



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
RURAL COMMUNICATIONS DEVELOPMENT FUND (RCDF)
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

UCC	Uganda Communications Commission
CAP	Chapter
GAR	Gross Annual Revenue
IESBA	International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants
INTOSAI	International Organization of Supreme Audit Institutions
IPSAs	International Public Sector Accounting Standards
ISSAS	International Standards of Supreme Audit Institutions
IT	Information Technology
MoU	Memorandum of understanding
UGX	Uganda Shillings
NITA(U)	National Information Technology Authority Uganda
USD	United States Dollars
UCC	Uganda Communications Commission
RCDF	Rural Communication Development Fund

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF RURAL
COMMUNICATIONS DEVELOPMENT FUND (RCDF)
FOR THE YEAR ENDED 30TH JUNE, 2017**

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the financial statements of Rural Communications Development Fund for the year ended 30th June, 2017. These financial statements comprise of the statement of financial position, statement of comprehensive income, statement of changes in equity, cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, the Project financial statements present fairly in all material respects the financial position of Rural Communications Development Fund as at 30th June 2017 and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards(IPSAS) and the Uganda Communications Commission Act, 2013.

Basis of Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Project 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 Matter

Key audit matters are those matters that, in my professional judgment, are of most significance in my audit of the financial statements of the current period. I have determined that there are no key audit matters to communicate in my report.

Other Matter

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

- **Delay to constitute Rural Communications Development Fund(RCDF) Board**

It was noted that the Fund lacked a separate Board and was relying on the Board of UCC to monitor and approve matters relating to the Fund's operations. Management in the last year audit explained that there were draft regulations which were pending parliamentary approval with proposed significant changes in respect of the governance of RCDF. However this draft has not been approved to date. The Uganda Communications Commission (UCC) Board may not dedicate sufficient time to scrutinize and direct the operations of RCDF.

- **Budget Performance**

I observed that the project planned to carry out a number of activities and a review of the budget performance for the year revealed that some planned activities were not achieved.

Refer to the table below;

Output	Details	Budgeted amount (UGX)	Remarks
Remittance to NITA U	Transfer of funds to NITA-U as per the M.o.U	3,600,000,000	No funds were remitted to NITA-U despite budgeting for it during the year. Management explained that the Non remittance was due to termination of the M.OU with NITA-U regarding the sharing of the 2% levy.
Connectivity	Connect internet to selected 120 secondary schools	120,000,000	Internet Connectivity to selected 120 secondary schools was not done because the procurement process stalled.
Total		3,720,000,000	

Non implementation of budgeted activities was caused by delays in procurement process and termination of the agreement. The Fund's mandate is not fully achieved due to non-implementation of these activities.

- **Under-remittance of funds to Uganda Institute of Information and Communication Technology (UICT)**

Rural Communications Development Fund remitted only UGX.373 million out of UGX.500 million that had been allocated to UICT despite making a surplus. Under remittances of

funds to the Institute hinders implementation of the Institute's planned activities and achievement of its strategic objectives.

- **Delay in operationalization of Luzira upper prison pilot project**

It was observed that the Fund opened up a pilot computer study project in Luzira Upper Prison in 2014 to enhance the studies and usage of ICT facility by the prisoners. This project was to be used as role model for virtual learning facility for transmitting recorded teachings/ study lessons to other prisons such as Namalu and Loro. Despite RCDF spending a total of USD.42,470 on procurement of computers and other equipment for the project, the facility has not been operational since installation of the Equipment.

Underutilisation of the ICT facility renders the investment wasteful and therefore the objectives of the Fund will not be realised.

Responsibilities of the Directors for the Financial Statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Uganda Communications Commission Act, 2013 and International Financial Reporting Standards on Accrual basis of accounting and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for overseeing the Project'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 Company'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 Authority's ability to continue as a going concern. 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 Authority to cease to continue as a going concern.
- 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 Directors 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 Directors 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 Directors, 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.

Report on other legal requirements

As required by the Uganda Communications Commission Act, 2013 and the National Audit Act, 2008, I report to you, based on my audit, that:

- i. I have obtained all the information and explanations, which to the best of my knowledge and belief were necessary for the purpose of my audit.
- ii. In my opinion, proper books of account have been kept by the commission so far, as appears from my examination of those books; and
- iii. The statement of financial position and statement of financial performance are in agreement with the books of account.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

8th December, 2017

APPENDIX 1

FINANCIAL STATEMENTS