

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

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

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

ACRONYM	MEANING
FY	Financial Year
GOU	Government of Uganda
IESBA	International Ethics Standards Board for Accountants
INTOSAI	International Organization of Supreme Audit Institutions
ISSAI	International Standards of Supreme Audit Institutions
MDA	Ministry, Department, and other Agencies
MoFA	Ministry of Foreign Affairs
MoFPED	Ministry of Finance, Planning and Economic Development
MTEF	Medium Term Expenditure Framework
NAA	National Audit Act, 2008
NTR	Non Tax Revenue
PDU	Procurement and Disposal Unit
PFMA	Public Finance Management Act, 2015
PPDA	Public Procurement and Disposal Unit
PS/ST	Permanent Secretary & Secretary to the Treasury
RT. HON	Right Honourable
TAI	Treasury Accounting Instructions
UCF	Uganda Consolidated Fund
UGX	Uganda Shillings
VAT	Value Added Tax

**REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF THE FINANCIAL STATEMENTS OF
UGANDA EMBASSY COPENHAGEN, DENMARK 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 Uganda Embassy Copenhagen, Denmark 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, together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of the Uganda Embassy Copenhagen, Denmark 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 Embassy 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 (IESBA) Code of Ethics for Professional Accountants (Parts A and B), 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 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 several Government entities are not implemented thereby affecting service delivery.

During the overall office wide planning for the year under review, 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 that;

- a) **100% funding of the budget**

For the financial year under review (2017/18), a total of UGX.4,395,124,401 (compared to UGX.4,333,484,911 for the FY 2016/17) was released against an approved budget of UGX.4,395,124,394. This indicates a budget performance of 100%. Similarly, all the budgeted NTR collection of UGX.349,347,358 was fully realized as indicated in the table below;

SN	Budget	Approved Budget(UGX)	Actual Release (UGX)	Percentage
1	Recurrent	3,895,124,394	3,895,124,401	100
	Capital Development	500,000,000	500,000,000	100
	Total Expenditure	4,395,124,394	4,395,124,401	100

	Budget			
2	NTR	349,347,358	349,347,358	100

The Accounting Officer, however explained that although there is an improvement in budget performance as compared to the previous year, there were still funding gaps caused by the strict MTEF budget ceilings allocated by Ministry of Finance Planning and Economic Development (MoFPED), at the beginning of the budgeting cycle. She explained that the Embassy serves other four equally big countries of Sweden, Norway, Iceland and Finland, thus making it difficult to run all programs and activities required in those countries. The MTEF ceilings affect implementation of the embassy programs and activities in all the five countries effectively as stipulated in its mission charter and work plan. The Accounting Officer further explained that she will continue engaging Ministry of Foreign Affairs, as well as MoFPED and Parliament to ensure that the Embassy's budget allocation is improved. I await the outcome of the Accounting Officers' engagement with the said stakeholders.

b) Unauthorised Expenditure - UGX.93,754,154

I further observed that the Embassy over spent its authorized budget on the following items in the table below;

SN	Budget Item	Revised Budget (UGX)	Actual Expenditure (UGX)	Over Expenditure (UGX)
1	Advertising & PR	14,004,000	34,195,143	20,191,143
2	Carriage, haulage & freight	91,566,000	165,129,011	73,563,011
	Total	105,570,000	199,324,154	93,754,154

I did not obtain evidence of authorization by the Minister as required in the PFMA, 2015, nor were virement procedures followed by the Accounting Officer. Unauthorized expenditure is an indication of budget indiscipline and defeats parliamentary objective of appropriating funds. The above was attributed to management's failure to adhere to the requirements under the Act.

The Accounting Officer explained that due to the MTEF ceiling and considering the multiple accreditation and cost of living in the Nordics, the Embassy always end up with insufficient funds on some budget line items which are so critical in carrying out its Mandate. I advised the Accounting Officer to always comply with the Government

Commitment Control System to ensure effective budget control. In addition, in case of unavoidable circumstances, virement procedures should be followed in accordance with the PFMA.

c) Unspent Funds Not Returned To UCF- UGX.201,559,024

Section 17(2) of the Public Finance and Management Act (PFMA), 2015 (as amended) states that "a Vote that does not expend money that was appropriated to it for the financial year shall at the close of the financial year repay the money to the Consolidated Fund"

I noted that out of total releases of UGX.4,395,123,997 received by the Embassy, only UGX.4,193,564,973 was spent leaving a balance of UGX.201,559,024 unspent which ought to have been refunded to the Consolidated Fund. Contrary to the above provision, the funds were not returned to the UCF. According to the Accounting Officer, the money was used to settle a bank overdraft that was acquired at the closure of the previous financial year (2016/17) to settle some critical obligations that could not wait. I was not given any documentation as to whether authority was sought from the PS/ST to spend the money in settlement of the overdraft. Non remittance of unspent balances is a violation of the government internal control system in place as well as the law. I advised the Accounting Officer to always adhere to government internal control systems and should always seek PS/ST authorization before utilising unspent balances.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer, the general information about the reporting entity, Actions of Parliamentary recommendations, the commentary by the Head of Accounts, and the key performance highlights. 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 Embassy.

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 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 delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Embassy, and using the Financial Reporting Guide, 2008 unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Embassy's financial reporting process.

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 based on 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Officer.
- 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 (NAA) 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 NAA, 2008, I have a responsibility to report material findings on the compliance of the Embassy 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;

- **Lack Of a Mission Charter**

Ugandan Missions/Embassies abroad are required to prepare and submit to the Ministry of Foreign Affairs their annual Mission Charters and work plans which should be approved by the Minister. The annual Mission charter stipulates specific activities and targets to be achieved by the embassies. I noted that during the year under review, the Embassy did not have an approved Mission Charter although the Accounting Officer presented for audit the one drawn in 2015. According to her, mission charters are drawn for implementation during the term of office of a Head of Mission. She explained that the HOM had just been transferred hence the mission charter was valid for the year under audit. I found her explanation contradicting the ministry's guidance of drawing annual mission charters. In addition, I noted that there was no monitoring mechanism

established to monitor and evaluate performance of the Embassy. Under the circumstances, absence of monitoring may lead to delayed corrective action in the event there are implementation challenges that would need such action to be undertaken. The Accounting Officer further explained that every year the Embassy draws up activity annual plan, but will start preparing annual Mission Charters. I advised the Accounting Officer to always ensure that annual Mission Charters are regularly prepared and approved by the Minister. In addition, there is a need for designing a monitoring mechanism for constant monitoring of the progress of Embassy activities in the Charter and annual work plan.



John F.S. Muwanga
AUDITOR GENERAL

KAMPALA

21st December 2018.