INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
OF UGANDA

AUDITING IN THE PUBLIC SECTOR

APRIL 2020

Table of Contents

1.0 Establishment of ICPAU

1.1 About ICPAU

The Institute of Certified Public Accountants of Uganda (ICPAU) was established in 1992 by the Accountants Act, Cap 266 now the Accountants Act, 2013. The functions of the Institute, as prescribed by the Act are:

i) To regulate and maintain the standard of accountancy in Uganda.

ii) To prescribe and regulate the conduct of accountants and practising accountants in Uganda.

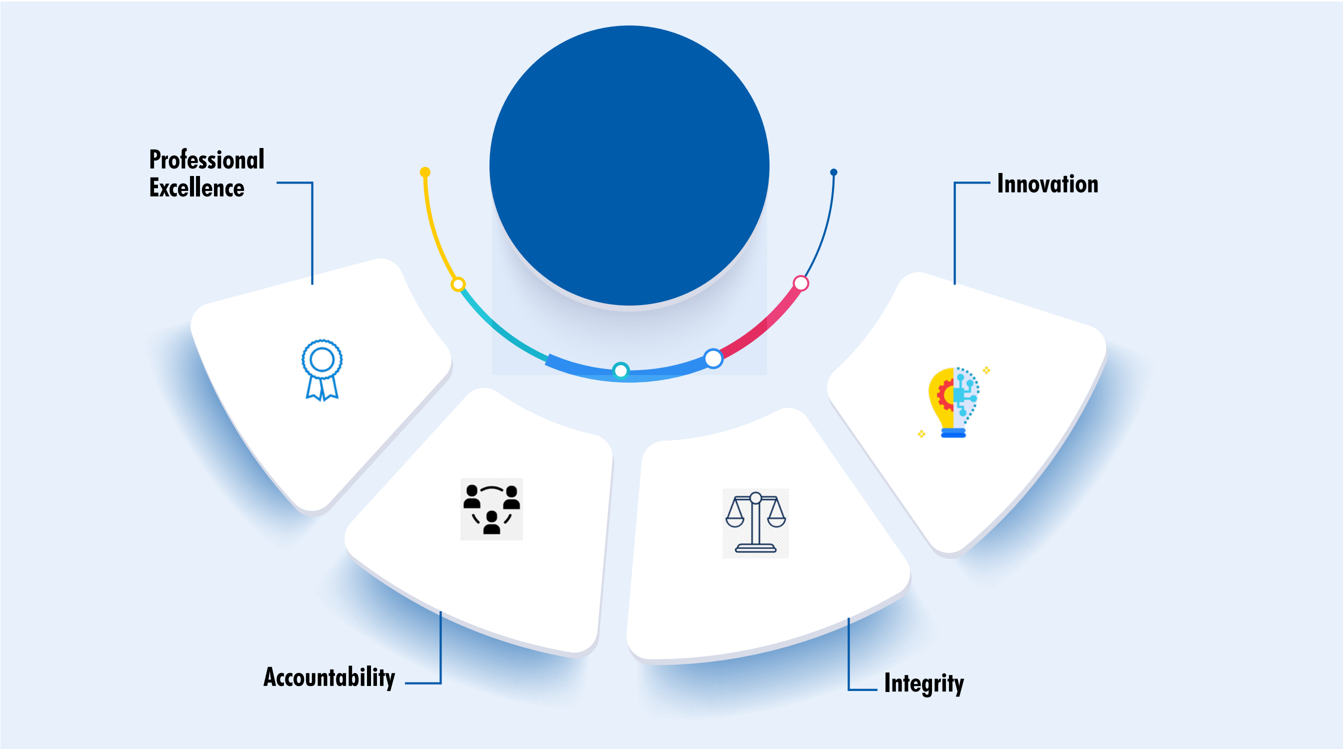
1.2 Vision

To be a World-Class Professional Accountancy Institute

1.3 Mission

To develop, promote and regulate the accountancy profession in Uganda and beyond, in public interest

1.4 Core Values



1.5 International Affiliations

The Institute is a member of the International Federation of Accountants (IFAC), the Pan African Federation of Accountants (PAFA) and the Association of Education Assessment in Africa (AEAA).

Disclaimer

This guide is aimed at providing information that will assist practising accountants in understanding the public sector environment within which public sector audits are conducted.

Practising accountants should utilize the Guide in light of their professional judgment and the facts and circumstances involved in their firms and each particular engagement.

ICPAU disclaims any responsibility or liability that may occur, directly or indirectly, as a consequence of the use and application of this Guide.

AUDITING IN THE PUBLIC SECTOR

1.0 Purpose

This Guide is developed to serve as a quick reference for auditors who conduct audits in the public sector, as it introduces the public sector structure & environment, key legislation and standards to be applied, terminology, and other requirements or practices that inform the public sector audit process.

2.0 Scope of Auditing in the Public Sector in Uganda

Public sector consists of all publicly controlled or publicly funded entities that provide goods & services on a scale that is either not provided or cannot be provided by the private sector.

The institution of the Office of the Auditor-General, also known as the Supreme Audit Institution (SAI), was created by the Constitution of the Republic of Uganda and the National Audit Act, 2008 to act on behalf of the citizens of Uganda, in providing an independent assurance on the use of public resources (Article 163 of the Constitution). Consistent with the Constitution, the Auditor General (AG) conducts audits, and investigations to assess the efficiency, effectiveness, and accountability of public sector agencies and their programs.

The International Standard of Supreme Audit Institutions (ISSAIs) 100, para 18 describes public sector auditing as a systematic process of objectively obtaining and evaluating evidence to determine whether information or actual conditions conform to established criteria. Para 18 further guides that public sector auditing is essential in that it provides legislative and oversight bodies, those charged with governance, and the general public with information as well as independent and objective assessments concerning the stewardship and performance of government policies, programmes or operations.

The distinctive features of a public sector audit include;

i) Appointment

In private sector, company auditors are appointed by the shareholders, while the AG is appointed by the President with the approval of Parliament.

ii) Scope

Private sector audits have a much narrower scope, essentially being limited to a true and fair opinion on the company's financial statements. The auditors' work in a public sector audit is extended to cover not only the audit of historical financial statements, but also aspects of corporate governance and arrangements to secure the economic, efficient and effective use of resources i.e. value for money.

The scope of the annual audit in the public sector includes the audit of the financial statements, reported performance information and compliance with key legislation. Furthermore, the AG may perform discretionary engagements such as performance audits, investigations and special audits.

iii) Methodologies

The methodologies for auditing in the public sector are more robust, focusing on 'use of resources' audit framework. This approach to 'use of resources' is on a risk basis and draws on cumulative audit knowledge and evidence, which means that at any one time the auditor has a good, all-round understanding of the organisation and can identify early the managerial, governance and financial risks.

iv) Responsibilities

Whereas it is the responsibility of management in organisations to put in place arrangements to detect and prevent fraud, it is generally accepted practice for auditors to develop an audit objective and design procedures that will give them a reasonable expectation of detecting and evaluating material misstatement and irregularities arising from fraud and corruption. Arguably, in the public sector the responsibilities of the auditor to detect and prevent fraud and corruption are much greater. The emphasis put on fraud in the context of a public sector audit is arguably stronger because of the public accountability imperative.

v) Reporting

There is a greater diversity of reporting in the public sector, possibly driven by its multiple stakeholders and the need to report on performance and not profit. The public's information needs are very different and the audit report must attempt to satisfy them all.

vi) Report Audiences

The report audiences also differ. In the private sector, the primary audience for the audit report is the body of shareholders. In the public sector, there are multiple stakeholders, including Parliament, other public bodies and the citizens.

3.0 Conducting Audits In The Public Sector

3.1 Audits performed by the Auditor General (AG)

By law, the AG is the auditor of all public entities. The Office of the AG is the key public sector audit institution, although some private audit firms (private auditors) conduct some public sector audits on its behalf. This is necessary because there are over 17,000 public entities, for which the AG needs to: plan, conduct, and report the results of annual audits; and carry out other auditing functions under the National Audit Act, 2008 (the NAA).

The AG undertakes annually, audits on the accounts of these public sector entities, and in addition conducts value for money audits, compliance audits, classified expenditure, procurement, treasury memoranda and any other audit in respect of activity involving public funds.

Sections 15, 16, 17 and 18 of the NAA mandate the AG to audit;

a. the accounts of central government,
b. the accounts of local government councils and administrative units,
c. the accounts of public organisations including the courts, universities and public institutions of like nature, and any public corporations or other bodies established by an Act of Parliament, and
d. public monies in private organisations and bodies.

3.2 Annual Audits

The annual audit is required by law so that Parliament can get assurance that each public entity is fairly reporting its performance and that public money is being spent as intended. The AG's role under the NAA ensures that the annual audits and the assurance given to Parliament and the public are completely independent of government or politics.

Sec. 23 of the NAA gives the AG powers to appoint private auditors to assist in the performance of the AG duties under the Act. The AG therefore appoints auditors from private sector firms, under his powers of delegation, to conduct audits on his behalf. Only a person registered and practicing as an accountant under the Accountants Act, 2013 may be appointed under this section. An auditor appointed under this section complies with any general or specific directions given by the AG. The AG contracts out a percentage of public sector audits to the private accounting firms. Non-executive boards of some individual public sector entities are allowed to appoint an auditor of their choice.

The scope of an annual audit in the public sector is broader than in the private sector. It usually comprises three components including; the audit of financial statements, the audit of reported performance information and the audit of compliance with key legislation:

3.2.1 Audit of Financial Statements

An audit of financial statements focuses on determining whether an auditee's financial information is presented in accordance with the applicable financial reporting and regulatory framework. This is accomplished by obtaining sufficient and appropriate audit evidence to enable the auditor to express an opinion as to whether the financial information is free from material misstatement due to fraud or error. It is important for auditors in the public sector to identify the financial reporting framework applicable to the institution being audited and ensure they have sufficient experience and knowledge about the financial reporting framework to perform the audit.

The level of assurance required to be provided is determined by the AG through the terms of reference from the OAG.

The Finance Audit Manual and Working Papers from the AG provide detailed guidance on conducting annual audits of financial statements. This information is relevant for auditors and their firms performing audit work in the public sector.

3.2.2 Audit of Compliance with Key Legislation/ Compliance Audit

An audit of compliance with key legislation/ compliance audit is one that is undertaken to provide assurance to the intended users about the outcome of the evaluation or measurement of a subject matter against suitable criteria. A compliance audit may be carried out at the request of the legislature or other bodies to which the AG reports or at the initiative of the AG himself.

The overall objective of an audit of compliance with key legislation is to obtain assurance about whether the auditee, with respect to the individual compliance subject matters scoped into the audit, has complied with specific provisions of key legislation that have been selected as the compliance requirements/criteria for the engagement. It is the responsibility of the AG to audit whether the activities of public sector entities are in accordance with the relevant laws, regulations and authorities that govern such entities. It involves auditing specifically to what extent the audited entity follows rules, laws and regulations, budgetary resolutions, policy, established codes or agreed upon terms such as terms of contract or terms of funding agreements.

The compliance subject matters that form part of the audit of compliance with key legislation are determined by the AG and communicated through the terms of engagement. The respective criteria for each compliance subject matter are included in the work programmes issued by the AG. Although no additional compliance subject matters/focus areas may be determined at auditee level, the auditor may decide that it is appropriate to scope in additional provisions from entity specific legislation. Selected provisions from entity-specific legislation related to a compliance subject matter/focus area already determined at firm level, may also be scoped into the audit based on their importance in terms of the mandate or service delivery objectives of the entity.

It is essential therefore, that auditors of public sector institutions obtain an understanding of the legislation applicable to the institutions they audit during the planning phase of the audit. Because there are different types of auditees, care must be taken to ensure that only relevant sections of the applicable Acts are referred to. This will enable the auditor to express a conclusion on whether, based on the procedures performed and the evidence obtained, anything has come to the auditor's attention to cause the auditor to believe that the auditee has not complied, in all material respects, with the identified compliance requirements/criteria.

The existing compliance audit guidelines of the ISSAI framework are contained in ISSAI 4000, which provides the general guidance to compliance audits. The guidelines are written from two perspectives; ISSAI 4100 which deals with compliance audits performed separately from the audit of financial statements and ISSAI 4200 which deals with compliance audits related to the audit of financial statements.

The compliance audit process involves; initial considerations, planning the audit, performing the audit and gathering evidence, evaluating evidence and forming conclusions and reporting.

Compliance audit reports take different forms; short or long form depending on the user's needs. The short form is more condensed and generally in a more standardized format, while the long form generally describes in detail, the audit findings and conclusions, including potential consequences and constructive recommendations.

Auditors should further consider any professional responsibilities in respect of identified instances of non-compliance with laws and regulations, included in the International Code of Ethics for Professional Accountants (the Code) as well as the INTOSSAI Code of ethics.

3.2.3 Audit of Reported Performance Information

The objective of this audit is to provide assurance on whether the reported performance information for the selected programmes/objectives/development priorities presented in the annual performance report is free from material misstatement, i.e. the reported performance information is useful and reliable in all material respects.

Relevant audit procedures are performed to determine whether the reported performance information was properly presented; the reported performance was consistent with the approved performance planning documents; the indicators and related targets were measurable and relevant; and to assess the reliability of the reported performance information to determine whether it was valid, accurate and complete.

3.3 Applicability of professional standards to audits in the public sector

In performing his or her mandate, the AG is guided by both national and international auditing standards;

a. The International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements issued by the IAASB are applied in the audits.
b. Auditors performing audits in the public sector are subject to the ICPAU Code of Ethics which is consistent with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA) , as well as the INTOSAI Code of Ethics.
c. Relevant principles contained in the ISSAIs published by the International Organization of Supreme Audit Institutions (INTOSAI) are also applicable to public sector audits. Public sector auditors need to consider that in applying the ISSAIs for financial audits in the public sector, the ISAs and the Practice Notes together form guidance.

The Office of the AG subscribes to the INTOSAI Framework of Professional Pronouncements (IFPP) which includes; Principles, Standards (ISSAIs) and Guidance. ISSAIs are professional Auditing Standards essential for enhancing the credibility, quality and professionalism of public sector auditing.

Some specific considerations for public sector entity audits include;

3.3.1 ISSAI 1200: *Overall Objectives of the Independent Auditor and the Conduct of an* Audit in Accordance with International Standards on Auditing

An audit of financial statements in the INTOSAI context may be a part of a broader regularity (financial) audit and embraces:

a) Attestation of financial accountability of accountable entities, which involves examining and evaluating financial records and expressing an opinion on financial statements;
b) Attestation of financial accountability of the government administration as a whole;
c) Audit of financial systems and transactions including evaluating compliance with applicable statutes and regulations;
d) Audit of internal controls and internal audit functions;
e) Audit of the probity and propriety of administrative decisions taken within the audited entity; and
f) Reporting of any other matters arising from or relating to the audit that the Office of the AG considers should be disclosed.

3.3.2 ISSAI 1210: *Agreeing the Terms of Audit Engagement*

Key issues for the public sector auditors to note here include;

a) The terms of the audit engagement in the public sector are normally mandated and therefore not subject to requests from, and agreement with, management.
b) In the public sector the financial reporting framework is often prescribed by law and regulation.
c) That there are additional matters that may be relevant to the engagement letter and

that the public sector auditors have to report on them if they become aware of them during the course of the audit. These include: non-effective performance of operations; instances of non-compliance with authorities; waste; and instances of abuse.

d) Public sector auditors may not have the option to decline or withdraw from the audit engagement.

3.3.3 ISSAI 1250: *Consideration of Laws and Regulations in an Audit of Financial* Statements.

a) In the public sector, consideration of compliance with laws and regulations often has a broader scope than that set out in the ISSAIs. This broader scope may, include for example, additional responsibilities for expressing a separate opinion as to the entity's compliance with laws and regulations.

b) Public sector auditors must familiarize themselves with such laws, regulations or audit mandate.

c) Legislation is particularly important in the public sector as it prescribes the operations of public sector institutions, ensuring that taxpayers' money is spent effectively and efficiently for the benefit of the public.

3.3.4 ISSAI 1300: *Planning an Audit of Financial Statements*

The principles contained in ISSAI1300 are applicable to auditors of public sector entities in their role as auditors of the financial statements. The overall considerations here would include;

a) The objectives of a financial statement audit in the public sector are often broader than reporting whether the financial statements have been prepared, in all material respects, in accordance with the applicable financial reporting framework (i.e. the scope of the ISSAIs). These may include additional auditing and reporting responsibilities, for example, relating to reporting whether the auditor found any non-compliance with authorities, including budget and accountability and/or reporting on the effectiveness of internal control over financial reporting and compliance with authorities.

b) The audit mandate or obligations for public sector entities, arising from legislation, regulation, ministerial directives, government policy requirements, or resolutions of the legislature, may result in additional reporting objectives. However, even in cases where there are no such additional reporting objectives, there may be general public expectations in regard to public sector auditors' reporting of non-compliance with authorities or reporting on effectiveness of internal control. Therefore, public sector auditors keep such expectations in mind, and are alert to areas that may give rise to non-compliance when planning and performing the audit.

c) In the public sector environment, additional planning considerations may include:

- Obtaining an understanding of the legal and regulatory framework applicable to the entity due to the broader objectives of the audit.

- The implications for the audit of the financial statements of knowledge obtained from performance audits and other audit activities relevant to the entity, including the implications of previous recommendations.
- The implications for the audit of the financial statements of knowledge obtained from planning activities related to the relevant department and ministry.
- The expectations of the legislature and other users of the auditors' report.

d) Preliminary engagement activities undertaken at the beginning of a current audit engagement include performing procedures regarding continuance of the client relationship, evaluation of compliance with ethical requirements and establishing an understanding of the terms of the engagement.

Public sector auditors may not have the option to discontinue the audit engagement. If information becomes available to public sector auditors that would normally result in declining or discontinuing the engagement, public sector auditors take such information into account when performing further planning and risk assessment activities. Public sector auditors may also have a statutory responsibility to report such issues.

e) Planning activities - In establishing the overall audit strategy, public sector auditors consider additional characteristics of the engagement. Examples of such characteristics may encompass:

- Additional reporting requirements for the entity established by the legislature that may influence the scope and timing of the audit, and the nature of communication. Examples of such additional requirements may include reporting on government funding, including grants.
- Additional reporting objectives as a result of the audit mandate that may influence the scope and timing of the audit, and the nature of communication. Examples of such additional objectives may include reporting on noncompliance with authorities including budget, accountability and/or reporting on effectiveness of internal control.

f) Documentation - the auditor is required to document the overall audit strategy and audit plan, as well as significant changes to those documents made during the audit. These documents may be subject to third party access. As a result, public sector auditors familiarize themselves with relevant legislation and determine the implications on the nature and classification of planning documentation.

g) Considerations Specific to Smaller Entities
Due to the reporting structure of government entities, the concept of the owner-manager does not normally exist. In the public sector, control structures of smaller entities are usually part of the control structure of a larger government body.

Therefore, the assumption of few relevant control activities is usually not appropriate in the public sector. Additional control aspects of the larger government body may be included in audit programs or audit completion checklists used by public sector auditors.

h) Additional Considerations in Initial Audit Engagements

In the public sector, audit engagements are normally not initiated in the same way as in the private sector. Public sector auditors may be selected through a competitive process or may be appointed by statute.

It is to be noted that, in the Court of Accounts environment (in civil law systems), the audit report is often judged and used to determine personal legal implications of those who are responsible for financial acts. Therefore, public sector auditors in the Court of Accounts environment may identify those responsible for financial acts. Court of Accounts auditors may work closely with prosecutors and police when dealing with financial fraud. Therefore, public sector auditors in a Court of Accounts environment also, when appropriate, obtain information from prosecutors and police.

3.3.5 ISSAI 1315: *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*

Considerations here include;

a) Law, regulation or other authority may affect the entity's operations. Such elements are essential to consider when obtaining an understanding of the entity and its environment.

b) For the audits of public sector entities, "management objectives" may be influenced by concerns regarding public accountability and may include objectives which have their source in law, regulation or other authority.

c) When making inquiries from management and others within the entity as part of the risk assessment procedures, public sector auditors may obtain information from additional sources such as: auditors involved in performance and other audits related to the entity; government officials; and legislative reports or minutes.

d) Performing analytical procedures as part of the risk assessment procedures in public sector audits may consider relationships such as: expenditures versus appropriations; benefit payments, such as child support and pensions versus demographic information; and interest as a percentage of national debt compared to the government borrowing rate.

e) Observation and inspections as part of the risk assessment procedures by public sector auditors may involve items such as: additional documents prepared by management for the legislature, such as performance reports or funding requests; testimonies of agency officials; ministerial and other directives; and official records of proceedings of the legislature.

f) Public sector auditors often have additional responsibilities with respect to internal control, for example, to report on compliance with an established code of practice. Public sector auditors can also have responsibilities to report on compliance with law, regulation or other authority. As a result, their review of internal control may be broader and more detailed.

g) In exercising judgment as to which risks are significant risks, public sector auditors may take the following into account: the complexity and inconsistency in regulations and directives; non-compliance with authorities; and the budget process and the execution of the budget.

3.3.6 ISSAI 1330: *The Auditor's Responses to Assessed Risks*

Considerations here include;

a) Audit procedures responsive to the assessed risks of material misstatement at the assertion level;
   - Tests of compliance with laws and regulations may be carried out during the year while tests of budget execution normally are completed at year-end.
   - Testing and reporting on non-compliance with certain regulations may affect the auditor's consideration of the nature, timing and extent of further audit procedures.
   - Tests of controls for a public sector entity may be broader and more detailed than those for a private sector entity.
   - In designing and performing tests of controls, public sector auditors determine whether the entity is part of a larger government control environment. As a result, controls may exist outside the entity.
   - Audit evidence obtained in performance audits or other audit activities relevant to the entity may be used to conclude about the operating effectiveness of controls.

b) The need to obtain sufficient appropriate evidence to meet any additional objectives may be required.

c) For public sector auditors with a judicial role, specific considerations include performing procedures to identify those responsible for financial acts and for compliance with legal requirements when evaluating the sufficiency and appropriateness of audit evidence.

3.3.7 ISSAI 1500: *Audit Evidence*

a) The objective of the auditor is to design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion.

b) Audit evidence comprises both information that supports and corroborates management's assertions, and any information that contradicts such assertions.

c) When considering information from sources independent of the entity, public sector auditors may consider sources as independent of the entity even though they ultimately report to the same authority.

d) Audit evidence obtained from previous audits may, in certain circumstances, provide appropriate audit evidence where the auditor performs audit procedures to establish its continuing relevance.

e) When the audit mandate includes

objectives related to the regularity of transactions, the public sector auditors may need to consider the nature and timing of audit procedures.

f) Public sector entities will usually have established internal controls designed to secure the regularity of transactions.

g) Public sector auditors also take into account that data retention requirements for public sector entities as these may be different as stipulated by relevant legislation.

3.4 Internal Audit in Public Sector

The internal audit function in Uganda is established by legislation , and there is therefore a strong indication that the function is objective. The roles of the internal audit function are to;

a. Review, appraise and report on the extent to which government assets and interests are accounted for and safeguarded in the operations of the spending agencies, and identify weaknesses and make suggestions for their elimination.
b. Review, appraise and report on soundness, adequacy and application of internal controls to realize value for money.
c. Undertake special investigation on Financial and Operational anomalies of spending agencies.

Because the objective of a financial audit in the public sector is often broader than expressing an opinion, the public sector auditor must determine whether and to what extent to use the work of the internal audit function of government. He/ she may consider, if relevant, the existence and reports of the internal audit function in carrying out their audit work.

3.5 Quality Control

ISSAI 140 provides guidance on Quality Control for SAIs. It is based on the key principles in the International Standards on Quality Control (ISQC 1) issued by the International Auditing and Assurance Standards Board (IAASB) , as adapted to apply to SAIs.

ISSAI 140 assists SAIs to establish and maintain an appropriate system of quality control which covers all of their work. ISSAI 140 helps SAIs design a system of quality control which is appropriate to their mandate and circumstances and which responds to their risks to quality. The quality of work performed by Office of the AG affects its reputation and credibility, and ultimately its ability to fulfil their mandate.

The Office of the AG maintains a system of quality control that is part of its strategy, culture, and policies and procedures. In this way, quality is built into the performance of the work and the production of reports, rather than being an additional process once a report is produced.

Firms outsourced by the AG are required to maintain their own systems of quality control at firm, network firm and engagement level, in accordance with the International Standards on Quality Control, when performing audits in the public sector.

3.6 Performance Audits/ Value for Money Audits

ISSAI 300: Fundamental Principles of Performance Auditing, establishes the framework for performance auditing and provides the general guidance for conducting performance audit engagements.

ISSAI 300 defines a performance audit as one carried out by SAIs as an independent, objective and reliable examination of whether government undertakings, systems, operations, programmes, activities or organisations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement.

Performance audits might be confused with the audit of reported performance information due to similar terminology being used. However, a performance audit is different from the three components of the annual audit set out in the preceding paragraphs. The main objective of performance auditing is constructively to promote economical, effective and efficient governance. It also contributes to accountability and transparency. Performance auditing promotes accountability by assisting those charged with governance and oversight responsibilities to improve performance by examining whether decisions by the legislature or the executive are efficiently and effectively prepared and implemented, and whether the taxpayers or citizens have received value for money. Performance auditing promotes transparency by affording Parliament, taxpayers and other sources of finance, those targeted by government policies and the media an insight into the management and outcomes of different government activities.

Performance audits also termed as a value for money audits or 3Es effectiveness audits are described as audits conducted to determine whether appropriate and adequate measures have been implemented by management to ensure that resources are procured economically and are utilised efficiently and effectively. Performance auditing seeks to provide new information, analysis or insights and, where appropriate, recommendations for improvement. Performance audits provide new knowledge or value by:

- Providing new analytical insights (broader or deeper analysis or new perspectives).
- Making existing information more accessible to various stakeholders.
- Providing an independent and authoritative view or conclusion based on audit evidence.
- Providing recommendations based on an analysis of audit findings.

Economy, efficiency and effectiveness, often known as the 3Es, form the theoretical platform for the perspectives and the types of problems that are addressed in performance auditing. Some SAIs in the world use additional Es in their performance audit practice, such as environment and equity. Performance auditing generally follows one of three approaches:

a. a system-oriented approach, which examines the proper functioning of management systems, e.g. financial management systems;

b. a result-oriented approach, which assesses whether outcome or output objectives have been achieved as intended or programmes and services are operating as intended;
c. a problem-oriented approach, which examines, verifies and analyses the causes of particular problems or deviations from criteria.

The frequency of performance audits is ad hoc based on indications of weaknesses in performance of undertakings, programs, policies, project activities, e.t.c. The reports vary in structure and content, and are published as completed.

3.7 Identification of Internal Control Deficiencies

As part of the annual audit, the auditor evaluates the implementation of internal controls in the areas of financial statements, reported performance information and compliance with key legislation, and the outcome of this is included in the management report of the auditee.

The auditor's report includes reporting on internal controls that resulted in the basis for the opinion on financial statements, the findings on the annual performance report and the findings on compliance with key legislation.

3.8 Reporting

ISSAI 1700, Forming an Opinion and Reporting on Financial Statements, and related ISSAIs provide the general guidance on the form and content of the auditor's report as well as the different types and circumstances that require modifications.
In the public sector, management's responsibilities may be broader than those responsibilities in the private sector;

- Management is responsible for the preparation of the financial statements in accordance with the applicable financial reporting framework, and for such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- When referring to ethical requirements in the auditor's responsibilities section of the report, the IFAC Code of Ethics for Professional Accountants may be relevant as well as the INTOSAI Code of Ethics in public sector audits.
- In cases where public sector auditors are required by law or regulation to use a specific layout or wording in the auditor's report, public sector auditors are required to evaluate whether such layout or wording contains the minimum elements.
- When laws and regulations do not specify the addressee for the auditor's report, public sector auditors address the auditor's report to those charged with governance or relevant part of the legislature, as appropriate.
- Laws and regulations may establish deadlines for the date of the auditor's report. In circumstances where public sector auditors are unable to meet the deadline, they may

consider taking appropriate actions such as informing those charged with governance or the legislature.

- A general purpose financial statement framework in the public sector may include additional reports such as a comparison of budget and actual amounts, reports on performance and appropriation reports to constitute a complete set of financial statements.

In the public sector, audit mandates or expectations may expand circumstances relevant for reporting by public sector auditors in an Emphasis of Matter paragraph. Examples of issues that may be relevant to report in an Emphasis of Matter paragraph, if properly disclosed in the financial statements may include; Legislative actions on programs or the budget; Contradictive laws, regulations or directives with a significant effect on the entity; Fraud, abuse or losses; Significant transactions; Environmental issues; Significant internal control deficiencies; Questionable business practices; Transactions entered into without due regard for economy; Prior period restatements; Lack of fiscal sustainability; Corporate social responsibility issues; Ethical issues; or Ineffective and uneconomical use of public assets.

Public sector auditors may also decide to include an Emphasis of Matter paragraph for matters relating to non-compliance with authorities e.g. improper stewardship of funds. However, an Emphasis of Matter paragraph related to non-compliance may only be relevant if there is no requirement to provide a separate opinion on compliance with authorities.
Restriction on distribution or use of the auditor's report, may not be an option in the public sector. Generally, an audit report, must reflect such opinions and statements as may be required by any legislation applicable to the auditee which is the subject of the audit, but must at least reflect an opinion, conclusion or findings on:

1. The financial statements of the auditee in accordance with the applicable financial reporting framework and legislation (referred to as the audit of financial statements in this Proposed Guide). Sec. 19 of the NAA requires the AG to express an opinion on the accounts based on the results of each audit.
2. Compliance with any applicable legislation relating to financial matters, financial management and other related matters (referred to as the audit of compliance with key legislation in this Guide).

3. Reported performance of the auditee against its predetermined objectives (referred to as the audit of reported performance information in this Guide).

3.9 Legislated dates

Often, legislation requires that the financial statements and the audit thereof be finalised within certain deadlines. Section 19(2) of the NAA, 2008 as amended by section 82(4), of the Public Finance Management Act 2015, requires the AG to audit and report to Parliament within 6 months after the end of the financial year.

Parliament shall then within 6 months after receipt of the report from the AG, debate and consider the report and take appropriate action.

The AG may at any time if desirable submit to the Speaker of Parliament and to the Minister, a special report on any matter incidental to his or her powers and duties under the NAA.

In order to conduct these audits within the prescribed timeframes, the AG works in conjunction with private auditors to help achieve its mandate.

4.0 Legislation, Guidance, Circulars and Reporting Frameworks applicable in the Public Sector

Legislation is particularly important in the public sector as it prescribes the operations of public sector institutions, ensuring that taxpayers' money is spent effectively and efficiently for the benefit of the public. It is essential that auditors of public sector institutions obtain an understanding of legislation applicable to the auditee during the planning phase of the audit.

All external auditor responsibilities, appointment formalities and duties are founded in legislation, although elaborated on by technical standards.

4.1 Legislation Applicable in the Public Sector

Public sector institutions operate within a complex legislative framework. Auditors must identify and familiarise themselves with the relevant legislation that is applicable to the auditee being audited. Due to there being different types of auditees, care must be taken to ensure that only relevant sections of the applicable Act are referred to.

The Constitution is the specific legal framework that provides for the mandate of the AG and is further amplified by the Local Governments Act, 1997, the Public Finance Management Act, 2015 and the Regulations therein and the National Audit Act, 2008.

4.1.1 The Constitution of the Republic of Uganda

Article 163 of the Constitution specifically mandates the AG to audit and report on the public accounts of Uganda and to further conduct financial and Value for Money audits in respect of any project involving public funds.

Specifically, Article 163;

a. Establishes the person of AG, appointed by the President with the approval of Parliament and whose office shall be a public office.
b. Provides for the requisites and qualifications of the AG - unless the person is a qualified accountant of not less than fifteen years' standing; and a person of high moral character and proven integrity.

c. Guides on the duties and responsibilities of the AG including:-
   i) Auditing and reporting on the public accounts of Uganda and of all public offices including the courts, the central and local government administrations, universities and public institutions of like nature, and any public corporation or other bodies or organizations established by an Act of Parliament; and

ii) Conducting financial and value for money audits in respect of any project involving public funds.
iii) Submitting to Parliament annually a report of the accounts audited by him or her for the financial year immediately preceding. Parliament is then required to debate and consider the report and take appropriate action within six months after the submission of the report.

d. The AG shall not be under the direction or control of any person or authority in performing his or her functions.
e. The President may, acting in accordance with the advice of the Cabinet, require the AG to audit the accounts of anybody or organization.
f. The salary and allowances payable to the AG shall be charged on the Consolidated Fund.
g. The accounts of the office of the AG shall be audited and reported upon by an auditor appointed by parliament.
h. The AG may be removed from office by the President only for; inability to perform the functions of his or her office arising from infirmity of body or mind; misbehaviour or misconduct; or incompetence.

In addition, Article 154 (3) of the Constitution requires the AG to approve withdrawal of funds from the consolidated fund as prescribed by Parliament.

4.1.2 The National Audit Act, 2008

The National Audit Act gave effect to Articles 154 (3) and 163 of the Constitution by providing operational and financial independence for the Office of the AG. The AG's responsibilities are enshrined in this Act.

The Act provides for the appointment, tenure and removal of the AG, and provides for staff of the Office of the AG. Sec. 13 of the Act guides on the functions of the AG and enumerates the different types of audits the AG is mandated to undertake. The Act also gives the Auditor General right of access to documents and information relevant to the performance of his or her functions; and for other related matters in the exercise of his functions.

The Act in its totality takes supremacy over all existing Acts relating to the Office of the AG, or to the functions and powers of the AG and any Act in contradiction with the National Audit Act is modified to conform to the provisions of the Act.

4.1.3 The Public Finance Management Act, 2015 regulations and instructions issued in terms of this Act

Particular sections that are applicable here include;
Section 31 – Grants of Credit on the Consolidated Fund, guides on the AG's powers to issue a

grant of credit on the consolidated fund to the Minister responsible for finance.

Section 51 - Annual accounts – requires the AG to examine and audit the accounts submitted by an accounting officer of a vote and an accounting officer of a local government in accordance with the provisions of the NAA.

4.1.4 The Local Governments Act, 1997

The particular sections applicable include;

a. Section 87, which requires every Local Government Council and Administrative Unit to keep proper books of accounts and other records in relation thereto and balance its accounts for that year and produce statements of final accounts within four months from the end of each financial year.
b. Section 88, provides that, the accounts of every Local Government Council and Administrative Unit shall be audited by the AG or an auditor appointed by him or her.
c. The AG may also carry out surprise audit, investigations or any other audit considered necessary.
d. The AG is required to give the report of the audited accounts to:-the Parliament; the Minister responsible for finance; the Local Government or administrative unit to which the audit relates; the Local Government Public Accounts Committee; the Local Government Finance Commission; the Inspector General of Government; and the Resident District commission.

4.2 Guidance and Circulars issued by the Accountant General

The Accountant General issues Treasury Instructions, Guidance and Circulars on good practices from time to time. The latest Treasury Instructions 2017, provide direction on financial matters consistent with provisions of the Constitution of the Republic of Uganda, 1995 as amended, the Public Finance Management Act (PFMA), 2015 as amended, Public Finance Management Regulations (PFMR), 2016 and other relevant Public Financial Management (PFM) legislation.

The scope of application of the Treasury Instructions is the General Government Sector, which comprises of all votes and constitutional institutions. The Instructions also apply to public corporations and state-owned enterprises where this has been expressly stated.

These should be taken into consideration when auditing public sector institutions. They can generally be obtained from the offices of all accounting officers.

5.0 Financial Reporting Frameworks applicable in the Public Sector

As is the case in the private sector, frameworks in the public sector may be either fair presentation or compliance frameworks (ISSAI 1200.P16). The International Public Sector Accounting Standards (IPSAS), issued by the International Public Sector Accounting Standards Board is an example of a fair presentation framework designed for use in the public sector. A complete set of financial statements for a public sector entity may normally comprise:

- A statement of financial position;
- A statement of financial performance;
- A statement of changes in net assets/equity;
- A cash flow statement;
- A comparison of budget and actual amounts either as a separate additional financial statement or as a reconciliation; and
- Notes, comprising a summary of significant accounting policies and other explanatory information.

In some environments, a complete set of financial statements may also include other reports such as reports on performance and appropriation reports.
It is important for auditors in the public sector to identify the financial reporting framework applicable to the institution being audited and ensure they have sufficient experience and knowledge about the financial reporting framework to perform the audit.

6.0 Key Stakeholders and role players in the Public Sector

Key stakeholders in the public sector include the Parliament of Uganda, the Office of the Auditor General, Executive authorities, Accounting officers and the public at large.
When auditing in the public sector, it is important to have an understanding of these and how they interact with one another. Relevant legislation and policies should be referred to in order to obtain an understanding of the relevant roles and responsibilities of each, as may be applicable to the auditee.

The Parliament of Uganda – who represent the public, approve policies and legislation, and monitor the work of the Executive and departments. The raising and expenditure of public funds by the Executive is subject to authorization and control by the Parliament. Parliament also provides the mandate to the AG.

The Executive – coordinates the making of policies and legislation and oversees implementation by government departments and agencies. In incurring expenditure of public funds, the Executive is required to exercise strict commitment and expenditure control and ensure efficiency and economy of operations in accordance with the intentions of Parliament. It is also required to prepare detailed sets of accounts and financial statements. The accounting officers/ public servants – are responsible for doing the work of government and account to the executive.

The AG audits accounts and reports to Parliament. The accountability cycle ends in Parliament with the review of the Public Accounts and the AG's Reports, by the oversight accountability Committees of Parliament, namely the Public Account Committee (PAC), Committee on Statutory Authorities and State Enterprises (COSASE) and the Local Government Accounts Committees.

7.0 Auditors' Interactions with Government and Government oversight mechanisms

Communication requirements within the public sector maybe more complex than private sector audits and public sector auditors should ensure that there is proper planning for this, taking into consideration any guidance provided, over and above the relevant auditing standards.

In general, the AG interacts proactively with the executive authority and oversight bodies such as the Parliament and accounts committees. The aim of these engagements is to promote and encourage clean audit outcomes and to enhance public governance.

The public sector auditor provides the AG with relevant information for such meetings, where required. It is recommended that the auditor includes this matter in their engagement letter with the auditee.

8.0 Conclusion

Auditors performing public sector engagements should ensure that they have the appropriate knowledge and skills to perform the audit in accordance with the applicable professional standards as well as legal and regulatory requirements, taking cognisance of the unique demands of the public sector.