



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE NATIONAL
IDENTIFICATION AND REGISTRATION AUTHORITY
FOR THE YEAR ENDED 30TH JUNE 2022

OFFICE OF THE AUDITOR GENERAL
UGANDA

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List of Acronyms

ACRONYM	MEANING
Bn	Billion
ICT	Information Communication Technology
IESBA	International Ethics Standards Board for Accountants
IFMS	Integrated Financial Management System
INTOSAI	International Organization of Supreme Audit Institutions
ISSAIs	International Standards of Supreme Audit Institutions
JVA	Joint Venture Agreement
LGs	Local Governments
MDAs	Ministries, Departments and Agencies
Mn	Million
MoFPED	Ministry of Finance, Planning and Economic Development
NIRA	National Identification and Registration Authority
NSIS	National Security Information System
NTR	Non-Tax Revenue
PFMA	Public Finance Management Act, 2015
PPDA	Public Procurement and Disposal of Public Assets
PS/ST	Permanent Secretary/Secretary to Treasury
TI	Treasury Instructions, 2017
UGX	Uganda Shillings
USPC	Uganda Security Printing Company

REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF THE FINANCIAL STATEMENTS OF THE NATIONAL IDENTIFICATION AND REGISTRATION AUTHORITY FOR THE YEAR ENDED 30TH JUNE 2022

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of the National Identification and Registration Authority (NIRA), which comprise the Statement of Financial Position as at 30th June 2022, the Statement of Financial Performance, Statement of Changes in Equity, 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 of National Identification and Registration Authority (NIRA) for the year ended 30th June, 2022 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015 and the Financial Reporting Guide, 2018.

Basis for 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 NIRA in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Organisation of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my ethical responsibilities in accordance with the other requirements and the IESBA Code. 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.

1.0 Implementation of the Approved Budget

Paragraph 2 of schedule 5 of the PFMA requires Accounting Officers to prepare an appropriation account showing the services for which the money expended were voted, the sums actually expended on each service and the state of each vote compared with the amount appropriated for that vote by Parliament.

Over the years, I have observed improvements in the performance regarding implementing the budget. However, entities still face a number of challenges, including

The effects of COVID-19, which continue to affect the implementation of activities, service delivery and credibility of the budget. Against this background, budget performance was considered a key audit area during the office-wide planning. I reviewed documents such as work plans, performance reports, conducted interviews and physical inspections to arrive at my findings.

National Identification and Registration Authority (NIRA) is mandated to create, manage, maintain and operationalise the National Identification Register by registering all citizens of Uganda, registering non-citizens of Uganda who are lawfully in Uganda, registering births and deaths, assigning a unique National Identification Number to every person registered. NIRA's operations are governed by the Registration of Persons Act, 2015. NIRA had an approved budget of UGX.75,024,022,880 out of which UGX.62,618,462,184 was warranted. NIRA's key deliverables for the financial year under review were;

Table showing key deliverables for NIRA for the year

No	Output	Details	Budget (UGX)	Cumulative %age share of the total approved budget
1	124902	Finance and Administration	20,963,729,980	28%
2	122201	National Identification and Registration Services	14,400,313,600	47%
3	122206	Information and Communication Technology	10,793,437,450	62%
4	124999	Arrears	8,981,504,621	73%
5	124976	Purchase of Office and ICT Equipment, including Software	4,400,562,779	79%
6	124919	Human Resource Management Services	2,756,901,308	83%
7	122204	Registration of Births, Deaths and Adoptions	2,729,539,900	87%
8	124906	Legal Advisory Services	2,578,956,500	90%
9	124977	Purchase of Specialised Machinery and Equipment	2,550,000,000	94%
10	124908	Planning and Strategy	1,134,465,441	95%
11	124905	Office of the Executive Director	1,057,691,000	96%
12	124907	Public Relations and Corporate Affairs	637,140,301	97%
13	124909	Internal Audit	626,474,000	98%
14	124910	Procurement and Disposal	613,655,000	99%
15	124978	Purchase of Office and Residential Furniture and Fittings	416,000,000	99%
16	122205	Certification of Births, Deaths and Adoptions	381,625,000	100%
17	124920	Records Management Services	2,026,000	100%
		Total	75,024,022,880	

I reviewed the implementation of the approved 2021/2022 budget by the entity and noted the following;

No	Observation	Recommendation																								
1.1	<u>Revenue Performance</u> <u>Performance of Non-Tax Revenue (NTR)</u> I reviewed the non-tax revenue (NTR) estimates, revenue sources and rates charged at vote level for the financial year 2021/2022 and noted that the entity budgeted to collect NTR of UGX 15Bn during the year under review. Out of this, only UGX5.3Bn was collected, representing 35% of the target performance. The poor performance in NTR was attributed to inappropriate budgeting for Non-Tax Revenue. I analysed the trend of performance of NTR and noted that over the years, NIRA has budgeted to receive UGX.15Bn despite continuously performing below its approved estimates, under 40%, without considering revising the approved budgets. The table below refers; <table><tr><th>Financial year</th><th>2017/ 2018</th><th>2018/ 2019</th><th>2019/2 020</th><th>2020/2 021</th><th>2021/2022</th></tr><tr><td>NTR Budget</td><td>0.11Bn</td><td>12Bn</td><td>12Bn</td><td>15Bn</td><td>15Bn</td></tr><tr><td>Actual receipts</td><td>2.8Bn</td><td>4.8Bn</td><td>3.3Bn</td><td>3.6Bn</td><td>5Bn</td></tr><tr><td>Percentage</td><td>4%</td><td>40%</td><td>27%</td><td>24%</td><td>35%</td></tr></table> The above analysis implies that the entity's budgets are not based on the expected activities that generate its NTR. Inaccurate budgeting for NTR estimates distorts the analysis of budget performance.	Financial year	2017/ 2018	2018/ 2019	2019/2 020	2020/2 021	2021/2022	NTR Budget	0.11Bn	12Bn	12Bn	15Bn	15Bn	Actual receipts	2.8Bn	4.8Bn	3.3Bn	3.6Bn	5Bn	Percentage	4%	40%	27%	24%	35%	I advised the Accounting Officer to always ensure that NTR estimates are reasonable and based on realistic assumptions.
Financial year	2017/ 2018	2018/ 2019	2019/2 020	2020/2 021	2021/2022																					
NTR Budget	0.11Bn	12Bn	12Bn	15Bn	15Bn																					
Actual receipts	2.8Bn	4.8Bn	3.3Bn	3.6Bn	5Bn																					
Percentage	4%	40%	27%	24%	35%																					
1.2	<u>Performance of GoU receipts</u> According to the approved budget, the entity was supposed to receive UGX.75.02Bn, out of which UGX.62.62Bn was warranted, resulting in a shortfall of UGX12.4Bn. The shortfall represents 16.5% of the approved budget. The funds that were not warranted were meant to facilitate the implementation of the following activities, which were either partially implemented or not implemented at all. <u>Table showing activities affected by budget cuts</u> <table><tr><th>N o</th><th>Output</th><th>Activity</th><th>Budget Amount (UGX)</th><th>Purpose</th></tr><tr><td>1</td><td>124977- Purchase of Specialised Machinery and Equipment</td><td>• Purchase of 150 registration kits</td><td>2,319,000,000</td><td>• To replace old registration kits and register new applicants for national identity cards</td></tr><tr><td>2</td><td>124976-Purchase of Office and ICT Equipment, including Software</td><td>• Purchase of Dark trace WAN security solution for 900 devices, • Purchase of one (01) data</td><td>2,164,164,974</td><td>• For protecting NIRA's data against potential attacks • For providing data backup and recovery solutions for national identity data</td></tr></table>	N o	Output	Activity	Budget Amount (UGX)	Purpose	1	124977- Purchase of Specialised Machinery and Equipment	• Purchase of 150 registration kits	2,319,000,000	• To replace old registration kits and register new applicants for national identity cards	2	124976-Purchase of Office and ICT Equipment, including Software	• Purchase of Dark trace WAN security solution for 900 devices, • Purchase of one (01) data	2,164,164,974	• For protecting NIRA's data against potential attacks • For providing data backup and recovery solutions for national identity data	I advised the Accounting Officer to always liaise with MoFPED during implementation to ensure that GoU funds are released as planned.									
N o	Output	Activity	Budget Amount (UGX)	Purpose																						
1	124977- Purchase of Specialised Machinery and Equipment	• Purchase of 150 registration kits	2,319,000,000	• To replace old registration kits and register new applicants for national identity cards																						
2	124976-Purchase of Office and ICT Equipment, including Software	• Purchase of Dark trace WAN security solution for 900 devices, • Purchase of one (01) data	2,164,164,974	• For protecting NIRA's data against potential attacks • For providing data backup and recovery solutions for national identity data																						

		backup and recovery solution, • Purchase of 117 thermal printers, Purchase of three (03) screens for WAN monitoring solution, Purchase of 342 storage equipment		•For printing services within the district offices	
	124902-Finance and Administration	•Printing and stationery, rent, maintenance of vehicles and cleaning services	4,960,707,781	•To purchase consumables for printers such as paper, and tonner •To pay rent for district offices •To maintain the motor vehicle fleet •For cleaning NIRA offices	
	124906- Legal Advisory Services	Allowances, consultancy services and compensations to 3rd parties	910,549,870	• To pay allowances	
	124919-Human Resource Management Services	• Medical expenses, Uniforms and Protective gear	654,917,588	To pay medical insurance premiums and to purchase uniforms and protective gear	
	Total		11,009,340,213		

1.3

Utilisation of warrants

Out of the total warrants of UGX.62.62Bn received during the financial year, the entity submitted invoices totalling UGX.57.27Bn, resulting in un-utilised warrants of UGX.5.34Bn representing an absorption level of 91.46%.

The warrants that were not utilised were meant for the following activities, which were subsequently partially or not implemented at all.

Table showing activities affected by under-utilisation of warrants

No	Output	Activity	Amount(UGX)	Reason for underutilisation of warrants
1	124999- Arrears	Payment of domestic arrears	1,584,373,545	•Delayed verification of arrears
2	122201- National Identification and Registration Services	Payment of rent	324,000,000	•No contract was allowed to go beyond 30 th June as directed by the Ministry of public service, pending finalisation of rationalisation exercise
3	124902- Finance and Administration	Payment of contract staff salaries	1,515,000,267	•The unspent balances is attributed to the inability to recruit new members

I advised the Accounting Officer to put in place control mechanisms to ensure all planned activities are implemented within the set timelines.

			and Payment of rent		of staff following guidance on recruitment by the Ministry of Public Service, where filling of vacant positions was suspended pending completion of the rationalisation process, the Authority was unable to recruit new members of staff; Director ICT, Manager Finance, Senior Accountant, Manager Human Resource and other lower staff.	
	4	122206-Information and Communication Technology	Maintenance of personalisation machines and payment of contract staff salaries	1,587,277,763	•The unspent balance was attributed to the lack of a service level agreement and contract for service and maintenance of machines and the production management software	
		Total		5,010,651,575		
	As a result of the failure to absorb funds, the Authority delayed servicing its personalisation machines, which has negatively impacted their production capacity. In addition, the Authority has inadequate staff, which hinders effective service delivery. The Accounting Officer explained that the lack of absorption was affected by a recruitment ban due to rationalisation, further verification of Muelbauer arrears to ascertain undelivered services and delays in USPC procurements occasioned by values above market assessment and delayed submission of bids.					
1.4	<u>Implementation of outputs and activities</u> I assessed the implementation of a sample of ten (10) outputs that had been fully quantified with a total of fifty (50) activities worth UGX.22Bn and noted that; - Two (2) outputs with eight (8) activities and expenditure worth UGX.3.1Bn were fully implemented. - Seven (7) outputs with forty-one (41) activities worth UGX.18.9Bn were partially implemented. Out of the forty-one (41) activities, the entity fully implemented twenty-one (21) activities; eleven (11) activities were partially implemented, while nine (9) activities remained unimplemented. - One (1) output with one (1) activity was not implemented at all.					I advised the Accounting Officer to always ensure that activities and outputs are implemented as planned. In the meantime, the unimplemented activities should be considered for roll over and implementation in the subsequent work plans.

	Non-implementation of planned activities implies that the expected services to the beneficiary communities were not attained. Refer to Appendix I. For example, the Authority did not fully settle its outstanding arrears or procure new registration kits and failed to service and maintain its personalisation machines on time, resulting in operating their equipment below capacity. The failure to use equipment optimally results in delays in the enrolment processes for national identity cards. The Accounting Officer explained that the rationalisation of Government agencies and public expenditure limited budget expenditure in some areas like wage and created anxiety among staff which affected performance. In addition, late release of funds made the execution of contracts difficult.	
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2.0 **Review of the implementation of NIRA's mandate**

2.1 **Progress of the Enrolment and Registration of Citizens**

A review of the NIRA's data indicated that at the time of audit (November 2022), the Authority had received 30.3million applications for registration which accounts for 69% of Uganda's total estimated population of about 43.7million people as per Uganda National Bureau of Statistics.

Out of the 30.3million citizens who applied for registration, only 26million (86%) of the applicants have been registered, leaving approximately 4.3million Ugandans unregistered (assuming that all eligible Ugandans have applied for registration).

At the time of the audit, a total of 19million cards had been printed. Of these, 16million cards had been distributed, leaving 3million cards at distribution centres.

I reviewed the reasons for the situation regarding the registration of citizens and distribution of cards and observed the following;

- **Delays in processing applications:** I noted that 419,055 applications have not yet been processed. When working efficiently, NIRA requires about seven (7) working days as its standard timeline from the date of application to issue an applicant an identity card and about 20 minutes to register a birth or death. I established that currently, it takes an average of twenty-one (21) days for an identity card to be produced from the time of enrolment to card printing and an average of six (6) hours for a birth or death certificate to be produced. Delayed processing and issuing of IDs result in reduced delivery of essential services to the citizens.
- **Unissued identity cards:** On 30th June 2022, NIRA had 1,648,981 unissued national IDs spread over 117 stations. I analysed the data on unissued identity cards to determine the time citizens take to pick up their IDs after they have been printed and observed that 1,578,793 (96%) of national IDs have not been picked for a period exceeding six (6) months.

- Of these, 70,644 printed IDs have not been picked for over five (5) years and are likely to expire while in NIRA custody, given that national IDs are valid for ten years. Details are summarised in the table below;

Period	0-6 months	6-12 months	1-5 years	Over 5 years
Number	70,188	112,958	1,395,191	70,644

I further noted that NIRA does not display the names on the notice boards of the district offices to inform applicants that their cards are available for pickup.

- **Failure to notify applicants of issues affecting their applications for IDs:** I analysed the data of unprocessed applications and noted that by 30th June 2022, a total of 1,313,566 applications received by NIRA were rejected for reasons that needed to be rectified by either the applicant or internally by NIRA as summarised below.

No.	Category	Number	Percentage	Audit comment
1.	Backlog error that can only be corrected by the applicant	1,296,616	99%	These require the presence of the applicant to correct the error that may be due to an applicant who did not provide sufficient documentation to enable confirmation of their citizenship, poorly scanned documents, or poorly captured images, among others
2.	Backlog where issues can only be resolved internally by NIRA	16,950	1%	These may be due to system bugs, and the application can only proceed after the system has been fixed.
	Total	1,313,566		

I noted that most of the applications with errors have remained uncorrected for more than one year.

Corrections of errors require the intervention of the citizens or applicants, and NIRA should formally inform the applicant to rectify the identified errors. I, however, noted that there is no formal and standard 'feedback mechanism' for informing the applicant of the failed application.

The process for notifying the applicant to make the required corrections is not documented in any of NIRA's policies.

Delays in registering Ugandans and issuing national IDs deny the affected citizens the benefits of holding the widely accepted identification for many services, including; financial transactions, travel within East Africa and identification at the time of elections. It further limits the usability of NIRAs data by other government agencies, which encourages duplication.

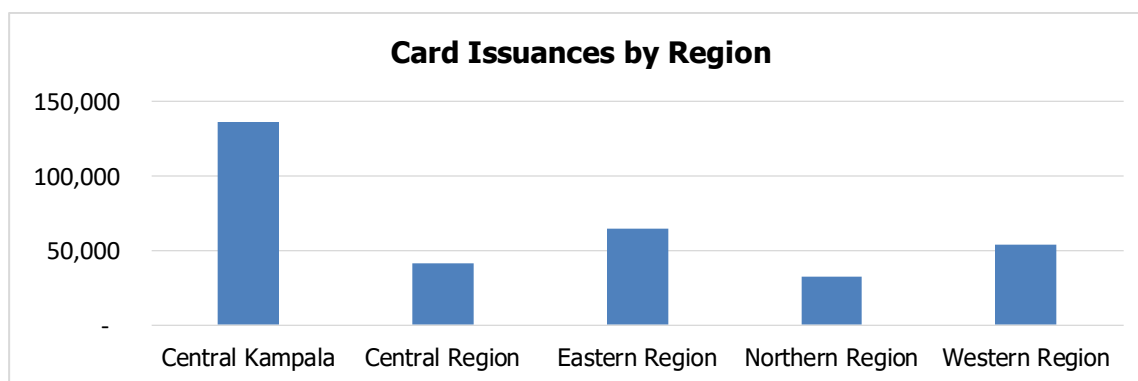
The Accounting Officer attributed the above shortcomings to a shortage of staff in data processing, with only 14 staff handling all applications coming in from across the country, as well as the declining performance of personalisation machines resulting from the fact that their laser diodes (electronic pens) for personalisation of cards have been in

use for longer than their operational life of 10,000 hours recommended by the manufacturers. Nevertheless, management plans to service the machines and replace the current system to improve registration performance and turnaround time. The Accounting Officer further indicated there are plans to extend services to all 146 administrative districts and scale up outreach programs to distribute unissued cards. NIRA has also implemented feedback mechanisms, including automatic SMS, the USSD platform (*216#), and the NIRA website to enable clients to query the status of their applications at no cost.

I advised the Accounting Officer to put in place a robust strategy to increase the accessibility of NIRA services and ensure that all eligible Ugandans are registered and issued National IDs within reasonable timeframes.

2.2 **Congestion at Card Registration and Issuance Locations**

I reviewed the registration and card issuance data to assess the congestion level at different locations across the country. My analysis revealed that the bulk of registrations and collection of national IDs is concentrated in seven (7) offices in the Kampala metropolitan area out of the total 117 NIRA offices. Out of the 329,366 cards issued during the financial year 2021/2022, a total of 136,608 (41%) cards were issued by the seven (7) offices.



Despite the concentration of registrations and collections in Metropolitan Kampala comprising Kololo, Rubaga, Wakiso, Makindye, Nakawa, Kawempe and Mukono; I noted that there is an insufficient number of offices and staff in the above locations, hence the congestion at these locations.

For instance, at the Central division office, an average of 180 cards is issued daily. Congestion affects the quality and efficiency of NIRA's service delivery to citizens. The Accounting Officer explained that management could not recruit staff due to a ban on recruitment due to rationalisation of Government entities and lack of funds for wage that has rendered the staff structure incomplete at almost 50% of the approved staffing structure. Management, however, takes note and will continue to find innovative approaches to offer better client experience, like conducting outreaches to Sub-Counties, Parishes, and Schools.

Management further freed up the Kampala Central Office for issuance of ID Cards and used facilities allocated by Town Councils of Kasangati, Kira and Entebbe in Wakiso to ease the service further. In 2023/24, NIRA plans to provide services in all administrative Districts and Cities.

I advised Management to take up the matter with the relevant Authorities for recruitment of more staff and also consider other measures focusing on decongesting centres like Kampala for improved service delivery.

2.3 Coverage of Minors (Birth Registration) exercise

Sustainable Development Goal (SDG) number 16.9 provides that by the year 2030, all countries should have provided legal identity for all citizens, including birth registration. The right to an identity starting from birth is fundamental in various international civil rights conventions to which Uganda is a signatory.

I assessed the progress made by NIRA to issue birth certificates and, or national identification numbers to children at the time of birth. NIRA started a program where birth certificates and National Identification Numbers (NINs) are issued at birth to all children.

Despite the efforts, the number of children registered at birth remains low, while those issued with NINs are not yet established. NIRA still faces several implementation challenges, such as births outside of homes, the capture of incorrect and incomplete information and cultural practices of not naming children immediately at birth.

The Accounting Officer explained that management has put in place a number of initiatives which include; Outreach to schools, health facilities, communities, remand homes, child care homes and enforcing the use of NINs before issuance of birth certificates.

I noted the initiatives undertaken by management and further advised the Accounting Officer to put in place strategies to ensure that all children are registered in line with the sustainable development goals. These may include community outreaches besides the normal registrations at health units.

2.4 Review of Customer Service Management

NIRA provides assistance and advice to customers through various channels. I reviewed NIRA's customer service management to assess the level, scope and adequacy of the service to the customers and noted the following;

- i. Lack of dedicated staff to handle customer complaints. The staff deployed in the call centre are not trained customer service staff. They are currently picked from various departments;
- ii. NIRA does not maintain a manual or automated register of complaints received from walk-ins to enable their tracking up to their resolution. Though the call centres have capabilities to generate summaries of complaints lodged, these have not been extracted by management for taking corrective action;

- iii. NIRA does not maintain a database of frequently asked questions on their website or automated responses to callers to enable customers get quick advice and support;
- iv. NIRA's customer service channels include the website, and social media platforms of Twitter, Facebook and Instagram; however, there is no dedicated staff to handle these online platforms;
- v. There is no support offered for clients who seek clarification during the night, weekends and on days when there are national events at Kololo airstrip;
- vi. Whereas NIRA's annual workplan for 2021/2022 provided for radio spots, TV adverts and Newspaper adverts to sensitise and mobilise the public about the services offered by NIRA, I observed that none of these sensitisation activities was undertaken during the year;

The Accounting Officer attributed the identified shortfalls to a low staffing level is at 49. The Accounting Officer further explained that there is only one (01) officer in communications, and there are up to 6,000 incoming calls daily. The workforce cannot match the load of work. Whereas there is a complaints management system, however, the staffing level does not allow for 100% complaints handling;

I noted the response and advised the Accounting Officer to liaise with all the relevant stakeholders to obtain funding and approval for recruitment of the required staff. I also advised the Accounting Officer to streamline the customer service department by implementing strategies to reduce the waiting time between application and receipt of IDs or registration certificates.

2.5 Harmonisation of Information between NIRA and other Government Agencies

Several Government agencies widely use individual identification programs, including the National Citizenship and Immigration Control, Uganda Police (for enrolment of individuals for certificates of good conduct and criminal records profiling), Ministry of works (for issuance of driver's licenses) and NIRA. Similar information is captured by all these organisations, including biometric information (mainly fingerprints and face photos), name, gender, date of birth and other information (signatures, occupation, religion, tribe, residential address etc.).

I found no evidence of harmonisation of this information across the different government agencies. Whereas the other agencies have access to NIRA's data, any discrepancies found in the data they capture with that held by NIRA are not formally communicated to NIRA for investigation and rectification except by the Directorate of Citizenship and Immigration Control.

Furthermore, the databases by the different Institutions are not linked; thus, the captured personal data cannot be cross-referenced and used to help save the time of the populace by avoiding the multiple captures of similar information.

Duplication of activities, systems and information among the different agencies of Government is administratively and financially costly.

The Accounting Officer explained that the integration is dependent on the readiness of the automated system on the part of the accessing MDA. However, NIRA has so far integrated with 68 Institutions to link peoples' identities to the services provided.

I advised the Accounting Officer to work with other government agencies to develop a comprehensive and interlinked identity management system that links people's identities, including birth certificates, voter registrations, driver's licenses, marriage certificates, national identity cards and passports.

2.6 Assessment of Road map for Mass Registration and Renewal of National IDs

NIRA is expected to undertake mass registration and mass renewal of the IDs that are about to expire in 2024. This will involve replacing old IDs with a next-generation ID system embedded with a microchip containing citizens' electronic and biometric information.

I observed that there was no clear implementation strategy on when the new IDs are to be rolled out, and key contracts such as those for supplying the blank cards, IT systems, equipment and staff to manage the exercise were yet to be rolled out. Without a proper and timely implementation strategy, the entity may face a large number of applications above the existing capacity at the time of registration in 2024, resulting in processing delays, congestion and citizen frustrations.

The Accounting Officer explained that NIRA's Board has already approved a concept and roadmap for mass enrolment. In addition, Cabinet approved the concept, roadmap and ceiling budget. In keeping with the roadmap, NIRA has specified the functional and technical specifications for the New NSIS system and conducted due diligence to determine the technologies to use.

I advised management to devise initiatives geared towards mass enrolment, clearly highlighting risk identification and management strategies that will address the shortfalls experienced during the first mass registration exercise.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer 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

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 National Identification and Registration Authority (NIRA).

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 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 Accounting Officer is responsible for assessing NIRA'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 Accounting Officer has a realistic alternative to the contrary.

The Accounting Officer is responsible for overseeing NIRA'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 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 NIRA'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 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 NIRA'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 NIRA 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 Accounting Officer 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 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 (NAA), 2008, I report to you, based on my work described on the audit of Financial Statements, that; except for the matter 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 Section 19 of the NAA 2008, I have a responsibility to report material findings on the compliance of the Ministry with specific matters in key legislations. I performed procedures primarily 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;

3.0 Management of IT investments

The Government of Uganda (GoU) is making large investments in Information Technology (IT) systems because of the tremendous benefits IT can bring to its operations and services. One of the key programmes of NDP III 2020/21-2024/25 is *Digital Transformation*, in which Government of Uganda, aims to increase Information, Communication Technology (ICT) penetration and use of digital services for enhancing social and economic development.

As a result of the national prioritisation of ICT, the Auditor General undertook a thematic audit covering three financial years' expenditure (2019/20 to 2021/22) to scrutinise the management of IT Investments across Government. The overall objective was to assess whether the IT investments in Government are strategically aligned, managed appropriately and focused on achieving the NDP III objective. The procedures undertaken covered: planning and budgeting; procurement, utilisation, maintenance and disposal of IT systems; governance; and financial reporting.

For FY 2021/2022, the entity budgeted for UGX.11.89Bn to acquire and implement IT systems and equipment and received UGX.5.19Bn.

A review of ICT activities implemented revealed the following;

No	Observation	Recommendation
3.1	<u>Failure to utilise all procured system modules</u> A review of four systems under use by NIRA revealed a total of five (5) inactive/unutilised modules. For instance, the alien registration, verification of Payment Registration Numbers (PRNs) and ID renewal modules under the NSIS were not being used. Likewise, the electronic data storage for Human Resource Management Information System and the registration module for CRIMS were found inactive. Non-compliance may lead to duplication of acquisition, procurement of non-compatible systems and deviation from Government's efforts to rationalise resources for better service delivery.	I advised the Accounting Officer to ensure that the systems and modules not currently in use are reviewed, and their usability features enhanced or discontinued to reduce costs paid for unused licenses
3.2	<u>System maintenance and upgrades/updates</u> - I noted that the entity procured and deployed eight systems, but in the period under review, no routine maintenance was undertaken as was scheduled. - I noted that there was no formal documented plan to upgrade the systems. However, system upgrades were conducted on the NSIS system, where 2NINs and administrative units were added. At the same time, the MVRs added the death module; certification and registration modules while there are no system upgrades in the other systems. The Accounting Officer responded that she had carried out necessary upgrades to; - Storage system (3PAR) version upgraded from 3.2.1 to 3.3.1 - Malware solution upgraded; - Software for data backup (Data protector from version 10 to version 11)	I advised the Accounting Officer to prioritise systems maintenance and upgrades to preserve the integrity and availability of the data and the system.

	• End of support security device (upgraded from Cyberoam firewall to Sophos next Gen firewall). • Maintenance of the human resource management information system and call centre were affected by the non-release of budgeted funds. The website and online services, including the online booking, are internally supported while time and attendance is a new implementation with one year of warranty.												
3.3	<u>Failure to operationalise interfaces for systems integration</u> I noted that NIRA has several systems, such as the National Security Information System (NSIS), Mobile Vital Registration System (MVRS), Civil Registration Management System (CRIMS), for the following roles; identification of persons, notifications, registration of birth, death and adoptions respectively. Although these systems are meant to share information to aid the smooth running of the entity, all these systems were operating in isolation. They did not have any automated mechanisms to share information (integrated). As such, information sharing was purely manual despite being explicitly provided for, in the respective system requirements and contracts. The Accounting Officer explained that the MVRS had been upgraded and integrated to the NSIS to access information in the NIR.	I advised the Accounting Officer to integrate or interface systems to improve effectiveness and better service delivery.											
3.4	<u>Disposal and Decommissioning of ICT Assets</u> Paragraph 15.11.1 of the Treasury Instructions, 2017, PPDA Act, 2003 (as amended) and PPDA Regulations, 2014 together with the PFMA, 2015 require MDAs and LGs to efficiently and transparently dispose assets as recommended. A review of the Board of survey reports for the period under review and the assets register revealed that 85 IT systems or hardware equipment had exceeded the recommended five years useful life, hence were due for disposal. See the summary in the table below; <table><tr><th rowspan="2">Details</th><th colspan="3">Years in use</th></tr><tr><th>1-3 yrs.</th><th>4-10 yrs.</th><th>Above 10 yrs.</th></tr><tr><td>Number of Assets</td><td>1,174</td><td>85</td><td>0</td></tr></table> Delayed disposal of IT assets leads to further diminution in value and loss to Government.	Details	Years in use			1-3 yrs.	4-10 yrs.	Above 10 yrs.	Number of Assets	1,174	85	0	I advised the Accounting Officer to fast track and consider disposing off the ICT assets that are beyond their useful life.
Details	Years in use												
	1-3 yrs.	4-10 yrs.	Above 10 yrs.										
Number of Assets	1,174	85	0										

	The Accounting Officer acknowledged that some IT systems and hardware equipment had exceeded the recommended five years useful life, and hence are due for disposal. The Accounting Officer explained that an internal committee had been set up by management to value these assets and facilitate the transfer of ownership to enable the entity to conclude the disposal of these assets.	
3.5	<u>ICT Governance</u> IT governance entails leadership, structures, and processes that enable an organisation to make decisions to ensure that its IT sustains and extends its strategies and objectives. However, a review of the ICT governance structure of the entity revealed that; • A review of the staff establishment for NIRA revealed that, out of the total approved established positions in the structure for the ICT Directorate of 487 staff, only 272, representing (56%) of the approved structure, were filled, leaving 216 (44%) positions not yet filled. • NIRA had no IT risk management framework/policy at the time of the audit. I further noted that there was no risk register. • I noted that NIRA does not have a business continuity and Disaster recovery plan for all locations. In addition, the entity does not have appropriate Business Continuity or Disaster Recovery testing, reporting and maintenance procedures for all critical infrastructure The absence of ICT governance structures hampers the formulation of appropriate ICT policies, strategies and real-time upgrades of ICT interventions. In addition, it may lead to the misalignment of IT investments with the overall entity's strategic objectives. The Accounting Officer attributed the delay in approval of the ICT Risk Management framework was occasioned by the development of the new system specifications, which incorporated new technological changes. The Authority, in consultation with NITA-(U), is in the process of establishing a Disaster Recovery Site at the National Data Centre.	I advised the Accounting Officer to institute governance policies and structures to effectively manage ICT investments in consultation with other stakeholders.

4.0 Management of the Joint Venture Agreement

In the financial year 2017/2018, NIRA entered into a contract with Uganda Security Printing Company Limited (USPC) to supply blank ID cards and other security documents. I reviewed the management of the contract and made the following observations;

4.1 Failure to issue call-off orders for blank cards

According to General Condition of Contract (GCC)11.1 of the special conditions of the contract, NIRA is supposed to place its call-off orders in a manner that there is at least one delivery each year, a minimum of 4,500,000 national ID cards was projected to be ordered annually, starting with the financial year 2020/2021.

I observed that NIRA did not order the cards as required by the contract. Furthermore, no budget provision for the procurement of cards had been made in the year's budget. Although addendum 1 to the contract was signed, NIRA may not be able to meet its contractual obligation regarding the expected number of cards, which may result in a breach of contract, posing a risk of liquidated damages.

I further observed that whereas NIRA placed an order for births and deaths certificates, it is not clear how the price paid for the certificates was arrived at, given that the prices for the certificates were not specified in the Joint Venture Agreement with USPC as was the case for other consumables, such as National IDs and Passports.

The failure to order the required number of blank ID cards may attract fines and liquidated damages for non-compliance to contractual terms

The Accounting Officer explained that NIRA has in stock 1.769million blank ID cards as of 22.11.2022. To avoid a nugatory expenditure and liquidated damages, an addendum to the JVA was signed for the new ID card. The ID card design was approved in October 2022 and the provision of UGX 183billion has been made in the next budget (2023/24) to purchase cards.

I advised the Accounting Officer to fast-track the process of obtaining new cards during the mass renewal and registration process.

4.2 Progress on implementing new systems under USPC;

Clause 18 of JVA gives exclusive rights to produce and supply security documents and supporting systems, including IT systems equipment, to USPC.

I observed that USPC was yet to supply IT systems and equipment to support the National ID system and the birth and death registration system. The system being used for the management of Identification Information was supplied by M/S Mühlbauer Uganda Limited, whose contract had expired. I also noted that there was no support for the old system apart from the spares and parts supplied for the personalisation machines. Although the Accounting Officer explained that NIRA had contracted a new vendor to provide support and maintenance for the software and the personalisation machines. However, this support is limited due to lack of information that is only privy to the original developer and supplier of the system and machines.

I further observed that NIRA had developed the user requirements for the National ID and system specifications however; no system support for the ID and birth and death registration was provided, leaving NIRA with no system support. The Accounting Officer explained that NIRA had contracted a consultant to support and maintain the births and deaths registration system, but no evidence of this was provided to the audit team.

A review of the Project implementation process to assess the progress towards migration to the new systems under USPC revealed that NIRA had not made significant progress towards acquiring new systems and supplies under USPC. For instance, the development and approval of user requirements was yet to be done.

Given the timelines and costs required for the successful development and deployment of such a complex system that meets varied user requirements, there is a risk that NIRA will operate without system support from the new vendor for an unspecified time.

The Accounting Officer explained that that acquiring the new system from USPC, management, through a consultative process, developed draft specifications awaiting input from Multi-Sectoral Committee and subsequent approval by the Board. The mass enrolment and renewal budget was presented and approved by Cabinet, with a budget ceiling to be determined upon finalisation of the specifications.

I advised the Accounting Officer to design a strategy for replacing the existing NSIS supplied under the old contract without disrupting the current operations.

4.3 Irregular Pricing of supplies and services under the JVA

Whereas the JVA require operations to be guided by the laws of Uganda. I noted that NIRA awarded contracts to USPC at prices higher than the estimated market values of the procurements, which contradicts the PPDA law and Regulations.

The estimated values were based on the results of market surveys and actual prices of previous procurements of similar nature. I reviewed the procurement documentation and noted that no reassessment was done to confirm the reasonableness of the quoted prices, but rather negotiations were carried out to reduce the scope of services to fit within the current budgets.

As a result, I noted that NIRA could have saved UGX.988,930,950 on four (4) procurements had the contracts been awarded at prices comparable to the market values. The table below shows details;

	Subject of procurement	Estimated value of the procurement (UGX)	Contract price (UGX)	Variance (UGX)
1.	Data protector license	254,999,988	313,367,485	58,367,497
2.	Maintenance of personalisation machines and capacity building for Personnel/staff	810,248,600	1,017,001,691	206,753,091
3.	Software support and maintenance of the NSIS system	1,000,000,000	1,576,664,182	576,664,182
4.	Disaster recovery	2,139,221,811	2,286,367,991	147,146,180
	Totals	4,204,470,399	5,193,401,349	988,930,950

From my review of the negotiation minutes (04/17.05.2022), I noted that USPC uses the estimated market price provided by NIRA as its base cost and factors in 4% for overheads and a markup of 20.69% on cost. For example, for the procurement of maintenance of personalisation machines and capacity building, the following computation was done;

Item	Amount (UGX)
NIRA's estimated value	810,248,600
Overhead costs (4%)	32,409,944
Total cost	842,658,544
Mark up at 20.69%	174,346,053
USPC's Contract price	1,017,001,691

Awarding contracts at prices not comparable to the market values may lead to taking on contracts at higher prices which disadvantages the entity and is contrary to the PPDA laws and Regulations.

I advised the Accounting Officer to put in place strategies to ensure total compliance with the terms of the Joint Venture Agreement, including developing support systems to avoid the entity's stalling operations, incurring avoidable expenditure, and attaining value for money from the systems. The Accounting Officer should further engage the vendor and other relevant stakeholders to ensure reasonable prices are charged.

4.4 Lack of data migration strategy and plan

The development of a new system for the National ID to be implemented by USPC would require data migration from the old system that Muehlbauer ID Services GmbH NSIS implemented to the new system.

However, I noted that there was no strategy and plan regarding the transfer and migration of processed and stored data, process flows, biometric data scope and timing, among others.

The absence of a clear transition plan may lead to interruptions in the normal operations in the production of IDs, security and preservation of data integrity and delayed delivery of expected outputs under the Joint venture.

The Accounting Officer explained that NIRA would continue to follow up with USPC. USPC will implement the New NSIS system including data migration through the Joint Venture Agreement between the Government and Veridos GmbH. Whereas NIRA communicated to USPC requesting the data migration strategy and plan, USPC is yet to respond.

I advised the Accounting Officer to follow up on the data migration strategy and plan to ensure a seamless transition and avoid business operations interruptions.

5.0 Procurement of disaster recovery system

NIRA entered into a contract with Uganda Security Printing Company (USPC) on 3rd May 2022 to procure a disaster recovery system at a contract price of UGX.2,286,367,992 under procurement reference number NIRA/NCONS/21-22/00120. A review of the contract and procurement file revealed the following;

5.1 Non-compliance to payment terms

Special condition of contract GCC16.1 provided that payment shall be 100% after full delivery. I noted that the supplier was paid the whole contract price (100%) of UGX.2,286,367,992 on 30th June 2022 without any delivery made to the authority. Full payment to the supplier without any delivery may lead to loss of public funds in case of non-performance on the supplier's part.

I advised the Accounting Officer to ensure compliance with the contractual requirements and further fast-track the implementation of the disaster recovery system.

5.2 Expiry of the advance payment guarantee issued

USPC provided an advance payment guarantee from Stanbic bank (reference QLGUG0001738) with an expiry date of 31st December 2022 for the advance payment of UGX.2,286,367,992. At the time of audit (November 2022), the disaster recovery system was not yet in place, and there was no evidence that one was being set up. In the prevailing circumstances, the advance guarantee is likely to expire without delivery of the expected services from the service provider.

Management received a commitment from the vendor to deliver by 30th November 2022. I advised the Accounting Officer to initiate steps to renew the advance guarantee timelines in the event of delayed delivery of the disaster recovery system.

5.3 Non-compliance with delivery timelines

Special conditions of contract number GCC 12 on delivery timelines indicated that the supply shall be delivered within 30 days after contract signing. The supplier was issued a Local Purchase Order on 6th June 2022; however, at the time of the audit (November 2022), i.e., seven months after the contract issuance, the disaster recovery system had not been delivered.

No liquidated damages have been levied despite being provided for under Special conditions of contract GCC 28, which provides that liquidated damages, shall apply at a rate of 0.5% per week, and the maximum amount of liquidated damages shall be 10%. The liquidated damages due, given the circumstances, is UGX.228,636,799.

Delayed delivery of supplies denies the enjoyment of expected benefits from such supplies, thereby affecting service delivery

I advised the Accounting Officer to ensure that liquidated damages are recovered in the event of delayed delivery. The Accounting Officer should also engage the supplier to ensure that the disaster recovery system is delivered within agreed timelines.

5.4 No performance guarantee provided by the supplier

Special condition of contract GCC 19.1 provided that there shall be a performance security at an amount of UGX.228,636,000. A review of the procurement file revealed that the supplier provided no performance security.

Lack of performance security implies that government may not be compensated should the contractor fail to meet all contractual obligations.

The Accounting Officer explained that USPC wrote to NIRA indicating that because USPC is 51% government-owned, they do not submit performance guarantees. Since the Authority was required to receive services from only USPC, handling it was challenging. I advised the Accounting Officer to comply with the special conditions of the contract and secure a performance guarantee that provides a shield in the event of non-performance by the supplier.

5.5 Limited progress reports on the performance of the contract

I noted that there were limited progress reports from the contract manager on the performance of the contract. As a result, I could not confirm whether there were any explanations for the delivery delays or any strategies by management to resolve the issues causing the non-performance of the contract. Failure to report consistently leads to unsupervised work.

Management responded that there were two (2) contract management reports to that effect however; these were not available for review during verification.

I advised the Accounting Officer to ensure timely follow-up and supervision of contracts to achieve set objectives and comply with contractual terms.

6.0 Staffing Gaps

The approved NIRA structure provides for 865 positions, out of which 423 positions are filled, resulting in a shortfall of 442 (representing 49%). Key positions such as Director ICT, Manager Human Resources, Manager Public relations and Senior Accountant, among others, were vacant at the year's end.

The organisational performance is highly affected by inadequate staffing resulting in extra workload on the existing staff and hiring temporary staff to handle the workload.

The Accounting Officer explained that the Minister of Public Service, in the letter Ref: MSD/135/165/01 dated 23rd August 2021, suspended/banned recruiting staff during the process of rationalisation of Government Agencies and Public Expenditure.

I advised the Accounting Officer to liaise with the relevant stakeholders to ensure that the approved structure is filled.



John F. S Muwanga
AUDITOR GENERAL
Kampala
23rd December, 2022

Appendix I: Extent of Implementation of Outputs and Activities

Fully Implemented Outputs					Partially Implemented Outputs							Outputs not Implemented at all				
No .	Output	Total Output expenditure UGX '000"	Total No activities	Number of fully implemented activities	N o.	Output	Total Output expenditure UGX '000"	Total No activities	Number of fully implemented activities	No of partially implemented activities	No of activities that were not implemented	No .	Output	Total Output expenditure UGX '000"	Total No activities	Number of fully implemented activities
1.	122204-Registration of Births, Deaths and Adoptions	2,538,620	4	4	1.	24976-Purchase of Office and ICT Equipment, including Software	2,236,398	9	4	0	5	1.	124977-Purchase of Specialised Machinery and Equipment	0	1	0
2.	124909-Internal Audit	568,711	4	4	2.	124978-Purchase of Office and Residential Furniture and Fittings	404,106	5	4	0	1					
					3.	122201-National Identification and Registration Services	13,547,073	6	1	5	0					
					4.	122205-Certification of Births, Deaths and Adoptions	200,625	3	0	3	0					
					5.	124906- Legal Advisory Services	1,535,018	9	7	2	0					
					6.	124907-Public Relations and Corporate Affairs	439,479	4	1	0	3					
					7.	124910-Procurement and Disposal	531,097	5	4	1	0					
	Total	3,107,331	8	8		Totals	18,893,796	41	21	11	9		Totals	0	1	0