



THE REPUBLIC OF UGANDA

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

OFFICE OF THE AUDITOR GENERAL
UGANDA

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

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Uganda embassy in Rome for the year ended 30th June 2018. These financial statements comprise of the statement of financial position, the statement of financial performance, and cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of Uganda embassy in Rome 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, 2018.

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 Statement's 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 Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), 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 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.

Emphasis of matter

Without qualifying my opinion, I draw attention to the following matter on Legal cases disclosed on page 8 in the commentary on financial statements by the Accounting Officer and on page 33 in the statement of contingent liabilities.

1.0 Outstanding Court cases

It was observed that the embassy was facing a number of court cases in the Italian courts of law arising from dismissed local staff as indicated below;

S/N	Case title	Details
1	Esther Evua Owuso Vs Embassy of Uganda	Was employed as a cook/cleaner between 2010 to October 2012
2	Samuel Otaala Vs Embassy of Uganda	Was employed as accounts assistant from November 2010 to July 2015
3&4	2 cases of Fosca Ashepat Vs Embassy of Uganda including an appeal.	Was employed as a Wardrobe Assistant at the official residence from October 2013 to July 2016.
5	Peter Mulindwa Vs Embassy of Uganda	Was employed as a driver from October 2007 to November 2016.

The Accounting Officer explained that indeed the embassy was facing several legal cases, which lawsuits were filed by former staff who were terminated prior to financial year 2017/2018. That the Mission in August 2017 reported these court cases to MOFA and the Solicitor General who sent an officer to the Mission A comprehensive report on the court cases was drafted by the officer and the Mission has been implementing the recommendations.

The Mission has since continued to pursue the cases in consultation with the Solicitor General's office, which recommended a flexible approach of either defending in court or seeking settlement out of court, where advisable. Fortunately, the Mission had registered some success as Ms. Fosca Asephet's case of wrongful dismissal was decided in favour of the Mission.

I advised the Accounting Officer to take all necessary measures to ensure that all locally recruited staff have proper contract terms which are in line with the requirements of the Italian labour laws to avoid such unnecessary expenses.

Other Matter

In addition to the matter raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements.

2.0 Procurement irregularities

a) Failure to prepare a procurement plan

PPDA guideline 6 of 2008 (Procurements and disposals by missions abroad) requires missions to prepare annual procurement plans and submit them to the Authority before the end of the first quarter of the financial year.

It was observed that the Embassy did not prepare a procurement plan during the year under review. In the absence of a procurement plan, it was not possible to confirm whether the Embassy procurements were properly planned and procurement objectives achieved.

The Accounting Officer promised to avail the procurement plan to PPDA at the earliest and for my verification but at the time of writing this report the plan had not been availed.

I advised the Accounting Officer to ensure that procurements plans are annually prepared in line with the above requirement .

b) Non-submission of Quarterly Procurement Reports to PPDA

PPDA Regulation 5 (1) & (2), 2014 for PDEs outside Uganda requires "a procuring and disposing entity outside Uganda after every three months to submit a report to the Authority on all procurement and disposal contracts awarded during the three months". The report is required to be submitted within fifteen days after the end of the three months to which it relates.

It was noted that the Embassy did not submit quarterly procurement reports to the Authority as required. In such instance, the Authority may have missed relevant data for proper planning of Embassy activities. The Accounting Officer took note of the anomaly highlighted and promised forthwith to comply with the provision of availing quarterly reports to PPDA .

It is advised that the management complies with the PPDA law, guidelines and regulations.

3.0 Non Tax Revenue (NTR)

a) Un banked NTR

A total of Euros 33,300 was collected by the embassy for consular services in cash during the year under review. However, a reconciliation of the amount collected during the year and the amount banked indicated that at the time of the mission inspection in September 2018, the embassy had only banked Euros 29,050 . Of this Euros 17,730 had been banked by 30th June 2018 while Euros 11,420 was banked on 12th September 2018, leaving Euros 4,250 un banked during the financial year 2017/18.

The funds were still kept in a safe within the Accounting Officer's Office.

Also noted is the fact that all collections are in cash and the embassy has no mechanism of verifying whether the cash (notes) received are genuine or not risking receiving fake notes.

In addition all the collections for the current year (2018/19) had not been banked. Holding cash on premises for long can be very tempting for diversion.

In his response, the Accounting Officer explained that during FY 17/18, the Mission collected Non-Tax Revenue (NTR) totalling to Euros 33,300.00. By 30th June, 2018, the Embassy had remitted Euros 17,300.00 to the Consolidated Fund.

He further explained that both Embassy accounts (NTR and operational) were placed under a Court block in Q3 of FY17/18 for a duration of several months in relation to one of the lawsuits against the Embassy, that of Mr. Samuel Otaala .

Fortunately, the Mission had already foreseen such a probability and had thus pre-empted this move in 2017 by writing a Diplomatic Note asserting the immunity of these accounts as diplomatic accounts for funding strictly sovereign activities. The Court therefore reversed the block on the NTR account in September 2018 and normal banking and remittance to the Consolidated Fund resumed .

For the period the NTR account was under the judicial block, therefore, all NTR collected was safely kept in official Embassy custody. No funds were diverted to any other purpose as demonstrated during audit.

Complying with your sound advice conveyed during the audit exercise, the Mission has already installed a cash verification machine at our visa payments desk to avoid accepting fake notes. However, consultations are still ongoing to institute a form of electronic payment in lieu of cash payment. This is to ensure we maintain convenience for our clients since we are interested in attracting visitors to Uganda without compromising security.

All cash on premises should be banked immediately and intact.

The Accounting Officer is advised to secure a money verifying machine or use the credit/debit card payment system to avoid fake notes.

b) Non budgeting for NTR

Section 5(1) of the Budget Act, 2001, provides for submission to the President, the preliminary estimates of revenue and expenditure by heads of all self-accounting units of Government.

I observed that the embassy collected UGX 142,941,634 from consular services as NTR which was not budgeted for. There were no concerted efforts on planning, budgeting and collection of NTR.

The Accounting Officer took serious note of my guidance regarding planning, budgeting and collection of NTR, which had not been previously done and promised to implement the policy forthwith and avail an update at the earliest for my reference.

I advised the Accounting Officer to budget for NTR annually in line with the Budget Act.

4.0 Lack of a Strategic plan

Section 8 (5) of the PFMA 2015 provides that a Ministry or a sector shall prepare a plan, and submit it to the Authority whose duty shall be to harmonize all plans for Ministries or Sectors for purposes of formulating a National Plan.

Strategic plans are meant to provide a basis for the annual plans of Government. The Government annual plans are in turn meant to achieve the development goals for NDP and Vision 2040 objectives. The National Planning Authority also uses entity Strategic Plans to assess their individual performance.

However, it was observed that Uganda Embassy in Rome has a strategic plan (2017/18 to 2019/20) still in draft form yet to be shared for scrutiny by NPA to ensure that it's aligned to NDPII. There is a risk that the embassy may be implementing activities not in line with NDPII.

The Accounting Officer stated that the Mission is indeed obliged to prepare and submit a Strategic Plan. The Mission has indeed prepared a draft Strategic Plan, which is in advanced stages pending final review and approval by MOFA.

Accordingly, MOFA has convened a Conference in Brussels Mission for all Uganda Embassies in Europe to finalise their Vote Strategic Plans for FY 2017/18 -2019/20 in mid-October .That Conference will lead to fully approved and operational Mission Strategic Plans.

However, the Mission has already been operating in line with relevant policy frameworks with its activities aligned with NDP II, the Sector Strategic Plan, the MOFA Strategic Plan, the Mission Charter and the 23 Presidential Directives, among others.

I await the outcome of the above process.

5.0 Status of the Official Residence

Inspection of the Official residence was carried out in September 2018 and the following issues were noted which require urgent attention;

- There is inadequate furniture in the visitors lounge , the available furniture is of mixed colours and types which does not portray good image for the country ;
- Lacks curtains since the old ones were removed and the mission had no development budget during the year;
- Toilet facilities are only inside the house and non for visitors;
- There is no separate Cutlery for official functions , what is available is shared between the home of the head of mission and the Official functions;
- There is a small dining table (6 seater) too small even for the Ambassador's use;
- At the residence there is no network from the local telephone companies except wifi paid for ;
- There is no security at the official residence to man the gate during both day and night ;

- The servants at the residence sleep inside the Official Residence with the ambassador given that there are no servant quarters attached;

The Accounting Officer explained that this has been a long standing situation cited in the Board of Survey report for FY 16/17 and the Embassy budget. Their requests for a budget to purchase fixture/furnishing and establish proper security at the Residence are yet to bear fruit.

He further explained that the Embassy was taking steps within the funds available to purchase essential furniture and fixtures and a company had been sourced to install security at both the Chancery and Official residence (including surveillance equipment and guard services).

The current Residence was occupied by the Mission up to a decade ago and thus has inherent shortcomings e.g. non coverage by the telecoms companies (no cellular network). While at the Residence, therefore, the Ambassador and her family are cut off from telephone Communication and only rely on VoIP. Being isolated and an old building, the

Residence is also not connected to the public gas grid and the Mission incurs exorbitant costs in gas charges for heating during the colder months. This is because the building has a private gas tank filled regularly at the Embassy's cost. In the short term, therefore, the Mission will implement your recommendation by relocating the Residence to a more suitable rental property to be urgently identified, which would have facilities to house the Head of Mission and family as well as separate facilities for staff and guests. Appropriate submissions will be urgently made as well for a development budget for fixtures and furnishing in line with your guidance. The aforementioned Board of Survey report for financial year 2017/2018 is also in agreement with your important recommendations.

I advised the Accounting Officer to;

- Provide for a development budget for furnish and fittings that befit the status of the official residence.
- Look for alternative accommodation that has facilities such as servants quarters , toiled facilities for visitors.
- Provide day and night security at the official residence.

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.

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 embassy in Rome.

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 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 2018 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'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 Embassy'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 Embassy'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 Embassy 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 sections 19(1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements, that; 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.



John F.S. Muwanga
AUDITOR GENERAL
KAMPALA

20th November, 2018