



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA HIGH COMMISSION, LONDON
FOR THE YEAR ENDED 30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF UGANDA HIGH COMMISSION, LONDON FOR THE
YEAR ENDED 30TH JUNE 2018

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying Financial Statements of Uganda High commission, London which comprise the Statement of Financial Position as at 30th June 2017, the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 1 to 24.

In my opinion, the financial statements of the Uganda High Commission, London for the year ended 30th June 2017 are prepared, in all material respects in accordance with section 51 of the Public Finance Management Act, 2015.

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 Statements 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, 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 your attention to the statement of appropriation in the financial statements:

- **Unauthorized excess expenditure**

The appropriation Act passed by parliament provides an itemized budget for execution by the Accounting Officer.

Review of the statement of appropriation for the mission revealed that a sum of UGX.155,185,317 was incurred over and above the budget on two items without necessary approval as follows;

Item	Budget	Actual	Excess
Employee costs	3,282,270,000	3,399,515,665	117,245,665
Consumption of property, plant and equipment	460,000,000	497,939,652	37,939,652
Total	3,742,270,000	3,897,455,317	155,185,317

Unauthorized over expenditure distorts the intentions of the appropriating authority.

I raised a similar observation in the previous report and the matter has still persisted.

The Accounting officer attributed the anomaly majorly to exchange rate losses and indicated that a request for supplementary funds from Treasury had not been responded to. I advised management to always comply with the budget provisions and where inevitable seek necessary authority before reallocation of funds in accordance with the prescribed procedures.

Other Matter

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

Review of the implementation of the mission charter

A mission charter is the guiding document that prescribes priority focus areas for each diplomatic mission. Review of the implementation of the London mission charter revealed various achievements in the areas of; obtaining support for peace building initiatives, and attracting foreign direct investments in oil and gas. However there were also various areas that require improvement as follows;

- Whereas the mission was tasked to lobby for at least US\$100M per year in budget support, it was able to obtain US\$73M implying a short fall of US\$27M.
- The mission was expected to promote exports to the UK and Ireland worth US\$35M. It however achieved total exports of US\$29.2M implying a shortfall of US\$5.8M
- It was expected that the mission would attract at least 100,000 tourists from UK and Ireland during the year. However I observed that only 2,668 visas were issued. The mission indicated that at least 35,000 tourists visited the country and obtained visas at the port of entry. Nevertheless, there was a shortfall of over 60,000.
- The mission was charged with lobbying for at least 100 scholarships for Ugandan students. Instead only 6 scholarships were confirmed. The mission explained that more scholarships were offered by individual universities whose numbers could not be ascertained.

In response the Accounting officer stated that the Mission had formulated a strategic plan for financial years; 2018/19 and 2019/20 which has revised the targets to more realistic numbers and efforts will be made to achieve the targets. In addition it was stated that liaison with other government agencies such as immigration, investment and export promotion bodies would be enhanced to obtain and share relevant data.

I await the outcome of management's efforts in this regard.

Outstanding rent on commercial property

The government of Uganda is the registered owner of the commercial property situated at 189 Wardour street, London.

The property is currently under the management of a law firm; Edwin and Coe following termination of the management contract of the previous managers; Edge grange properties limited.

Inspection of the property and perusal of corresponding documents revealed the following matters;

- The property is in a poor physical state. There is risk of closure of the property by London city authorities.
- The ground floor is under key and lock following eviction of the previous tenant.
- There is no documented management contract between the High Commission and the law firm.
- The law firm is however demanding £20,206.90 for legal services rendered to the High Commission regarding the property.
- The law firm is holding £25,625 which was deposited by the ground floor tenant.
- The property upper floors are only partially occupied.
- The mission indicated rent arrears of £59,117.50 some of which date as far back as March 2016.

In the absence of a documented management contract with the law firm, its responsibilities and obligations with regard to the management of the property are not clear.

Long outstanding rental arrears may result into loss of revenue.

In addition delay in renovation of the property will result into further physical deterioration and possibility of foreclosure by the London city authorities.

In response management stated that the mission has started the process of procuring a firm for emergency repairs pending major renovations after which tenants will be sought. It was also finalizing short leases for the current tenants and has written to old tenants to pay up their arrears. It was further stated that a letter seeking for legal fees or authorization for offset by the lawyer, had been written to the Secretary to Treasury

I advised management to resolve the matters of the commercial property without further delay.

Inspection of Mission Properties

An inspection of the High Commission properties was undertaken with the overall objective of ascertaining their suitability for use by staff. The following observations were made;

Chancery

The Chancery building is located at 58-59 Trafalgar square. Inspection of the basement floor that houses the plumbing pipes and electrical equipment revealed the following matters;

- The plumbing pipes are rusty and have occasionally failed resulting into overflow of faecal matter.
- It was explained that the drainage channels occasionally fail resulting into seepage of water into the basement floor.
- The electrical equipment in the basement is exposed to the risk of contact with water and this may result into electrocution of staff and/or spoilage of the equipment.
- It was also noted that the Central Heating facility is non-functional on some floors including the rented floor, and this inconveniences the tenant. As a result the mission may not be obtaining the appropriate rental value of the property.

Official Residence

The Official residence is situated at 30 Ingram Avenue, Hampstead and Garden Suburb. Physical inspection of the property revealed the following matters;

- Non-functional CCTV cameras rendering the security of the premises inadequate.
- Broken fence: part of the Chain link fence had fallen to the ground thereby exposing the residence to intrusion.
- A wall fence separating the residence from the neighbouring premises appeared slanting and in a weak state. It could collapse on the garage if not renovated urgently.
- The Heating facility was reported to be inadequate especially in the winter season.

The Accounting Officer explained that a consultant had been procured to undertake comprehensive scoping of the necessary repairs. The mission had also written to Treasury seeking capital development funds to procure a new heating system. Meanwhile the mission had received some funds for procurement of the CCTV camera for the official residence.

I await the results of management's efforts.

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 Ugandan High Commission in London.

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 University's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Ugandan High Commission in London, 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 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

14th December, 2018