



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
MINISTRY OF INFORMATION, COMMUNICATIONS TECHNOLOGY AND
NATIONAL GUIDANCE FOR THE YEAR ENDED 30TH JUNE 2017**

OFFICE OF THE AUDITOR GENERAL
UGANDA

TABLE OF CONTENTS

LIST OF ACRONYMS	3
Qualified Opinion	4
Basis for Qualified Opinion	4
Key Audit Matters	5
Other Matter	7
Responsibilities of the Accounting Officer for the financial statements	7
Auditor’s Responsibilities for the audit of the financial statements.....	8

LIST OF ACRONYMS

Acronym	Meaning
LPO	Local Purchase Order
MoIT & NG	Ministry of Information Technology and National Guidance
ICT	Information Communication Technology
IT	Information Technology
WAN	Wide Area Network
PFMA	Public Finance and Accountability Act

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
MINISTRY OF INFORMATIONS TECHNOLOGY AND NATIONAL GUIDANCE
FOR THE YEAR ENDED 30TH JUNE, 2017**

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Qualified Opinion

I have audited the financial statements of Ministry of Information Technology and National Guidance for the year ended 30th 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, except for the effects of the matter described in the Basis for Qualified Opinion section of my report, the financial statements of Ministry of Information Technology and National Guidance for the year ended 30th 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 for Qualified Opinion

• **Mischarge of expenditure**

Expenditure totaling to UGX.1,997,539,444 was charged on wrong expenditure codes by the Ministry. This constituted a misstatement of 25.4% of Ministry's total expenditure for the year. This practice undermined the importance of the budgeting process and resulted into financial misreporting.

Management explained that only UGX.45.7m was mischarged, however, I noted that a total of UGX.1,997,539,444 was actually mischarged.

I advised the Accounting officer to streamline the budget process to ensure that sufficient funds are allocated to each account and budget controls are fully adhered to including seeking authority for any reallocations.

- **Unaccounted for funds-UGX. 1,376,577,440**

I noted that UGX. 1,376,577,440 advanced to staff personal accounts to carry out official duties were not supported by activity programs, activity reports, receipts, and invoices. There is likelihood that funds were not utilized for the intended purposes thus rendering the expenditure doubtful.

Management explained that accountabilities were available for verification, however, funds amounting to UGX. 1,376,577,440 remained unaccounted for after verification.

I advised the Accounting officer to ensure that advances are accounted for within the stipulated period, and in absence of accountabilities, recovery measures should be instituted.

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 Ministry 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 (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Uganda, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified 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. In addition to the matter described in the Basis for Qualified Opinion paragraph, I have determined the matter described below as a key audit matter to be communicated in my report;

- **Outstanding 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 investigated to establish the trend, the underlying factors and thereby make recommendations. During audit planning, I majorly focused on domestic arrears in regard to goods and services, salaries and wages, and pension and gratuity. I undertook the following procedures; a trend analysis over a period of three years, review of the budget and commitment control procedures and accounting treatment for the domestic arrears. I also engaged the accounting officer to enable me arrive at the audit conclusions.

I observed that an amount of UGX. 944,093,665 was irregularly incurred as domestic arrears outside the approved estimates appropriated by Parliament. There has been an overall increase in domestic arrears over the period of three years from UGX.2,004,957,760 in 2014/15, to UGX. 3,838,210,280 in 2015/16, and UGX. 944,093,665 in 2016/17. This makes the trend unsustainable. I further observed that there was no budget provision for settlement of domestic arrears totalling to UGX. 944,093,665 posing a risk of diversion of funds for settling the obligations.

Accruing domestic arrears without clearing previous domestic arrears is a violation of the law and may lead to nugatory expenditure in form of litigation costs in case suppliers sue the Ministry for delayed payments. Accruing domestic arrears without clearing previous domestic arrears is a violation of the law and may lead to nugatory expenditure in form of litigation costs in case suppliers sue the Ministry for delayed payments.

Management explained that the increase in domestic arrears was due to underfunding in the prior years.

I advised the Accounting officer to adhere to the commitment control system to limit accumulation of domestic arrears and where arrears exist, there should be a budgetary provisions to avoid diversion of funds. Furthermore, I advised the Accounting Officer to liaise with MoFPED in order to obtain funds to settle the outstanding obligations.

Other Matter

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

- **Budget performance**

During the year, the Ministry budgeted for UGX.9,772,312,187. However UGX.8,812,653,438 was received. This led to a shortfall of UGX.959,658,749 which represents 9.8% of the total budget.

A review of the budget performance for the year under review revealed that some targets were partially or not achieved despite release of funds to the vote functions.

Refer to Appendix I. Service delivery is hampered and the appropriating authority's objectives are not met.

I advised the Accounting officer to ensure that all funds released are spent as per the budget.

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

22nd December 2017

APPENDIX I:
Budget Performance

Vote function output	Item description	Planned outputs/ Quantity	Amount (Bn) budgeted	Amount released (Bn)	Unachieved Outputs
Project 0990-strengthening Ministry of ICT	054902-Ministry support services	<ul style="list-style-type: none"> • Staff training undertaken (5 on short term, 5 on long term) s • 4 in house trainings conducted • 5 recent legislation procured • Ministry promotional materials procured 	1.283	1.012	<ul style="list-style-type: none"> • No output stated. • Despite release of 83% of the budgeted funds, no output was achieved but rather funds were spent on Welfare, imprest and motor vehicle repairs and other Ministry activities.
	054975-Purchase of Motor vehicle and other transport equipment	<ul style="list-style-type: none"> • 2 station wagons procured 	0.400	0.462	<ul style="list-style-type: none"> • Only one vehicle purchased • Despite receiving all the funds, management procured only one vehicle at UGX.414m using NTR and Gou funds (UGX.45,749,999) were diverted to procure computers.
	054976-Purchase of Office and IT equipment including software	<ul style="list-style-type: none"> • 5 coloured printers • 8 desk computers • 5 laptops • 1 photocopier • 8 computer tablets • WAN routers and switches 	0.299	0.256	<ul style="list-style-type: none"> • Despite receiving 85% of the funds management did not procure 8 desk computers 8 computer tablets and one photocopier , however all the funds in NTR were spent on other Ministry activities.
	054978-Purchase of office and residential furniture and fittings	<ul style="list-style-type: none"> • Accounts archives procured • Assorted office furniture procured and issued • Burglar proof fixed at cashiers office • 2 filing cabinets • 1 safe procured 	0.168	0.168	<ul style="list-style-type: none"> • No output stated. • Despite receiving all the funds no procurement was done but rather funds were spent on other Ministry activities.

FINANCIAL STATEMENTS