

OFFICE OF THE AUDITOR GENERAL



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF THE NATIONAL COUNCIL FOR HIGHER
EDUCATION FOR THE YEAR ENDED 30TH JUNE 2014

OFFICE OF THE AUDITOR GENERAL

UGANDA

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LIST OF ACRONYMS

GoU	Government of Uganda
MIS	Management Information System
NCHE	National Council Higher For Higher Education
NTR	Non-Tax Revenue
PFAA	Public Finance and Accountability Act
PPDA	Public Procurement and Disposal of Public Assets
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE
NATIONAL COUNCIL FOR HIGHER EDUCATION FOR THE YEAR ENDED 30TH JUNE
2014**

THE RT. HON. SPEAKER OF PARLIAMENT

I have audited the accompanying financial statements of the National Council for Higher Education 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 (PFAA), 2003, the Accounting Officer is accountable to Parliament for the funds and resources of the Council. The Accounting Officer is also responsible for the preparation of the financial statements which give a true and fair view of the Council's state of affairs and its operating results. 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.

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 express an opinion on the financial statements based on my audit. I conducted my audit in accordance with the International Standards on Auditing. These standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit 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 the financial statements whether due to fraud or error. In making those risk assessments, the Auditor considers internal controls 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 purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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 audit opinion.

Part "A" of my 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"

Opinion

In my opinion, the financial statements present fairly in all material respects, the financial position of the National Council for Higher Education for the year ended 30th June 2014 and of its operating results and cash flows for the year then ended, and comply with International Financial Reporting Standards and section 31(6) of the Public Finance and Accountability Act, 2003.

Other Matters

Without qualifying my opinion, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements:

- **Revenue shortfall**

Council anticipated collecting a sum of UGX.4,500,000,000 in Government subvention and student contributions. However, only UGX.3,778,062,601 was realised resulting into a shortfall of UGX.721,937,399. Revenue shortfall undermines budget execution.

- **Vacant posts**

Out of the approved establishment of 54 posts, only 37 (68.5%) positions were filled leaving 17 vacancies. The most affected departments were Procurement and Disposal Unit, Internal Audit, Human Resource and Legal Department. I explained to management that understaffing of key departments impairs service delivery.

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

John F. S. Muwanga

AUDITOR GENERAL

9th March 2015

PART "B"

DETAILED REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE NATIONAL COUNCIL FOR HIGHER EDUCATION 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 the Council to enable me report to Parliament.

2.0 BACKGROUND INFORMATION

National Council for Higher Education was established as a body corporate under the Universities and Other Tertiary Institutions Act 2001 (as amended) Part II section (1). The Council is a semi-autonomous and self-accounting body with a secretariat headed by the Executive Director. The Council is mandated to set standards and regulations to ensure that all public and private tertiary education institutions in Uganda; create, sustain and provide relevant and quality higher education for all qualified Ugandans and to meet the local, national and global higher education challenges of the future. The day to day operations of the secretariat are vested in the Executive Director who reports to the National Council. It is located on 34 Cavers Crescent Kyambogo.

3.0 FUNCTIONS OF THE COUNCIL

The National Council for Higher Education has the following Functions:

- To implement the objectives of this Act.
- To promote and develop the processing and dissemination of information on Higher Education for the benefit of the people.

- To advise the Minister on the establishment and accreditation of public and private institutions of Higher Education.
- To receive, consider and process applications for the establishment and accreditation of public and private institutions of Higher Education and the accreditation of the academic and professional programmes of those institutions in consultation with Professional Associations and Regulatory Bodies.
- To register all institutions of Higher Education established under this Act.
- To receive and investigate complaints relating to institutions of Higher Education and take appropriate action.
- To monitor, evaluate and regulate institutions of Higher Learning.
- In co-operation with the relevant government departments, private sector, or the different institutions of Higher Education, to evaluate the overall national manpower requirement and recommend solutions to the requirements.
- To ensure minimum standards for courses of study and equating of degrees, diplomas and certificates awarded by the different public and private institutions of Higher Education.
- To set and co-ordinate national standards for admission of students to the different institutions of Higher Education.
- To require and ensure that all universities, whether private or public, adhere to minimum criteria set by the National Council for admission to under-graduate and higher degree programmes.
- To determine the equivalence of all types of academic and professional qualifications of degrees, diplomas and certificates obtained elsewhere with those awarded by Uganda institutions of Higher Education for recognition in Uganda.
- To certify that an institution of Higher Education has adequate and accessible physical structures and staff for the courses to be offered by it.
- To promote national interests in courses of study and professional qualifications among the different types of institutions of Higher Education.
- To ensure the institutions of Higher Education provide adequate facilities and opportunities for career guidance and counselling.

- To collect, examine and publish information relating to the different institutions of Higher Education.
- To generally advise the government on policy and other matters relating to institutions of Higher Education.
- To perform any other function incidental to the objects of this Act or relating to Higher Education in Uganda or that may be conferred upon it by the Minister or any other law.

4.0 FINANCING OF THE COUNCIL

National Council of Higher Education realized a total of UGX.4,515,548,283 from both Subvention and NTR to finance its operations for the year.

5.0 AUDIT SCOPE

The audit was carried out in accordance with the International Standards on Auditing and accordingly included a review of the accounting records, agreed procedures as was considered necessary. In conducting my reviews, special attention was paid to establish whether:

- a. The Financial Statements for the Council have been prepared in accordance with the requirements of the PFAA, 2003, and the modified cash basis of accounting and that they present fairly the financial performance and position of the Council as at 30th June 2014;
- b. Sufficient internal controls have been applied consistently throughout the year to safeguard the assets of the Council and mitigate the risk of misstatement of the financial statements;
- c. All necessary supporting documents and records have been maintained and are in agreement with the financial statements presented;
- d. Goods and services have been procured in accordance with the Government of Uganda (GoU) procurement regulations; and
- e. The Council's assets were well managed in the period under review.

6.0 AUDIT PROCEDURES PERFORMED

a) Revenue/Receipts

Obtained schedules of receipts and reconciled the amounts to the Council's cashbooks and bank statements.

b) Expenditure

Vouched transactions to establish whether documentation in support of the expenditures agreed with the amounts and descriptions on the vouchers; reviewed and reconciled the bank statement transactions to test for occurrence and whether they were properly controlled and accounted for.

c) Internal Control System

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

d) Procurement

Reviewed the procurement of goods and services during the period under review and reconciled with the procurement plan.

e) Fixed Asset Management

Reviewed the use and the management of the Council's assets during the period under review.

f) 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 statements presentation.

7.0 AUDIT FINDINGS

7.1 Revenue shortfall

According to the approved budget for the year under review, the Council expected to receive a sum of UGX.4,500,000,000 in Government subvention and student contributions. However, only UGX.3,778,062,601 was realised resulting into a funding gap of UGX.721,937,399.

It was further noted that whereas the Higher Institutions of learning are required to submit students' lists to the National Council for Higher Education in order to enable reconciliation of fees payments, such reconciliations were not being made consistently and this could partly explain the revenue shortfall in Student Contributions. I explained to management that a wide revenue variance implies an inadequate budgeting process and/or laxity in revenue collection. The shortfall results into failure to implement planned activities. For example, planned activities such as developing standards for courses of study in University programmes and policy on other degree awarding Institutions were not implemented.

Management attributed the shortfall to budget reductions in the 4th quarter of the financial year and non-compliance by institutions in collecting the students' contributions. However, sensitization workshops and a verification exercise with stakeholders were being conducted to enhance compliance.

I have advised management to devise and implement proper budgeting and revenue collection procedures. In addition, management is advised to enforce submission of students' lists to enable reconciliations of student numbers verses the money received from the Institutions.

7.2 Vacant posts

A review of the Council's staff establishment records as at 30th June 2014 indicated that out of the 54 approved posts, 37 were filled leaving 17 vacant. Most affected departments were; Procurement and Disposal Unit, Internal Audit, Human Resource and Legal Department. I explained to management that understaffing of key departments has the effect of impairing service delivery.

Management explained that the Staff Review Task Force proposed that Top Management should populate the NCHE Secretariat in a gradual and systematic manner, such that Council resources are not constrained. Some of the key positions recommended for filling by the Staff Review Task force had not been filled due to shortage of funds and space.

I have advised management to liaise with the responsible authorities to ensure that the vacant posts are filled.

7.3 Un-coded expenditure items

TAI 184 requires every payment voucher to bear on its face the fund, fund source, the vote or statutory expenditure service, section (cost centre) of the vote or service and item of expenditure to which the payment is chargeable. However, audit noted that all payments made during the year under review were not coded contrary to the requirement. This could lead to misclassification and over expenditure on some items.

Management attributed the anomaly to inadequacies in the Tally Accounting package currently being used by the Council. They further explained that NCHE had a plan to acquire a Management Information System (MIS), which is expected to address the coding challenge. I await the outcome of management's action in this regard.

7.4 Improper Students' fees payment

Section (2) of Statutory Instrument 2010 No. 17 requires all students to pay their subscription fees directly to the National Council for Higher Education Bank account.

However, a review of records revealed that some institutions collected cash from the students and remitted to the Council. Audit also noted that management relied on students' lists declared by the respective institutions without verifying the authenticity of these lists. I explained to management that there was a possibility of under remittance of the fees by the school, and besides, handling cash poses its own challenges.

Management explained that the Council was currently carrying out sensitization workshops with all stakeholders on the collection of the fees to emphasize the provisions of the Statutory Instrument.

I have advised management to ensure fees collection procedures are complied with for effective revenue collection and accountability.

FINANCIAL STATEMENTS