



REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE
UGANDA COMMUNICATIONS COMMISSION FOR THE AUDIT YEAR ENDED
DECEMBER 2024**

OFFICE OF THE AUDITOR GENERAL

DECEMBER 2024

PREAMBLE

This report presents the findings and recommendations of the Auditor General on Uganda Communications Commission for the Audit year ended December 2024. The report is based on a comprehensive analysis of the evidence gathered from the audits undertaken during the year and is intended to provide stakeholders with a clear understanding of the key findings and conclusions of the Auditor General. The recommendations outlined in this report aim to support the entity in achieving its goals and objectives and to promote better service delivery.

This report has 4 sections: Section 1 contains the financial audit report for the financial year ended 30th June 2024, Section 2 highlights an evaluation of the entity's performance, Section 3 highlights the summaries of key findings arising from other audit engagements undertaken by the Auditor General on the entity, and Section 4 provides an Appendix on the audited financial statements.

Where only summaries have been included in this report, detailed reports concerning the same have been issued separately.

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List of Acronyms

Acronym	Meaning
AI	Artificial Intelligence
Bn	Billions
Cap	Chapter
DMS	Data Monitoring System
GAR	Gross Annual Revenue
IESBA	International Ethics Standards Board for Accountants
ISSAI	International Standards of Supreme Audit Institutions
NAA	National Audit Act Cap 170
NITA-U	National Information Technology Authority-Uganda
PFMA	Public Finance Management Act
TIMS	Telecommunications Intelligent Network Monitoring System
UBC	Uganda Broadcasting Corporation
UCC	Uganda Communications Commission
URA	Uganda Revenue Authority

SECTION 1: REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE UGANDA COMMUNICATIONS COMMISSION FOR THE YEAR ENDED 30TH JUNE, 2024

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the financial statements of the Uganda Communications commission, which comprise the Statement of Financial Position as at 30th June 2024, the Statement of Comprehensive Financial Performance, Statement of Changes in Equity and Statement of Cash Flows, together with other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements present fairly, in all material respects, the financial position of Uganda Communications Commission as at 30th June 2024, and its financial performance and cash flows for the year then ended in accordance with the International Public Sector Accounting Standards (IPSAS), Section 49 of the Public Finance Management Act, Cap 171 and Uganda Communications Act, Cap 103.

Basis for Opinion

I conducted my audit in accordance with the 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 Commission in accordance with the Constitution of the Republic of Uganda, the National Audit Act, Cap 170, the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), 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 key audit matters to communicate in my report.

Other Information

The Executive Director is responsible for the other information. The other information comprises the statement of responsibilities of the Executive Director and the commentaries by the Head of Accounts and the Director and other supplementary information. 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.

Management Responsibilities for the Financial Statements

The Executive Director is also responsible for the preparation of financial statements in accordance with the requirements of IPSAS and for such internal control as management determines 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 Executive Director is responsible for assessing the Commission'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 the Executive Director has a realistic alternative to the contrary.

The Executive Director is responsible for overseeing the Commission'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 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 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 controls relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the commission's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accounting Officer.
- Conclude on the appropriateness of the Accounting Officer'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 commission'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 Commission 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 complies with the Government of Uganda Public Financial Management laws and regulations.

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 controls 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, communicate to the Accounting Officer all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the Accounting Officer, I determined 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 18 (1) of the NAA Cap 170, I report to you, based on my work described on the audit of Financial Statements, that; except for the matters in Section 2 of this report and those raised below, and whose effect have 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 18 of the NAA Cap. 170, I have a responsibility to report material findings on the compliance of the Commission Management with specific matters in key legislations. I performed procedures primarily to identify findings but not to gather evidence to express assurance.

Below are the material findings in respect of the compliance criteria for the applicable subject matters;

1.1 Failure to Charge 2% Gross Annual Revenue for Registered Television Stations and FM Radio stations

The UCC New License framework on fees and fines under General Notice No. 977 of 2017 as published in the Uganda Gazette on 3rd November 2017 provided for the 2% gross annual levy on the licensed operators such as commercial TVs and radio stations.

Paragraph 7.1.1 (ii) of the UCC Financial Policies and Procedures Manual 2022 stipulates that invoices for the 2% levy shall be issued based on operators' audited financial statements.

I noted that UCC has not enforced the payment of a 2% gross annual levy on the licensed Television and FM radio operators. I further noted that none of the licensed Television and FM radio operators had submitted Audited financial statements to the Commission for assessment.

Failure to collect a 2% Gross Annual Revenue levy from the operators deprives the Commission of revenue hence affecting the implementation of certain activities. It also scales back the amount of money received by the Consolidated Fund hence trimming the national resource envelope.

The Accounting Officer explained that the Broadcasters appealed the levy to the Minister of ICT and National Guidance and that the appeal has not yet been resolved. The Commission is currently reviewing the UCC Act, Cap. 103 and a proposal for a separate levy tier for broadcasters has been incorporated. This tier will be lower than that paid by the telecom operators.

Recommendation

I advised the Accounting Officer to comply with the provisions of the law and institute a mechanism to levy a charge on the GAR of these operators.

1.2 Un Licensed Operators

One of the functions of the Commission as provided in Section 5 (1) (b) of the UCC Act, Cap. 103 is to monitor, inspect, license, supervise, control and regulate communications services.

Section 27(1) of the UCC Act Cap. 103 provides that a person shall not install or operate a television station, radio station or any related broadcasting apparatus without a license issued by the Commission.

I noted that NITA-U and Uganda Broadcasting Corporation (UBC) were operating even though they were not licensed by the Commission as required by the regulations.

This undermines the authority of Communication as a sector regulator.

The Accounting Officer acknowledged the observation and confirmed that NITA-U and UBC did not currently hold licenses and that the Commission was actively engaging with both entities to streamline their licensing processes and ensure compliance with regulatory requirements.

Recommendation

I advised the Accounting Officer to always ensure that all operators are issued with licenses before they can be allowed to operate.

1.3 **Failure to formulate regulations on Artificial Intelligence**

Section 5(1) of the UCC Act, Cap.103 states the functions of the Commission which among others include advising the Government on communications policies and legislative measures in respect of providing and operating communications services.

I noted that with the emergence of Artificial Intelligence, the Commission has not come up with any regulations or guidelines to guide the use and development of Artificial Intelligence tools in the country.

Without these guidelines, there is a risk of ethical concerns, especially in data privacy and security.

The Accounting officer acknowledged the observation and recognized the critical need to develop regulations on Artificial Intelligence (AI). He also explained that the Commission established a 14-member AI task force comprising key industry players, including representatives from Academia and the Commission's Technical Team.

Recommendation

I advised the Accounting Officer to ensure that guidelines are put in place to mitigate the risks that come with the use of Artificial Intelligence.

1.4 **Failure to Guide Operators on Sharing Infrastructure**

Section 5 of the UCC Act, Cap.103 provides the functions of the Commission which among others include the encouragement and promotion of infrastructure sharing amongst licensees and to provision of regulatory guidelines.

During the audit inspection, I noted that;

- Various operators were erecting different poles in almost the same locations with cables which included data cables, communication lines, fibre optic cables, and television broadcast cables. These cables were observed running haphazardly along the roadside hanging on several poles from one location to another.
- Electricity lines/wires were in some instances mixed with the cables as shown below;



This was attributed to a lack of oversight by the regulator and coordination among operators hence a visually unappealing landscape and a perception of poor infrastructure planning.

The disorganized and exposed cables present several risks, including heightened chances of accidental damage, which could lead to power outages, data and communication service disruptions, and broadcast interruptions as well as safety hazards such as potential electric shocks, and interference with road and pedestrian traffic. Several poles imply that deforestation and its environmental impact undermine efforts by the Government to lower costs to the users since the cost of poles is eventually borne by the users.

The Accounting Officer acknowledged the observation and stated that the Commission currently has Infrastructure Sharing Guidelines in place. However, these are specific to underground fibre for backhaul service. He also stated that the emergence of fibre for fixed services has been driven by the need for high-speed internet connectivity and given evolving trends, there is a need to review the existing framework to include sharable passive infrastructure, such as those utilizing wooden or cement poles.

Recommendation

I advised the Accounting Officer to;

- Conduct an assessment to evaluate the feasibility of consolidating these cables within secure conduits, trenches, or underground installations and also regulatory measures should be introduced or strengthened to enforce coordinated cable management practices among operators.
- Engage all players to ensure sharing of the infrastructure to lower the costs and minimise the impact on the environment.

Other Legal and Regulatory Requirements

As required by the Uganda Communications Commission Act, Cap 103, 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 purposes of the 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 Commission's statement of financial position and statement of comprehensive income are in agreement with the books of account.



Edward Akol
AUDITOR GENERAL

Kampala
23rd December, 2024



SECTION 2: REPORT ON PERFORMANCE EVALUATION

I undertook an evaluation of the Commission's actual performance in comparison with its planned activities and outputs for the year as well as its mandate. This section presents the findings from the evaluation of the performance.

2.1 Review of the Implementation of the Entity's Mandate

The Commission is mandated to regulate the communications sector, which includes telecommunications, broadcasting, radio communication, postal communications, data communication and infrastructure as per Section 5 of the UCC Act, Cap 103.

A comparison of the entity's strategic and annual work plans for the last three (3) years with the mandate as stipulated in relevant laws revealed that the entity had adequately executed the following mandates.

Table 1: Showing execution of the Commission's mandate

Sn	Mandated activity	Source of Mandate (Quote appropriate law)	Audit Comment
1	To monitor, inspect, license, supervise, control and regulate communications services	Section 5 of the UCC Act CAP 103	Prioritized during the budgeting process
2	To allocate, license, standardize and manage the use of the radio frequency spectrum resources	Section 5 of the UCC Act CAP 103	Prioritized during the budgeting process
3	To regulate rates and charges for communications services	Section 5 of the UCC Act CAP 103	Prioritized during the budgeting process
4	To establish, amend, administer and enforce a national numbering plan and electronic addresses plan and assign numbers and electronic addresses	Section 5 of the UCC Act CAP 103	Prioritized during the budgeting process
5	To promote and safeguard the interests of consumers and operators as regards the quality of communications services and equipment	Section 5 of the UCC Act CAP 103	Prioritized during the budgeting process
6	To promote research into the development and use of new communication techniques and technologies	Section 5 of the UCC Act CAP 103	Prioritized during the budgeting process
7	To improve communications services generally and to ensure equitable distribution of services throughout the Country.	Section 5 of the UCC Act CAP 103	Prioritized during the budgeting process

Commendation

I commended the Accounting officer for the performance.

2.2 Review of the implementation of the approved budget

Out of the approved budget of **UGX.207.6 Bn**, the Commission's total revenue for the year amounted to **UGX.182.2 Bn**. Below is a summary breakdown of this budget and revenue;

Table 2: Shows Summary analysis of the entity budget

Sn	Budget category	Total Revised Budget in UGX (Bn)	Proportion of total revised budget (%)	Receipts UGX (Bn)
1	Recurrent (Wage)	44.1	21	
2	Recurrent (Non-wage)	44.0	21	
3	Development	119.5	58	
	Total	207.6	100	182.2

I audited 95% (UGX. 172.8 Bn) of the total receipts as illustrated in the table below;

Table 3: Showing Proportion of total expenditure audited

Sn	Details	Amount audited (UGX) (Bn)	Cumulative %age
1	Wage expenditure (Salary/Wage, NSSF, PAYE, Contract gratuity)	39.8	22
2	Other outputs/activities reviewed	133.0	73
	Total amount audited	172.8	95
	Total amount received	182.2	

Based on the procedures undertaken, below are my findings.

2.3 **Budgeted activities for which no funds were received**

The entity had an approved budget of **UGX.207.69Bn** out of which **UGX.182.23Bn** was received resulting in a shortfall of **UGX.25.46Bn** representing an **88%** performance. The **UGX.25.46Bn** that was not received was meant for the following activities;

Table 4: Showing Unfunded priorities for the year

No.	Programme	Budget Code / Description	Amount not received UGX (Bn)	Activities not implemented (Affected activities)	Purpose of the unimplemented activity which was not achieved
1	Digital Transformation	UCUSAF activities	15.7	Equipping communities with IT skills, Extension of internet connectivity to various centres of learning	Extension of communication services to unserved and underserved communities.
2	Digital Transformation	Personnel expenses	8.1	Payment of staff salaries, staff welfare, NSSF, Gratuity	Motivating staff
		Utilities	1.7	Office cleaning, water, electricity bills and stationery	Provision of a conducive environment for the Commission's staff
	Total		25.5		

Failure to provide funds for activities that were budgeted negatively affected their implementation and achievement of the expected services.

The Accounting officer explained that the UGX.15.7 Bn allocated for UCUSAF activities was received during the fourth quarter of the financial year, UGX.8.1Bn was meant for the personnel expenses. However, the Commission was undergoing a restructuring exercise to optimize its establishment. he explained that the activities related to utilities like electricity, water, telephone and cleaning, amounting to UGX.1.7 Bn, were undertaken on a need-based approach.

Recommendation

I advised the Accounting Officer to always come up with realistic budget estimates.

2.4 Utilisation of revenue and implementation of planned activities

2.4.1 Utilisation of revenue

The entity had total revenue amounting **UGX.182.23Bn** out of which revenue amounting to **UGX.182.22Bn (99.9%)** had been utilized by the close of the financial year. The balance of **UGX.0.01Bn** was a saving on some of the implemented activities.

Commendation

I commended the Accounting officer for the utilization of revenue.

2.4.2 Implementation of funded activities

I assessed the extent of implementation of activities for which funds were availed and utilised. A total of 4 outputs with 41 activities worth **UGX.133.1Bn** were assessed and the following was observed;

- a) One (1) output with 7 activities and expenditure worth UGX.10.9Bn was fully implemented.
- b) Three (3) outputs with 34 activities worth UGX.121.96Bn were partially implemented. Out of 34, the entity fully implemented eleven (11) activities worth UGX.20.89Bn, twenty (23) activities worth UGX.101.07Bn were partially implemented, while no activity remained unimplemented at all.

Examples of the activities that were partially implemented are provided below;

Table 5: Showing partially implemented activities

Sn	Activity	Amount received (UGX) Bn	Amount Spent (UGX) Bn	Audit Comments	Management responses
1	Supply delivery and installation of equipment of ICT Laboratories in 85 secondary schools	7.6	7.6	Implementation is still ongoing	38 of the laboratories have been fully installed and completed, 23 are expected to be completed by 13 th Dec 2024 and the remaining 24 are expected to be completed by 30 th Jan 2025. This activity was delayed by the lengthy shipping of the solar batteries that could not

Sn	Activity	Amount received (UGX) Bn	Amount Spent (UGX) Bn	Audit Comments	Management responses
					be airlifted.
2	Consultancy services for construction supervision of proposed office block and accredited equipment testing lab at UICT	1.4	1.4	Implementation is still ongoing.	The procurement of the contractor is ongoing and is expected to be concluded by 30 th January 2025 with construction commencing on 15 th February 2025 and completion anticipated by 15 th February 2027. To ensure smooth project execution, management has established a dedicated project management team.
3	Supply, delivery and installation of equipment for the establishment of ICT laboratories at 30 national libraries	0.8	0.8	Implementation is still ongoing.	The inception meeting with the vendor was held on 28 th Aug 2024 and implementation is in progress and expected to be concluded by 30 th Jan 2025.
4	Supply, delivery and installation of equipment and related software for testbed at UICT.	0.7	0.7	Implementation is still ongoing.	This activity was completed, and the test bed was officially launched on 21 st November 2024.
5	Consultancy services for the telecommunication s market definition and market power assessment	0.7	0.7	Implementation is still ongoing.	This activity is in progress, the inception report received, and data collection is ongoing. This activity is expected to be concluded by 30 th Jan 2025.
6	Supply and delivery of eighty (80) mobile tablet devices, ten (10) multiple tablet charging stations and seven (7) mobile phones	0.3	0.3	Implementation is still ongoing.	The eighty (80) mobile tablet devices, ten (10) multiple tablet charging stations and seven (7) mobile phones were received on 30 th Sept 2024.
	Total	11.5	11.5		

Partial implementation of the activities implies delayed services and realization of the objectives.

I advised Management to institute measures to ensure robust monitoring and evaluation to aid in fast-tracking of implementation and completion of the projects.

2.5 **Delivery of Services from implemented activities**

I undertook procedures on a sample of 13 activities worth UGX.16.0Bn to confirm if these activities were implemented by the entity promptly and were of acceptable quality, quantity and functionality. Several shortcomings were noted as discussed below;

2.5.1 **Delay in implementation of activities**

Out of the 13 sampled projects, nine (9) projects worth UGX.13.5Bn had delays averaging four (4) months from the expected completion date as shown in the table below.

Table 6: Shows delayed projects/works

S/n	Project description and value	Audit Observations	Management response
1	Supply delivery and installation of equipment of ICT Laboratories in 85 secondary schools Contract Amount: UGX.7.613Bn	By the time of the audit, site surveys and LAN network installations had been completed. The necessary equipment had been ordered and was expected to be delivered and installed by October 30, 2024.	38 of the laboratories have been fully installed and completed, 23 are expected to be completed by 13 th Dec 2024 and the remaining 24 are expected to be completed by 30 th Jan 2025. This activity was delayed by the lengthy shipping of the solar batteries that could not be airlifted.
2	Supply, delivery and installation of equipment for the establishment of ICT laboratories at 30 national libraries Contract Amount: UGX. 0.871Bn	By the time of the audit, the inception meeting with the vendor was scheduled for 28 th Aug 2024 and thereafter the implementation process would begin immediately.	The inception meeting with the vendor was held on 28 th Aug 2024 and implementation is in progress and expected to be concluded by 30 th Jan 2025
3	Consultancy services for the telecommunications market definition and market power assessment Contract Amount: UGX 0.699Bn	By the time of the audit, the contract had been signed and was in the implementation phase.	This activity is in progress, the inception report was received, and data collection is ongoing. This activity is expected to be concluded by 30 th Jan 2025.
4	Provision of license and support for electronic content monitoring system for one year Contract Amount: UGX 1.943Bn	By the time of the audit, the contract had been signed and was in the implementation phase.	The one-year license was obtained and the attendant support that is valid for one year is being extended to the Commission.
5	Supply, delivery and installation of equipment and related software for test bed at UICT. Contract Amount: UGX. 0.667Bn	By the time of the audit, the contract had been signed and was in the implementation phase, with delivery by the vendor pending.	This activity was completed, and the test bed was officially launched on 21 st November 2024.
6	Supply of Cloud Based Cyber Threat Intelligence (CTI) Licenses for One year Contract Amount: UGX.	By the time of the audit, the contract had been signed and was in the implementation phase, with	The one-year License for cloud-based cyber threat intelligence was obtained and is valid for one year.

S/n	Project description and value	Audit Observations	Management response
	0.570Bn	delivery by the vendor pending.	
7	Supply and Delivery of One (1) unit of Quality of Service (QoS) vehicle for TV and FM Monitoring and coverage measurement Contract Amount: UGX. 0.466Bn	By the time of the audit, the contract had been signed and was in the implementation phase, with delivery by the vendor pending.	The quality of Service (QoS) vehicle for TV and FM Monitoring and coverage measurement was delivered in July 2024 and is currently operational.
8	Supply and delivery of seventeen (17) high-tech laptop computers and supply and delivery of thirty (30) laptop computers for UCC. Contract Amount: 0.328Bn	By the time of the audit, the contract had been signed and was in the implementation phase.	The seventeen (17) high-tech laptop computers and the (30) laptop computers were received on 30 th Sept 2024.
9	Supply and delivery of eighty (80) mobile tablet devices, ten (10) multiple tablet charging stations and seven (7) mobile phones Contract Amount: 0.294Bn	The Contract was signed and waiting for delivery by the vendor.	Eighty (80) mobile tablet devices, ten (10) multiple tablet charging stations and seven (7) mobile phones were received on 30 th Sept 2024.

Delayed completion of works/services implies that the beneficiaries will not receive the intended services in time.

Recommendation

I advised the Accounting Officer to always ensure the works/projects are completed on time.

2.5.2 Quality of works/services

I undertook physical inspections on four (4) of the 13 projects and noted no defects as highlighted below;

Table 7: Shows the quality of sampled works inspected

S/n	Contact details	Audit comment
1	Project name and description: Supply and delivery of seventeen (17) high-tech laptop computers and supply and delivery of thirty (30) laptop computers. Contractor: M/S CLS Limited	I inspected the supplied computers. The specifications were as per the contract.
2	Project name and description: Supply and Delivery of One (1) unit of Quality of Service (QoS) vehicle for TV and FM Monitoring and coverage measurement Contractor: Victoria Motors Uganda Ltd	I inspected the supplied motor vehicle which was as per the specifications in the contract.

S/n	Contact details	Audit comment
3	Project name and description: Supply and delivery of one double cabin pick-up for compliance Contractor: CFAO Uganda	The supplied pick-up was as per the specifications in the contract.
4	Supply and delivery of eighty (80) mobile tablet devices, ten (10) multiple tablet charging stations and seven (7) mobile phones Contractor: M&Lothbrok (U) Limited	The supplied tablets and mobile phones' specifications were as per the contract.

There were no notable inconsistencies in the delivery of the contracts

Recommendation

I commended the Accounting Officer and management for the effective management of contracts.

2.5.3 Quantity verification

I undertook a physical verification of the quantities delivered by the suppliers and what was expected as per the contracts and noted no variances in any of the activities as indicated below;

Table 8: Showing quantity of sampled delivered works

Project name	Audit remarks	Amount overpaid
Supply and delivery of seventeen (17) high-tech laptop computers and supply and delivery of thirty (30) laptop computers Contractor: M/S CLS limited	At the time of inspection, the Accounting Officer had paid for the 47 laptops that had been received.	0
Supply and delivery of eighty (80) mobile tablet devices, ten (10) multiple tablet charging stations and seven (7) mobile phones Contractor: M&Lothbrok (U) Limited	At the time of inspection, the Accounting Officer had paid for the 80 mobile tablet devices, 10 multiple tablet charging stations and 7 mobile phones.	0

There was no overpayment observed.

Commendation

I commended the Accounting Officer for the effective management of the Contracts.

2.6 Functionality of machines/Systems

I undertook a physical inspection to confirm the functionality of the procured machines/systems. I noted that all the sampled machines/systems were functioning as expected as summarised in the table below;

Table 9: Shows functionality of inspected equipment/systems

Sn	Project	Total Expenditure UGX (Bn)	Inspection remarks
1	Provision of license and support for electronic content monitoring system for one year	1.94	The system was functioning as expected by Management.
2	Supply and delivery of eighty (80) mobile tablet devices, ten (10) multiple tablet charging stations and seven (7) mobile phones	0.29	The tablet devices and mobile phones were functioning properly.
	Total	2.23	

There was no irregularity observed in the functionality of the equipment and systems.

Commendation

I commended the Accounting Officer for the effective management of the Contracts.

SECTION 3: SUMMARY OF AUDIT FINDINGS FROM OTHER AUDIT ENGAGEMENTS

In accordance with the requirements of the NAA Cap 170, I carried out two other audits at the Commission. These were; (1) Value for Money audit on the Management of Revenue Collections from the Telecom Sector and (2) Forensic Audit on the Supply, delivery and Installation of two passenger lifts and property management at Communications House. I issued separate reports containing the details of the methodologies utilized and the audit results for each of the audits. The sections below provide the summaries of the key findings from the audits;

3.1. Value For Money Audit on Management of Revenue from the Telecom Sector by Uganda Communications Commission and Uganda Revenue Authority

One of the key objectives in Uganda's development agenda as stipulated in the NDP III is strengthening mobilisation of resources for the National Development Plan implementation. This requires concerted efforts in mobilizing resources from all facets of the economy.

The NDP III has Digital Transformation as one of its programs which aims to increase the penetration of ICT services for social and economic development. The ICT Sector remains one of the greatest contributors to Uganda's GDP (9%) with mobile networks MTN and Airtel being among the largest taxpayers in the country.

I carried out a Value for Money Audit on the Management of Revenue from the Telecom Sector in Uganda to examine the extent to which revenue assurance practices by URA and UCC have led to effective collection of revenue from the Telecom Sector. The revenue streams (taxes) included Local Excise Duty, Value Added Tax, Corporate Income Tax and Withholding tax that covered prepaid voice (airtime), prepaid internet (data), mobile money related charges and charges on international calls. Below are the key findings from the study.

- a) The Government of Uganda procured the Telecommunications Intelligent Network Monitoring System (TIMS) and Data Monitoring System (DMS) for security purposes but was later adopted to provide revenue assurance from the telecom sector.
- b) Several revenue streams were not captured by the TIMS and DMS. These include postpaid voice, post-paid internet data, and agent commissions among others. Failure to capture the information resulted from the non-provision of Enterprise Resource Planning (ERP) files by the Telecom Operators.
- c) There were notable variances between data extracted from the TIMS/DMS and communicated to URA and reported in the tax returns of the Telecom Operators. This was mainly attributed to delayed and non-provision of business operation rules and applicable charges used by the operators to the TIMS and DMS management team. Some of the variances are shown below;

	MTN U Limited/ MTN Mobile Money	AIRTEL U Ltd/ Airtel Mobile Commerce
Prepaid Voice	14%	1%
Mobile Data	-31%	4%
Mobile Money Withdrawals	3%	-8%
Revenue from Mobile Money Transfer Fees	32%	17%

International Calls	10%	-25%
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- d) Whereas the TIMS and DMS were envisioned to capture all telecom-related revenues, several operators were not onboarded on the TIMS and DMS. These included operators for the provision of internet services apart from MTN and Airtel.
- e) There was no clear data-sharing framework between all the stakeholders involved in the process of assurance of revenues from the Telecom Sector. These include;
 - Guidelines for sharing information between the Telecoms TIMS and DMS Management.
 - Guidelines for sharing information between the TIMs and DMS Management and URA, UCC and other stakeholders.
- f) The TIMS and DMS have not been optimally utilized. I noted that telecom operators are now evolving and not only are they providing the ordinary services of voice and internet but are now providing other services such as insurance, loans, banking, fees payments, merchant payments (MTN Momo and Airtel Money Pay), payments for utilities and other fintech services. As a result, the telecoms are rich with transaction data that would be very useful for taxation purposes. If TMS and DMS are adequately optimized, they can be used to ensure the above services.
- g) There were no clear mechanisms by URA to guard against base erosion and profit shifting (transfer pricing) by the large Mobile Telecom Operators as the bulk of their expenses are related to party transactions. I noted that over the last three years, UGX 2.4 Trillion has been paid for various goods and services to related companies but no evidence was provided regarding Transfer Pricing Audits about the same.
- h) There were no specific telecom sector compliance initiatives by URA, such as an industry compliance manual and return examination checklist for its employees to follow during the assessment among others.
- i) Of all the returns submitted by the Telecom Operators, only the Excise Duty return was customized to the characteristics of the sector. Other returns such as VAT, Corporate Income Tax and Withholding Tax were not customized.

Key Recommendations

- a) UCC together with URA and key stakeholders in providing telecom services and assurance in the telecom sector should develop a framework to define and streamline business operation rules and ensure timely sharing, reconciliation and oversight to enhance efficiency and effectiveness in revenue mobilization.
- b) UCC and URA should work with other stakeholders to ensure that all revenue streams and telecom operators are monitored by the TIMs and DMS. URA and UCC should also work with other stakeholders and the operators to ensure that Enterprise Resource Planning files are captured in TIMS and DMS to ensure complete revenue assurance.
- c) URA should consider having engagements with the vendors of TIMS to explore ways in which it can be extended to other non-telecom revenue streams to ensure optimal usage of the system and enhance revenue mobilization.

- d) UCC and URA should ensure that any changes in the business operations such as bonus airtime, combo bundles and other promotion packages are communicated in advance by the MNOs with detailed start and anticipated ending periods.
- e) URA should enhance its capacity to carry out Transfer Pricing Audits for Mobile Network Operators to guard against base erosion and profit shifting.
- f) UCC and URA should ensure that the units managing assurance of revenue from the telecom sector are adequately staffed and that they receive proper training. The steering committee should be designated with the responsibility of ensuring that all key players acquire skills to operate and maintain the TIMS and DMS system to reduce reliance on the vendor.
- g) The Steering Committee should bring together all stakeholders to regularly track the progress and milestones of the contract, resolve any existing bottlenecks and advise the accounting officer responsible on actions to be taken to realise value for money.

Overall Conclusion

There is adequate technology to ensure reliable assessment and assurance of revenue from the telecom sector. However, several bottlenecks have hindered the Government's potential to fully harness the benefits of the available technology in increasing revenue mobilization. Some of the major bottlenecks include delayed provision of business rules by telecom operators, non-provision of ERP files by Telecom Operators, and insufficient training and knowledge transfer to Government staff among others. The Government is advised to address the bottlenecks and heighten its efforts in monitoring the revenue of the telecom operators and the reconciliation of the taxes due to the Government.

3.2. Forensic Audit on the Supply, delivery and installation of two passenger lifts and property management at Communications House

Pursuant to Article 163 of the Constitution of the Republic of Uganda and Section 21 of the National Audit Act, Cap.170, I conducted a forensic investigation into the Supply, Delivery and Installation of Two Passenger Lifts and Property Management at Communications House.

The report was submitted to the requester.



Edward Akol
AUDITOR GENERAL

Kampala

23rd December, 2024