



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA INSTITUTE OF INFORMATION AND COMMUNICATIONS TECHNOLOGY
FOR THE YEAR ENDED 30TH JUNE 2017

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

UICT	Uganda Institute of Information and Communications Technology
MICT & NG	Ministry of Information and Communication Technology and National Guidance
MOES	Ministry of Education and Sports
IT	Information Technology
PAYE	Pay as You Earn
PPDA	Public Procurement and Disposal of Public Assets
UCC	Uganda Communications Commission
UGX	Uganda Shillings
UICT	Uganda Institute of Information and Communications Technology
VAT	Value added Tax
PFMA	Public Finance Management Act

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA INSTITUTE OF INFORMATION & COMMUNICATIONS TECHNOLOGY
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 the Uganda Institute of Information and Communications Technology 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, the financial statements present fairly in all material respects the financial position of Uganda Institute of Information and Communications Technology as at 30th June, 2017 and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards.

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 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 (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, are of most significance in my audit of the financial statements of the current period. I have determined there are no key audit matters described to communicate in my report.

Emphasis of Matter

Without qualifying my opinion, I draw attention to the following matter stated in notes 8 and 11 of the financial statements.

- **Outstanding receivables**

The Institute's trade and other receivables increased from UGX.403,807,033 in the prior year to UGX.567,676,071 as at 30th June 2017 (representing 41% increase from the previous year's balance). Failure on the part of management to recover outstanding receivables within set timelines may lead to write off of debts resulting into financial loss to the Institute.

Management attributed the increase to failure to collect all the receivables from the previous year due to failure to implement the provisions in the debtors and examination policies concerning overdue accumulated debts. In pursuit of provisions in the debtors' policy, management has endeavored to write reminders for payment of overdue balances to Posta Uganda but not much has been achieved.

I advised the Accounting Officer to ensure that all receivables are collected within the credit policy period and all recovery measures be enforced in case of failure to make prompt payment.

- **Trade payables and other payables**

I noted that the payables position significantly increased from UGX.222,554,273 in the prior year to UGX.433,096,704 as at 30th June 2017 (representing an increment of 95%). Management did not provide a status of payments made after the year end. Accruing domestic arrears without clearing previous domestic arrears is a violation to the law and may lead to litigation costs in form of fines and penalties from suppliers due to delayed payments.

Management agreed to follow the directives by the Finance Committee of the Governing Council to strictly adhere to procurement plan against availability of funds and only sign priority LPOs which can be funded easily.

I advised the Accounting Officer to settle all the outstanding obligations in order to avoid additional costs arising from breach of contracts.

Other Matters

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

- **Review of legal status**

In my previous years' report to Parliament, I noted that the Institute faced challenges of being governed by different Government Ministries, Departments and Agencies. I further noted ambiguity in the interpretation of several provisions in law which directly affects service delivery and recommended for clarity in the legal framework in some areas. Management indicated that a statutory instrument had been drafted by UCC and was in the process of approval to harmonize operations. However to date, no harmonization has been done.

Under the UCC Act 2013, the Commission is mandated to "operate and manage" UICT. This provision is unclear as it does not clarify the responsibilities of the Ministry and UCC with regard to;

- Human resource: UICT employees are neither under the mandate of UCC, MICT nor Ministry of Public Service.
- Funding: Although the Institute is funded by UCC, there is no confirmed legal obligation on either the Commission or Ministry as regards to funding of the Institute and it was noted that the institute funding from UCC was reduced from 615 million last year to 500 million for the FY 2016/17. However the budgeted funds were not remitted during the year under review.

There is a risk of stakeholder conflict in the development and implementation UICT strategic objectives.

Management explained that the 47th General council meeting resolved that Management presents a benchmarking report on UICT to MoICT & NG and request the Ministry to interpret UCC Act 2013 section 5(w) to clarify the relationship between UCC and UICT in regard to human resource, funding and reporting structures. Management further explained that the matter was presented to MoICT&NG which is expected to develop regulations to operationalize the UCC Act.

I advised the Accounting Officer to follow up the process to resolve the legal status of the institute.

- **Budget performance**

The Institute budgeted to collect revenue amounting UGX.4,066,522,419. However, actual revenue collection amounted to only UGX.2,273,627,967 creating a shortfall of UGX.1,792,894,452 (representing 44% of budgeted revenue). This was attributed to failure to receive the budgeted UCC grant of UGX.500m and unrealistic budgeting. As a result, a number of activities were not implemented **as shown in the table below**.

S/N	Description of Budget Items	Total Amount (UGX)
1	Office Equipment	46,376,000
2	Specialized Communication Lab Equipment	82,463,000
3	Furniture & Fittings	48,464,000
4	Text Books & Library Resources	31,280,000
	Total	208,583,000

Failure to collect the budgeted revenues constrains management in the implementation of planned activities and hampers service delivery.

Management admits that failure to collect budgeted revenue compromises the operational objectives. Also there has been unrealistic budgeting without considering the factors in the market that impact significantly on student enrollment.

I advised the Accounting Officer to ensure that budgeted revenue is collected or budget forecasts be revised in line with the prevailing circumstances to avoid over commitments.

- **Staffing gaps**

Out of the approved 107 posts, only 50 were filled leaving 57 posts unfilled representing staffing gap of 53%. It was noted that the key positions of the Principal, Deputy Principal and Institute secretary were not filled. Lack of staff in key positions of UICT could affect the performance and overall achievement of Institute's goals and objectives.

Management explained that the recruitment process for the substantive Principal and Deputy Principal was done in August 2017 by the Education Service Commission but the results are not yet known. Management further explained that a job advert was placed on 6th November 2017 for other positions. The process is expected to be concluded by end of January 2018.

I advised Accounting Officer to liaise with the relevant Authorities so as to ensure that staff are recruited.

- **Acting staff members**

Section 3.3.5.1(d) of the UICT Human Resource Manual states that acting appointments shall be done in writing and shall not exceed six months, save for special circumstances approved by the Governing council.

A review of the staffing list indicated that all the 16 staff at top management level were in acting capacity and some staff were appointed in acting positions for more than six months.

Management explained that the external recruitment was on-going.

I await the outcome of Management's efforts to recruit staff.

Responsibilities of the Accounting Officer for the Financial Statements

The Governing Council is responsible for the preparation of financial statements in accordance with the requirements of Section 91 of The University and Other Tertiary Institutions Act 2001 and the International Financial reporting Standards, 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 Governing Council is responsible for assessing the Institute's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Institute, and using the International Financial reporting Standards unless the Governing Council has a realistic alternative to the contrary.

The Governing Council are responsible for overseeing the Institute'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 Institute'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 Governing Council 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 Governing Council 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 Governing Council, 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 University and Other Tertiary Institutions Act and the National Audit Act, 2008, I report to you, based on my audit, that except for the effects of the matter described in the Basis of opinion:

- 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 Support, Revenue and Expenses are in agreement with the books of account.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

21st December, 2017

FINANCIAL STATEMENTS