy 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 the 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 Beijing Embassy 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;

- **Budgeting & Strategic Planning for the Mission**

The National Planning Framework requires government entities to have long term strategic plans that are aligned to the National Development Plan (NDP), which are meant to provide them with strategic direction as they implement their mandate.

During the audit, I was availed copies of the draft strategic plan and mission charter that guided the Mission activities during the year under review. I however observed that these documents have been in draft form since the previous year 2016/17 and have not been approved. Failure to have an approved strategy and mission charter may lead to implementation of activities that may not be aligned to the NDP.

Management acknowledged this matter and explained that the process of finalizing the Mission Strategic Plan is in advanced stages.

I advised the Accounting Officer to liaise with the Ministry of Foreign Affairs with a view of expediting the process of approval of the Mission Strategic Plan and Mission Charter.

- **Cash Management**

According to paragraphs 10.6.1, 10.6.2 and 10.6.3 of the Treasury Instructions 2017, all government payments processed through the government financial management information system (GFMIS) or any other accounting system for that matter will be made by Electronic Funds Transfer (EFT) to the beneficiary bank accounts. The Secretary to the Treasury, on the recommendation of the Accountant General and following consultations with individual Accounting Officers, may set limits for cash payments to be made by Accounting Officers.

An analysis of the Embassy cash book for the year under review revealed that contrary to the above provisions, a total of UGX.1,100,732,688 (representing about 21% of the total expenditure of UGX.5,191,696,036) was expended in cash. Cash expenditures off the system negate all the controls embedded on NAVISION system and therefore exposes funds to a risk of diversion to unauthorized activities

Management explained that with the e-commerce model of trading in China, most products are procured through online markets at more competitive prices. However, there are some challenges including counterfeit goods targeting established brands. As a result, suppliers are paid on delivery and this is meant to mitigate against non-delivery or delivery of counterfeits by fraudulent online traders. In addition, some of the activities carried out outside the duty station explain some of the cash payments. Management further explained that the Mission has introduced electronic banking to ensure electronic funds transfer to accounts more efficiently. In light of the audit finding, Management has engaged Bank of China to provide a debit card so as to minimize cash payments.

This and other measures will be applied to strengthen internal controls and ensure efficient and effective banking and cash management arrangements.

The Accounting Officer is advised to expedite the above initiatives to minimize the practice of cash payments and ensure strict adherence with the requirements under the Treasury Instructions 2017.

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, stylized flourish extending to the right.

John F.S. Muwanga
AUDITOR GENERAL
KAMPALA

28th November, 2018