



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
UGANDA EMBASSY IN WASHINGTON D.C, UNITED STATES OF AMERICA
FOR THE YEAR ENDED 30TH JUNE 2018**

**OFFICE OF THE AUDITOR GENERAL
UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF THE UGANDA EMBASSY IN WASHINGTON D.C, UNITED STATES OF
AMERICA FOR THE YEAR ENDED 30TH JUNE 2018**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying Financial Statements of the Uganda Embassy in Washington D.C, United States of America which comprise the Statement of Financial Position as at 30th June 2018, 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 7 to 38.

In my opinion, the financial statements of the Uganda Embassy in Washington D.C, United States of America 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.

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.

Other Matter

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

- **Strategic Planning and Mission charter**

The Mission Charter shows the scope and objectives of the Mission which outlines the strategic direction of the Mission for a specified period. It includes the outputs that the mission has to achieve in line with Government Policy and National development plans.

I noted that the Mission still uses a Charter which is not approved. The previous charter had been approved in 2014. In my previous audit report (2017) I noted that management had revised the Charter and promised to present it for approval to the Minister of Foreign Affairs (MoFA). This has not been done, one year later. Relatedly, although the Mission had formulated a strategic plan for the 3-year period 2017/18 to 2019/20, and submitted it for approval, it had not yet been approved by MoFA and the National Planning Authority. In the absence of approved Strategic plan and mission charter, there is a risk that the activities of the Mission are not aligned with the Government objectives under the NDPII and Uganda Vision 2040.

The Accounting Officer reiterated the fact that the revised Charter and the strategic plan were in line with the NDP II and that the Embassy awaits the approvals by the Ministry of Foreign Affairs and National Planning Authority. I advised management of the importance of such documents and the need to ensure constant follow up with the concerned offices to have them approved.

- **Non Alignment with Budget**

From the review of the Charter, I further observed that most targets are ambitious and would require significant amounts of funding to achieve. For example, acquiring and maintenance of government property abroad for the mission in Washington DC would

necessitate having to budget for it annually. However a review of the Mission’s MTEF ceiling showed that no annual allocation is earmarked for the acquisition of property at the Embassy.

The accounting officer acknowledged the limited budget available and its incompatibility with the Charter targets. In the new strategic plan, they have however come up with SMART targets and budget to achieve those targets. I advised management to ensure constant lobbying and dialogue with various stakeholders if such funding is to materialise, otherwise targets need to be realistic in line with past experience and government financial expenditure outlooks.

- **Performance Measurement**

Through analysis of the budget performance of the Mission, I noted that, although the Mission was one of the first beneficiaries of the economic and commercial diplomacy budget, with 100% of its budgeted funds released, many outputs were not achieved during the year. These included attraction of number of tourists, investment amounts lobbied, World Bank and IMF funding and provision of dual citizenships for Ugandans in the diaspora. This is an indication of non-prioritization of planned activities.

In response the Accounting Officer stated that, through UBOS, BOU and Ministry of Finance they had obtained statistics to measure performance of the Embassy as shown in table below:

Planned /Budgeted (As per Charter)	Actual
Attraction of at least 100,000 tourists to Uganda	According to UBOS data, Tourist arrivals from USA and other countries of Accreditation was 64,743 tourists
Lobby annual inward Investment of at least USD 500m worth of Investment	No evidence of amount of Investment lobbied
Lobby the World Bank and IMF for at least USD500 million of development assistance	From Ministry of Finance data, value of ODA from World Bank in 2017/18 was USD129.45m
Promote at least USD 50 million worth of Uganda exports to United States	From UBOS data, value of Ugandan exports to USA and other countries of accreditation was USD76.4m
Lobby for at least 30 scholarships annually for Ugandans at American Institutions	Data from the USA embassy in Uganda, 50 Ugandan students obtained scholarships to study in the USA in 2017
Provide Consular Services to Ugandans	Although the Embassy had submitted applications to Ministry of Internal Affairs, for Dual citizenship for Ugandans in the diaspora, since January 2018 they had not yet been issued the certificates

I observed that although the numbers for tourists and World Bank funding are impressive, they are still below the targets. Meanwhile, for the data obtained from UBOS, BOU and MoFPED, I have requested management to provide evidence in the form of actual projects, investments, scholarships and exports reported on.

- **Non-Accreditation**

The Embassy of the Republic of Uganda in Washington DC is mandated to promote and protect Uganda's interests in U.S.A and the other countries of accreditation, namely; Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Jamaica, Mexico, Paraguay, Peru, Trinidad and Tobago, Uruguay, and Venezuela.

Audit however noted that the Ambassador has only presented credentials to the President of the U.S.A and the Minister of Foreign Affairs of Argentina. Without formal accreditation, the Mission cannot be able to effectively execute its mandate in the other countries. Uganda may thus lose out on opportunities of trade, tourism and investments from some of these emerging markets/countries.

The Accounting Officer promised to engage with Missions of other countries it is accredited to for the Head of Mission to present credentials.

I urged management to expedite the accreditation process to enable tap into the potential of those developing countries.

- **Staffing Gaps**

The Mission has an approved structure of eight (8) Home based staff but currently has seven (7) Home based Staff. The position of Minister Counsellor/ FSO II is vacant. Taking into consideration the amount of work at the mission, it is important that the Accounting Officer liaises with MoFA to ensure the vacant post is filled.

In response management stated that they await guidance from MoFA headquarters regarding the filling of the vacant posts.

- **Medical Insurance**

Section M-a (Medical Attention) Para.14 of the Public Service Standing Orders, 2010 (Revised) requires a Foreign Service officer to be fully covered by a medical insurance.

I noted that, although the Mission had procured Medical Insurance services for the entitled staff from a service provider, Care first, the Mission negotiated individual policies for each staff instead of the group scheme. As echoed by the service provider, group schemes are cheaper than individual policies. During the year the Mission spent an amount of USD.121,895.59 for such a scheme. Yet, in addition to that, another USD.63,836 was paid to individual home based staff as adhoc refunds for medical expenses incurred outside the medical policy covers.

Without group negotiations to obtain favourable rates, the mission continues to incur exorbitant medical insurance costs and claims.

Management promised to engage the service provider for Health Insurance to negotiate a favourable group insurance cover,

I await the outcome of the negotiations.

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 the 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 Uganda Embassy in Washington D.C, United States of America. 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 Uganda Embassy in Washington D.C, United States of America 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 Mission 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

20th December, 2018