



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
NATIONAL LIBRARY OF UGANDA
FOR THE YEAR ENDED 30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

GOU	Government of Uganda
NLU	National Library of Uganda
INTOSAI	International Organization of Supreme Audit Institutions
ISSAIs	International Standards of Supreme Audit Institutions
MGLSD	Ministry of Gender, Labour and Social Development
AGM	Annual General Meeting
PFMA	Public Finance Management Act, 2015
UGX	Uganda Shillings
F/Y	Financial Year
MDA	Ministry, Department, and other Agencies
MOFPED	Ministry of Finance, Planning and Economic Development.

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
NATIONAL LIBRARY OF UGANDA
FOR THE YEAR ENDED 30TH JUNE, 2018**

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the National Library of Uganda 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 the National Library of Uganda 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 Council 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, are 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 matters disclosed in the financial statements.

- **Shortfall in Non-Tax Revenue (NTR) Collections**

The Library collects revenue from activities such as Library Membership Fees, book collections, allocating of ISBN numbers among others. I noted that out of the budgeted sum of UGX 32,000,000 for the financial year, only UGX 19,082,099 was realized leading to a shortfall of UGX 12,918,000(40%).

Revenue shortfall limits the entity's ability to fund its planned activities.

The Accounting Officer attributed the short fall to the reduction in library users and failure to get book collections from Book Aid International (BAI), the major book donor and fewer International Standard Book Numbers assigned (ISBN).

I advised management to initiate strategies of attracting potential library users through services such as e-books and making cooperation arrangements with similar organizations. This will not only enhance knowledge but also generate revenue.

- **Outstanding NSSF Contributions Arrears**

Note 6 to the financial statements revealed that the Library had outstanding NSSF contribution amounting to UGX.91,125,508. A demand notice from NSSF dated 26th July 2018 further indicated that this amount had increased to UGX.373, 510,209 which was inclusive of interest amount of UGX.21,811,857 and Penalty of UGX.260, 572,844.

Failure to remit employee's contributions in a timely manner may result into further accumulation of penalties.

The Accounting Officer explained that NSSF had advised management to clear arrears of principal and interest and thereafter request for the waiving of the penalty.

I advise management to engage MOGLSD to obtain funding to clear the principal amount and interest to take advantage of the waiver on penalties.

Other Matter

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

- **Expired Tenancy Agreement for the NLU**

Review of records revealed that NLU tenancy agreement with the trustees of Patidar Samaj expired on the 31st December 2014. It was noted that on expiry, the agreement was not formally renewed but the NLU continued to pay rent at old rates. It was further noted that the land lord there after communicated an increase of rent from a monthly rent of UGX 5,900,000 to UGX 8,000,000 effective January 2017 and called for the signing of the new agreement. This however delayed as the NLU had to secure clearance from the Government valuer. As a result the Library was served with an eviction notice on 7th July 2018 to vacate the premises due to rent arrears. The agreement was yet to be signed at the time of audit in November 2018 as the government valuer had not produced his report.

Given the above circumstances, there is a risk of NLU being evicted and or being taken to Court which may result in loss of public funds in court related costs.

Management explained that the Ministry and the Landlord had agreed on a draft tenancy agreement which was forwarded to the Solicitor General, who requested for a valuation report as a basis for determining the fairness of the new rent proposed but the report had not been provided by the end of the financial year under review.

Management should continue following up the matter with MOGLSD and the Government valuer to resolve the matter and have the tenancy agreement signed.

- **Forfeiture of land**

Review of land documents obtained from NLU revealed that the Government had allocated a 2 acre piece of land situated in Nakawa, Plot 4-6 Estate Road and a title was issued on the 29th of June 2007. The land was for the construction of National Library premises, which was not done due to lack of funding. In August 2011, the NLU was requested to hand over the land titles to enable a developer, OPEC Prime Properties. Subsequently, the developer failed to develop the land which prompted government to reallocate it to the Agakhan Foundation to construct a hospital, without providing an alternative land to NLU. As a result NLU continues to rent and suffer from lack of sufficient operating space.

Without its own premises, the entity may fail to fulfil its mandate of collecting, preserving and disseminating Uganda's documented intellectual and cultural heritage, providing professional leadership in library and information services delivery and promoting a reading culture.

The Accounting Officer explained that the Board was considering other possibilities with the Minister that included acquisition of space at Simbamanyo House or at the proposed Government site at Bwebajja, and are awaiting further guidance on the matter. Following the recent repossession of the land at Nakawa Estate by Government, the Board is considering regaining its title and developing it.

Management is advised to follow up the matter with relevant government bodies for an alternative piece of land to construct a library.

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 Library of Uganda.

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 Council's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the National Library of Uganda, 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 Council'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 Council'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 Council'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 Library of Uganda 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 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.



John F.S. Muwanga
AUDITOR GENERAL

14th December 2018

