



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
NYABEYA FORESTRY COLLEGE
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
ISA	International Standards on Auditing
NFC	Nyabeya Forestry College
NTR	Non Tax Revenue
EGI	Electronic Government Information
CFR	Central Forest Reserve
PFMA	Public Finance Management Act, 2015
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings
F/Y	Financial Year
MDA	Ministry, Department, and other Agencies
Ha	Hectares
MWE	Ministry of Water and Environment
MoFPED	Ministry of Finance, Planning and Economic Development
MoES	Ministry of Education and Sports
MoP	Ministry of Public Service

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
NYABYEYA FORESTRY COLLEGE FOR THE YEAR ENDED 30TH JUNE, 2018**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Nyabeya Forestry College for the year ended 30th June 2018. These financial statements comprise of the statement of financial position, the statement of financial performance, Statement of changes in equity and cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of Nyabeya Forestry College 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 College 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 did not come across any key audit matters during the audit of Nyabeya Forestry College.

Other Matter

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

- **Irregular giveaway of land**

Section 45(1)(c) of the Public Finance Management Act 2015 stipulates that the Accounting Officer shall control the resources received, held or disposed of by or on account of a vote. Further, Paragraph 2 (1) of the Statutory Instruments 1998 No. 63 under the Forest Reserves (Declaration) Order, 1998 provides that the areas of land specified in the First Schedule to this Order are declared to be Central Forest Reserves. Subsequently under the first schedule Nyabyeya and Rwensama Central Forest Reserves serial numbers MS/15 and MS/18 respectively were gazetted and under the control of National forestry Authority.

A review of the college documents revealed that the college administration signed a memorandum of understanding or land donation agreement with Makerere University on 15th August 2018. In this land donation agreement, the College gave away 10(ten) ha of land situated in Nyabyeya Forest reserve to Makerere University College of Agricultural and Environmental Sciences. Audit further noted that Makerere University also owns a students' hostel on college land and does not pay any ground rent to that effect.

Audit did not obtain evidence on whether the College was authorized by the line Ministry of Water and Environment (MWE) or NFA to give part of the Central Forest reserve to Makerere University.

I pointed out to management that irregular allocation of gazetted areas may lead to eventual loss of forest reserves and college land.

Management explained that the land in question was not transferred to Makerere University permanently, but was simply allocated to the faculty of Agricultural and Environmental science for study purposes where students can carry out Practicals during the yearly recess term.

I advised management to ensure that the arrangement is approved by appropriate authorities and a memorandum of understanding stipulating responsibilities and obligations of each party are outlined.

- **Slow progress in handling the Enabling Legislation**

Nyabyeya Forest College initially operated under the Ministry of Water and Environment (MWE). Later, it was transferred to the Ministry of Education, Sports, Science and Technology (MoEST) and was administered under the Universities and other Tertiary Institutions Act, 2001. The management of the college has since reverted back to Ministry of Water and Environment. However, the legislation to guide its activities has not been

developed. Consequently, the college has missed out on opportunities such as accreditation of the training programmes offered.

I explained to management that slow progress in the enactment of an Enabling Legislation impacts on the College's operations as the un-accredited academic programs may be challenged.

In response, management explained that establishment of a Governing council or an advisory committee for the college would be followed up relentlessly. And that formation of an interim Advisory committee which the college had recommended was further delayed by the Ministry in the hope that the enactment of a legal framework to formalize the transfer of the college to MWE and specify Governance structures, would be done in a short time.

I advised management to liaise with the relevant stakeholders to ensure that the process of enacting an enabling legislation is initiated and expedited so as to guide the operations of the College to achieve its intended objectives.

- **Delayed finalization of Water connections**

Review of the 2017/18 Water Sector Performance Report revealed that the national safe water coverage in rural areas was estimated at 67% up from 65% in June 2016.

On the contrary, it was noted that Nyabyeya Forestry College, one of the sector constituent institutions was still faced with water shortage challenges for a prolonged period. At the time of audit, the diesel pump had broken down a year ago and the College had remained in a water crisis for this long. There has been an unnecessary delay to lay the water pipes and powering of the system.

I explained to the College management that water shortages of this kind could result into student protests, damage to property and disease outbreaks.

In response, management explained that it had written to the ministry of Water & Environment requesting to revamp the water system at the college and the ministry sent a team of Engineers from Wakiso regional water office to the college.

I advised management to follow up the matter with MWE without further delay to fast track the finalization of the incomplete water works.

- **Staffing Gaps**

A review of the College staff establishment, revealed that out of 133 approved positions, only 18 positions (as opposed to last year's figure of 20 staff) were filled leaving 115 positions vacant representing a staffing gap of 86%.

The unfilled positions include key personnel in the college such as Deputy Principal, College Secretary, Forest technicians and Principal lecturers among others.

Lack of key staff in the College could affect the performance and overall achievement of the College goals and objectives. Besides, the existing staff may be overworked leading to staff demotivation and probable staff turnover.

Management attributed the anomaly to a ban on recruitment by Ministry of Public Service. Meanwhile, the Ministry of Water and Environment had presented the staffing gaps issues of the Forestry College to the Ministry of Finance, Planning and Economic Development and Ministry of public service for consideration in the Financial Year 2019/2020.

I advised management to liaise with the relevant stakeholders such as MWE, MOPS and MOFPED to ensure that the vacant positions are filled.

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 Nyabeya Forestry College.

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 Nyabeya Forestry College, 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 Nyabeya Forestry College 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

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

- **Lack of Board of Survey Report**

Included in the Statement of Financial Position were assets amounting to UGX.559,198,320. It was noted that the balances were not supported by a Board of Survey report contrary to Section 34 (3 & 4) of the PFM Act, 2015 which requires an Accounting Officer to cause the assets and the inventories of a vote to be inspected regularly and written reports on the general condition of the assets to be made regularly.

Without a Board of Survey report, it is difficult to confirm the correctness of the asset balances reflected in the financial statements.

In response, management indicated that it would liaise with the Ministry of Water & Environment to ensure that a Board of survey is done every financial year.

I await the results of management action in this regard.



John F.S. Muwanga
AUDITOR GENERAL

17th December, 2018