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OFFICE OF
THE AUDITOR GENERAL
APOLLO KAGWA ROAD,
PLOT 2C,
P.O. Box 7083,
KAMPALA.

VISION: "To be an effective and efficient Supreme Audit Institution (SAI) in promoting effective public accountability"

MISSION: "To Audit and report to Parliament and thereby make an effective contribution to improving public accountability and value for Money Spent"

IN ANY CORRESPONDENCE ON **DCG.247/347/01/17**
THIS SUBJECT PLEASE QUOTE NO:.....

22nd December, 2017

The Rt. Hon. Speaker of Parliament
Parliament of Uganda
Kampala

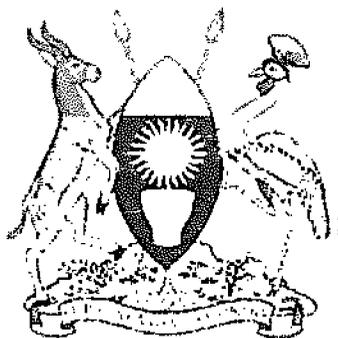
**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
REGIONAL COMMUNICATIONS INFRASTRUCTURE PROGRAM (RCIP) PHASE 5
FOR THE YEAR ENDED 30TH JUNE 2017**

In accordance with Article 163 (4) of the Constitution, I forward herewith audited financial statements of the Regional Communications Infrastructure Program (RCIP) Phase 5 for the financial year ended 30th June 2017 together with my report and opinion thereon.

John F.S. Muwanga
AUDITOR GENERAL

- Copy to:
- The Permanent Secretary/Secretary to the Treasury
Ministry of Finance, Planning and Economic Development
 - " The Executive Director, National Information Technology – Uganda
 - " The World Bank/IDA
 - " The Programme Coordinator
RCIP





THE REPUBLIC OF UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
REGIONAL COMMUNICATIONS INFRASTRUCTURE PROGRAM (RCIP) - IDA LOAN NO.
5635-UG FOR THE YEAR ENDED 30TH JUNE 2017**

OFFICE OF THE AUDITOR GENERAL
UGANDA

LIST OF ACRONYMS

Acronym	Meaning
ISSAI	International Standards of Supreme Audit Institutions
G.O.U	Government of Uganda
NITA-U	National Information Technology Authority
ICT	Information Communication Technology
RCIP	Regional Communication Infrastructure Program
RFP	Request for Procurement
TOR	Terms of reference
MTEF	Medium Term Expenditure Framework

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
REGIONAL COMMUNICATIONS INFRASTRUCTURE PROGRAM (RCIP)-IDA LOAN NO.**

5635-UG

FOR THE YEAR ENDED 30TH JUNE 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Regional Communication Infrastructure Program (RCIP)-IDA Loan NO. 5635-UG for the year ended 30th June 2017. The financial statements set out on pages 9 to 30 comprise of Statement of cash receipts and payments, Statement of comparative budget and actual amounts, Cash flow statement, Special designated account statement and Notes to the accounts which contain a summary of significant accounting policies.

In my opinion, the Project financial statements present fairly in all material respects the fund balances of the Regional Communication Infrastructure Program-IDA Loan NO. 5635-UG for the year ended 30th June 2017 and the receipts and payments for the year then ended in accordance with the accounting policies stated in note 8 on pages 15 to 20 of the financial statements.

Basis of Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of Project Management in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act 2008, the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the financial statements in Uganda, and I have fulfilled my other ethical responsibilities in accordance with these 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, are of most significance in my audit of the financial statements of the current period. I have determined that there were no Key Audit Matters to communicate in my report.

Other Matter

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

- **Budget performance – Under absorption**

The approved project expenditure estimates for the financial year 2016/17 amounted to UGX.20,310,423,595 and a sum of UGX.36,926,157,308 was released for spending during the year. However, only UGX.1,967,209,705 was spent, representing an absorption capacity of only 9.5%. **Refer to Appendix1.** Low absorption is likely to attract commitment fees charged on undrawn amounts and also negatively affects implementation of planned activities.

Management explained that being a first year of implementation, there were challenges including recruitment of prescribed project staff/consultancies, specifying deliverable requirements, turning around procurements to match the implantation schedule / work plans.

I advised the accounting officer to expedite the initial processes to ensure that all planned activities are implemented within the set Project period with a view of minimizing commitment fees.

- **Inadequate Government counterpart funding**

A reviewed of the project's Government of Uganda (G.O.U) Counterpart funding budget indicated that the project had budgeted to receive UGX.706,373,741 as counterpart funding. However, only UGX.289,705,051 was released and spent during the year, which represents a counterpart funding shortfall of 61%. Inadequate counterpart funding could lead to slow implementation of activities such as payment of taxes and could attract litigation costs resulting from fines and penalties due to non-payment of suppliers.

Management explained that much as only UGX.289,705,051 was received, the entity managed to lobby for a higher MTEF ceiling of UGX.1,914,479,000 for the financial years 2017/18 and 2018/19.

I advised management to liaise with Ministry of Finance, Planning and Economic Development to ensure that all budgeted Government counterpart funds are released on time.

- **Delayed recruitment of key staff**

Section 6(b) of the Financing Agreement requires the project to recruit an environmental specialist on a retainer basis in not later than three (3) months after the effective Date. However, it was noted that one year after the effective date (26th May 2016) the position was still vacant. Late recruitment of staff can lead to delayed execution of project activities.

Management explained that this recruitment had been handled early during the financial year but the best candidate turned down the offer due to failure to reach an agreement over pay, after protracted negotiations. The second candidate also could not accept the offer because this required him to resign his other government post at that time. Management then opted to adopt a seconded specialist from NEMA; which idea was not approved by World Bank. A decision had to be made with consent of World Bank to re-start the process at the beginning of July 2017 through head hunting and another shortlist was generated and candidates interviewed.

I advised management to speed up the process of filling the key vacant post in order to avoid delaying the implementation of the project activities.

Management Responsibility

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the provisions of the Public Finance Management Act, 2015 and IDA Project Funding Guidelines. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying

appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

In preparing the financial statements, management is responsible for assessing the Project's ability to achieve its core objectives, disclosing, as applicable, matters related to the achievement of its objectives, unless management either intends to close the project or to cease operations, or have no realistic alternative but to do so.

Management is responsible for overseeing the Project's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives as required by Article 163 of the Constitution of the Republic of Uganda, 1995 (as amended) and Sections 13 and 19 of the National Audit Act, 2008 are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs), I exercise professional judgment and maintain professional skepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Project's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Project's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Project to fail to deliver on its mandate.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with Management 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 Management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Management, 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.



John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

22nd December, 2017

REPORT OF THE AUDITOR GENERAL ON THE SPECIAL DESIGNATED ACCOUNT
STATEMENT OF REGIONAL COMMUNICATIONS INFRASTRUCTURE PROGRAM
(RCIP)-IDA LOAN NO. 5635-UG FOR THE YEAR ENDED 30TH JUNE 2017

Opinion

I have audited the Special Designated Account Statement of the Regional Communications Infrastructure Program (RCIP)-IDA Loan NO. 5635-UG for the year ended 30th June 2017 which are set out on pages 13 of Appendix 1 respectively.

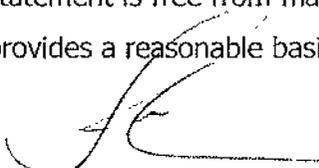
In my opinion, Programme management complied in all material respects with loan rules and procedures and the Special Designated Account Statement for the Regional Communications Infrastructure Program (RCIP)-IDA Loan NO. 5635-UG present fairly in all material respects the accounts transactions and the closing balances as at 30th June 2017.

Management Responsibility for the Special Account Statement

Project management is responsible for preparation of the special account statement and its fair presentation in accordance with the requirements of the Government of Uganda regulations, and loan (IDA) guidelines. Management is also responsible for designing and implementing internal controls relevant to the preparation of the special account statement that is free from material misrepresentation, whether due to fraud or error and selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the special account statement based on my audit. I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and IDA guidelines on auditing. Those standards and the loan guidelines require that I plan and perform the audit to obtain reasonable assurance about whether the special account statement is free from material misstatement. I believe that the audit evidence I have obtained provides a reasonable basis for my opinion.


John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

22ND December, 2017

APPENDIX 1

Budget Performance

Sub-Component	Planned Activities FY 2016/17	Budgeted amount (UGX)	Status of implementation	Management response
1.1: Undertake Laws Gap Analysis Study & Implementation of identified gap	<ul style="list-style-type: none"> Assessment of the existing ICT policies, strategies, standards, legislation and regulatory framework. To identify gaps and weaknesses and their harmonization with regional commitments and frameworks. 	525,300,934	<ul style="list-style-type: none"> Assessment of the existing ICT policies, strategies, standards, legislation and regulatory framework not yet done. Identification of gaps and weaknesses and their harmonization with regional commitments and frameworks not yet done 	Management explained that the Consultant contract was likely to be in signed in October 2017/18
	<ul style="list-style-type: none"> Review existing laws, policies, strategies and frameworks, Task force activities, seek approvals, stakeholder engagements, review of reports 	175,099,183	No progress made	Activity was affected by absence of consultant
1.2: Institutional Strengthening and Development	Conduct an ICT skills gap assessment for Government to identify training requirements and Development of a capacity building program to address	350,200,000	No activity done	Activity affected by delay in approval of Terms of Reference by the world bank and that the Contract was likely to be in place by

	deficiencies that will guide the Civil Service College, MDAs and local governments on training requirement			November 2017
	Training and certification of MoICT, NITA-U and PPDA Officials	175,100,000	Training was not undertaken	Activity affected by delays in approval of Terms of Reference by the world bank that the activity was likely to be done early in 2018.
	Development and implementation of a strategy for institutionalization of the Chief Information Officer role within the Government	525,300,000	The strategy was not developed during the year.	No action taken during the year.
1.3: Developing and supporting the execution of awareness and partnership building programs and a communications	a) Development of a strategic communications program and tools. b) Organisation of knowledge-sharing seminars, workshops, conferences and other similar initiatives	455,260,000	Not undertaken	Delayed procurements affected the activity. Management expects to sign a contract by March 2018.
2.1: Pre-purchase of international bandwidth for Government and priority target user groups	Procure & Install of bandwidth / HUB equipment	2,101,200,000	Procurement and installation not yet done.	Delay in procurement affected the activity however it was at contracting stage
2.2: Construction of missing links of NBI	Procure Contractor and begin to implement Missing links	1,751,000,000	Procurement not completed	Delay in procurement affected the activity .Contract expected to commence in October 2018.
	Procure Supervisor and begin to supervise Missing links	700,400,000	Procurement not completed	Delay in procurement affected the activity. Contract expected to commence in October

				2018.
3.1: ICT Technical Standards & Frameworks for Electronic Services Delivery	Procure consultants to develop the Enterprise Security Architecture framework and design, and Development of the Government Enterprise Architecture for GOU	2,053,533,352	Activity not yet implemented	Significantly delayed: Clearance of ToRs for the framework by WB still yet to be obtained Delay in procurement affected the activity. Procurement likely to be completed by December 2017
3.2: Cloud infrastructure in Existing National Data Centre (IaaS)	Procure Contractor / provider and begin to implement Cloud Infrastructure for data centre	2,591,480,000	Procurement of a Contractor not yet completed	Delay in procurement affected the implementation of the activity. Management expects to sign a contract in August 2017.
3.3: Establish a shared platform to improve Government's ability to deploy e-Services	Initiation of procurement of contractor to design develops, customize and commence implementation of the e-payment and authentication gateway. No planned activity for the SMS and Mobile gateway	525,300,000	Activity was not yet done	Benchmarking visits were carried out, stakeholder engagements are on-going Delayed procurement affected the activity. Procurement of supplies to be completed by October 2017.
3.4: Information Security as a Service: Implement elements of the National Information Security Framework (NISF)	Initiation of procurement of contractors to supply and install enhanced CERT environment, carry out remediation of gaps within MDAs to achieve NISF compliance and remediation works, procedure and	822,970,000	Activity not yet done	EOIs are to be shared with NITA-U for approval. Delayed procurement affected the activity. Procurement expected to be completed by March 2018.

	process testing as well as certification of ISO 27001 & PCI DSS			
3.5: Whole of government data Integration and sharing Program	Initiation of procurement of contractor to design develops, customize and commence implementation of the application and data integration platform.	1,575,900,000	Activity not yet done	Benchmarking visits and initial stakeholder engagements have taken place. The bid document is under preparation. Procurement to be completed in 2017/18.
3.6: Shared IT Services: Develop shared services to increase the Government's efficiency, including a UMCS	Procure a contractor to design and begin to implement a unified messaging and collaboration system (UMCS)	158,928,000	Activity not yet doen	Evaluation of supplier bids was completed, awaiting WB clearance. Delayed procurement affected the activity, however, Management expects to sign the contract in August 2017.
3.7: e-Procurement: Implementing an e-Procurement system at selected MDAs	Acquire and begin to implement e-GP System	35,000,000	Activity not yet doen	Evaluation completed. Contracting underway and likely to be completed in August 2017
	Implement Independent Quality Assurance		Procurement of Quality assurance Consultant not yet done	Implementation was expected to commence in August 2017. Contract award for Quality Assurance consultant to be concluded in the FY 2017/18.
Project Management	Recruitment of key Project resources (Project Accountant, Procurement	529,475,000	4 out of 5 key project resources recruited. Recruitment of	All recruitment were to be completed by 30th September 2017

	Specialist, Project Coordinator, Social Scientist, Environmental Specialist)		Environmental Specialist to be re-done.	
	Procurement of office furniture and Laptops for RCIP Individual Consultants	68,750,000	Activity was not done	Significantly delayed due in part to approval of the procurement plan. Delay in procurement affected the activity. Procurement was to be completed by end of Aug 2017
	Procure additional office space to accommodate the RCIP individual consultants being recruited	210,120,000	Activity not undertaken	Significantly delayed due in part to approval of the procurement plan. In place Not undertaken because of delay in procurement
	Partitioning of the PDU Office to ensure integrity of the procurement records	25,000,000	Significantly delayed due in part to approval of the procurement plan.	Order for partitioning issued and partitioning was to be completed in July 2017.
	Procurement of filing cabinets in compliance with World Bank recommendations	27,500,000	Significantly delayed due in part to approval of the procurement plan.	Activity was expected to be complete in July 2017.
	Development of a monitoring tool for the RCIP Performance Indicators	35,020,000	Not started	Implementation expected to commence in 2017/18.

APPENDIX 2

FINANCIAL STATEMENTS

Government of the Republic of Uganda
National Information Technology Authority-Uganda (NITA-U)
RCIP Financial Statements for the Financial Year ended 30th June 2017

NATIONAL INFORMATION TECHNOLOGY AUTHORITY
UGANDA

Regional Communications Infrastructure Program (RCIP), Phase 5
- Uganda Project

WORLD BANK CREDIT No. 56350 -UG

PROJECT FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

**Government of the Republic of Uganda
National Information Technology Authority-Uganda (NITA-U)
RCIP Financial Statements for the Financial Year ended 30th June 2017**

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**Government of the Republic of Uganda
National Information Technology Authority-Uganda (NITA-U)
RCIP Financial Statements for the Financial Year ended 30th June 2017**

1.0 STATEMENT OF RESPONSIBILITIES OF THE ACCOUNTING OFFICER

The financial statements set out on pages 11 to 27 have been prepared in accordance with the provisions of the Public Finance Management Act, 2015 (the Act). The financial statements have been prepared on the modified cash basis of accounting and comply with the generally accepted accounting practice for the public sector. Under the modified cash basis of accounting, only financial assets and liabilities are recognized and presented in these financial statements in order to meet the requirements of the Act.

In accordance with the provisions of Section 45 and Schedule 5 of the Public Finance Management Act, 2015, I am responsible for and personally accountable to Parliament for the activities of the vote to which I am the accounting officer. Further, I am responsible for the regularity and proper use of the money appropriated to the vote to which I am the Accounting Officer. I am also responsible for authorizing any commitments made by the vote and for controlling resources received, held or disposed of by or on account of the vote. Finally, I am responsible for putting in place effective systems of risk management and internal control in respect to all resources and transactions of the vote.

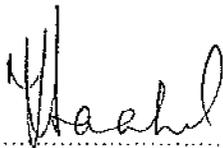
Section 45 (3) of the Act require the Accounting Officer to enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a financial year.

Sections 50 and 51 of the Act respectively require me to prepare and submit half-yearly financial statements of my vote to the Secretary to the Treasury, and also to prepare and submit annual financial statements of my vote to the Auditor General for audit and to the Accountant General within two months after the end of each financial year.

Accordingly, I am pleased to report that I have complied with these provisions in all material respects and I am also pleased to submit the required financial statements in compliance with the Act. I have provided, and will continue to provide all the information and explanations as maybe required in connection with these financial statements.

To the best of my knowledge and belief, these financial statements agree with the books of account, which have been properly kept

I accept responsibility for the integrity and objectivity of these financial statements, the financial information they contain and their compliance with the Public Finance Management Act, 2015.



..... James Saaka.
Accounting Officer (Date & Signature)

Date . 19/12/17

Government of the Republic of Uganda
National Information Technology Authority-Uganda (NITA-U)
RCIP Financial Statements for the Financial Year ended 30th June 2017

2.0 COMMENTARY ON THE RCIP FINANCIAL STATEMENTS BY THE HEAD OF ACCOUNTS

RCIP was declared effective on 26 May 2016 and the financial year 2016/17 was the first year of implementation.

The project received a total of US\$10,336,623 from IDA and UGX 289,705,051 from the government of Uganda as Counterpart funding during the year.

Included in the above figure from IDA was a re-imburement of retroactive financing amounting to US\$282,345 (equivalent to UGX 932,045,622). This amount had been paid out of the NITA-U funds to meet preliminary expenditure before project effectiveness and it was re-imbursed on 31st August 2016. The rest of the IDA funding was in form of replenishments to the Designated Account.

The financial year 2016/17 being the first year of implementation it was characterized by a number of recruitments and procurements. There were challenges experienced especially in procurements and hence the work plan was not fully implemented as planned. A total of US\$567,449 was absorbed during the year as compared to the annual work plan of US\$ 6 million; representing 5.5% absorption.

However, since the project replenishes the Designated Account on the basis of 6-month forecast, the funds appearing on the designated account as at 30th June 2017 (ie US\$9,769,173.89) were projected to be absorbed by the project during the next 6 months to December 2017.

I take full responsibility for the completeness and integrity of these financial statements, the financial information they contain as well as compliance with the Public Finance Management Act 2015.


.....
James Kamanyire

19/12/17
Director Finance and Administration.

Government of the Republic of Uganda
National Information Technology Authority-Uganda (NITA-U)
RCIP Financial Statements for the Financial Year ended 30th June 2017

4.0 GENERAL INFORMATION ABOUT THE REPORTING ENTITY & RCIP PROJECT

The National Information Technology Authority, Uganda (NITA-U) was established by an Act of Parliament (National Information Technology Authority, Uganda Act of 2009) to coordinate, promote and monitor Information Technology (IT) developments in Uganda within the context of National Social and Economic development. NITA-U became an independent self-accounting entity with effect from 1st July of FY 2011/2012 as a subvention under the Ministry of Information and Communication Technology Vote 20 for two years till the start of FY 2013/14 when it became an autonomous Vote, 126.

2.1 THE REGIONAL COMMUNICATIONS INFRASTRUCTURE PROGRAMME, PHASE 5 (RCIP)

During FY 2015/16, a 6-year World Bank Credit of USD 75 million for implementation of the Regional Communications Infrastructure Programme, Phase 5 (RCIP) was granted to NITA-U. Subsequently, the RCIP project was declared effective on 26th May 2016 and implementation commenced during the FY 2016/17. By the 30th June 2017, US\$ 10.25 million had been disbursed from the Credit, representing 13.7% disbursement percentage of the Credit. As at 30th June 2017, US\$ 0.48 million had been spent on project activities, representing 5% of the funds disbursed from World Bank. The bulk of the disbursed funds are expected to be spent in the FY 2017/18.

2.1.1 PROJECT OBJECTIVES

A) Higher Level Objectives to which the Project Contributes

- i) **The project contributes to achieving the goals of improving broadband affordability and access to the internet established by the UN Broadband Commission.**

Specifically, the commission has set a target of lowering the monthly cost of basic broadband services to less than 5% of GNI per capita, and boosting internet penetration to 15% by 2015 in developing countries.

The Commission was established and the targets were set in recognition of the potential for leveraging broadband enabled services to help meet the millennium development goals as well as the goals of the post-2015 agenda. Uganda is currently off track to meet these targets, but the project would help to significantly accelerate this process by improving sector competitiveness and addressing gaps in service provision from private providers in regions with less attractive commercial potential.

- ii) **Both of the World Bank's twin goals of reducing extreme poverty and boosting shared prosperity are strongly supported by the project.**

Increasing affordable access to the internet has been shown to have a transformative impact across nearly all sectors of the economy, boosting overall productivity and GDP growth. By targeting currently underserved and remote areas and improving service delivery in sectors such as agriculture, where the greatest numbers of poor citizens earn their livelihoods, as well as health and education which have a significant impact on their quality of life and future economic prospects, the project also seeks to empower marginalized populations with access to new technology, information, e-services and reduced transaction costs, rather than leaving them further behind.

- iii) **The project is fully in line with the World Bank's Regional Integration Assistance Strategy (RIAS) for Sub-Saharan Africa (2008) and the 2011 RIAS Progress Report and Strategic Update "Partnering for Africa's Regional Integration."**

It contributes to the RIAS priorities of facilitating development of regional connectivity infrastructure, facilitating intraregional trade and exports, and connecting landlocked countries to regional and global trade routes by reducing barriers to movement of goods and services between countries. The RIAS recognizes the key role ICTs can play in regional integration and increasing competitiveness of African economies and RCIP is featured as a flagship program.

- iv) **The project is also a central component of the Bank's Horn of Africa Initiative which seeks to address some of the underlying drivers of conflict and fragility in the region.**

It supports both pillars of the initiative, namely (i) reducing vulnerability and promoting resilience, and (ii) promoting economic opportunity through regional integration. The enhanced broadband connectivity is expected to boost overall economic productivity, boost trade, and stimulate job creation, with a particular emphasis on northern and western Uganda and spillover benefits to eastern DRC and South Sudan. It provides jobs directly through the construction and operation of networks and, more importantly, by boosting entrepreneurship and self-employment. It will also enable improved service delivery by both governments and the private sector, including to underserved borderland and rural populations, with knock-on effects for stability and social cohesion.

**Government of the Republic of Uganda
National Information Technology Authority-Uganda (NITA-U)
RCIP Financial Statements for the Financial Year ended 30th June 2017**

- v) The project is also fully aligned with the World Bank's Strategy for Sub-Saharan Africa: "Africa's Future and the World Bank's Support to It" (2011) and the Country Assistance Strategy (CAS) for Uganda (FY2011-FY2015).

By facilitating cheaper access to Internet and supporting the development of national and regional communications infrastructure, RCIP Uganda would promote competitiveness and sustainable employment, contribute to the deployment of ICT infrastructure, support human capital development and improve Government's efficiency and transparency through creating a critical building block for and implementing e-Government applications. The CAS envisages that Uganda would prepare a project under RCIP to access funding for ICT infrastructure and various e-Government activities in order to support the strategic objectives of the CAS.

- vi) In line with the Government's Vision 2040 and National Development Plans, the project would support the GoU in improving (i) the communications infrastructure in the country and its utilization; and (ii) the efficiency and transparency of the Government.

The next National Development Plan (NDP) covering 2015-2020 is currently under development. It identifies the promotion of science, technology, innovation and ICT as one of its eight primary objectives and specifies the need to enhance the use and application of ICT services in business and service delivery. The government is also developing a new ICT Sector Strategy and an ICT position paper which is aimed at identifying the role of ICT in supporting the new development priorities of the country more broadly.

B) Project Development Objectives

The development objectives of the proposed RCIP Uganda project are consistent with the PDO of the RCIP Program as a whole, namely to support the Recipient's efforts to:

- (i) Lower prices for international capacity and extend the geographic reach of broadband networks (the connectivity development objective); and
- (ii) Improve the Government's efficiency and transparency through e-Government applications (the transparency development objective).

2.1.2 PROJECT BENEFICIARIES

Given the project's scope and potential for improving the country's ICT enabling environment, connectivity and e-Services delivery, it is envisioned that there will be a wide spectrum of beneficiaries.

Citizens and businesses will benefit through more affordable and accessible telecommunications services and enhanced public service delivery. Rural, underserved populations, both men and women, in the north-west, north-east, and south-west of the country are specifically targeted by the expansion of the NBI. Lower income citizens will benefit more broadly through access to new electronic services in sectors such as agriculture and health which have a disproportionate impact on their livelihoods and wellbeing. ICT sector firms will benefit from an improved legal and regulatory environment and open access to NBI. Within the Government, nearly all ministries, departments and agencies (MDAs) will benefit from improved quality and lower cost of connectivity, improved efficiency of day-to-day operations through use of electronic platforms and communications, cost savings by leveraging shared infrastructure for data storage and service delivery, and enhanced ICT skills through training programs.

For the purposes of the outcome indicator, direct beneficiaries of the project will be calculated as the sum of the direct beneficiaries for some of the project components, namely:

- (i) **Citizens:** (a) # of unique users of e-services supported by the shared public service delivery platform, (b) # of ICT services subscribers in geographic areas covered by the "missing links" supported by the project, (c) # of students in universities or schools benefitting from connectivity infrastructure/capacity pre-purchase financed by the project. (The figures for (b) and (c) will be reduced by the percentage of the population utilizing e-services under figure (a) to avoid double counting.)
- (ii) **Civil Servants:** (a) # of civil servants in MDAs receiving improved internet connectivity under the project; and (b) # of unique email accounts provided to civil servants in MDAs not already benefitting from additional connectivity. (To avoid double counting of civil servants benefitting from multiple services, only the number of beneficiaries of additional connectivity and email services are included in this calculation as they cover the largest number of beneficiaries).

2.1.3 PROJECT COMPONENTS

Component 1: Enabling Environment (US\$3 million IDA)

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This component finances strengthening of the policy, legal and regulatory environment necessary to support a modern and vibrant ICT sector, through the following activities: (i) assessment of the existing ICT policies, strategies, standards, legislation and regulatory frameworks to identify gaps and weaknesses and their harmonization with regional commitments and frameworks; and (ii) based on the findings and recommendations of this assessment, modifications will be proposed to strengthen existing ICT policies, strategies, legislation, regulatory frameworks, and technical standards or develop new ICT policies, strategies, draft legislative bills, regulatory frameworks, and technical standards. The component will also support carrying out a program of activities designed to build the capacity of MICT and NITA-U including activities such as: (i) conducting an ICT skills gap assessment for Government and development of a program to address deficiencies; (ii) supporting the execution of the ICT skills development program including training and certification for officials in NITA-U, MICT, and PPDA; (iii) developing a strategy for institutionalization of the Chief Information Officer role within the Government; and (iv) developing and supporting the execution of awareness and partnership building programs and a communications strategy.

Component 2: Connectivity (US\$34 million IDA and US\$2 million GoU)

This component finances the implementation of selected activities to further develop the national public ICT infrastructure including: (i) pre-purchase of international bandwidth for Government and priority target user groups (US\$6 million); (ii) construction of select missing links in NBI in order to improve regional connectivity and the reach, availability and resiliency of NBI and provision of green energy solutions for new and existing NBI transmission sites to improve power reliability, and reduce costs and pollution (US\$18 million); and (iii) extension of the Government Network (GovNet), providing broadband connectivity to MDAs, local governments, schools, hospitals, universities, research institutions, and NGOs (US\$10 million). This component will also finance technical assistance related to the design and implementation of these sub-components, a feasibility study for the further extension of NBI in the northern part of Uganda (as noted above), and an analysis of potential environmental and social impacts of the project and support for the implementation of the safeguard instruments (other than the Resettlement Action Plans).

Component 3: e-Government (US\$35 million IDA and US\$5 million GoU)

This component will finance carrying out a program of activities to set up foundational and enabling shared platform for e-Government, including: (i) development and establishment of appropriate ICT technical standards and frameworks, data models and procedural schemes to enable seamless interoperability across Government ICT systems, including establishing and implementing a Government Enterprise Architecture (GEA) (US\$1 million); (ii) setting up a cloud-based infrastructure in the existing national datacenter (Infrastructure as a Service, US\$10 million); (iii) establishing a shared platform to improve Government's ability to deploy e-Services (Platform as a Service, US\$3 million); (iv) supporting the implementation of elements of the National Information Security Framework (NISF) including (a) security incident and event management; (b) distributed denial of service shelter; (c) traffic encryption; (d) intrusion prevention system for the national datacenter; (e) security incident management and response capabilities development involving security certifications, training of Government staff, nationwide awareness campaign; (f) information security status review, implementation of the NISF and compliance review in 15 MDAs; and (g) update of the national cyber-security strategy (US\$4 million); (v) supporting the establishment and management of a whole-of-Government data integration and sharing program with the objective to leverage the wealth of public sector data across MDAs through database and system integration (US\$5 million); (vi) developing shared services designed to increase the Government's efficiency, including a unified messaging and communications system (US\$4 million); (vii) implementing an e-Procurement system at selected MDAs (US\$5 million); and (viii) deploying selected e-Services determined in accordance with the criteria established for selection of citizen-centered applications (US\$3 million). The project will finance the required hardware and software as well as technical assistance and consulting services related to the implementation of these sub-components.

Component 4: Project Management (US\$3 million IDA and US\$3 million GoU)

This component finances project management and coordination including procurement, financial management, monitoring & evaluation and environmental and social safeguards management. This will include funding consultancy support for the implementation of the project, institutional strengthening of NITA-U, MICT, and PPDA to improve their capacity to implement the project, logistics, consumables, office equipment, as well as incremental operating costs and audits. This component will also fund technical assistance (TA) to support monitoring and evaluation (M&E) and automation of the accounting system. Finally, the Government will fund the implementation of the Resettlement Action Plans under this component.

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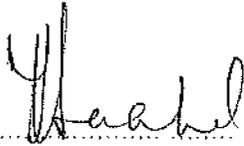
Project Cost and Financing

<u>Project Components</u>	<u>Project cost USD</u>	<u>IBRD or IDA</u>	<u>GoU USD</u>
1. Enabling Environment	3 million	3 million	-
2. Connectivity	36 million	34 million	2 million
3. e-Government	40 million	35 million	5 million
4. Project management	6 million	3 million	3 million
Total Financing Required	85 million	75 million	10 million

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3.0 STATEMENT OF RECEIPTS AND PAYMENTS

	Notes	IDA		GOU	TOTAL 2017
		US\$	UGX Equivalent		
		US\$	UGX	UGX	
Receipts	3	\$10,336,623	36,636,157,308	289,705,051	36,925,862,359
		\$10,336,623	36,636,157,308	289,705,051	36,925,862,359
Payments	10	(\$567,449)	(1,677,209,705)	(289,705,051)	(1,966,914,756)
		(\$567,449)	(1,677,209,705)	(289,705,051)	(1,966,914,756)
Surplus before currency valuation		\$9,769,174	34,958,947,603	-	34,958,947,603
Exchange rate gain on restating DA bank balance @ USI: 3595.9		\$0	170,072,737	-	170,072,737
Surplus After Currency Valuation		\$9,769,174	35,129,020,340	-	35,129,020,340



James Saaka
Executive Director

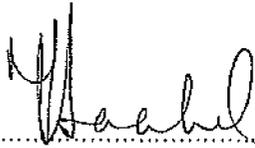


James Kamanyire
Director Finance and Administration

Government of the Republic of Uganda
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4.0 STATEMENT OF FUND BALANCE

	Note	US\$	UGX Equivalent
			UGX
Opening Balance as at 1st July 2016		\$0.00	-
Surplus for the year		\$9,769,173.89	34,958,947,603
Forex gain (Loss)		\$0.00	170,072,737
Balance as at 30 June 2017		\$9,769,173.89	35,129,020,340
<i>Represented by:</i>			
Assets			
Bank Balances	20	\$9,769,173.89	35,129,020,340
Less Liabilities		-	-
Net Assets		\$9,769,173.89	35,129,020,340



James Saaka
Executive Director

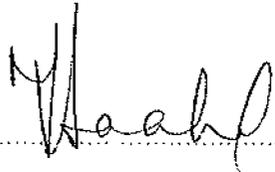


James Kamanyire
Director Finance and Administration

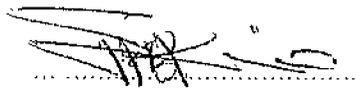
Government of the Republic of Uganda
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5.0 STATEMENT OF CASH FLOWS AS AT 30TH JUNE 2017

	US\$	UGX Equivalent
	US\$	
Receipts from Operating Activities		
Disbursements from WB	\$10,253,897.43	36,636,157,308
Disbursements from GOU (Counterpart)	\$82,725.60	289,705,051
	\$10,336,623.03	36,925,862,359
Operating expenses		
Component 1 – 4 (before revaluation)	(\$567,449.34)	(1,966,914,756)
Exchange rate differences (gain on revaluation of the DA balance)	\$0.00	170,072,737
Net Cash flow from Operating activities (after evaluation)	(\$567,449.34)	(1,796,842,019)
<i>CASHFLOW FROM INVESTING ACTIVITIES</i>		
	\$0.00	-
<i>CASHFLOW FROM FINANCING ACTIVITIES</i>		
	\$0.00	-
Net Increase in Cash & Cash Equivalents	\$9,769,173.68	35,129,020,340
Cash & Cash equivalents at the start of the year	\$0.00	-
Cash & Cash equivalents at the end of the year	\$9,769,173.68	35,129,020,340



James Saaka
Executive Director



James Kamanyire
Director Finance and Administration

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6.0 STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

	Notes	2016/17 Budget UGX	2016/17 Actual UGX	Variance UGX
Balance B/f		-	-	-
Receipts				
Component 1		2,206,260,118	1,178,556,102	(1,027,704,016)
Component 2		9,105,200,000	13,678,823,850	4,573,623,850
Component 3		9,331,164,749	20,551,758,946	11,220,594,197
Component 4		1,235,848,624	1,227,018,411	(8,830,213)
<i>Sub-total IDA Receipts</i>		<i>21,878,473,491</i>	<i>36,636,157,308</i>	<i>14,757,683,817</i>
GOU Counterpart receipts		290,000,000	289,705,051	(294,949)
Total receipts		22,168,473,491	36,925,862,359	14,757,388,868
Payments: Project Expenditure Component				
Component 1		2,206,260,118	-	(2,206,260,118)
Component 2		9,105,200,000	328,113,601	(8,777,086,399)
Component 3		9,331,164,749	913,092,964	(8,418,071,785)
Component 4		1,235,848,624	436,003,140	(799,845,484)
GOU Counterpart payments		290,000,000	289,705,051	(294,949)
Total payments		22,168,473,491	1,966,914,756	(20,201,558,735)
Surplus before currency valuation		-	34,958,947,602	34,958,947,602
Foreign exchange gain		-	170,072,737	170,072,737
Surplus (Deficit) after currency valuation		-	35,129,020,340	35,129,020,340



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**Government of the Republic of Uganda
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7.0 DESIGNATED ACCOUNT ACTIVITY STATEMENT

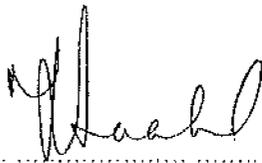
FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2017

	Notes	US\$	UGX Equivalents
Opening Balance as at July 01		\$0.00	-
Add			
Total IDA Replenishments to the DA		\$9,971,551.95	35,688,888,256
		\$9,971,551.95	35,688,888,256
Less			
Eligible expenditure from the DA during the year		(\$202,378.06)	(729,940,653)
Closing Bank Balance as at 30th June		\$9,769,173.89	34,958,947,603
Exchange rate gain on valuation of DA balance		\$0.00	170,072,737
Reconciled Bank Balance as at 30th June	20	\$9,769,173.89	35,129,020,340

RCIP "Designated Bank Account" as at 30th June 2017 is represented by 2 two bank accounts as follows:

- IDA Special Bank A/c No. 006550088400000 designated in US\$ and it is the where disbursements from the IDA are deposited and payments in USD made from.
- Project Local A/c No. 006550088000000 denominated in local currency. Transfers from the designated account (for payment of transactions in local currency). The closing balance as at 30th June 2017 in this account was UGX 15,343,721/= as part of funds transferred from the US\$ on 12th January 2017 at an exchange rate of US\$ 3607.17. At the reporting date, the project implementation arrangements require any closing balance in the local project account is reported in dollars after converting it at the historical conversion exchange rate ie 3607.17.
Hence to get the Designated Bank Account balance the amount on the local project account was converted giving rise to an equivalent of US\$4,253.67. Details are tabulated below:

CASH & CASH EQUIVALENTS AS AT 30 TH JUNE 2017			
		Exch rate	
IDA Designated Bank A/c No. 006550088400000	\$9,764,920.22	3,595.90	35,113,676,619
UGX Local Bank A/c No. 006550088000000	\$4,253.67	3,607.17	15,343,721
TOTAL	\$9,769,173.89		35,129,020,340



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SUMMARY OF WITHDRAWAL APPLICATIONS TO THE DESIGNATED ACCOUNT

<u>Date</u>	<u>Application Reference</u>	<u>Amount US\$</u>	<u>Exchange rate</u>	<u>Amount UGX</u>
25/Oct/16	RCIP/02	\$1,148,566.79	3,459.24	3,973,168,187
27/Jun/17	RCIP/03	\$8,822,985.16	3,594.67	31,715,720,069
TOTALS		\$9,971,551.95		35,688,888,256

Note:

Three (3) Withdrawal Applications received from World Bank during the financial year as detailed in Note 10. However it is only two of these that represented disbursements to the Designated Account in Bank of Uganda. The other Withdrawal Application (Reference number RCIP/01 dated 31 August 2016 was a re-imbursment to the NITAU Operational Account for retroactive financing ie eligible project expenditure incurred and paid before project effectiveness. This amount had been met from NITAU GOU/NTR funds during the financial year 2015/16.

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8.0 ACCOUNTING POLICIES

These are the specific principles, bases, conventions, rules and practices adopted by the Government of the Republic of Uganda in preparing and presenting the financial statements. The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied in all material aspects unless otherwise stated.

1) General Information

As required by Section 51(1) of the Public Finance Management Act, 2015, each vote shall prepare annual financial statements for audit, and submit a copy to the Accountant General.

2) Reporting Entity

National Information Technology Authority -Uganda is a reporting entity of the Government of the Republic of Uganda and is domiciled in Uganda.

The principal address of the entity is:

Plot 7A Palm Courts, Rotary Avenue

P.O. Box 33151 Kampala,

Tel: 0417-801038/

Fax: 0417-801050

Email: info@nita.go.ug

Website: www.nita.go.ug

3) The Treasury

The Treasury is established by Section 10 of the Public Finance Management Act, 2015 consisting of: (a) the Minister of Finance; (b) the Secretary to the Treasury; (c) the Accountant General; and (d) any other directorates responsible for economic and finance matters of the Ministry of Finance, Planning and Economic Development.

4) The Consolidated Fund

Is the Consolidated Fund as established by the Article 153 of the Constitution of the Republic of Uganda. As provided by Section 30 of the Public Finance Management Act, 2015 (the Act), it is the Fund into which all revenues or other money raised or received for the purpose of the Government shall be paid. Except for receivables into another public fund established for a special purpose (for example the Petroleum Fund) where this is authorized by an Act of Parliament, or where a vote, state enterprise or public corporation shall retain revenue collected or received as authorized through an appropriation by Parliament or is a monetary grant exempted under Section 44 of the ACT.

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Withdrawals from the Consolidated Fund shall only be done upon the authority of a warrant of expenditure issued by the Minister of Finance to the Accountant General after a grant of credit has been issued to the Minister by the Auditor General in the first instance. The withdrawal can be effected only when: (a) the expenditure has been authorized by an Appropriation Act or a Supplementary Appropriation Act; (b) is a statutory expenditure; (c) for repaying money received in error by the Consolidated Fund; (d) and for paying sums required for an advance, refund, rebate or drawback that are provided for in this and other Act of Parliament.

5) The Contingencies Fund

Established by Section 26 of the Public Finance Management Act, 2015, which in every financial year, shall be replenished with an amount 0.5% of the appropriated annual budget of the Government of the previous financial year without consideration of any supplementary budget. The Fund shall provide funding for natural disasters.

6) Classified expenditures

Classified expenditures are included under supply of goods and services in the Statement of Financial Performance, and are audited separately. The money appropriated for classified expenditure shall only be used for defense and national security purposes. A committee of Parliament comprising the chairpersons of the committees responsible for budget, defense and internal affairs; and another member appointed by the Speaker will be responsible for scrutiny of classified expenditure budget.

7) Basis of preparation of financial statements

The financial statements have been prepared in accordance with the requirements of the Public Finance Management Act, 2015 [the Act] and comply with generally accepted accounting principles. The Financial Statements have consistently been prepared using the modified cash basis of accounting except where stated otherwise. The modified cash basis of accounting recognizes revenue when cash is received and expenses (except for expenses approved to be accrued) when paid.

Cash basis of accounting has been consistently applied in producing the accounts

8) Going concern consideration

The financial statements have been prepared on a going concern basis.

9) Presentation currency

The project financial report is presented in US Dollars together with equivalent amounts in the Uganda Shilling (Shs), which is the functional currency of the Republic of Uganda. Items included in the financial

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statements are measured in the currency of the primary economic environment in which the entity operates. This makes the financial statements more understandable to the users.

10) Reporting Period

The reporting period for these financial statements is from 1 July 2016 to 30th June 2017. Prior period comparative information has been presented in the current year's financial statements. Where necessary figures included in the prior period financial statements have been reclassified to ensure that the format in which the information is presented is consistent with the format in the current year's financial statements. Since RCIP implementation started during the financial year 2016/17, there are no comparative figures stated in these financial statements.

11) Appropriation

The initial approved budget is the original forecast as presented and approved by Parliament. A revised budget is the initial approved budget adjusted by a supplementary or reallocations/ vicements.

12) Revenue

Revenue represents cash and grants in kind received by the entity during the financial year and comprise; taxes, transfers from the Consolidated Fund, transfers from the Contingency Fund, grants received and non-tax revenue. Revenues are recognized as follows;

i) Tax revenues

Tax revenue is recognized when received. Taxes are levied with the authority of Parliament subject to Article 152 of the Constitution of the Republic of Uganda. Payment of tax does not necessarily result into an entitlement to the taxpayer to receive equivalent value of services or benefits.

ii) Grants

Grants are received by the entity either as cash or in-kind. All grants (aid assistance) are recognized as income when received. In-kind receipts (donations) are recognized at fair value.

iii) Transfers received

Transfers received include; transfers received from the Donors, Consolidated Fund, transfers received from the Contingency Fund and transfers received from other government units. All transfers are recognized when received by the Accounting Officers

iv) Non-Tax Revenue

Non-Tax Revenue includes; interest/gains associated from ownership of shares, proceeds from hire of assets, sale of designated goods and services, and fines/penalties. Non-Tax Revenue, whether directly collected by the entity or collected by another entity on its behalf is recognized when received.

13) Expenses

Generally, expenditure is recognized when it is incurred and settled within the financial year. Qualifying unsettled expenditure is recognized in the Statement of Financial position as payables.

14) Property, Plant and Equipment (physical assets or fixed assets)

Property, plant and equipment (PPE) principally comprises buildings, dams, roads and highways, hydropower stations, plant, vehicles, equipment, and any other infrastructure assets but does not include land and regenerative natural resources such as forests and mineral resources.

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Acquisitions of PPE are recorded in the asset register on receipt of the item at cost and expensed fully through the Statement of Financial Performance. Cost of the item is defined as the total cost of acquisition. Where the cost of the PPE cannot be determined accurately, the PPE is stated at fair value. Subsequent repairs and maintenance costs of PPE are also expensed as goods and services consumed in the Statement of Financial Performance.

Proceeds from disposal of property, plant and equipment are recognized as non-tax revenue in the period in which it is received.

15) Translation of transactions in foreign currency

Foreign currency transactions are translated into Uganda Shillings using the exchange rates prevailing at the dates of the transactions (spot rates). These result into realized gains/losses which are recognized in the Statement of Financial Performance. Foreign currency assets and liabilities held by the entity at year-end are translated into Uganda Shillings using the period closing rate for reporting purposes resulting into unrealized gains/losses. The unrealized gains/losses are recognized in the statement of changes in Equity through the revaluation reserve.

16) Revaluation Gains/Losses

Unrealized gains or losses arising from changes in the value of investments, marketable securities held for investment purposes, and from changes in the values of property, plant and equipment are not recognized in the financial statements.

17) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. In the statement of financial position bank overdrafts are included in borrowings.

18) Unspent cash balances

In accordance with the requirement of the Public Finance Management Act, 2015, unspent cash balances by Government entities at the end of the financial year are returned through the Single Treasury Account to the Consolidated Fund in the course of the financial year.

Escrow Account balances are to be recognized in the Financial Position of the responsible entity and expensed through the Financial Performance in the period when funds are utilized.

However, RCIP funds were retained in the designated account as at 30th June 2017 since the above requirement does not apply externally funded projects.

19) Receivables

(i) Advances and other receivables

Receivables are carried at historical cost and are written down by recovered receipts or write -off of unrecoverable amounts (bad debts are written-off with the approval of Parliament, when identified in the Statement of Changes in Equity).

(ii) Letters of credit

Procurement of goods and services through letters of credit which are cash covered are recognized in the statement of appropriation when the letter of credit is opened. Outstanding letters of credit at period-end are treated as receivable and expensed through the Statement of Financial Performance in the period when the goods and services are delivered.

20) Inventories

Comprise consumable supplies expensed in the period when acquired. Inventories that qualify for recognition must be initially reflected at cost. Where they are acquired at no cost, or for nominal consideration, their cost shall be their fair value at the date of acquisition.

21) Investment properties

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Investment property principally comprises land, office, commercial and residential buildings, and other physical assets, which is held for long-term rental income and is not occupied internally. Investment property is treated as a long-term investment and is carried at cost.

22) Investments

Investments are classified into three groupings, namely: **investments held for trading**; **investments held-to-maturity**; and **investments available-for-sale**.

Investments that are acquired principally for the purposes of generating profit from short-term fluctuations in price are classified as “trading investments”, and are, therefore, current assets and are treated as monetary assets.

Investments with fixed maturities and there is an intention and ability to hold them to maturity dates are classified as “**Investments held-to-maturity**”, and are, therefore, non-current assets, and are treated as non-monetary assets.

Investments intended to be held for an indefinite period of time, which may be sold in response to liquidity needs or changes in interest rates, are classified as “**investments available-for-sale**”, and are therefore non-current assets and regarded as non-monetary assets. However, if there is an expressed intention to sell these within 12 months, then these are treated as current assets and are monetary assets.

Appropriate classification of investments at the time of purchase and re-evaluation of such designation are carried out on a regular basis but any resulting reclassifications are rare and cannot be made from “trading investments” to “investments held to maturity”.

All investments in the balance sheet are carried at historical cost. Non-financial assets are measured at net worth. For investments quoted in foreign currency, the historical cost is translated at the closing rate.

23) Projects expenditure

Government projects are a series of undertakings of a reporting entity with specific objectives and a defined time frame and could be either: (a) fully funded by a Government; (b) jointly funded by Government and a development partner; (c) fully funded by a development partner through either budget support or project support; and (d) fully funded by development partner through provision of physical items rather than funds.

Fully or partly Government funded project expenditure is recognized in the statement of financial performance of the reporting entity to the extent of funding received from Government.

24) Borrowings

Borrowings are initially recorded in the Statement of Financial Position [the balance sheet] at cost net of any transaction costs paid.

Interest expense and any other expense on borrowings are recognized in the Statement of Financial Performance when they fall due.

25) Employee benefits

Employee benefits include salaries, pensions and other related-employment costs. Employee benefits are recognized when incurred. No provision is made for accrued leave or reimbursable duty allowances. For RCIP, employee benefits are classified among consultancy fees; and there was no accrued expenses under this category.

26) Contingent liabilities

Contingent liabilities are disclosed in a memorandum statement (Statement of Outstanding Commitments) of the entity when it's probable that an outflow of economic benefits or service potential will flow from the entity or when an outflow of economic benefits or service potential is probable but cannot be measured reliably. Contingent liabilities comprise government guarantees issued, court awards that have been appealed by the Attorney General, those arising from Public Private Partnerships (PPPs) etc. Contingent assets are not recognized nor disclosed.

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27) Commitments

Commitments include operating and capital commitments arising from non-cancelable contractual or statutory obligations. Interest commitments on loans and commitments relating to employment contracts are not included in the Statement of Outstanding Commitments. Outstanding commitments relating to non-cancelled contractual or statutory obligation where goods have been delivered or service provided are included in the statement of financial position as payables and in the Statement of Outstanding Commitments.

28) Public Private Partnerships

Any investment by the Government in a Public Private Partnership may be through a joint venture or as an associate or as a major shareholder. Except for the latter, these are accounted for as investments whether held for trading purposes or otherwise. The financial statements in that case are consolidated as if the other entity is a controlled entity in accordance with IPSAS 38.

In other instances where the Government provides certain guarantees which could crystalize and result into an outflow of resources, the guarantees are quantified and disclosed in the memorandum Statement of Contingent Liabilities. The amounts disclosed as part of contingent liabilities represent the most likely outflow of resources should certain events crystalize which are assessed annually. If the events crystalize, the amounts become payables through the Statement of Financial Performance and Statement of Financial Position on an accrual basis

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7.0 NOTES TO THE FINANCIAL STATEMENTS

Note 1: Exchange Rates

All monetary amounts in the financial statements are expressed in Uganda Shillings, the functional currency. The Uganda Shilling closing rates (the Bank of Uganda middle rate) for major currencies were:

	30 th June 2017	30 th June 2016
	Shs	Shs
United States Dollar	3,595.9	3,409.86
British Pound	4,672.87	4,611.15
Euro	4,108.32	3,409.86

Note 2: Tax Revenues

Tax revenues comprise both direct and indirect taxes levied and collected on behalf of Government.

	30 th June 2017	30 th June 2016
	Shs	Shs
Local Services Tax	-	-
Land fees	-	-
Business Licenses	-	-
Other tax revenues	-	-
Total taxation revenues	-	-

Note 3: Grants Received/ Receipts

	30 th June 2017	30 th June 2016
	Shs	Shs
Grants from foreign governments	-	-
Grants from International Organizations	36,636,157,308	-
Total Grants	36,636,157,308	-

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Total		
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Note 7: Non-Tax Revenues

Comprise non-tax revenues from exchange transactions collected during the year were as follows

	30 th June 2017	30 th June 2016
	Shs	Shs
Investment income	-	-
Dividends	-	-
Rent	-	-
Other property income (disposal of assets)	-	-
Sale of goods and services	-	-
Administrative fees and licenses	-	-
Court fines and Penalties	-	-
Other fines and Penalties	-	-
Miscellaneous Revenue	-	-
Total Non-Tax Revenue	-	-

Note 8: Employee Costs

Employee costs principally comprise:

	30 th June 2017	30 th June 2016
	Shs	Shs
Wages and salaries	-	-
Social contributions	-	-
Other employment costs	-	-
Total employee costs.	-	-

Note 9: Goods and Services

Expenditure on goods and services during the year principally comprise the following:

	30 th June 2017	30 th June 2016
	Shs	Shs
General expenses	-	-
Communications	-	-
Utility and property expenses	-	-
Supplies and services	-	-

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To resident non-government units	-	-
Total transfers	-	-

Note 13: Social Benefits

Social benefits paid during the year comprise:

	30 th June 2017	30 th June 2016
	Shs	Shs
Pensions	-	-
Employer Social benefits	-	-
<i>Total social benefits</i>	-	-

Note 14: Other Operating Expenses

These comprise:

	30 th June 2017	30 th June 2016
	Shs	Shs
Property expenses other than interest	-	-
Miscellaneous other expenses- current	-	-
Miscellaneous other expenses- capital	-	-
Total other operating expenses	-	-

Note 15: Foreign Exchange Gains and Losses

During the year, foreign exchange losses and gains were as follows:

	30 th June 2017	30 th June 2016
	Shs	Shs
Realized loss (gain) (SIP)	170,072,737	-
Unrealized loss (gain) (SCE)	-	-
Net foreign exchange (gains)/ losses	170,072,737	-

Note 17: Finance costs

	Schedu	30 th June 2017	30 th June 2016
		Shs	Shs
Interests on external debts (external borrowings)		-	-
Interests on other domestic borrowings		-	-

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Total finance cost			-	-
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Note 18: Transfers to the Treasury

These comprise transfers back to the Consolidated Fund of unspent balances from the respective expenditure accounts, transfers of Non tax revenue collected, unspent salaries, among others

	30 th June 2017	30 th June 2016
	Shs	Shs
Non Tax revenue	-	-
Unspent Salary balances	-	-
Expenditure account balances	-	-
Total for the year.	-	-

Note 19: Investment Properties

Note 20: Cash and cash equivalents

	30 th June 2017	30 th June 2016
	Shs	Shs
DOMESTIC		
Revenue accounts		
Expenditure accounts		
Project accounts		
Collection accounts		
Cash in transit		
Cash at hand- Imprest		
Others		
<i>Sub-total cash and bank balances- domestic</i>		
FOREIGN		
Revenue Accounts		
Project Accounts	35,113,676,619	
Expenditure accounts	15,343,721	
Collection accounts		
Cash in transit		
Cash at hand- Imprests		

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	30 th June 2017	30 th June 2016
	Shs	Shs
Others		-
<i>Sub-total cash and bank balances- foreign</i>	35,129,020,340	-
<i>Total cash and bank balances</i>	35,129,020,340	-

The Bank of Uganda exchange rates as at 30th June 2017 were applied in converting the Project bank balances to Uganda Shillings.

Note 21: Receivables

Comprise the following receivables at the end of the period net of any provision for receivables doubtful of recovery.

	30 th June 2017	30 th June 2016
	Shs	Shs
DOMESTIC	-	-
Loans (short-term) -others	-	-
Advances	-	-
Outstanding letters of credit	-	-
Other accounts receivable	-	-
Total domestic receivables	-	-
FOREIGN	-	-
Loans (short-term) -others	-	-
Advances	-	-
Other accounts receivable	-	-
Total foreign receivables	-	-
Total receivables	-	-
Less provisions against doubtful accounts	-	-
Net receivables	-	-

Note 22: Inventories

Comprise strategic stock and other inventories purchased which have not been expensed.

	30 th June 2017	30 th June 2016
	Shs	Shs
Strategic stock-petroleum products	-	-
Other inventories(goods purchased for re-sale)	-	-

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Total inventories	-	-
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Note 23: Investments

Comprise investments as follows:

	30 th June 2017 Shs	30 th June 2016 Shs
Securities other than shares (long-term)-domestic	-	-
Shares and other equity-domestic	-	-
Securities other than shares-foreign	-	-
Total investments	-	-

Note 24: Non Produced Assets

	30 th June 2017 Shs	30 th June 2016 Shs
Land	-	-
Cultivated Assets	-	-
Other Naturally occurring Assets	-	-
<i>Total Non-Produced Assets</i>	-	-

Note 25: Borrowings

	30 th June 2017 Shs	30 th June 2016 Shs
DOMESTIC	-	-
Loans from commercial banks	-	-
Interest payable on bank loans/borrowings	-	-
Other / Overdraft	-	-
Total domestic borrowings	-	-
FOREIGN	-	-
Loans from commercial banks	-	-
Interest payable on bank loans/borrowings	-	-
Other (Rxim Bank Loan on Phase 3 Implementation)	-	-
Other (World Bank Loan for RCIP)	-	-
Total foreign borrowings	-	-

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Total borrowings	-	-
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Note 26: Payables

These are principally accounts payables, domestic and otherwise, outstanding at the year-end and comprise:

	30 th June 2017 Shs	30 th June 2016 Shs
Payables		-
Trade Creditors	-	-
Sundry Creditors	-	-
Committed Creditors	-	-
Accountable advances	-	-
Withholding tax payable	-	-
Deposits received	-	-
Advances from other Government units	-	-
Miscellaneous accounts payables	-	-
415005 With-holding Tax payables	-	-
Total payables	-	-

The categorization and aging of the payables is as below:-

	Current Financial Year Shs	Previous Financial Year Shs	Other Financial Years Shs	Total Shs
Utilities				
Rent				
Contributions to International Organisations				
Court Awards & Compensations				
Taxes and other deductions				
Goods and services Consumed				
Non Produced Assets				
Others				
Total Payables				

Note 27: Pension liabilities

Pension liabilities have been accrued in the financial statements because it is the policy of Government to pay pensions to all former employees of the Government who qualified for pension under the provisions of the Pensions Act, Cap 281. In accordance with the provisions of the Pensions Act

