



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA BROADCASTING CORPORATION
FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL
UGANDA

LIST OF ACRONYMS

Acronym	Meaning
Bn	Billion
DTT	Digital Terrestrial Television
IAS	International Accounting Standard
IESBA	International Ethics Standards Board for Accountants' code of Ethics for Professional Accountants
M	Million
NSSF	National Social Security Fund
PAYE	Pay As You Earn
PPP	Public Private Partnership
SIGNET	Signal Network
UBC	Uganda Broadcasting Corporation
UCC	Uganda Communication Commission
UGX	Uganda Shillings
URA	Uganda Revenue Authority
USD	United States Dollar
VAT	Value Added Tax
WHT	Withholding tax

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FOR THE YEAR ENDED 30TH JUNE, 2017

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE FINANCIAL STATEMENTS

Disclaimer of Opinion

I am mandated by Article 163 of the Constitution of the Republic of Uganda, 1995 (as amended), Section 19 of Uganda Broadcasting Act 2005 and Sections 13 and 19 of the National Audit Act, to audit the financial statements of Uganda Broadcasting Corporation 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, and Cash Flow Statement together with other accompanying statements, notes and accounting policies.

I do not express an opinion on the corporation's financial statements. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of my report, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for disclaimer of opinion

• **Valuation of Property, Plant and Equipment (PPE) – UGX.15,410,766,654**

I noted that the value of Land and Buildings totalling UGX.15,410,766,654 reflected in note 10 of the financial statements have remained static for over 6 years yet Land appreciates in value over time and its fair value can be reliably measured by a certified Valuer. Under the circumstances, the value of Property, Plant and Equipment and the revaluation reserve of UGX.26,633,382,707 in the statement of financial position are not fairly stated.

Management explained that the revaluation of land and other fixed assets was not done as required due to financial constraints faced by the Corporation; given that valuation is supposed to be done by a professional Valuer through the Chief Government Valuer.

I advised management to continue liaising with the chief Government Valuer to have the Corporations' assets valued and also have an updated assets register in place.

- **Unsupported Stanbic Lease Obligation - UGX.227,029,547**

A review of Note 7 revealed that UBC had total lease liability of UGX.227,029,547 as at 30th June 2017 which is a decrease of UGX.1,547,236,321 (87%) from the prior year amount of UGX.1,774,265,868. I was unable to obtain the loan amortisation schedule from Stanbic bank thus I could not confirm whether the change in lease obligations was fairly stated and whether the amounts due on the lease have been fully recovered.

Management explained that it was not possible to obtain a loan amortization from Stanbic as the bank loan was stopped because it was accruing interest and was beyond its recovery date and that Bank of Uganda does not allow banks to accrue interest on loans beyond their recovery date.

I advised management to continue engaging the bank to obtain the amortization schedule so as to be able to confirm the Corporations lease obligation.

- **Unsupported Dormant bank accounts balances-UGX.97,740,000**

The Corporation had three dormant accounts one of which had a balance of UGX.97,740,000. Management did not avail bank statements for the dormant accounts. In the absence of bank statements, I unable to confirm the cash and cash equivalents balances stated in the financial statements.

Management explained that UBC could not assess the bank statements as some of the accounts had no balance.

I advised Management to obtain the bank statements and have those dormant bank accounts closed.

Other matters

I consider it necessary to communicate the following matters affecting the operations of the Corporation in my report;

- **Trade and other receivables- UGX.13,011,508,074**

Trade and other receivables increased from UGX.11,588,734,715 in the financial year 2015/16 to UGX.13,011,508,074 as at 30th June 2017 (this represents an increase of 12%).

Furthermore UBC made a 100% specific provision for bad and doubtful debts of UGX.10,041,274,998 relating to '*Television coverage of Parliamentary sessions*' in the prior years yet there was no service agreement between UBC and Parliamentary Commission. The corporation risks loss of income due to non-collection.

Management explained that UBC will ensure that valid contracts are entered into with the client for effective and timely collection of trade receivables.

I advised Management to present the matter to the Board for necessary action and also prepare a receivables' aging list to aid in the tracking of the Corporations' receivables.

- **Trade and other payables –UGX.37,955,104,359**

UBC's payables position increased from UGX.22,628,210,867 in the prior year to UGX.37,955,104,359 as at 30th June 2017 (representing an increment of 68%). I noted that NSSF was a major creditor with a balance of UGX.21,562,780,973 (representing 57% of the total trade and other payables). Accruing domestic arrears without clearing previous domestic arrears is a violation of the law and may lead to litigation costs in form of fines and penalties from statutory bodies and suppliers due to delayed payments. For example, NSSF penalties amounted to UGX.14bn.

According to Management, the increase in payables was as a result of penalties charged for non-remittance of NSSF contribution, URA arrears and non-payment of suppliers.

I advised Management to liaise with the line Ministry and MoFPED with a view of obtaining additional funds to settle the outstanding obligations.

- **Budget Implementation**

During the year under review, the Corporation budgeted to collect revenue amounting to UGX.35,563,370,000. However, actual revenue collection amounted to only UGX.9,889,110,060 creating a shortfall of UGX.21,674,259,940 (representing 61% of budgeted revenue). As a result, a number of activities were partially/not implemented as shown in **Appendix.1**. Non delivery of planned services affects the attainment of the Corporation's objectives.

Management explained that UBC was undergoing improvement in its Programming and Content development which will help UBC increase its audience and viewership and

there by attract increased and adequate revenue.

I advised Management to expedite the process of enhancing Programming and Content development in order to enhance viewership and advertising revenues. The Corporation budget should be realistic and in line with the resource envelop.

- **Land Matters**

A review of the status of UBC asset management reports and interviews with the Corporation secretary revealed several anomalies which require urgent attention. **Refer to appendix 2.** These include;

- Encroachment of UBC land at various stations and sites
- Parcels of land had been not fenced, surveyed and or titled thereby posing the risk of encroachment.
- UBC Land Titles were used as security to acquire loans in both Stanbic and DFCU banks but UBC was failing to meet monthly loan repayment obligations.
- UBC land being claimed by other individuals and entities
- Non recovery of the Bugolobi land title deposited with the speaker of parliament
- Lack of monitoring of UBC sites for over two years.

In the absence of sufficient follow up on UBC properties, there is a risk that the corporation will lose its assets.

Management explained that UBC had written to the Chief Government Valuer formally requesting for the valuation of all Assets of the Corporation at the expense of the Corporation. A board of survey team was constituted to identify infrastructure country wide so as to update the fixed asset register. Management further explained that in the financial year 2017/2018, UBC has managed to revalue land in the Kampala area: Head Office (Broadcast House), Kibira Road Land, Kololo Land, Naguru Land and Bugolobi Land and the fixed asset will be update in line with the new values. Management also wrote letters to all RDCS and CAOs informing them of UBC land within the respective Districts so as to prevent land encroachment

I advised Management to continue liaising with the Chief Government Valuer in order to have all its land valued and properly recorded in the fixed asset register. I further advised Management to pursue the encroached UBC land in Court and ensure that all

the Corporation land is fenced and titled in order to avoid the risk of encroachment and the resultant costs of litigation.

- **Review of the implementation of digital migration policy**

The objectives of the digital migration policy included: ensuring that the whole country was covered by digital signal by June 2015 in line with the International Telecommunication Union Geneva RRC-06 guidelines through installation and maintenance of all equipment and facilities for digital migration.

Section 4.7 objective 1 (a) of the analogue to digital migration policy, 2011 designated UBC as the sole signal distributor under the digital transmission with the responsibility to distribute all free to air programs from content providers.

The implementation of the digital migration policy commenced in 2012 and was spearheaded by Uganda Communications Commission (UCC) which invested US\$ 20m in the procurement and installation of equipment. In June 2015, UCC handed over the digital signal network of 18 operational transmission sites to a company contracted by UBC to manage the digital signal transmission sites.

A review of contract management reports conducted by the regulator (UCC) during the year revealed the following;

- The digital network covers only Central and greater Kampala and in 17 Districts instead of the whole country as planned.
- Pay TV operators carry free to air content which makes content providers reluctant to pay for the services on the free to air platform thus denying the signal distributor revenues (tariff fees) to maintain the digital network.
- The 17 Digital Terrestrial Transmission remote sites were off air since September 2016 due to the contractor's failure to renew the satellite program feed service agreement with the service provider- (M/s Eutelsat). In addition the sites experienced power disconnection due accumulated electricity bills and lack of generator fuel.
- All transmission equipment were not maintained for over 4 years and are not insured against disasters thus there is a risk of losing the investment in the digital network.

- The contractor lacks the technical capacity to manage all the transmission sites across the country.

Under the circumstances, the intended benefits of digital migration such as more channels and diverse content may not be achieved.

According to Management, UBC was in the final stages of seeking approval from the PPP committee for a PPP agreement for the management of Digital TV and Radio infrastructure.

I await Management's efforts to have a PPP agreement for the management of Digital TV and Radio infrastructure.

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 Broadcasting Corporation Act 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 Corporation'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 Corporation's financial reporting process.

Auditor's Responsibility

My responsibility is to conduct an audit of the Corporation's financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion section of my report, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

I am independent of the Corporation 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.

Report on other legal requirements

Contrary to the requirements of the Uganda Broadcasting Corporation Act and the National Audit Act; I did not obtain all the information and explanations, which I required for the purpose of my audit. Accordingly, I am unable to confirm whether proper books of account have been kept by the Corporation.

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

27th December, 2017

APPENDIX 1

Budget Implementation

Activity	Budget Allocation	Actual Expenditure	Status of Achievements
Consultancy-Tax, HR, Strategic plan	400,000,000	142,059,999	The strategic plan was approved. However Human resource restructuring process was still ongoing.
Renovation of Broadcast House	400,000,000	1,115,000	Minor renovations were undertaken due to limited funds.
Analogue to digital migration	44,500,000,000	0	Expenditure on Digital Migration policy was not stated.
Expansion of Radio & TV services	725,000,000	0	Activity not undertaken due to limited funds.
Upgrade satellite uplink and downlink & 5 live U camera and an OB van	700,000,000	0	Activity not undertaken due to limited funds.
Technical structural analysis for Kololo	80,000,000	0	Activity not undertaken due to limited funds.
Microwave link for BH & upgrading old OB Van	300,000,000	0	Activity not undertaken due to limited funds.
Specialized computers and Other equipment at transmission stations	900,000,000	0	Activity not undertaken due to limited funds.
11 Motor vehicles and 18 Motor cycles	1,239,700,000	0	Activity not undertaken due to limited funds.
Insurance – Equipment (DTT and Sony Studio)	465,000,000	81,730,670	Part payment made due to limited funds
Insurance – Motor Vehicles	45,000,000	3,577,226	Part payment made due to limited funds
Surveying, Valuation and other land related expenses	800,000,000	10,089,576	Not undertaken due to limited funds
Training for Management, Marketing, TV and	280,000,000	12,940,000	Trained staff in accounts section in the use of Pastel accounting software to enhance efficiency.

Radio			
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APPENDIX 2

Land Matters

STATION/LOCATION	status of the land	Hoarding Status	General remarks
Kololo Summit view- Kampala – FRV 208 Folio 18 Plot M 27 5.98 acres	No land title	Not fenced	Dispute with M/S UTL over occupancy and proprietorship. UBC lodged a caveat on the said land. However to date the white page cannot be traced. A formal complaint was made to the Commissioner Lands. Several correspondences between UTL and UBC on regularization of UBC's occupancy. UTL served on UBC a Notice of Intention to sue if UBC's occupancy on the land is not regularized.
Bugolobi –Kampala. Plots 8-10, 12-16, 18-20 Faradays Road 23.1 acres	Obtained title	Fenced	The Land title recovered from Haba Group Ltd; however the title is still under the custody of parliament of Uganda.
Naguru Communication – Kampala 5 acres	Obtained title	Fenced	The Land Title was mortgaged to Stanbic Bank. However there is additional plot of about 0.0225 acres (plot 6) which is free from encumbrances.
Kibira road-Kampala- all Free Hold Volume 671 i. Folio 11 Plot 2 Mpanga Drive ii. Folio 5 Plot 4 Mpanga Link 1 iii. Folio 12 Plot 4 Mpanga Drive iv. Folio 7 Plot 6 Mpanga Link 1 v. Folio 13 Plot 6 Mpanga Drive vi. Folio 14 Plot 7 Mpanga Drive vii. Folio 8 Plot 8 Mpanga Link 1 viii. Folio 15 Plot 8 Mpanga Drive ix. Folio 16 Plot 9 Mpanga Drive x. Folio 17 Plot 11 Mpanga Drive xi. Folio 18 Plot 13 Mpanga Drive 35.2 acres	Obtained No activity	Partially fenced	About 24.2 acres have been leased out. However Plot 4 Mpanga Drive is mortgaged to DFCU.
Ntinda Flats	Non activity		An application to high court for vesting order was made. Awaiting hearing which is on 17 th October, 2016. UBC lodged a caveat on the same land, however the white paper was traced recently after registering a formal complaint and the registrar is working on lodging the caveat on the said land. UBC requested the commissioner for a meeting to resolve the matter amicably.

Buruuli FM – Nakasongola 1 Acre	Not surveyed	Not fenced	It was allocated to UBC by Local Government and later given to Buganda Kingdom
Nkirakira-Mpigi 16M ²	No title No activity	Not fenced	Fully encroached
Bwala-Masaka 5.98 acres	Surveyed but no title	Fenced	The land is intact and no encroachment
Karamurani/ Mwizi-Mbarara 5.98 acres	Surveyed but no title	Not fenced	The land is intact and no encroachment yet
Nakisajja- Lyantonde Plot 59 Block 57 Kabula County 12 acres	No activity and obtained Title & UBC has custody	Not fenced	About 6.3 acres of the land has been encroached on by individuals whom the District granted Free Hold on part of UBC's land.
Kyeriba-Kabale 80 acres	Not surveyed	Partially fenced	The land is intact and no encroachment
Kihumuro-Kabale 10 acres	Not yet surveyed	Not fenced	The land is intact and no encroachment
Rwagazu-Kabale 2,500M ²	No activity and not yet surveyed	Not fenced	Proposed site.
Basecamp-Kasese 2500M ²	Operational on M/s UTL premises	Not fenced	This is UTL land and we are operating on it based on a mutual agreement
Kyamugashe-Ntungamo 900M ²	Not surveyed	Not fenced	UBC plot is intact and no encroachment. Satellite downlink for UBC TV service
Kiduhah-Kisoro 2,500M ²	Not surveyed	Fenced	Intact and no encroachment
Mubende hill 2,500M ²	No activity and not yet surveyed	Not fenced	Proposed site given to UBC by the local Government but UBC has not developed it.
Kiboga 2,500M ²	Not yet surveyed	Fenced	The land is intact and no encroachment
Wanyange-Jinja 1 acre	Not yet surveyed	Fenced	Claimed by Busoga kingdom and it has also been encroached. However, a procurement process to survey this land has been initiated.
Kagulu-Kamuli 900M ²	No activity and not yet surveyed	Not fenced	Claimed by Busoga kingdom and being used as Busoga tourist center
Kisunji-Jinja 2,500M ²	No activity and not yet surveyed	Not fenced	Proposed site (Kagulu)
Butebo-Pallisa 80 acres	Surveyed but no title	Fenced	The land is Intact; however a procurement process to survey this land has been initiated.
Namatala-Mbale- Plots 175-189 Pallisa Road 15.1 acres	No activity and Title Obtained, under UBC has custody	Fenced	Part of the land has been encroached. by people who claim that the President gave

			them part of the land. However we have not obtained a copy of this title from the C/S's office.
Buwalasi-Mbale 1 acre	Not yet surveyed	Not fenced	Intact and not encroached
Kotido 2,500M ²	No activity and not yet surveyed	Fenced	Under installation
Opuyo-Soroti 5.98 acres	Surveyed but no title	Not fenced	Part of the land is encroached on by the neighbor, land surveying exercise stalled due to non-payment
Dakabela -Soroti FRV 746 Folio 22 Plot 591 Dakabela 151 Hectares	No activity	Not fenced	The land was subdivided into two and UBC has one title for one part of the land
Oruha-Kyenjojo 1500M ²	Not yet surveyed	Fenced	No encroachment on the land.
Mawagga-Mityana 80 acres	Not yet surveyed except the 3.43 that was purchased as an access road	Partially fenced	About three acres of this land has been claimed by one of the neighbours and the case is in the courts of law. However UBC bought access road of 3.43 acres Plot 31 Block 118 Mubende which is yet to be transferred upon receipt of funds.
Ibamba-Hoima: 1 acre	Not yet surveyed	Fenced	Intact and no encroachment.
Kigulya-Masindi 2,500M ²	Not yet surveyed	Fenced	Land belongs to National Forest Authority (NFA). Dispute with NFA over UBC's occupancy. Both parties are in negotiations on the terms of rent payment.
Ombaci -Arua 3 acres	Not yet surveyed	Partly fenced	Intact and no encroachment
Gilgil-Arua 7 acres	No activity and not yet surveyed	Fenced	Intact and no encroachment
Bobi-Gulu 80 acres	No activity and obtained Title & UBC has custody	Internally fenced	Intact and no encroachment
Moru-Gulu 2,500M ²	Land Title not obtained and boundaries yet to be confirmed.	Not fenced	Intact and no encroachment. However we are operating on UTL premises because our Mast collapsed.
Odokomit -Lira 5.98 acres	No yet surveyed	Not fenced	Intact and no encroachment
Ongora-Lira 16M ²	No activity but surveyed	Not fenced	Proposed site
Kitgum 2,500M ²	No activity and not surveyed	Fenced	
Kwoti-Kapchorwa 2,500M ²	Not yet surveyed	Fenced	Intact and no encroachment, though State House is interested in using it as a site for State Lodge.

Erra- Moyo 2,500M ²	Not yet surveyed	Fenced	Under installation
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APPENDIX 3

FINANCIAL STATEMENTS