



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
NATIONAL YOUTH COUNCIL
FOR THE YEAR ENDED 30TH JUNE, 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

GOU	Government of Uganda
INTOSAI	International Organization of Supreme Audit Institutions
ISSAIs	International Standards of Supreme Audit Institutions
PFMA	Public Finance Management Act, 2015
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings
F/Y	Financial Year
NSSF	National Social Security Fund
PAYE	Pay As You Earn

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THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of the National Youth Council 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 Youth Council 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

• **Implementation of Budget approved by Parliament**

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.

Revenue Shortfall

Based on the procedures performed, I observed that a total of UGX.1,075,000,000 was budgeted to cater for the National Youth Council. However, by the close of the financial year only UGX.784,467,378 (73%) of the approved budget had been received resulting into a budget shortfall of UGX.290,532,622 (27%).

Management implemented a number of planned activities during the year. The major activities that were implemented included; holding of International Youth Day Cerebrations, Holding of the National Leaders conference, carrying out Youth sensitisation seminars in Kumi, Mbale Mbarara and Bushenyi, Carrying out monitoring and evaluation of Youth Livelihood Program. However, I noted that one of the planned activities, purchase of vehicles for field operations was not implemented. Management explained that the failure to implement this planned activity was due to the budget short fall.

Non implementation of the planned activities denies the youths the services they deserve.

The Accounting Officer explained that management was negotiating with the Ministry of Gender Labour and Social Development for increased funding. He further indicated that the matter had also been presented to His Excellency the President and he had promised to increase the National Youth Council funding in the subsequent Financial Years.

Emphasis of matter

Without qualifying my opinion, I draw your attention to the following matter disclosed in the financial statements.

- **Non remittance of statutory deductions**

The statement of financial position revealed that the Council had payables totaling to UGX.65,800,617 as at 30th June 2018. It was further noted that the payables increased from UGX.43,694,000 in the financial year 2015/2016 to UGX.65,800,617 in the financial year 2017/2018, an overall increase of 51%.The payables were in respect of statutory deductions as shown in the table below:

Creditor	Statutory deduction	2015/16 Amount UGX	2016/17 Amount UGX	2017/18 Amount UGX	Increase (%)
URA	PAYE	16,082,000	24,363,588	31,140,617	93.63647
NSSF	NSSF	27,612,000	27.612,000	34,660,000	25.52513
TOTAL		43,694,000	51,975,588	65,800,617	50.59417

Failure to deduct and remit statutory deductions may attract penalties and fines prescribed in the Income Tax and NSSF Acts. The anomaly was attributed to insufficient funding of Council.

The Accounting Officer explained that Council planned clearance of all outstanding arrears by the end of the current Financial Year.

I advised management to liaise with the relevant stakeholders and set aside funds for settlement of the statutory obligations without further delay.

Other Matter

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

- **Staffing gaps**

A review of the Councils staff establishment revealed that out of the 14 approved positions only 9 positions were filled leaving 5 positions vacant representing a staffing gap of 36%. Some of the key vacant positions were; programme Officer- monitoring and Accounts Assistant.

Lack of staff in council's key positions could undermine the overall achievement of the council's mandate.

Management attributed the anomaly to insufficient funding and explained that they had raised the matter with the minister of Gender, Labor and Social development for resolution.

I advised management to liaise with the Board and all other stake holders to ensure that the vacant positions are filled as this will enhance achievement of the Councils goals.

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 Youth council

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 Youth Council, 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 Councils' 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 Councils' 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 Youth Council 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

23rd November, 2018