



THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
UGANDA INSTITUTE OF COMMUNICATION AND INFORMATION TECHNOLOGY
FOR THE YEAR ENDED 30TH JUNE 2018**

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

AIMS	Academic Information Management System
ARIS	Academic Records Information System
GAR	Gross Annual Revenue
ICT	Information Communication Technology
IESBA	International Ethics Standards Board for Accountants
ISSAI	International Standards of Supreme Audit Institution
MoFPED	Ministry of Finance Planning and Economic Development
MoICT & NG	Ministry of Information Communication and National Guidance
NAA	National Audit Act
PERD	Public Enterprises Reform and Divestiture Act 1993
PFMA	Public Finance Management Act 2015
PFMR	Public Finance Management Regulations 2016
PPDA	Public Procurement and Disposal of Assets
UCC	Uganda Communications Commission
UGX	Uganda Shillings
UICT	Uganda Institute of Communication and Information Technology
UICT	Uganda Institute of Communication and Information Technology
URA	Uganda Revenue Authority
VAT	Value Added Tax
WHT	Withholding Tax

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF UGANDA
INSTITUTE OF COMMUNICATION AND INFORMATION TECHNOLOGY 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 Uganda Institute of Communication and Information Technology (UICT) for the year ended 30th June 2018. These financial statements comprise the Statement of Financial Position as at 30th June 2018, the Income Statement, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, accompanying schedules and a summary of significant accounting policies and other explanatory notes.

In my opinion, the accompanying financial statements of UICT give a true and fair view of the financial position of the Institute as at 30th June 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and Section 51 of the Public Finance Management Act, 2015.

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 Institute 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. 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. I have determined the matters described below to be key audit matters communicated in my report.

- **Implementation of the approved Budget**

Section 45 (3) of the Public Finance Management Act, 2015 states that “An Accounting Officer shall enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a Financial year, submitted under section 13 (15)” of the said Act. It has been observed over years that planned and budgeted for activities of a number of Government entities are not fully implemented thereby affecting service delivery.

During the overall office wide planning, I assessed risks of inadequate release of funds, and failure to undertake budget monitoring and supervision that are likely to be the causes of failure to implement entity planned activities. The focus was put on the planned major outputs of the entities which greatly impact on the wellbeing of communities.

Consequently, I developed specific audit procedures which included the evaluation of the financial and annual physical performance by analysing government releases/revenue collection, testing consistency of planned outputs with the approved budget and verifying the accuracy and completeness of the reported actual outputs.

Based on the procedures performed, I observed that a total of UGX.3,964,746,795 was budgeted to cater for the Institute activities. However by the close of the financial year, UGX.2,777,627,610 of the approved budget (i.e. 70%) had been received, resulting into a budget shortfall of UGX.1,187,119,185 (i.e. 30%). This shortfall was attributed to a decline in student enrolment. As a result of the shortfall, I noted that some planned activities were not implemented with the major ones being; acquisition of office furniture, purchase of computers and curriculum review.

I advised the Institute Management to improve their forecasting approaches and ensure that appropriate budgets are always made that take into consideration of the existing environments such as the declining student numbers.

I further observed that out of the budgeted expenditure of UGX.3,756,119,195, only UGX.2,261,280,444 was spent despite revenue realization of UGX.2,777,627,610 leading to a unspent balance of UGX.516,347,166 (14%). Unspent funds imply delayed or non-implementation of planned activities as highlighted above. This affects service delivery.

I have also advised the Institute management to ensure that appropriated funds are planned and utilized accordingly to accomplish all the planned activities to ensure better service delivery.

Other Matters

In addition to the matter raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements.

- **Review of Legal Status**

Section 5(w) of the Uganda Communications Commission Act 2013, mandates the Commission to “operate and manage” UICT. In my earlier reports to Parliament, I noted that the Institute faced challenges of being governed by different agencies. I further noted the ambiguity in the interpretation of several provisions in the law which directly affect service delivery and recommend for clarity in the legal framework in some areas and management indicated that the Statutory Instrument had been drafted by UCC and was in the process of approval to harmonize operations. However, to date this has not been harmonized.

The current status-quo is unclear since it does not clarify the responsibilities of the Ministry of ICT and UCC in regards to;

- Human Resource: UICT employees are neither under the mandate of UCC, MoICT nor Ministry of Education.
- Funding: Although the Institute is partly funded by UCC, there is no clear legal obligation on the part of the Commission as regards funding of the Institute.

Such an unclear governance structure and legal status of the Institute may create a risk of non-implementation of strategic objectives and its future operations. Management explained that they had written to the Permanent Secretary, Ministry of Information and Communication Technology and National Guidance forwarding a benchmarking report in which guidance was sought on how to interpret and review the legal framework.

I advised the Accounting Officer to continue liaising with relevant stakeholders with a view of harmonizing the governance issues and the legal status of the Institute.

- **Understaffing**

Section 14 (A-a) of the Public Service Standing Orders 2010, vests the overall responsibility for ensuring proper implementation of Human Resource Management procedures, policies, practices, structures, systems, terms and conditions of service for the Public Service with the responsible Accounting Officer.

I noted that out of the approved structure of 107 Staff, only 44 (41%) positions have been filled leaving 63 (59%) positions vacant. As a result, a total of ten staff have been in acting positions for more than 6 months which is contrary to Section 3.3.5.1(d) of the Uganda Institute of Communication Technology Manual. Understaffing negatively affects implementation of planned activities and is likely to curtail the institute from affectively delivering on its mandate.

Management acknowledged my observation but explained that the terms of reference of the Human Resource study are under review by the Human Resource expert and the results will be expected to come up with the job analysis, implementation plan and budget aligned with the proposed centre of excellence. I advised the Accounting Officer to expedite the ongoing initiatives and also liaise with the relevant authorities to ensure that the vacancies, once finally established after the ongoing evaluations, are filled to enable effective and efficient service delivery by the Institute.

Other Information

The Institute Principal is responsible for the other information. The other information comprises the statement of the governing council members' responsibilities, the governing council members report for the year ended 30th June 2018 and other supplementary information about

the Institute. 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 Institute Principal/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 Uganda Institute of Communications Technology.

The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the International Financial Reporting Standards, Public Finance Management Act 2015, and the Financial Reporting Guide, 2018, 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 Institute's ability to continue delivering its mandate, disclosing, as applicable, matters related to affecting the delivery of the mandate of the Uganda Institute of Communications Technology, and using the Financial Reporting Guide 2018 unless the Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing the Institute's financial reporting process.

Auditor General'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 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 judgement 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 my 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 the management.
- Conclude on the appropriateness of Institutes' 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 Institute'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 Institute 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 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 Institute management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them 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 Institute, 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 compliance with legislation section below, and whose effect has been considered in forming my opinion on 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 Sections 13 of the NAA, 2008, I have a responsibility to report material findings on the compliance of the Institute 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;

- **Irregular Recruitment of Contract Staff**

Section 2.7 of UICT Human Resource Manual provides that, except for the post of Principal and Deputy Principal who are appointed by the Education Service Commission, all vacant posts once approved for filling are appointed by the Governing Council.

I observed that the Institute recruits contract staff including part time lecturers on a semester basis without advertising contrary to the requirements by the manual that require jobs to be advertised and competed for internally before opening up for external competition. During the year under review, a sum of UGX.17,976,500 was paid to 38 contract staff. Such a practice not only violates the authority of the Governing Council, but may also affect the quality of the hired staff and hence the services rendered.

I further observed that the teaching load for the Institute's teaching staff is 12 hours per week and they are not engaged in research like other academic institutions. This was found to be quite low compared to other academic institutions in the country, where a lecturer is typically required to provide at least 12 teaching hours and another 10 hours per week dedicated to research. Under the circumstances, the Institute is underutilizing its contracted staff.

In her response, the Institute Principal explained that the 38 part time lecturers sat for interviews and were appointed according to Section 3.3.3 of the HR Manual, although the internal method was used where unsolicited applications available in the departments were retrieved and shortlisted. The choice of the method was determined by limited time to allow external method to be used as gaps are identified a few days to the beginning of the semester. Management acknowledged that the process favored only candidates who submitted in applications at their own will.

I advised the Accounting Officer to ensure compliance with the recruitment procedures as prescribed in the Human Resource Manual to ensure transparency in the recruitment process as well as hiring quality staff. Besides, there is need to benchmark with other academic institutions in as far as the minimum teaching load is concerned, and where necessary, consider taking steps to amend the HR Manual in that regard.

- **Direct Procurement**

Section 85(2) of the Reprint of the Public Procurement and Disposal of Public Assets Act, 2003 provides that direct procurement shall be used to achieve efficient and timely procurement, where the circumstances do not permit a competitive method.

It was observed that the entity used direct procurement without justification for procurements worth UGX.29,406,600. Use of unjustified direct procurement method limits competition and as such, value for money may not have been achieved.

Management explained that they used direct procurement method because of limited bidding period caused by cash flow challenges. I advised the Accounting Officer and Head of the Procurement and Disposal Unit to ensure that procurements are always competitively undertaken so as to maximize value for money.

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

John F.S. Muwanga
AUDITOR GENERAL
KAMPALA
18th December, 2018