

Advanced Auditing and Other Assurance Services

COM 3242

Bachelor of Commerce III

**Public Sector Auditing
in Uganda**



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AGENDA : Public Sector Auditing (PSA)

- 1) Understanding the Public Sector in Uganda
- 2) Public Sector Audit –Legal Framework
- 3) The Accountability Cycle in Uganda
- 4) The Auditor General in Uganda & PAC
- 5) Types of Public Sector Audits in Uganda
- 6) International Standards in the Public Sector
- 7) Internal Auditing in the Public Sector



The Public Sector in Uganda



The Public Sector in Uganda **is wide** and is made up of MDAs

- i. Ministries [Central Government]
- ii. Local Governments – Cities, Districts, Counties, Sub-counties, Municipalities
- iii. Agencies and Authorities – URA, CAA, NPA, etc
- iv. Constitutional Commissions e.g PSC, JSC, IGG, EducSerCo, IEC, etc
- v. Public Enterprises / Parastatals – NSSF, UEGCL, UEDCL, UETCL, NEC, New Vision
- vi. Private entities where GoU has invested

Legal & Constitutional Framework of PSA

Constitution of Uganda (1995), Article 163

- Establishes the office, appointment & removal of the Auditor General
- Mandates audit of all public accounts, courts, local governments, statutory bodies
- Guarantees independence: not under direction of any person or authority
- Requires annual audit report submitted to Parliament

National Audit Act, 2008

- Gives effect to Articles 154(3) and 163 of the Constitution
- Establishes OAG as a body corporate with perpetual succession
- Defines financial audits, VFM audits, special audits & investigations
- Provides surcharge powers and right of access to documents

Public Finance Management Act, 2015

- Strengthens government accounting and internal audit committees
- Grants AG access to internal audit reports and consolidated statements
- Reinforces Parliament's oversight role for financial reports

Key Legal & Constitutional Framework ...

All other Acts of Parliament setting up Government Bodies / Agencies/ Commissions

- Require that accounts of such bodies be audited by the Auditor General

ACCOUNTABILITY CYCLE IN THE PUBLIC SECTOR IN UGANDA



1

AG conducts audit

2

Report to Parliament

3

PAC review & hearings

4

Recommendations issued

5

Implementation & follow-up

As part of the accountability cycle, the Office of the Auditor General of Uganda works with Parliament and the Executive to promote Accountability and Good governance



THE OFFICE OF THE AUDITOR GENERAL (OAG)

Vision: *A model Supreme Audit Institution that adds value to society*

Mission: *To audit and report to Parliament, contributing to improving public accountability and value for money spent*

Formed: 1929 (Colonial era)

Headquarters: Kampala, Uganda

Current AG: CPA Edward Akol (July 2024)

Parent: Government of Uganda

Core Values: Integrity · Objectivity · Professional Competence · Service Delivery



FUNCTIONS & MANDATE OF THE AG

Audit and Report on Accounts of the Public Sector

See the slide above on the Public Sector in Uganda

Conduct Financial, Value for Money, Gender, Forensic, Engineering and Environmental audits of any project or activity involving public funds

Audit Classified Expenditure

Audit all Government Investments

Procurement Audits and Investigations

The Auditor General has the power to appoint Private Auditors

Audit Treasury Memoranda



CATEGORIES OF PUBLIC SECTOR AUDIT

Financial Audits : Focus is on ,

- Examination of financial statements **for accuracy, completeness & compliance** with accounting standards
- OAG has to obtain sufficient and appropriate evidence that the financial statements are free of Material Misstatements, whether due to errors or frauds
- IPSAS and IFRS followed by reporting entities

CATEGORIES OF PUBLIC SECTOR AUDIT

Compliance Audits: Focus is on ,

- **Verify adherence to rules, laws, codes, agreed terms, regulations, budgetary resolutions, and government policies in use of public funds**

CATEGORIES OF PUBLIC SECTOR AUDIT

Performance Audits: Focus is on ,

- Whether interventions, programs and Institutions are performing in accordance with the principles of **Economy, Efficiency and Effectiveness**
- Performance audits are conducted against an established set of criteria
- Performance is also called: Value for Money Audits (Economy, Efficiency, Effectiveness Audit)

- **Economy** means getting resources (inputs) at the lowest cost.
- **Efficiency** is the relationship between goods or services produced (outputs) and the resources (inputs) used to produce them. An entity is more efficient if it produces more goods with the same resources or produces the same goods with fewer resources.
- **Effectiveness** is how well the entity's objectives have been achieved.

AUDITING STANDARDS FOLLOWED IN PUBLIC SECTOR AUDITS

- Public sector audits can be conducted either using **International Standards on Auditing**, especially for government entities doing business, or **International Standards of Supreme Audit Institutions (ISSAIs)** issued by the **International Organisation of Supreme Audit Institutions (INTOSAI)**.
- OAG is the Supreme Audit Institution of Uganda and therefore a member of INTOSAI and AFROSAI

INTERNATIONAL STANDARDS & AFFILIATIONS OF OAG

The OAG is guided by International Standards of Supreme Audit Institutions (ISSAIs) – the authoritative global standards for public sector auditing, developed by INTOSAI.

INTOSAI – International Organisation of Supreme Audit Institutions – 195+ member SAIs promoting government audit excellence worldwide

AFROSAI-E – African Organisation of SAIs (English-speaking) – regional capacity building and peer support network

The purpose of INTOSAI is to

- i. Ensure the quality of audits conducted by the Supreme Audit Organisations, OAG.
- ii. Strengthen the credibility of audit reports for users.
- iii. Enhance transparency of the audit process.
- iv. Specify the auditor's responsibility in relation to other parties involved.
- v. Define the different types of audit engagements and the related set of concepts that provide a common language for public sector auditing.

PARLIAMENTARY OVERSIGHT: THE PAC



Constitutional Mandate

PAC scrutinises audited accounts under Article 163, examining legality, efficiency & effectiveness of public fund usage

Structure Three PACs committees: [traditionally chaired by an Opposition member]

1. PAC (Central Government)
2. PAC (Local Government)
3. PAC (COSASE – Commission, Statutory Authorities and State Enterprises)

Process

AG submits annual reports → Parliament debates within 6 months → PAC holds hearings with accounting officers

Implementation Gap

There are significant challenges in implementing AG recommendations

Some of the challenges facing Public Sector Auditing in Uganda

Resource Constraints

Example: 1,664 financial audits deferred in FY 2022/23 due to insufficient funding — predominantly lower local governments, schools, and tertiary institutions

Staff Capacity Gaps

Growing audit universe outpaces staff recruitment; specialized skills in IT, forensic & extractive industry auditing remain scarce

Political Interference

Weak political will to enforce PFMA provisions; attempts to block lifestyle audits and suppress scrutiny of unexplained wealth

Low Implementation Rate

Many AG recommendations are not read or their significance unappreciated; failure to act on findings is a missed opportunity for better governance

Audit Backlogs

Workload expansion led to the creation of two PAC committees, but backlogs persist, particularly in local government audits

Corruption Ecosystem

Reports show Uganda ranks 142nd out of 180 on TI's Corruption Perceptions Index; procurement fraud remains a key structural challenge

PUBLIC SECTOR INTERNAL AUDIT FUNCTION IN UGANDA

- The Public Sector IA function in Uganda is under the mandate of the **Office of the Internal Auditor General**.
- The function is guided by the Government of Uganda Internal audit and Inspection Manual.

Role of Internal Auditor General



Monitor, Evolute Management actions and recommend improvements



Verify the reliability and suitability of the information system



Ascertain whether the entity's policies are implemented correctly



Monitor and revise the performance of financial management at all levels of management



Assess and ensure resources (human, material, and Financial) are utilised appropriately to achieve objectives.



Inform the management of any irregularity or anomaly revealed and suggest solutions



Follow up on whether the recommendations by the Internal auditor/Inspector have been implemented

Relationship Between External Auditor and Internal Auditors in the Public Sector

Laws establishing OAG and the IAG

External and internal audits are mandated by law. We have the National Audit Act for external audit under the Office of the Auditor General, and the Office of the Internal Auditor General under the Ministry of Finance, Planning & Economic Development.

Reliance on the work of each other

External auditors may rely on the work of the internal audit where necessary, and the internal audit can review the work of the external auditor for the purpose of determining risk areas and areas that need improvement

THANK YOU

Key References

- Constitution of the Republic of Uganda, 1995 (as amended) – Article 163
- National Audit Act, 2008 (Act 7 of 2008)
- Public Finance Management Act, 2015
- ICPAU (2023), “Paper 16: Audit Practice and Assurance – Study Materials for Examinations” *The Institute of Certified Public Accountants of Uganda, 2023*
- ICPAU Technical Guide: Auditing in the Public Sector (April 2020)
- INTOSAI Framework of Professional Pronouncements (IFPP) – [issai.org](https://www.issai.org)

TAKE HOME ASSIGNMENT :

Access the website of the Office of the Auditor General of Uganda [<https://www.oag.go.ug>] and prepare notes on the following

1) **Legal mandate** of the OAG according to the :

- a) The Constitution of the Republic of Uganda, 1995
- b) The National Audit Act, 2008
- c) Local Government Act, 1997
- d) The Public Finance Act, 2015
- e) Other laws for MDAs (Authorities, Universities, Tertiary Institutions, Commissions, Entities)

2) **Functions** of the Auditor General and **Organisational Structure** of the OAG