

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
RURAL COMMUNICATIONS DEVELOPMENT FUND (RCDF) - UGANDA
COMMUNICATIONS COMMISSION FOR THE YEAR ENDED

30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

FY	Financial Year
GAR	Gross Annual Revenue
GOU	Government of Uganda
IESBA	International Ethics Standards Board for Accountants
INTOSAI	International Organization of Supreme Audit Institutions
IPSAS	International Public Sector Accounting Standards
ISSAI	International Standards of Supreme Audit Institutions
MDA	Ministry, Department, and other Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
NAA	National Audit Act
UCC	Uganda Communications Commission
PDU	Procurement and Disposal Unit
PFMA	Public Finance Management Act, 2015
PPDA	Public Procurement and Disposal Unit
RCDF	Rural Communications Development Fund
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings
RT. HON	Right Honourable

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
RURAL COMMUNICATIONS DEVELOPMENT FUND FOR
THE YEAR ENDED 30TH JUNE, 2018**

THE RT. HON. SPEAKER OF PARLIAMENT

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Rural Communications Development Fund (RCDF) for the year ending 30th June 2018. These financial statements comprise the Statement of Financial Position as at 30th June 2018, the Statement of Comprehensive Financial Performance, Statement of Changes in Equity and Statement of Cash Flows for the period then ended, together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of the Rural Communications Development Fund for the year ended 30th June 2018 are prepared, in all material respects, in accordance with International Public Sector Accounting Standards (IPSAS).

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 Fund in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (Parts A and B), 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.

I have determined that there are no other key audit matters to communicate in my report.

Other Matters

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

- **Analysis of Fund Receipts and payments**

During the year under review, the Fund received a sum of UGX.25,404,934,506 as a 50% share of the levy on Gross Annual Revenue (GAR), and UGX.439,027,473 was earned from interest income. The total funds available in the year was UGX.25,843,961,979 of which only UGX.14,856,735,520 was spent leaving a balance of UGX.10,987,226,459.

The presence of unspent balance depicts a challenge of either under absorption of funds or a failure by RCDF to remit funds to other beneficiary institutions, thus hampering the attainment of the objectives of the Fund. Relatedly, I noted delayed implementation of Fund activities to the tune of UGX.9,872,672,792. Delays in implementation of planned activities were attributed to: delays in initiating procurements leading to awarding contracts towards the close of the financial year; lengthy negotiations with contractors; delays in approvals by the Solicitor General; and non-responsiveness of bidders where procurements had to be repeated.

The failure to implement Fund activities within the financial year undermines the objectives set during the budgeting process. Besides, existence of unspent funds imply delayed or non-implementation of planned activities which in turn affects service delivery. I advised the Accounting officer to always expedite the procurement processes so as to enable execution of Fund activities within the financial year. In addition, the Accounting Officer should ensure that the resources available to the Fund are utilized as planned.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of Board's responsibilities and general information about the

Commission. The other information does not include the financial statements and my auditors' report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information; I am required to report that fact. I have nothing to report in this regard.

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 Rural Communications Development Fund (RCDF).

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 IPSAS, 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 Fund's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Fund, and using the Public Finance Management Act 2015 and IPSAS, unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Fund'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 scepticism 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 Fund'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 Fund'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 Fund 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.

Other Reporting Responsibilities

In accordance with Section 19(1) of the National Audit Act 2008, I report to you, based on my work described on the audit of Financial Statements that;

- Except for the matters raised in the compliance with legislation section below, and whose effect has been considered in forming my opinion on the financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

In accordance with Section 13 of the National Audit Act (NAA) 2008, I have a responsibility to report material findings on the compliance of the Fund management with specific matters in key legislations. I performed procedures to identify findings but not to gather evidence to express assurance. The material findings in respect of the compliance criteria for the applicable subject matters are as follows;

- **Unexplained Share of the Retained Balance of Gross Annual Revenue (GAR) - UGX.25,404,934,506**

Section 68 (3a) of the Communications Act, 2013 (as amended), stipulates that the Commission shall remit half of the levy on GAR to the Uganda Consolidated Fund (UCF), and Section 68 (4) of the same Act further states that after remittance of the share to the UCF, the remaining balance shall be shared between Information and Communication Technology Development, and Rural Communications in the ratio of 1:1. I noted that the Commission remitted a sum of UGX.25,404,934,506, being half of GAR due to Information and Communication Technology Development, and Rural Communications. However, I noted that the Commission lacks further guidance on what constitutes the Information and Communication Technology Development, and Rural Communications. As a result, some jurisdictions refer to the two to mean RCDF and Ministry of ICT, respectively. This ambiguity has caused challenges in the sharing of the revenue and as a result, I could not confirm whether UGX.3,500,000,000 sent to the Ministry of ICT was the due share to the ministry. In addition, I could not determine other beneficiaries and their respective shares.

The Accounting Officer explained that the above section does not mean sharing of the levy one to one between the RCDF and the Ministry of ICT and National Guidance and as such, the interpretation by some jurisdictions is erroneous. I advised the Accounting Officer to ensure that the ambiguity is cleared in the provisions and further guidance be given on the institutions involved and their respective sharing ratios in accordance with the provisions of the Act.



John F.S. Muwanga

AUDITOR GENERAL
KAMPALA

19th December, 2018

