



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF**  
**DIRECTORATE OF CITIZENSHIP AND IMMIGRATION CONTROL**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**OFFICE OF THE AUDITOR GENERAL**  
**UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF  
DIRECTORATE OF CITIZENSHIP AND IMMIGRATION CONTROL  
FOR THE YEAR ENDED 30<sup>TH</sup> JUNE, 2017**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**REPORT ON THE FINANCIAL STATEMENTS**

**Opinion**

I have audited the financial statements of the Directorate of Citizenship and Immigration Control for the year ended 30<sup>th</sup> June 2017. These financial statements comprise of the statement of financial position, the statement of financial performance, and cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of the Directorate of Citizenship and Immigration Control for the year ended 30<sup>th</sup> June 2017 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015, and the Financial Reporting Guide, 2008.

**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 Directorate 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

have determined the matters described below to be the key audit matters communicated in my report.

- **Inadequate Controls Surrounding Management of Domestic Arrears**

Domestic arrears refer to the total value of unpaid bills for goods and services rendered to a government entity, including wages and pension that remain outstanding at the closure of a financial year. There has been persistent accumulation of domestic arrears to unmanageable levels which has led to settlement of arrears that are not authorized, unbudgeted for, inadequately supported and in some instances there has been inadequate recognition and disclosure of the domestic arrears. The variances between the reported figures in the financial statements and the amounts verified by Internal Auditor General formed a basis of my qualification of consolidated GOU financial statements for the year ended 30th June 2016.

Consequently, domestic arrears were considered a key audit matter which needed to be examined to assess: the appropriateness of recording, recognition and disclosure of domestic arrears; the trend and the underlying factors; and the adequacy of the internal controls surrounding management of domestic arrears.

During audit planning, I focused on examination of domestic arrears in regard to goods and services, salaries and wages, and pension and gratuity. I undertook the following procedures in relation to domestic arrears: a trend analysis over a period of three years to ascertain the underlying causes of accumulation; reviewed budget and commitment control procedures to assess their effectiveness; ascertained the authenticity of the supporting documentation and assessed the appropriateness of the accounting treatment. I also engaged the Accounting Officer to enable me arrive at the audit conclusions.

Based on the procedure performed, I observed that an amount of UGX.6,004,740,657 was irregularly incurred as domestic arrears outside the approved estimates appropriated by Parliament. The trend shows a decrease of 2% (UGX.128,507,555) from UGX.6,133,248,212 in the prior year to UGX.6,004,740,657. It was further noted that most of the outstanding commitments were committed way back in 2010.

I further observed that there was no budget provision for settlement of domestic arrears totaling to UGX.1,857,299,231 posing a risk of diversion of funds for settling the obligations. This may be as a result of existence of a weak and ineffective internal control system over the control and management of domestic arrears, such as non-adherence to government commitment control system.

Management explained that the provision for domestic arrears in the year under review was only UGX.700 million. The payments were undertaken based on a directive by the PSST to the accounting officers for domestic arrears to take a first call on the budget. Management had to settle some of the domestic arrears from the related line items in order to reduce on the outstanding liability.

Recommendation

I advised the Accounting Officer to liaise with Ministry of Finance, Planning and Economic Development to ensure that sufficient budget provisions are made for domestic arrears to enable their eventual settlement.

### **Emphasis of matter**

Without qualifying my opinion, I draw attention to the following matter described in notes 24 and 25 of the financial statements.

- **Lack of tenancy agreement between CAA and DCIC**

I noted that there is no tenancy agreement between CAA and DCIC for the space occupied at the airport despite CAA demanding UGX.1,256,043,515 as at the close of the financial year. Included in this amount is a sum of UGX.284,176,939 accumulated interest charged on delayed payments of rent, parking and utilities. The basis of charging this interest could not be established.

Without a tenancy agreement, I could not confirm outstanding rent, interest and utilities and I could not ascertain the terms and conditions of the tenancy.

Management explained that the said figure is under contest by DCIC. After analyzing the demand notes submitted by CAA it was realized that part of what forms the figure on the demand notes is interest charged on delayed payments of rent, parking and utilities. The basis for CAA demanding interest penalties is not contractual. Management has since started the process of negotiations and also regularizing occupancy of the CAA premises.

I advised the Accounting Officer to expedite the process of regularizing the occupancy.

### **Other Matters**

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

- **Budget performance**

The Ministry expected to receive UGX.138,623,228,766 grants from the Government for the year under review. However, only UGX.118,434,382,684 was released creating a shortfall of UGX.20,188,846,082 representing 14.6%. Failure to collect all budgeted funds stalled implementation of some programs thereby denying services to the intended beneficiaries.

The unachieved activities included registration of aliens, procurement of electronic aliens', electronic identity cards and procurement of aliens' personalization machinery.

Those partly achieved include; registration of citizens and issuance of citizens with national IDs while the planned activities not quantified include birth and death register and number of recruited and trained officers. **Appendix 1 refers.**

Management explained that under budget performance of the planned outputs was due to the delayed recruitment of NIRA staff to populate the approved structure due to administrative review undertaken by the Minister of internal Affairs. The underperformance on the registration of learners was due to the delay in approval the processes. The project started on 5<sup>th</sup> June as opposed to the planned date of 29<sup>th</sup> May, 2017 and the registration started in 4 regions.

I advised the accounting Officer to undertake planned activities timely.

- **Shortage of passports/delay in delivery**

The EAC Heads of State launched the New International East African e-Passport and directed the commencement of issuance of the e-Passport to take effect from 1<sup>st</sup> January, 2017. This was further extended to 3rd April 2017.

The states agreed to implement the phase out programme of the current East African and National Passports from 1<sup>st</sup> January, 2017 to 31<sup>st</sup> December, 2018.

In the financial year 2017/18, the Directorate was provided a budget of UGX.2.7bn. to procure 70,000 passports yet the estimated annual demand for passports in the country including Missions abroad is 250,000 passports. This would require a budget provision of UGX.9bn to procure an additional 125,000 passports. The Directorate is experiencing an increase in demand for Ordinary Passports especially from those seeking employment abroad from 950 to 1,000 as evidenced by daily passport applications.

Review of the records revealed that DCIC has faced a challenge of passport shortages for close to a half a year now and this has subsequently led to congestion. This has also denied a number of citizens of their rights to own passports.

Management explained that Government is in negotiation with vendors over revamping of UPPC through a Joint Venture partnership. The Joint Venture will revamp UPPC to be able to do security printing in the country including E-passports and E-IDs. In the meantime DCIC is engaging MOFPED for more funding to procure machine readable passports.

I advised the Accounting Officer to continue liaising with the relevant stakeholders to urgently iron out the issue of shortage of pass ports.

- **Expiry of the Board**

Para (34) (E-c) of the Uganda Public Service Standing Orders mandates the responsible Permanent Secretary to appoint the Board. However, a review of the governance of the Directorate revealed that the term of office of the Board expired in March this year. Lack of a Board may hamper decision making in the Directorate's management.

Management explained that the critical mandate of the Board is referred to the Minister and the process of appointment is ongoing.

I advised the Accounting Officer to liaise with the appointing authority to expedite the process of appointing the new board and key decisions taken by the expired board ratified.

- **Review of NIRA expenditures**

- **Absence of an approved Strategic Plan**

Section (13) b, of the Registration of the Persons Act 2015 provides that one of the functions of the Board is to advise the Minister on the registration and identification of persons, related policy and strategic issues concerning the Authority.

A strategic plan provides an organization with purpose and direction; it is an important tool in steering an organization towards its Vision, Mission and the overall Mandate. Annual activities undertaken by any organization should be derived from the strategic plan. I noted that the entity has continued to operate without a corporate plan that

spells out the long and medium term plans. Absence of an approved strategic plan affects the overall guide to planning and priority setting. The achievement of the organizational mission and objectives are likely to be negatively affected.

Management explained that it had not finalized its Strategic Plan but significant progress had been made with a draft strategic plan in place awaiting Board of Directors' approval.

I advised the Accounting Officer to draw the issue to the attention of the Board for immediate approval.

➤ **Absence of a Risk Management Policy**

Section (13) (b), of the Registration of the Persons Act 2015 provides that one of the functions of the Board is advice the Minister on the registration and identification of persons, related policy and strategic issues concerning the Authority and this requires that Entity Management is structured well to ensure the objectives of the Organization are met and it has a structured process for managing risks. By applying a structured process, key risks can be identified and ways of mitigating them sought to avoid negative impact on the organization operations. Furthermore, the Internal Audit Charter, November 2008 requires that the Internal Audit should conduct risk management audits to ascertain whether or not management has set procedures for risk identification and management including frauds and money laundering.

I noted that Management did not have a well-documented policy for managing risk. In the absence of the policy, unidentified key risks are likely to occur which may have adverse effects on the NIRA funds and programmes implementation.

Management acknowledged the anomaly and indicated that they had taken the advice and commenced the process to develop one.

I advised the Accounting Officer to fast track development of the Risk management policy so as to identify and understand risks, develop a risk strategy for the key risks identified and monitor risk so as to reduce likelihood of occurrence.

➤ **Absence of IT strategy**

The International Standard on Auditing (ISA) 315.93-95 requires that the Auditor considers whether the entity has responded adequately to the risk arising from using Information Technology (IT) by establishing effective general IT controls, the main objective being to establish the effectiveness and integrity of information.

A review of the entity's IT systems revealed that there was no IT Strategic Plan/Policy and IT Steering Committee for this organization which handles sensitive public personal information. In the absence of an IT strategy and Disaster Recovery mechanism, the integrity of data or information may be compromised.

Management explained that the IT Policy for the Authority had not been finalized but a draft was in place which they will ensure is finalized and approved accordingly by the Board of Directors.

I advised the Accounting Officer to ensure the IT Strategic Plan is developed to drive the entity in the right direction in achieving its IT objectives for mitigation of external system threats.

**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 Ministry.

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, 2008, 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 Ministry's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Ministry, and using the Financial Reporting Guide 2008 unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Ministry'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 Ministry'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 Ministry'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 Ministry 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.



John F.S. Muwanga

**AUDITOR GENERAL**

KAMPALA

20<sup>th</sup> December, 2017

**APPENDICES**

**Appendix 1-Unimplemented activities**

<b>Vote function output</b>	<b>Item description</b>	<b>Planned outputs/Quantity</b>	<b>Amount budgeted</b>	<b>Amount released</b>	<b>Actual Amount spent</b>	<b>Actual output/ Quantity /Audit Observations</b>	<b>Remarks</b>
	121106 – Identity cards issued	600,000 resident Aliens registered.  600,000 electronic Alien electronic identity cards procured and issued.  3 million citizens issued national identity cards.  2 million blank national ID cards for citizens procured.  Birth and death register updated.        900 registration officers trained.	75,267,488,000	64,505,089,549	7,281,953,818	0 resident Aliens registered.  0 electronic Alien electronic identity cards not procured and issued  502,568 citizens were issued with national ID cards  2,668,000 blank ID cards procured  Civil registrations of 37,694 births and issuance of 31,709 birth certificates, 3,217 deaths and issuance of 2,715 death certificates  Recruitment and deployment of Directors, Heads of Departments and Managers. Recruitment of senior officers on the	Unimplemented  Unimplemented   Underperformance 2,497,432  Achieved      Unquantified planned output for birth and death register update

		5 million Ugandan citizens registered.				NIRA Registration of 878,722 pupils and Students	Number of recruited and trained officers not quantified  Underperformance 4,121,278
	121177- Purchase of specialized machinery and equipment.	Alien ID personalization machinery procured. 200 national ID card readers procured. National ID disaster recovery equipment procured.	16,812,000,000	8,542,683,660	8,542,683,660	Alien ID personalization machinery not procured.  200 national ID card readers procured.  National ID disaster recovery equipment procured.	Unimplemented  Achieved  Achieved

## **FINANCIAL STATEMENTS**