



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF**  
**EDUCATION SERVICE COMMISSION**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018**

**OFFICE OF THE AUDITOR GENERAL**  
**UGANDA**

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## **LIST OF ACRONYMS**

GOU	Government of Uganda
IEC	Information, Education and Communication
INTOSAI	International Organization of Supreme Audit Institutions
ISA	International Standards on Auditing
NBI	National Data Transmission Backbone Infrastructure
EGI	Electronic Government Information
NITA-U	National Information Technology Authority-Uganda
PFMA	Public Finance Management Act, 2015
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings
ESC	Education Service Commission
F/Y	Financial Year
MDA	Ministry, Department, and other Agencies
GFMIS	Government Financial Management Information System
MOFPED	Ministry of Finance Planning and Economic Development
PS/ST	Permanent Secretary/Secretary to Treasury

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**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2018**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**REPORT ON THE FINANCIAL STATEMENTS**

**Opinion**

I have audited the accompanying financial statements of the Education Service Commission for the year ended 30<sup>th</sup> 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 the Education Service Commission for the year ended 30<sup>th</sup> 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 Commission 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. 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 that there are no other key audit matters to communicate in my report.

### **Emphasis of Matter**

Without qualifying my opinion, I draw your attention to the statement of financial performance.

- **Undisclosed Domestic Arrears**

Analysis of the Commission's payment file and expenditure vouchers revealed that an amount of UGX.154,370,506 was irregularly incurred without budget provision on un disclosed domestic arrears related to the previous financial year and wrongly charged on some of the vote functions and program outputs.

Payment of undisclosed arrears undermines implementation of the budgeted activities.

In response, Management explained that the Commission did not disclose the arrears because they could not meet the criteria the Permanent Secretary/Secretary to Treasury had communicated to the Accounting officers.

I advised the Accounting Officer to always disclose and budget for all outstanding obligations due for payment and also observe budgetary discipline in order to ensure that activities are implemented as planned.

### **Other Matter**

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

- **Weaknesses In Recruitment of Teachers**

I noted that the Commission used one of the recruitment methods of assessment for suitability for appointment on probation to recruit 158 teachers.

A review of correspondences between the Ministry of Education and the Commission revealed that the exercise lacked competition and transparency as indicated below;

- 6 out of 158 teachers recruited were not assessed for suitability by the Ministry of Education and Sports, while 29 teachers who were on the submitted list of assessment for suitability were not appointed. There was no minute on file clarifying why they were not considered either for interviews or appointment.
- The posts for teachers' recruited using assessment for suitability method were declared by districts and schools and forwarded to the Ministries of Education and Agriculture which in turn made recommendations to the Education Service Commission for consideration and decision. However, I was not provided with details on the criteria used for selection of these individuals.
- Recruitment of staff requires greater professionalism and competence to ensure that only those individuals with the requisite qualifications and competencies are appointed in the service. However, I was not provided with evidence that the recruited teachers were subjected to competition, such as dates of interviews, interview Boards/panelists and lists of applicants and successful/unsuccessful candidates.

In response Management explained that following the validation exercise the Commission discovered that some teachers had accessed the payroll irregularly and when the Commission directed that such teachers be deleted from the payroll, it caused gaps in the schools.

To cover up the gaps the schools identified and locally recruited qualified teachers on Board of Governors' terms. Towards the end of the FY 17/18, some districts had unutilized funds for wage whereas there were glaring gaps in the schools. The Commission therefore requested districts to identify critical gaps to be filled within the unutilized wage.

I was however, not provided with documentary evidence pertaining to the above explanation.

In the circumstances, the Commission's cardinal role of administering recruitment to achieve greater professionalism and competence by ensuring that only those individuals with the requisite qualifications and competencies are appointed in the service was not achieved.

I advised the Commission to strengthen the recruitment processes by ensuring that the principle of fairness, professionalism and merit are observed in all the recruitments.

- **Failure to Review the Terms and Conditions of Services and Implementation of the Scheme of Services**

The Commission is also supposed to review the terms and conditions of service, standing orders, training needs and qualifications of public officers in the education service.

I observed that the Commission developed a Scheme of Service at Secondary level and promoted Assistant Education officers to Education officers but did not implement the developed scheme at Principal Education assistants (Primary Level), Senior Education Officers and Principal Education officers (Secondary level).

I informed Management that by failing to implement the Scheme of Service, the Commission failed to deliver on its mandate and the objective of improving the career progression and development of a section of the Education Sector cadres. Delayed progression of staff has the effect of demotivating the teachers.

In response Management attributed the failure to implement their mandate to inadequate funding to finance the wage bill. They however indicated that the Commission is to continue liaising with other stakeholders to have the scheme of service implemented.

I await the outcomes of the Commission's efforts to obtain adequate funding for implementation of the scheme.

### **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 Education Service Commission.

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 Commission's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Education Service Commission, 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 Commissions' 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 Commission'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 Commission'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 Education Service Commission 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.



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John F.S. Muwanga  
**AUDITOR GENERAL**

12<sup>th</sup> December 2018