OFFICE OF THE AUDITOR GENERAL

THE REPUBLIC OF UGANDA

KYAMBOGO UNIVERSITY

REPORT AND OPINION OF THE AUDITOR GENERAL

ON THE FINANCIAL STATEMENTS OF KYAMBOGO UNIVERSITY FOR THE YEAR

ENDED 30TH JUNE 2014

MARCH, 2015

OFFICE OF THE AUDITOR GENERAL

UGANDA
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REPORT AND OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF KYAMBOGO UNIVERSITY

FOR THE YEAR ENDED 30TH JUNE 2014

THE RT. HON. SPEAKER OF PARLIAMENT

I am mandated by Article 163 (3) of the Constitution of the Republic of Uganda, 1995 (as amended), to audit and report on the public accounts of Uganda and of all public offices, including the courts, the central and local government administrations, universities and public institutions of like nature, and any public corporation or other bodies or organizations established by an Act of Parliament.

I have audited the accompanying financial statements of Kyambogo University for the year ended 30th June 2014. These financial statements comprise of the Statement of Financial Position as at 30th June 2014, Statement of Financial Performance, Statement of Changes in Equity, Cash flow Statement together with other accompanying statements, notes and accounting policies.

Management Responsibility for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 8 of the Public Finance and Accountability Act, 2003, the Accounting Officer is accountable to Parliament for the funds and resources of the University. The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements under the Financial Reporting Guide, 2008, and for such internal controls as management determines necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor’s Responsibility

My responsibility 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, is to audit and express an opinion on these statements based on my audit. I conducted the audit in accordance with International Standards on Auditing (ISA)/International Standards of Supreme Audit Institutions (ISSAIs). Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing audit procedures to obtain evidence about the amounts and disclosures in the financial statements as well as evidence supporting compliance with relevant laws and regulations. The procedures selected depend on the Auditor’s judgment including the assessment of risks of material misstatement of financial statements whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity’s preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances but not for purposes of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Part “A” of this report sets out my opinion on the financial statements. Part “B” which forms an integral part of this report presents in detail all the significant audit findings made during the audit which have been brought to the attention of management.

PART “A”

Basis for Qualified Opinion

- **Misstatements in the Financial Statements**

  A review of the financial statements presented for audit revealed a number of misstatements. The statement of financial performance excludes accrued expenditure during the year of UGX.4,619,832,348, as shown in the statement of outstanding commitments as at 30th June 2014. In addition, whereas the Appropriation Statements reflect total expenditure of UGX.66,995,757,620, the statement of expenditure reconciliation reflects total expenditure per appropriation account as UGX.64,528,959,341, leading to an unexplained variance of UGX.2,466,798,279. The above errors imply that the financial statements are not accurately stated.

- **Mischarge of Expenditure – UGX.978,727,963**

  The University charged wrong expenditure codes to a tune of Ugx.978,727,963 thereby misstating the balances in the financial statements. This practice
undermines the importance of the budgeting process, as well as the intentions of the appropriating authority to instil budget discipline.

- **Statutory Deductions – UGX.698,134,385**

  It was noted that statutory deductions to Uganda Revenue Authority and National Social Security Fund in respect of PAYE and social security contributions totalling to UGX.382,901,835 and UGX.315,232,550, respectively, remained outstanding at year end and was not recognized in the list of University payables. The University’s liability position was therefore understated to the same extent.

- **Un-presented Payment Vouchers – UGX.504,161,513**

  Payment vouchers totalling to UGX.504,161,513 were not presented for audit contrary to Regulation 60 of the Public Finance and Accountability Regulations, 2003. In the absence of the vouchers in question and their supporting documentation, I cannot provide assurance as to whether the funds were rightfully expended.

- **Unexplained deductions - UGX.239,465,087**

  A review of bank statements, bank reconciliation and cash books of Faculty of Arts account No: 9030005812975 and School of Management account No: 903005705044, revealed that Stanbic bank made deductions unknown to the University, totaling to UGX.239,465,087. At the end of the audit, the issue had not been resolved between the University and the Bank. This matter has not been appropriately disclosed in the financial statements.

- **Advances not accounted for - UGX.66,335,791**

  Staff advances totalling to UGX.66,335,791 remained unaccounted for at the end of the financial year, contrary to Section 217 of the Treasury Accounting Instructions that requires that all advances be submitted within 60 days. I was unable to confirm whether the funds were expended for the rightful purposes, in the absence of the related accountability.
Qualified Opinion

In my opinion, except for the possible effects of the matters pointed out above;

- The financial statements of Kyambogo University, for the year ended 30th June, 2014 are prepared, in all material respects, in accordance with the Financial Reporting Guide, 2008 and Section 31(6) of the Public Finance and Accountability Act, 2003, of the Laws of Uganda, as well as the modified cash basis of accounting described under accounting policy 2(a).
- The expenditure and receipts have been applied in all material respects for the intended purpose.

Emphasis of Matter

Without qualifying my opinion further, I draw your attention to the following matters disclosed in the financial statements that, in my judgment, are of such importance and fundamental to the user’s understanding of the financial statements;

- Unauthorized Over Expenditure – UGX.5,135,749,119
  A sum of UGX.5,135,749,119 was overspent on two budget lines. I was not provided with evidence of any approved reallocation or virement warrants authorizing this over expenditure.

- Outstanding Payables
  The University had outstanding payables of UGX.4,983,181,359 at the close of the financial year. Accumulation of creditors may lead to loss of reputation, litigation and/or payment of extra costs above the amounts owed.

Other Matters

In addition to the matters raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements, which in my judgment are relevant to the users’ understanding of the audit, my responsibilities or the auditor’s report;
• **Understaffing**

I noted that the University was grossly understaffed. Out of 1,550 posts existing in the approved structure, only 830 (53.5%) were filled leaving 720 posts unfilled. Among the unfilled posts were those of academic staff (Professors-45; Associate Professors-63; Senior Lecturers-119; and Lecturers-43) despite teaching being the core activity of the University.

John F. S. Muwanga  
AUDITOR GENERAL  

26th March, 2015
PART “B”

DETAILED REPORT OF THE AUDITOR GENERAL FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2014

This section outlines in detail, the audit scope, audit findings, my recommendations, and management responses in respect thereof.

1.0 INTRODUCTION

Article 163 (3) of the Constitution of the Republic of Uganda, 1995 (as amended) requires me to audit and report on the public accounts of Uganda and all public offices including the courts, the central and local government administrations, universities, and public institutions of the like nature and any public corporation or other bodies or organizations established by an Act of Parliament. Accordingly, I carried out the audit of Kyambogo University to enable me report to Parliament.

2.0 BACKGROUND INFORMATION

Kyambogo University is a public University located 8 kms from Kampala City. It is found in Kyambogo Parish, Nakawa Division, Kampala District. It was established by the Universities and Other Tertiary Institutions Instrument No.37 of 2003. The University was established out of a merger of three former institutions of ITEK, UPK and UNISE. The University’s vision and mission statements are as stated below;

Vision: “To be a Centre of academic and professional Excellency”

Mission: “To advance and promote knowledge and development and skills, technology and education and in such other fields having regard to quality equity progress and transformation of society”

The University is unique in nature because of the different specialties drawn from the three former institutions which are teacher education, engineering science; and special needs education and rehabilitation.
3.0 OBJECTIVES OF THE UNIVERSITY

The University’s strategic objectives include;

- Foster excellence in education encompassing quality, skills development, breadth and relevance of teaching and learning,
- Promote research, innovation and knowledge generation,
- Improve infrastructure and facilities in line with the University needs,
- Strengthen the University’s institutional capacity, and
- Improve the stature and image of the University.

The University’s specific objectives include;

- To spearhead applied research.
- To produce highly and practically skilled manpower for service to society.
- To strengthen and expand vocational studies.
- To provide training for teachers and other personnel working in the field of special needs education and rehabilitation, and to cater for all kinds of persons with disabilities and special learning needs.
- To equip graduates with the analytical tools required to solve problems utilizing their scientific knowledge and appropriate technology.
- To provide a resource centre for the production and dissemination of information relating to persons with disabilities and special learning needs.
- To promote the acquisition, adaptation and application of information technology and to solve economic and educational problems of Uganda.

4.0 AUDIT OBJECTIVES

The audit was carried out in accordance with International Standards on Auditing (ISA)/International Standards of Supreme Audit Institutions (ISSAI) and accordingly included a review of the accounting records and agreed procedures as was considered necessary. In conducting my reviews, special attention was paid to establish whether;

a. The financial statements have been prepared in accordance with consistently applied Accounting Policies and fairly present the revenues and expenditures for the year and of the financial position as at the end of the year.
b. All University funds were utilized with due attention to economy and efficiency and only for the purposes for which the funds were provided.

c. Goods and services financed have been procured in accordance with the Government of Uganda procurement regulations.

d. To evaluate and obtain a sufficient understanding of the internal control structure of the University, assess control risk and identify reportable conditions, including material internal control weaknesses

e. The University Management was in compliance with the Government of Uganda financial regulations.

f. All necessary supporting documents, records and accounts have been kept in respect of all University activities, and are in agreement with the financial statements presented.

5.0 AUDIT PROCEDURES PERFORMED

The following audit procedures were undertaken:-

a. Revenue

Obtained schedules of all revenues collected and reconciled the amounts to the University’s cashbooks and bank statements.

b. Expenditure

The University payment vouchers were examined for proper authorization, eligibility and budgetary provision, accountability and support documentation.

c. Internal Control System

Reviewed the internal control system and its operations to establish whether sound controls were applied throughout the period audited.

d. Procurement

Reviewed the procurement of goods and services under the University during the period under review and reconciled with the approved procurement plan.
e. **Fixed Assets Management**

Reviewed the use and management of the University’s assets during the period audited.

f. **University’s Financial Statements**

Examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessed the accounting principles used and significant estimates made by management; as well as evaluating the overall financial statement presentation.

### 6.0 FINDINGS

The audit findings which were identified during the course of the audit are included below;

#### 6.1 FINANCIAL STATEMENTS

#### 6.1.1 Misstatements in the Financial Statements

A review of the financial statements presented for audit revealed the following misstatements;

- The statement of financial performance reflects total expenditure of UGX.66,995,757,620 which excludes accrued expenditure of UGX.4,619,832,348, as shown in the statement of outstanding commitments as at 30th June 2014.

- Whereas the Appropriation Statements reflect total expenditure of UGX.66,995,757,620, the statement of Expenditure reconciliation reflects total expenditure per appropriation account as UGX.64,528,959,341, leading to an unexplained variance of UGX.2,466,798,279.

- The receivables figure of UGX.4,983,181,359 includes a total of UGX.4,716,181,435 related to outstanding students’ fees. However this figure is not supported and analysed by management to indicate the details of the debtors such as students’ name, programme/year of study and the respective faculties where such amount is due. Besides the bulk of this amount (i.e. UGX.3,343,584,532) is not allocated to any specific faculty, but
is shown as due from ‘Revenue collection stanbic’ with no proper justification.

The above errors imply that the financial statements are misstated. Although the Accounting Officer committed to having them corrected, this had not been done by the time of concluding this report in March 2015.

6.1.2 **Lack of budget provisions for domestic arrears - UGX.959,827,755**

A total of UGX.959,827,755 was paid to suppliers in respect of unpaid invoices relating to previous years. However, a review of the University records revealed that although the University budgeted for settlement of domestic arrears, these particular arrears had not been reflected in the financial statements for the preceding year and accordingly, had not been budgeted for in the year under review. Under the circumstances, I could not confirm whether the arrears and the corresponding payments were genuine transactions. Payments for unbudgeted expenses, tantamount to unauthorized expenditure and also leads to diversion of funds meant for other planned activities.

The Accounting Officer explained that the University paid the above amount of domestic arrears without adequate budget provision in the FY 2013/14, but also indicated that going forward, the University shall endeavor to minimize arrears, and when they occur, will be adequately budgeted for in the subsequent financial year.

I have advised the Accounting Officer to always ensure that only budgeted for expenditures are incurred by the University, or else use the options available under the Budget Act, 2001, to request for a supplementary estimate to cater for such unplanned expenditures.

6.1.3 **Failure to adhere to the Commitment Control System**

Contrary to the commitment control system which requires Accounting Officers to commit the entity to the extent of funds availability, a review of the statement of financial position revealed that the entity has continued to incur domestic arrears. It was noted that the University payables increased by 49% from UGX.2,549,415,022 as at 30th June 2013 to UGX.4,983,181,359 as at 30th June 2014. Failure to adhere to the commitment control system leads to delays in settlement of supplier invoices,
which can lead to loss of goodwill as well as imposition of interest charges on outstanding amounts.

In his response, the Accounting Officer explained that the increment in the payables figure was mainly due to the salary arrears arising from the failure by the Ministry of Finance, Planning and Economic Development (MOFPED) to remit on time UGX.2,860,377,118 for staff salaries and gratuity for the month of June, 2014.

I advised the Accounting Officer to always adhere to the regulations and ensure that commitments are only allowed to the extent of the available funds.

6.1.4 Management of Receivables

The University reported receivables and prepayments of UGX.1,695,217,227 by the close of the year. Of this amount, UGX.1,428,217,303 relates to student’s fees while UGX.266,999,924 relates to other debtors. The University has a policy which requires full settlement of fees before students are allowed to sit for exams. Strict implementation of the policy would mean that no debtors would arise from unpaid fees. The presence of significant balances of unpaid fees is an indication of laxity on the part of management to implement the University policy. This increases the risk of non-payment of fees by students, thus denying the University the much required funding.

In his response the Accounting Officer explained that the fees arrears related to State House. Statehouse requested the University to allow the sponsored students to sit their examination before paying fees pledging to pay later. It was further noted during scrutiny of correspondences between State House and the University on the matter, that State House owed the University UGX.1,298,349,081 and by 30th January, 2015, it had paid a sum of UGX.1,251,270,988 leaving a balance of UGX.47,078,093 outstanding. Considering the above development, receivables amounting to UGX.129,868,222 relate to other students other than those sponsored by State House. I advised the Accounting Officer to consider fully implementing the set policies of the University regarding payment of University dues.
6.2 **REVENUE**

6.2.1 **Failure to collect Revenue from staff rentals – UGX.180,966,472**

For the period under review, the University let out 120 units of its houses to staff for accommodation at a monthly rental fee agreed upon in the individual contracts with staff, which was recovered at source from staffs’ monthly salaries. It was noted however that the University had outstanding rental dues totaling to UGX.180,966,472 as at 30th June 2014.

The Accounting Officer explained that the failure to effect rental deductions was due to a problem of payroll management during the FY 2013/14 when Ministry of Public service was shifting to IPPS. He explained that for the period from July to September, 2013, deductions were made by MoPS, whereas from October, 2013 to April, 2014 no deductions were made due to the transition process from Legacy to IPPS. However, although he indicated that the amount has since been recovered, I was not provided with sufficient documentation to confirm recovery of the amount involved apart from a schedule indicating indebtedness by staff. I have advised the Accounting officer to recover the amounts due from staff and provide proper accountability.

6.2.2 **Failure to collect outstanding rental fees from private businesses - UGX.42,457,276**

The University hired out spaces to private businesses and the National Council for Higher Education (NCHE) from which it collects rent. At the close of the year, it was noted that unpaid rental fees had accumulated to UGX.42,457,276 over the years. There is no evidence that the University has taken adequate steps to recover the outstanding rental dues. Further noted was that this amount was not included in the receivables balance as at 30th June 2014, implying that the receivables balance was misstated.

The Accounting Officer acknowledged that the University did not fully collect the rent due, but was making progress towards recovery of the outstanding amounts. I have advised the Accounting Officer to institute mechanisms to recover all outstanding rental dues and in future, consider putting in place strong controls to prevent accumulation of unpaid rental dues. In addition, the amount in question needs to be reflected in its books of accounts.
6.2.3 **Unpaid Hall Fees - UGX.62,560,000**

Privately sponsored students housed in the University halls are required to pay UGX.920,000 per annum (UGX.460,000 per semester) as accommodation fees. The fee is payable to halls of residence A/c No:9030005812444 in Stanbic bank, which is the sole recipient of hall accommodation payments.

A comparison of the nominal roll sheets for all privately sponsored students accommodated in the University’s halls, with the Halls of residence account bank statement, revealed that 68 students appeared on the nominal sheets but had no corresponding payments on the halls of residence account bank statement. This translated into a possible loss of UGX.62,560,000 to the University in uncollected revenue.

The Accounting Officer explained that many students normally reside in the halls of residence in one semester and leave in the next at will. He requested to reconcile the figures and report back. However, by the time of writing this report (in March 2015), I had not yet received any feedback in regard to this matter.

I have advised the Accounting Officer and the University Bursar to expedite the reconciliation and ensure that the amounts due are fully recovered from the students and properly accounted for.

6.2.4 **Non collection of rent from businesses operating illegally in the University**

In my special audit report to Parliament of October 2014, I noted that a number of businesses were operating illegally within the University. By January, 2015 a number of these businesses had neither been regularized nor discontinued from operating within the University. In addition, several of these private businesses were operating without valid contracts and were not paying rent for the spaces occupied, and for the utilities, such as water and electricity consumed.

The Accounting Officer explained that the University through the Chief Government Valuer, appointed a technical committee which identified and assessed all small businesses in the University. A report was prepared and submitted to the contracts committee to guide the tendering process. The contracts committee completed the award process and contracts are to be signed soon. In addition, he appointed an
implementation committee which among other things is to ensure that the recommendations of the technical adhoc committee are implemented.

I advised the Accounting Officer to expedite the process of contract signing by all business operating within the University. In the meantime, I await the outcome of management’s commitment.

6.2.5 **Banks operating in the University premises without paying rent and/or valid contracts**

Kyambogo University has got three banks operating within the University premises namely; Stanbic Bank, Eco Bank and Crane Bank. The University invited and contracted Eco Bank and Crane Bank for provision of banking services. Audit review established the following;

- **Although** the banks modified University premises, I was not availed evidence of authorization by the University. Besides, it was not clear as to what was the cost of such modifications, as well as who was to bear the associated costs.

- **The tenancy agreement with Stanbic bank expired on the 31st September 2007 and has since not been renewed.**

- **The contracts between the University, Eco Bank and Crane Bank did not have special conditions of service attached and they were open ended with no contractual period.**

- **There is no record of payment of rent by these banks for the use of University premises with the exception of Stanbic bank which last paid rent in the FY 2012/2013.**

In the absence of valid tenancy agreements and comprehensive contracts, I was unable to ascertain the actual rent due from Eco Bank and Crane Bank and the minimum service standards expected by the University.

In his response the Accounting Officer stated that University procured two Banks (ECO Bank and Crane Bank) to provide the University with banking services through a procurement process. The cost of renovation was to be met by each of the said banks. The University recently contracted valuers to value the said premises for the purpose of contracting and that the report had just been received. The legal section was drawing up tenancy agreements between the University and the banks. He
further explained that the contracts will address the issue of special conditions of contract, their comprehensiveness and the recovery of arrears of rent due to the University from the date of commencement of operations at the University.

I have advised the Accounting Officer to expedite the process of securing comprehensive contracts and tenancy agreements with the banks and ensure recovery of arrears of rent.

6.2.6 Revenue from the University Farm: Outstanding credit sales to departments – UGX.15,571,150

The University owns a dairy farm as one of its income generating ventures. By the time of the audit, the farm had 87 heads of cattle and 27 pigs. The farm generates revenue from credit sales of milk, mainly to University departments who pay into the University farm account. An analysis of the records availed revealed that for the period under review, the farm made total credit sales of UGX.24,029,650 to various departments. However only UGX.8,458,500 was received from the departments leaving a balance of UGX.15,571,150 unpaid.

In his response the Accounting Officer indicated that the actual recoveries were UGX.12,113,700 and not UGX.8,458,500. However, scrutiny of the additional payments revealed that they were made during the period from July, 2014 to January, 2015 and there was no evidence to show that they were related to the amounts in question. Failure to effect the full remittances implies that the farm may be denied of revenue to implement all its planned activities.

I have advised the Accounting Officer to follow up this matter and ensure that the departments clear their indebtedness to the University farm.

6.3 EXPENDITURE

6.3.1 Unauthorized Over Expenditure – UGX.5,135,749,119

Contrary to Section 17 of the PFAA, 2003, as well as, the University and other Tertiary Institutions Act, 2001, an analysis of budget estimates and the actual expenditure of the University for the financial year under review revealed that the budget lines on Teaching and Training, Research, consultancy, and outreach students’ welfare were overspent by UGX.5,135,749,119. I was not availed any evidence of authorization by way of approved reallocation or virement warrants, as is required by the PFAA.
Overspending on one budget item suffocates the implementation of other planned activities. Notable among them was the planned renovation of buildings where actual expenditure was a meager 25% of the approved budget. This explains why many of the University buildings are in a sorry state. Besides, the practice of overspending on certain budget lines undermines the intentions of the University Council on specific University objectives.

The Accounting Officer explained that the over expenditure was due to under budgeting in regard to this important sector of the University. I have advised the Accounting Officer to always ensure adherence to budgetary discipline and where circumstances do not permit, to always seek Council approval before incurring such expenditures.

6.3.2 Mischarge of expenditure – UGX. 978,727,963

The University uses the Government of Uganda Chart of accounts, which defines the nature of expenditure for each item code. The Chart of accounts is intended to facilitate better and consistent classification of financial transactions and also track budget performance per item in line with the approved budget. During budgeting, funds are tagged to particular activities and outputs using account codes and are appropriated accordingly.

Contrary to the above, in the financial year under review, it was noted that Expenditure totaling to UGX.978,727,963 was wrongly charged on budget lines to fund activities that had not been provided for under those budget lines. This practice undermines the importance of budgeting process, as well as the intentions of the appropriating authority to instill budget discipline. The practice further leads to misleading reporting and affects the credibility of the financial statement figures, since they do not reflect the true amounts expended on the respective items. It also undermines the budgeting process and it is a violation of the principle of proper accountability as stipulated in the TAI and gives avenues for diversion of funds.

The Accounting Officer explained that items were wrongly classified and they were to be re-classified in the final accounts. However, I was not provided with evidence of re-classification of the items in question. I advised management to ensure adherence to approved budget provisions unless proper authority for reallocation is obtained from Council.
6.3.3 **Unexplained deductions - UGX.239,465,087**

A review of bank statements, bank reconciliation and cash books of Faculty of Arts account No:9030005812975 and School of Management account No:903005705044, revealed that Stanbic bank made deductions unknown to the University management totaling to UGX.239,465,087 with unclear descriptions including: ATM cash withdrawals, Fee-Coin Deposit, among others. When contacted, the University accounts staff explained that the deductions were unknown to them and that the Accounting Officer had written to the bank seeking for details and explanations. However, there was no documentary evidence to that effect and by the end of the audit, the issue had not yet been resolved between the banks and the University.

I have advised the Accounting Officer to closely follow up these transactions with the banks and ensure that the amounts irregularly deducted are recovered from the banks.

6.3.4 **Payment of Allowances**

The Uganda Public Service Standing Orders, 2010 Section (E-a) defines an allowance as a payment in cash additional to salary, that is payable to an officer to facilitate the proper execution of an assignment or duty. The allowance should be regulated and properly explainable. For the period under review the University paid a number of allowances to its staff, some of which had no justification and/or were not provided for in the Terms and Conditions of Service for Members of Staff of Kyambogo University. The details are discussed in the following paragraphs;

a) **Extra Load Allowance - UGX.40,145,000**

According to Section 27 (b) of the Terms and Conditions of Service for Members of Staff of Kyambogo University, the normal working hours for full time staff is 8.00AM to 5.00PM. Section 16 (3) of the same Terms and Conditions states that, “Extra load allowance” shall be paid to full time staff who are authorized and carry out extra duties in addition to their official normal duties and/or work outside the normal hours.

For the period under review, the University paid a sum of UGX.40,145,000 to full time staff as extra load allowance. Scrutiny of the payment vouchers, teaching
timetables and signed attendance sheets revealed that these payments majorly applied to day assignments for which the staff earned a salary, thus not warranting the payments. Such payments are irregular as they translate into a double benefit to such employees since allowances will be paid for hours already covered by their contractual obligation.

The Accounting Officer explained that the University Council made an exception for academic staff who teach in excess of the normal teaching load during the normal working hours. However, I found this explanation not satisfactory, given that a staff cannot justifiably be expected to have excess load during the normal working hours.

I advised the Accounting Officer to correct the anomaly and consider recovering the funds that have been paid out irregularly.

**b) Doubtful Payment of Teaching Allowance - UGX.17,957,500**

Teaching allowance is paid to Lecturers and Tutorial Assistants for lecturing students basing on the number of lectures and tutorials undertaken, respectively. The number of lectures is stipulated in the time table at the beginning of each semester. The time table provides the basis for payment of teaching allowance. This is further supported by the Lecturers’ appointment letters which requires them to sign an attendance register in the departmental office, which must be counter signed by the head of department confirming that the lecturer conducted the lecture.

However, contrary to the above set procedures, the University paid a sum of UGX.17,957,500 as teaching allowance to Lecturers and Tutorial assistants for lectures that did not appear on the timetable and were not signed for in the attendance register and confirmed by the head of department. Under the circumstances, it is likely that the allowances were paid for lectures which were not conducted. In the absence of proper supporting documentation, I could not confirm that the expenditure was properly incurred by the University.

Further scrutiny of the payment of lectures’ teaching allowances, revealed that lecturers claimed payments using wrong payment rates. Lecturers’ contracts with the University stipulates the rates per contract hour of; UGX.45,000 for evening lectures, UGX.25,000 for day lectures, UGX.20,000 for tutorials, and UGX.55,000 for masters programs. These rates form the basis for the lecturer’s claims. It was
however noted that some lecturers claimed teaching allowances using evening program rates yet the lectures were conducted during the day resulting into an over payment of UGX.43,260,000.

The Accounting Officer promised to look into the matter and recover the amount from the concerned lecturers. I advised the Accounting Officer to correct the anomaly and consider recovering the funds that have been paid out irregularly from the affected staff members.

6.3.5 **Un-presented Payment Vouchers – UGX.504,161,513**

Regulation 60 of the PFAR, 2003 requires all disbursements of public monies to be properly vouched on payment vouchers prescribed by the Accountant General.

However, contrary to the requirements of the Public Finance Act, 2003 and the National Audit Act, 2008, payment vouchers and supporting documents for transactions totaling to UGX.504,161,513 were not presented for audit. In the absence of the payment vouchers together with their supporting documentation, I cannot provide assurance as to whether the funds were rightfully expended.

The Accounting Officer explained that most of payment vouchers had been mixed up in other documents due to big volumes of files and promised to avail them. By the end of my audit exercise, payment vouchers to the tune of UGX.504,161,513, were still missing. I advised the Accounting Officer to always ensure that all expenditure vouchers are properly filed as required by the financial regulations.

6.3.6 **Advances not accounted for - UGX.66,335,791**

Section 217 of the Treasury Accounting Instructions requires accountabilities for the amount advanced to be submitted within 60 days. However, for the period under review, a total of UGX.66,335,791 advanced to several staff remained unaccounted for at the time of concluding the audit. The Accounting Officer explained that a number of accountability submissions faced filing problems after being verified by the internal audit department and that any staff who will not have accounted for the funds advanced will have the money recovered from their salaries.

I await the outcome of this management commitment.
6.3.7 **Statutory Deductions**

a) **Non remittance of taxes to URA - UGX.382,901,835**

Section 119 of the Income Tax Act, Cap 340, as amended, requires an agent to withhold on the gross amount a payment at the rate provided in the third schedule of the Act and remit it to URA by the 15th day of the next month from which it was deducted. I noted that PAYE totaling to UGX.382,901,835 was deducted from lecturers’ allowances in the Faculty of Sciences and was not remitted to URA. Non remittance of withholding tax deductions is a violation of the tax law and may lead to imposition of penalties on the University by URA. Besides, this amount is not reflected in the University payables. This implies that the payables position is understated.

I advised the Accounting Officer to always adhere to the requirements under the Act. In addition, the outstanding amount needs to be recognized in the books of account.

b) **Undeducted NSSF – UGX.315,232,550**

According to Section 11(1) of the NSSF Act, Cap 222 and Solicitor General Guidance to the University on payment of NSSF, dated 24th April 2013, every contributing employer shall, for every month during which he/she pays wages to an eligible employee, pay to the fund, within fifteen days a standard contribution of 15% calculated on the total wages paid during that month to that employee.

On the contrary, it was noted that the University did not deduct NSSF amounting to UGX.315,232,550 from a reviewed sample of payments of allowances for part time teaching and course work marking, from the faculty of arts and Sciences. Non remittance of NSSF deductions is a violation of the law and may lead to imposition of penalties on the University by NSSF. In addition, it denies employees of their future benefits.

In his response the Accounting Officer stated that the University sought legal advice from the Solicitor General in respect of deduction and payment of NSSF on allowances, with an objective of ensuring that the University pays the correct NSSF. Subsequently, the University signed a deed of settlement of the NSSF arrears. The
installment payment of the above arrears as per the deed of settlement ends in May 2015. However, the above amount has not been included in the University payables.

I advised the Accounting Officer to always adhere to the NSSF Act and also ensure that the amounts in question are deducted from the staff concerned and accordingly remitted to NSSF, without further delay. In addition, the outstanding amount needs to be reflected in the University’s books of accounts.

6.3.8 Undetailed Procurement work plan

According to PPDA Regulations 70 and 97(a), a combined work plan for the procuring and disposing entity shall include a detailed breakdown of activities of works, services or supplies to be procured. It was noted that the consolidated procurement work plan of the University for the FY 2013/14 was not detailed. The items planned to be procured were generalized and the plan did not indicate the specific procurement needs of the various units of the University. The failure to prepare a detailed procurement plan contravened the PPDA Act, 2003.

The Accounting Officer explained that the Procurement Plan for 2013/14 was not adequately detailed and pledged to continuously improve and comply with the Act. I await the outcome of this commitment.

6.4 PROJECT ACCOUNTS

6.4.1 Child To Child Project

The University received a total of UGX.96,146,599 for empowering children with disabilities. It was noted that UGX.95,995,000 was spent under the project with UGX.45,807,000 withdrawn on the same day (2/07/2013) in three equal installments and another UGX.50,188,000 was also withdrawn on the same day (25/07/2013), again in three installments for running workshops in various schools.

During a review of the accountabilities submitted, it was found that the accountabilities appeared doubtful. They contained numerous inconsistencies and some of the expenditure was found ineligible. There is a risk that these funds may not have been properly utilised. In the absence of proper accounting records and accountabilities, I cannot confirm whether the funds were used for the intended
purpose. I have advised the Accounting Officer to institute further investigations into these transactions with an aim of ruling out possible misuse.

6.5 **HUMAN RESOURCE MANAGEMENT**

6.5.1 **Staffing gaps**

A review of the approved University staff establishment revealed that out of the approved 1,550 posts, only 830 (54 %) were filled leaving 720 (46 %) posts vacant. A further review of the structure revealed that the category of academic staff was the most affected. Out of 530 required academic staff, only 270 posts were filled. This implies that the University does not have the requisite number of teaching staff, despite the fact that teaching is its core activity. Most affected positions were those above lecturer position, implying that the university is facing challenges of supervising academic work at a senior level which impacts negatively on the university’s research initiatives. Inadequate staffing undermines the achievement of strategic objectives and affects the level and quality of service delivery at the University.

The Accounting Officer explained that he had so far engaged several stakeholders to address this matter without a positive response yet. I have advised the University management to continue liaising with the relevant authorities to ensure that this challenge is brought to their attention and addressed with the urgency it deserves.

6.6 **MANAGEMENT OF ASSETS**

6.6.1 **LAND**

a) **Failure to record land in the Fixed Assets Register**

Regulation 101 of the Public Finance and Accountability Regulations and the Treasury Accounting Instruction, 2003, Part 11 Public Stores (Paragraphs 804-806) require maintenance of an assets register for all assets in a form prescribed by the Accountant General to ensure that the assets are easily identifiable. The Register should show the asset code, description, and serial number, date of acquisition, value, condition, and location.

Scrutiny of the University assets register however revealed that, land comprised in FRV 461 Folio 13 also known as plot M902 situated at Kampala-Kyambogo measuring 137.51 Hectares and various pieces of land in Kyagwe comprised in
Block 87 plots: 150, 30, 146, 123, 113, and 151 situated at Namasiga-Mukono were not registered in the Assets register. Absence of a complete fixed asset register is a critical internal control weakness that exposes the University land to a risk of loss.

The Accounting Officer explained that this was an omission and that the register was to be updated accordingly. However, at the time of concluding the audit, the register had not yet been updated. I have advised the Accounting Officer to update the fixed asset register to include all university assets.

b) **Failure to transfer land titles into the names of Kyambogo University**

Kyambogo University was established by Instrument No.37 of 2003 as a result of a merger of three institutions; Teachers Education Kyambogo (ITEK), Uganda polytechnic Kyambogo (UPK) and the National Institute of Special Education (UNISE). Consequently, the three institutions ceased to exist. It was however noted that the University land in Namasiga has never been transferred into the names of Kyambogo University, but was still in the names of a non-existent institution (i.e. Institute of Teachers Education). Failure to transfer University land into its names exposes the land to a risk of being encroached or even grabbed by unscrupulous individuals.

The Accounting Officer explained that the process of transferring the Land at Namasiga into the names of the University had started. I have advised the Accounting Officer to expedite this action accordingly.

c) **Unabated Land Encroachment**

Inspection of the University land during audit revealed that encroachment on the University Land was rampant. The encroachers have constructed permanent houses, established agricultural farmlands with perennial crops, while others are engaged in fabrication and selling of charcoal stoves along Mackay road, Kyambogo Road, Kigobe Road, junior staff quarters and near UNISE. Failure to evict the encroachers may lead to loss of University land and/or the University may suffer high costs of compensating the encroachers if not evicted earlier.
The pictures below illustrate the level of encroachment on the University land along Mackay, Kigobe and Kyambogo roads.

In his response the Accounting Officer stated that the land encroachers settled on Kyambogo many years ago and that it was not easy to remove them without a due process of the law. However, the University employed land valuers under the guidance and instructions of the Chief Government Valuer. The valuation process has just been concluded and the University is to embark on the process of compensating and removing the said people from the University land.

I have advised the Accounting Officer to ensure that all University property and land in particular is properly safeguarded from illegal encroachment.

**d) Un-demarcated University Land**

The University fenced off most of its land to protect it from encroachment and grabbing. However during inspection, it was revealed that along Mackay road, the land above Kyambogo primary school staff quarters was not fenced as shown in the photographs below;

**Un-demarcated University land along Mackay road**
Management stated that they were considering swapping the land in issue with Buganda Kingdom because of its proximity with the kingdom palace. However, audit noted that the land was being taken over by encroachers.

I have advised the Accounting Officer to fence off the land and legitimately expedite the process of the land swap if considered appropriate by the University Board.

6.6.2 STATUS OF HALLS OF RESIDENCE AND INSTITUTIONAL HOUSES

The Universities and Other Tertiary Institutions Act, 2006, requires the University Council within a period of three months before the end of each financial year, to submit to the Minister for approval, the income and expenditure estimates of the Public University for the next ensuing year. These annual estimates should include among others charges for the maintenance of the buildings and other assets of the University.

It was noted however that for the period under review, the University did not budget for renovations and repairs of halls of residences and as a result the status of the halls of residence and houses was appalling. During inspection of Mandela, Kulubya, Africa, Nanziri and Pearl halls of residences, the following was observed:-

a. **Dilapidated East end Kitchen (Mandela Hall)**

It was noted that the status of the Kitchen at the East end dining hall was appalling and needs immediate renovation. It is not safe and hygienic to serve its purpose as a dinning and Kitchen for the students in its current status as indicated in the photographs below;

**Dilapidated Kitchen at the East end Dinning hall**

![Dilapidated Kitchen at the East end Dinning hall](image-url)
The Accounting Officer explained that the University has been repairing a number of its buildings including some of the Halls of Residence. However, due to limited resources, the renovation process is done in phases. In the financial year under review, the University renovated West end kitchen, which was in a worse condition. In the next financial year, maintenance work on the dining, hall, stores and kitchen will be put before the University Council for consideration. In the meantime, minor maintenance work on the said buildings is being done.

I have advised the Accounting Officer to appropriately prioritize and budget for renovation of University buildings.

b. Non-functioning CCTV cameras

The University installed CCTV cameras to improve the security at the East end Kitchen and Mandela Hall. However, it was observed that management has failed to utilize and operate the CCTV cameras. As a result, the purpose of their installations was not being served. In his response, the Accounting Officer explained that the non-functionality was a temporary problem and that the process of repairing them was ongoing.

I have advised the Accounting Officer to expedite this process and ensure that the CCTV cameras are functional at all times.

c. Failure to install proper burglar proofing at the East End Dining stores

The burglarproofing at the food stores in the East End dining hall was not satisfactory to protect the University property from theft. As a result, it was explained during inspection, that burglary was becoming rampart at these stores.
This was aggravated by the fact that the CCTV cameras installed were not functional.

The Accounting Officer explained that the University was in the process of making repairs on these structures. However, due to limited resources the process was moving on slowly.

d. **Broken water pipes and dilapidated Lavatory facilities in Halls of residences**

Inspection of the lavatory facilities in Mandela, Kulubya, Nanziri and Pearl halls of residences revealed that the plumbing system in the bathrooms and lavatories had broken down and as a result, there was uncontrolled water flow in some of the bathrooms. The state of hygiene was poor and some of the laundry rooms had been turned into dumping rooms for unwanted materials as shown in the photographs below;

* Dilapidated Lavatory facilities in Mandela, Nanziri and Pearl halls

The Accounting Officer explained that the broken water pipes had been repaired. The dilapidated lavatory facilities require a big budget and will be renovated accordingly when a new budget is provided.
I advised the Accounting Officer to ensure that renovation works are prioritized and budgeted for accordingly.

6.6.3 **MOTOR VEHICLES**

6.6.3.1 **Failure to dispose grounded vehicles**

Regulation 295 (1) of the PPDA requires an Accounting Officer to carry out regular annual reviews of assets for purposes of identifying those which are obsolete and those that should be disposed. Good practice also requires that the assets that are no longer of economic value to the organization be disposed and the profits or losses that accrue from such sales subsequently disclosed in the financial statements. Furthermore, a procuring and disposing entity may use a board of survey to identify assets to be disposed off, on a periodic basis.

During inspection of the University, it was revealed that a number of University vehicles had been abandoned at; Kyambogo University police station, security office, UNISE and other parking lots, and had not been boarded off. The vehicles were in a bad state and were deteriorating in value. Examination of the Assets register revealed that the vehicles were recorded as those belonging to Kyambogo University though most of them had Ministry of Education number plates.

There is a risk of further deterioration in the value of the assets if no immediate action is taken to board off and dispose the vehicles. In his response, the Accounting Officer stated that the vehicles in bad condition belong to the MoES, and that he had written to the ministry to obtain authority to either dispose them off or to have them taken by MoES.

I have advised the Accounting Officer to follow up this matter with MoES until an amicable solution is obtained. Details in the photographs below;

**Pictures showing some of the grounded motor vehicles**

<table>
<thead>
<tr>
<th>Some of the University vehicles not included in the asset register, but grounded and parked for over 2 years</th>
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<tbody>
<tr>
<td><img src="image1.png" alt="Picture 1" /> <img src="image2.png" alt="Picture 2" /> <img src="image3.png" alt="Picture 3" /> <img src="image4.png" alt="Picture 4" /></td>
</tr>
</tbody>
</table>
Kyambogo University vehicles, some with Ministry of Education registration numbers, grounded and parked for over two years recommended for disposal in the BOS 2013/14, but have not been disposed off by management.
7.0 FINANCIAL STATEMENTS