



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF**  
**NATIONAL CHILDREN'S AUTHORITY**  
**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
NCA	National Children's Authority
INTOSAI	International Organization of Supreme Audit Institutions
ISSA	International Standards on Auditing
NCC	National Children's Council
MGLSD	Ministry of Gender, Labour and Social Development
ECD	Early Childhood Development
PFMA	Public Finance Management Act, 2015
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings
DLG	District Local Government
F/Y	Financial Year
PS	Permanent Secretary
MOFPED	Ministry of Finance, Planning and Economic Development.

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

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

**Opinion**

I have audited the accompanying financial statements of the National Children's Authority (NCA) 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 National Children's Authority 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 Authority 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 the matters described below to be key audit matters communicated in my report.

- **Budget Implementation**

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 years that planned and budgeted for activities of a number of Government entities are not implemented thereby affecting service delivery.

In the overall office wide planning, 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 total of UGX. 1,030,000,000 was budgeted to cater for the National Children’s Authority activities. However, by the close of the financial year 97% of the approved budget i.e UGX.996,197,520 had been received which resulted into a budget shortfall of UGX.33,802,480 (3%).

Management implemented a number of planned activities during the year. The major activities that were implemented included; drafting of a five year strategic plan, incorporating child rights indicators in the Local Government Assessment Toolkit and Dissemination of the score card Tool kit.

However, I noted that some of the planned activities were not implemented. These included developing capacity of District Local Governments (DLGs) in reporting of child rights issues in 6 districts, Production of the final report of the Child Rights on the situation of children in four districts, Production of the Early Childhood Development service provider’s inventory, and Printing and dissemination of the Early Childhood Development National mapping and capacity.

Management explained that funds were insufficient to fully implement the activities and that some of the activities were still in progress.**Appendix 1** shows the status of

implementation of planned activities, and the related Management responses.

The Accounting Officer is advised to ensure adequate planning and implementation of planned activities, as well as working in liaison with other stakeholders for timely receipt of appropriated budget funding.

### **Other Matters**

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

- **Lack of a Governing Board**

Section 9C (1-4) of the Children, Act 2016 states that there shall be established a Board of Directors as the governing body of the Authority and its functions shall among other things monitor and protect the interests of children and determine policies that relate to staffing and procurement. However, the Authority has been operating without the Board of Directors since its inception on the 2<sup>nd</sup> of June 2016.

Absence of Board of Directors undermines the Authority's performance, as strategic decisions that are necessary to grow the Authority cannot be made.

Management explained that prior engagement with the Ministry on appointment of the board was halted due to the ongoing exercise of rationalizing the government entities.

I advised Management to liaise with the Minister in charge of Gender, Labor and Social Development and the Permanent Secretary to have the board appointed as prescribed in the Act.

- **Unapproved Budget**

Section 9U (1) of the Children Act , 2016, provides that the Executive Director shall, not later than three months before the end of each financial year, cause to be prepared and submitted to the board for his or her approval estimates of the income and expenditure of the authority for the next following Financial year. Subsection (2) further provides that 'No expenditure shall be made out of the funds of the Authority unless the expenditure is part of the approved budget by the board under the estimates for financial year in which the expenditure is to be incurred. It was however noted that the budget for the Authority was not approved by the governing board.

The anomaly was attributed to absence of the governing Board.

There is risk that the Authority's priorities are not reviewed and monitored which may result in poor performance and ultimate failure to achieve the Authority's objectives.

I advised Management to liaise with the MGLSD and have the budgets approved appropriately.

### **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 National Children's 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 National Children's 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 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 Authority'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 Authority'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 National Children's Authority 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:

Except for the matter 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

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The material findings in respect of the compliance criteria for the applicable subject matters are as follows;

- **Temporary Appointments**

Section 9N(2) and 9P(2) of the Children's Act, 2016 as amended provides that the Executive Director and the Deputy Executive Director shall be appointed by the Minister in consultation with the Board and shall hold office upon such terms and conditions as may be specified in the instrument of appointment. Similarly, Section 9Q (2) provides that the employees of the Authority shall hold office upon such terms and conditions as the Board may determine. However, after the repeal of the National Children's Act on the 2<sup>nd</sup> of June 2016, all staff employment contracts were terminated and subsequently the Executive Director and a few staff were temporarily appointed as caretakers of the Authority as a transitional arrangement. Over two years later, the staff remain on temporary terms.

The irregularity was attributed to absence of the Board of Directors.

The uncertainty surrounding temporary appointments leads to anxiety among the affected staff and this ultimately has a negative impact on their performance.

Management explained that prior engagement with the parent ministry (MOGLSD) on recruitment awaits appointment of the new board and that the process of appointment of the board was halted due to the on-going exercise of rationalizing the government entities.

Management is advised to seek authority from the Minister of Gender, Labor and Social Development and the Permanent Secretary (PS) to expedite the regularization of the existing staff appointments or undertake recruitment without necessarily waiting for the Board appointment.



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

20<sup>th</sup> December 2018

## Appendix 1 – Budget implementation

<b>Outputs</b>	<b>Indicators</b>	<b>Target for Current F/Y</b>	<b>Actual Performance</b>	<b>Remarks</b>
Drafting a five year strategic Plan	Strategic Plan	Strategic Plan	Strategic Plan Produced	Activity was done
Capacity of DLG developed in reporting of Child Rights in the areas of their jurisdiction	No of districts covered	8 DLGS	2 DLGS	Limited funds to complete the 8 districts
CRG indicators incorporated in the Local Government assessment Toolkit	No of indicators incorporated	5 indicators	5 indicators	Activity was done
Production of the final report of the Child Rights on the situation of children.	No of reports produced	8 assesment reports	4 final reports produced	Available resources couldn't cover all the 8 districts
Dissemination of the score card Tool kit.	No of districts covered	8	8	Activity was done
The Early Childhood Development (ECD) National service providers Inventory	No of copies produced	1000	0	Lack of funds to print and disseminate the inventory
Preparation of Financial Statements	Auditor General's Report	Auditor General's Report	Management Letter	Report still in process.
Printing and dissemination of the ECD National mapping and capacity needs assesment report.	No of copies produced	1000	Non	Limited funds

