OFFICE OF THE AUDITOR GENERAL

THE REPUBLIC OF UGANDA

MAKERERE UNIVERSITY BUSINESS SCHOOL

REPORT AND OPINION OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE MAKERERE UNIVERSITY BUSINESS SCHOOL FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2015

OFFICE OF THE AUDITOR GENERAL

UGANDA

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LIST OF ACRONYMS

ACRONYM	MEANING
EFT	Electronic Funds Transfer
FY	Financial Year
GOU	Government of Uganda
ICT	Information Communication Technology
IFMS	Integrated Financial Management System
LPOs	Local Purchase Orders
MoES	Ministry of Education and Sports
MUBS	Makerere University Business School
MUK	Makerere University Kampala
NSSF	National Social Security Fund
NTR	Non Tax Revenue
PDU	Procurement and Disposal Unit
PFAA	Public Finance and Accountability Act
PFMA	Public Finance Management Act, 2015
PPDA	Public Procurement and Disposal of Public Assets Authority
PS/ST	Permanent Secretary/Secretary to the Judiciary
UGX	Uganda Shillings
URA	Uganda Revenue Authority

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MAKERERE UNIVERSITY BUSINESS SCHOOL FOR THE YEAR ENDED 30TH JUNE, 2015

THE RT. HON. SPEAKER OF PARLIAMENT

I have audited the financial statements of Makerere University Business School for the year ended 30th June 2015. These financial statements comprise of the statement of financial position, 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 (as amended) and Section 45 of the Public Finance Management Act (PFMA), 2015, the Accounting Officer is accountable to Parliament for the funds and resources of Makerere University Business School. The Accounting Officer is also responsible for the preparation of financial statements in accordance with the requirements of the Public Finance Management Act, 2015 and the Financial Management Guidelines for Public Universities, 2009, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

My responsibility as required by Article 163 of the Constitution of the Republic of Uganda, 1195 (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). 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 and form part of my Annual Report to Parliament.

PART "A"

Unqualified Opinion

In my opinion, the financial statements of Makerere University Business School as at 30th June 2015 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015, and the Financial Management Guidelines for Public Universities, 2009.

Emphasis of Matter

Without qualifying my opinion, I draw your attention to the following matter, which has been included in the Schools' financial statements;

- **Irregular Payment of Work Related Allowances - UGX.582,225,925**

  Included in the Schools financial Statements under receivables, is an amount of UGX.582,225,925 which was paid as work related allowances to staff pursuing residential long term study programs abroad. However, this was in contravention of the provisions of Section 5.5.3 (g) of the School HR Manual. Consequently, the amount was irregularly paid out to staff and is recoverable, as it was paid for no services rendered to the University.

Other matters

I consider it necessary to communicate the following matters other than those that are presented or disclosed in the finanical statements that, in my judgement, are relevant to the users' understanding of the audit report.

- **<u>Staffing gaps</u>**

  A review of the approved University staff establishment revealed that out of 1,152 posts, only 913 (79%) were filled leaving 239 (21%) posts vacant. A detailed review of the structure revealed that the category of academic staff was the most affected. Out of 552 required academic staff, only 345 (63%) posts were filled. This implies that the University does not have the requisite number of staff despite teaching being the core activity of the University.

- **<u>Irregular payment of Stipend Allowance and Non-deduction of statutory obligations</u>**

  During the year, a total of UGX.1,283,282,000 in form of stipend allowance was not subjected to PAYE tax at a rate of 30%, since it was not an activity based allowance. Consequently the University did not deduct PAYE amounting to UGX.384,984,600.

John F.S. Muwanga
<u>AUDITOR GENERAL</u>
KAMPALA

21st December, 2015

PART "B"

DETAILED REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF MAKERERE UNIVERSITY BUSINESS SCHOOL FOR THE FINANCIAL YEAR ENDED 30TH JUNE, 2015

This Section outlines the detailed audit findings, management response, and my recommendations 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 Makerere University Business School to enable me report to Parliament.

2.0 BACKGROUND INFORMATION

Makerere University Business School (MUBS) is located on Plot M118 Port Bell Road in Nakawa Division within Kampala Capital City Authority.

It was established by Makerere University (Establishment of Constituent College) order, 1997 as a constituent college of Makerere University (MUK). The School was created from a merger between the then Faculty of Commerce (FOC) at MUK and the National College of Business Studies (NCBS). The merger involved the physical movement of the faculty of commerce from the Makerere Campus to Nakawa where the NCBS was located. The actual merger and movement took place in January, 1998.

In the year 2000, the law was amended to give financial and administrative autonomy by the Makerere University (Establishment of constituent college) (Amendment) order (MUECCA (A) 2001. As a result of this amendment, the school structure changed tremendously. The law created a Council with authority similar to that of Makerere University Council.

In the year 2001, the structure of the school again changed with the enactment of the University and other Tertiary Institutions Act, which transformed the school from a constituent College of Makerere to a public tertiary institution affiliated to Makerere University.

The Institution is mandated to enhance management and business education in the country through the provision of ideas, knowledge and skills at the different levels in business and non-business.

3.0 ENTITY FINANCING

The Business School was financed by grants from Central Government totalling to UGX.8,918,360,819 as well as from International Organisations amounting to UGX.137,000,000. The School also collceted UGX.37,123,059,097 in Non-tax revenue, bringing total revnue to UGX.46,178,419,916. This constituted about 75% of the budgeted revenue of UGX.61,893,813,019 for the year under review.

4.0 OBJECTIVES OF MAKERERE UNIVERSITY BUSINESS SCHOOL

The University has the following objectives;

a. To provide knowledge and facilitate learning.
b. To conduct research, promote scholarship and publicize knowledge.
c. To attract, develop and retain staff.
d. To provide an enabling atmosphere for students to learn.
e. To ensure appropriate students welfare.
f. To encourage corporate social responsibility through Outreach programmes.

5.0 AUDIT OBJECTIVES

The audit was carried out in accordance with International Standards on Auditing 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 period and of the financial position as at the end of the period.
b. All the Business School 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 Business School, assess control risk and identify reportable conditions, including material internal control weaknesses
e. The Business School 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 the Business School activities, and are in agreement with the financial statements presented.

6.0 AUDIT PROCEDURES PERFORMED

The following audit procedures were undertaken;

a. Revenue

Obtained schedules of all revenues collected and reconciled the amounts to the MUBS cashbooks and bank statements.

b. Expenditure

The Business School 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 Business School during the period under review and reconciled with the approved procurement plan.

e. Fixed Assets Management

Reviewed the use and management of the School's assets during the period audited.

f. Department'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.

7.0 AUDIT FINDINGS

7.1 Categorization of findings

The following system of profiling of the audit findings has been adopted to better prioritise the implementation of audit recommendations;

	Category	Description
1	High significance	Has a significant / material impact, has a high likelihood of reoccurrence, and in the opinion of the Auditor General, it requires urgent remedial action. It is a matter of high risk or high stakeholder interest.
2	Moderate significance	Has a moderate impact, has a likelihood of reoccurrence, and in the opinion of the Auditor General, it requires remedial action. It is a matter of medium risk or moderate stakeholder interest.
3	Low significance	Has a low impact, has a remote likelihood of reoccurrence, and in the opinion of the Auditor General, may not require much attention, though its remediation may add value to the entity. It is a matter of low risk or low stakeholder interest.

Accordingly, the table below contains a categorized summary of the findings that follow in the subsequent paragraphs of the report;

Table showing categorized summary of the findings

No	Finding	Significance
7.2	Irregular payment of work related allowances	High
7.3	Cash Payments to Suppliers UGX.61,104,000	High
7.4	Irregular employment of Graduate Assistants	High
7.5	Staffing gaps	High
7.6	Outstanding Rental Fees Due From Uganda Telecom Ltd – UGX.70,800,000	Moderate
7.7	Un paid for services by MTN Uganda Limited - UGX.28,274,840	Low
7.8	Non-payment of 10% share of revenue to MUBS	Moderate
7.9	Staff on Acting Capacity	Moderate
7.10	Payments to Staff beyond the fellowship period - UGX.98,702,400 and Euros.10,000	Low
7.11	Advances not accounted for UGX.19,423,976	Low
7.12	Procurement of Tickets for travel abroad	Low
7.13	Double employment in Public service by a staff	Low
7.14	Delayed implementation of the University Capital Development Projects	Low
7.15	Audit of Out Reach Centres	Low
7.16	Status of prior year audit recommendations	Low

7.2 Irregular Payment of Work Related Allowances - UGX.582,225,925

According to Section 5.5.3 (g) of the School's Human Resource manual, employees granted permission to pursue residential long term study programs abroad should forfeit work related allowances such as top up and administrative allowances.

A review of a sample of personnel files and the school's payroll revealed that some staff pursuing residential long term study programs abroad continued receiving work related allowances in contravention of the provisions of Section 5.5.3 (g) of the School HR Manual. It was further ascertained that the said staff enrolled for the different study programs in the earlier financial years, but continued receiving allowances for an average period of over 10 months before they could be put off the payroll. Consequently, a total of UGX.582,225,925 was irregularly paid out to staff by the University. This amount is recoverable, as it was paid for no services rendered to the University.

In their response, Management explained that they stopped the payment of top-up allowances to staff pursuing residential long-term study programmes and has accordingly instituted recovery measures from the concerned staff. In addition, management has opened up advance accounts in the names of the concerned staff to facilitate recording of the recovery of the same. I await the outcome of this commitment by management.

7.3 Cash Payments to Suppliers- UGX.61,104,000

Section 3.7.1 of the MUBS Finance Policy and Accounting Manual states that apart from petty cash and other payment from petty cash accounts, the normal method of payment of money due shall be from the School's Bank account. Section 3.7.2 (2) of the MUBS Finance Policy and Accounting Manual further stipulates that, with exception of petty cash items, all payments against properly rendered invoices will be made by cheque.

Contrary to the above, it was noted that a total of UGX.61,104,000 was drawn in cash by Cashier to pay for different goods and services supplied to the University. Cash withdrawals and payments are inherently risky and prone to abuse. Given that some of the cash payments were not appropriately accounted for since there was no evidence of Goods Received Notes, delivery notes, invoices and receipts from suppliers, audit could not confirm whether the amounts were expended on the intended purpose. There is a risk that the amount in question was not put to proper use.

Furthermore, there was no evidence that Withholding taxes were deducted from these payments as required by the Income Tax Act. This exposes the School to a risk of imposition of penalties by URA.

In their response, Management did not provide satisfactory accountabilities for the cash payments made to suppliers.

I advised the Accounting Officer to limit cash withdrawals and payments as a measure to avoid the likely loss of money and/or manipulation of accountabilities. In addition, all the amounts should be accounted for.

7.4 Irregular Employment of Graduate Assistants

The Human Resource function of the university is regulated by the University and Other Tertiary Institutions Act 2001, the MUBS Terms and conditions of service 2009 and the Public Service standing orders 2010. Accordingly, all permanent or temporary appointments into the University should be by the Appointments Board based on terms and conditions that may be determined by the University Council.

A review of the University's personnel function for the period under review revealed that the University employed "Graduate Assistants" to assist the Academic staffs in conducting lectures, research and outreach to the community in line with the mission of the school and these were issued with letters of offer signed by the Human Resource Manager. A detailed scrutiny of the letters of offer showed the following terms and conditions of service, among others;

- The Graduate assistants are entitled to receive a scholarship to pursue Masters Programs in MUBS/any other place justified by the respective faculty Deans, at various rates.
- They are also entitled to a monthly stipend allowance of UGX.900,000.
- They were also supposed to teach 10 hours per week under the guidance of the Head of department.

The following anomalies were however noted;

a) Absence of a clear policy on the recruitment of Graduate Assistants

The School had no policy in place on the recruitment and employment of Graduate Assistants. As such the recruitment was irregular, as it was based on a mere minute of the Appointments Board of MUBS.

b) Payment of Stipend Allowances - UGX.1,283,282,000

It was observed that, consequent to the irregular recruitment and employment of graduate assistants for the period under review, the University paid a total of UGX.1,283,282,000 as stipend allowance to the graduate assistants at a monthly rate of UGX.900,000 per person. However, this allowance is not provided for in the approved payable allowances of the University as detailed in the MUBS Human Resource Manual, as well as, the Public Service Standing Orders, 2010. It also lacked approval from Council. This implies that the payment was irregular.

I accordingly advised that management discontinues payment of this allowance or else consider taking steps to have it regularized, by amending the Schools Human Resource Manual to define and give circumstances where it can be paid.

c) <u>Monitoring performance of the graduate assistants</u>

I further observed that the process of monitoring the services provided by Graduate Assistants is not adequate. I did not obtain any evidence that the lectures delivered by the Graduate Assistants are closely monitored and recorded. Failure to monitor the lectures may lead to payment for undelivered services. I advised management to closely monitor and record the delivery of the lectures

d) <u>Non-deduction of Statutory Obligations - UGX.384,984,600</u>

It was noted that the stipend allowance was not an activity based allowance and therefore was subject to PAYE tax at a rate of 30%. However the University did not deduct PAYE amounting to UGX.384,984,600. Non-remittance of statutory deductions is an offence which may attract penalties against the school by the Uganda Revenue Authority.

In their response, Management explained that the position of Graduate Assistant is a Studentship position and as such not required to subscribe to PAYE. I found this explanation not satisfactory, since the graduate assistants are no longer students of the University at the time they are engaged.

I accordingly advised management to engage the Uganda Revenue Authority to establish the tax status of the graduate assistants.

e) <u>Irregular Sponsorship for Master's degrees</u>

According to Section 5.5.1(b) of the Human Resource manual, a newly recruited employee is eligible for school sponsorship to undertake a long term academic training program, after serving for at least two (2) years, and must serve for at least 2 years on return. However a review of personal files of graduate assistants revealed that they were granted sponsorship before completion of two years in the school service.

Further scrutiny of the personal files of graduate assistants revealed that the school never bonded the graduate assistants who were sponsored to undertake masters programs. Given the circumstances, the school was exposed to a risk of loss of funds in situations where the graduate assistants left after completion of their courses. This constitutes wasteful expenditure incurred in training these staff.

I advised management to ensure that all recruitments of graduate staff as well as their subsequent training is guided by the existing regulations. In addition, the School should introduce bonding programmes as conditions for funding these trainings.

7.5 Staffing gaps

A review of the approved University staff establishment revealed that out of 1,152 posts, only 913 (79%) were filled leaving 239 (21%) posts vacant. A detailed review of the structure revealed that the category of academic staff was the most affected. Out of 552 required academic staff, only 345 (63%) posts were filled. This implies that the University does not have the requisite number of academic staff despite the fact that teaching is its core activity.

Further analysis shows that the most affected positions were those above lecturers, implying that the university is facing additional challenges of supervising academic work at a senior level. This negatively impacts on the university research initiatives.

Inadequate staffing further undermines the achievement of the strategic objectives and affects the level and quality of service delivery at the University, as well as, stretching the existing staff, thereby affecting their performance.

In their response management acknowledged the staffing gap but attributed it to government's contribution to the wage bill of only 20% leaving the rest to be financed by the Internally Generated Funds (IGF). Management further indicated that they had continuously sought Government subvention towards additional funding to fill the academic staff establishment stemming way back to the FY2011/12 following a promise made by the Ministry of Finance Planning and Economic Development. Despite the several reminders on the promised funds to enhance the academic staff establishment, a response is yet to be received. MUBS Management has continued to liaise with the relevant authorities over the matter.

I advised management to continue engaging the relevant authorities to ensure that the staffing gap challenge is brought to their attention and accordingly addressed.

7.6 Outstanding Rental Fees Due From Uganda Telecom Ltd – UGX.70,800,000

The School signed a contract with M/S Uganda Telecom ltd (UTL) for hire of space to erect a mast for the period from 2008 to 2018. According to the contract, UTL was to pay in advance for three months, at a monthly rental fee of USD.700. It was however noted that at the close of the financial year, UTL had accumulated rental arrears to the tune of UGX.70,800,000. There was no evidence that the University had made efforts to recover the outstanding rent. There is a risk that the University may not recover the outstanding amount as evidenced by its failure to institute any recovery measures.

In their response, management informed me that they had written to UTL about the unpaid bills. I advised the Accounting Officer to institute mechanisms to recover all outstanding rental dues and in future should consider putting in place tighter controls to prevent accumulation of unpaid rental dues.

7.7 Unpaid for services by MTN Uganda Limited - UGX.28,274,840

It was noted that MUBS entered into a Recruitment Service Agreement with MTN Uganda Limited, through The Entrepreneurship Centre, which is one of the outreach centers established by the School. According to the agreement, MUBS was to provide skilled and competent temporary staff (MUBS Contract staff) for the assignments required by MTN under its control and direction. MUBS was also to remunerate the contracted staff on behalf of MTN, for the duration of the assignment, at agreed rates or minimum wage prescribed and invoiced to MTN. MTN Uganda on the other hand, was to ensure that all payments are made not later than thirty (30) days after presentation of a correct invoice by MUBS.

It was however noted that for the period under review, unsettled invoices amounted to UGX.28,274,840. There was no evidence of reminders to MTN for settlement of the outstanding bills.

This amounts to a breach of contract by MTN. In addition, delayed payment of bills by MTN (U) Ltd implies that MUBS was not able to undertake activities for which the funds were to be applied.

Management acknowledged the outstanding amount from MTN and indicated that they were following up with MTN to have the amounts settled. I advised the Accounting Officer to take necessary steps to ensure that invoices to MTN Uganda Limited are always promptly settled.

7.8 Non-payment of 10% share of revenue to MUBS - UGX.87,964,000

According to section 1.1.6(d) of the MUBS Finance Policy and Accounting Manual, the School is entitled to 10% of all the income generated by the independent units/faculties/administrative units.

A review of the Entrepreneurship Centre books of accounts revealed that it received UGX.879,640,000 as management fees income from the MTN Uganda Service

Agreement, from which the University was entitled to 10% share of revenue amounting to UGX.87,964,000, which was never remitted to the School's collection accounts. Non remittance of 10% revenue share to the school not only violates the MUBS Policy and Accounting Manual, but also deprives the school of revenue which would have financed other school activities.

In response, management indicated that the Centre was in the process of paying the 10% it owes the school. I advised the Accounting Officer to ensure that the Centre always promptly remits in full, the prescribed percentage of the total NTR generated out of their activities.

7.9 Staff on Acting Capacity

According to Section A (A-c) (9) of the Public Service Standing Orders, 2010, an appointment on acting basis is expected to last not more than 6 months and is subject to direction by the appointing authority.

A review of personnel records of staff in acting capacity revealed that a number of staff members were in acting positions in contravention of the Public Service Standing Orders. The staff had served in acting positions beyond the maximum required period and there was no indication that extensions were authorized. Refer to the table below;

Table showing staff in Acting Positions

No	Name	Substantive Position	Faculty/ Department	Acting Position	Dates of Offer To Act	Months In Acting Capacity as at June 2015
1	Dr. Moses Muhwezi	Senior Lecturer	Deputy Principal's office	Ag. Deputy Principal	August 2014	12 months
2	Basalirwa Mwebaza Edith	Senior Lecturer	Faculty of Entrepreneurship and Business	Ag Dean	August 2014	12 months
3	Byaruhanga Pontius	Senior Lecturer	MUBS regional campus-Mbarara	Director	November 2014	8 months
4	Milburga Atcero	Lecturer	Leisure and Hospitality Management	HOD	December 2014	7 months
5	Nabasirye Massy	Deputy Director	Human Resource	Human Resource Manager	November 14	8 months
6	Ruhigwa Micheal	Deputy Director	School Bursar	School Bursar	December 14	7 months

The above practice contravenes the Public Service Standing Orders and the School's Human Resource Manual and is therefore irregular.

Management in their response indicated that they had taken the initiative to regularize the occupancy of the offices but had not yet succeeded in having the same offices substantively occupied as they had failed to identify suitable recruits after advertising and interviewing the various contenders for some of the positions whereas other positions await appointments by the relevant authorities.

I advised Management to fully comply with the provisions of the Standing Orders and the University Human Resource Regulations and ensure that the above positions are substantively filled.

7.10 Payments to Staff beyond the fellowship period - UGX.98,702,400 and Euros.10,000

According to Sec. 5.6.1(g) of the Human Resource Manual, any staff member who fails to complete a study program within the duration of the fellowship period is required to meet the additional costs of registration, extension and examination fees from his personal contribution.

It was however noted that in some instances additional funds were granted to staff that had exceeded their fellowship period even without incorporating it to the bonding period as indicated in the table below;

Table showing staff who have exceeded their fellowship period

S/N	Name	Programme	Place of study	Academic year of commencement	Expected year of completion	Amounts paid by MUBS during the year (Euros)	Amount paid by MUBS during the Year (UGX)
1.	Kyogabirwe Jannatti Bagoroza	PHD	Tilburg University Netherlands	2008/2009	2012/2013	10,000	
2.	Byarugaba Jolly K	PHD	University of Witwatersrand	2009/2010	2012/2013		57,952,400
3.	Wakaisuka Juliet	PHD	University of Nairobi Kenya	2010/2011	2013/2014		13,250,000
4.	Basalirwa Mwebaza	PHD	Makerere University	2010/2011	2013/2014		20,000,000
5.	Musigire Samuel	PHD	Makerere University	2010/2011	2013/2014		7,500,000
Total						**10,000**	**98,702,400**

Payment of staff beyond the fellowship period contravenes the Schools' Human Resources Manual and therefore occasions a financial loss to the School.

Management explained that when the reason for one's failure to complete the programme in time is justifiable, the School may offer the staff extra funding subject to signing an extra bonding and loan agreement. However I noted that in the cases mentioned above, there were no loan agreements signed with the sponsored staff.

I advised management to desist from deviating from the provisions of the School's Human Resource Manual and to also institute recovery measures against the staff involved.

7.11 Advances not accounted for – UGX.19,423,976

A review of the MUBS accounting records revealed that advances amounting to UGX.19,423,976 remained unaccounted for at the year end. Under the circumstances, I was unable to confirm whether the amount involved was applied to the intended purposes.

Further noted was that the unaccounted for advances were also not reported in the financial statements and that the University did not maintain an advances ledger to record and monitor the retirement of these advances. Under the circumstances, the University's financial statements are misstated to the extent. Besides, failure to maintain an advances ledger can lead to failure to track such advances as well as misuse.

Although Management promised to provide the accountabilities for review, these had not been provided to me by the time of concluding this report.

I advised the Accounting Officer to ensure that the advances in question are accounted for and to also ensure that an advances ledger is opened up accordingly.

7.12 Procurement of Tickets for Travel abroad

a) Payments for air tickets - UGX.58,710,780 and USD.44,404

According to section 119 (1) of the PPDA Regulations 2014, a procurement process under Direct procurement shall follow the procurement rules and processes set out in the regulations. Accordingly Section 119 (4) of the PPDA regulation states that a bidder shall submit a bid in writing.

For the period under review, the University expensed funds on purchase of tickets for travel abroad worth UGX.58,710,780 and USD.36,427 through uncompetitive methods of procurement, as there was no evidence availed to show that procurement of the tickets went through the recommended procurement procedures.

In light of the above, we were unable to confirm that the School obtained the best market rates and therefore good value for money.

Management explained that travel Agents were quoting exorbitant prices and yet purchasing online was very cheap. Management also informed me that they had since then written to the Executive Director/PPDA to guide them on how to handle future travel. I await the outcome of this engagement but also advise the Accounting Officer to ensure adherence with the laid down guidelines in the absence of any contrary advice from the Authority.

b) Irregular procurement of travel services from Bunyonyi Safaris Ltd

The PPDA Regulation 225 (2) states that a contract document, purchase order, letter of bid acceptance or any other communication conveying acceptance of a bid that binds the entity to a contract with a provider shall not be issued prior to;

- The award of the contract decision by contracts committee
- Expiry of the period of notice of the best evaluated bidder
- Confirmation by the accounting officer that procurement is not subject to any administrative reviews
- Commitment of the full amount of funding for the period of the proposed contract.

Contrary to the above regulation, it was noted that contracts worth USD.7,977 were awarded for provision of travel services in disregard to the procurement regulations since the procurements process was retrospectively undertaken, as shown in the table below;

Table showing retrospective procurement of travel services

Voucher	Purpose	Payee	Amount USD	Observation
MUBS/SVS/14-15/00047	Air ticket	Bunyonyi Safaris Ltd	5,450	Travel was on 25/8/2014, bid was opened on 26/8/2014 a day after he had travelled, Contract was awarded on 28/8/2014, Invoice dated 25/8/2014,
MUBS/SVCS/14-15/0086	Air ticket for travel to Cameroon.	Bunyonyi Safaris Ltd	2,527	Purchase order was sent on 1/10/2014 yet evaluation was done on 8/10/2014.
Total			**7,977**	

Retrospective procurement for provision of services is not only irregular, but also casts doubt as to whether competitive prices were obtained, since the recommended procedures were not followed.

In their response management indicated that requisitions were submitted to PDU late which could not enable the procurement process.

I advised the Accounting Officer is advised to desist from the practice and ensure that the provisions of the PPDA Regulations are always strictly adhered to.

7.13 Irregular Double Employment in Public Service by a Staff

According to the Public Service Standing orders of 2010, no person shall draw two salaries from the consolidated fund as a result of double employment in two public institutions.

A review of the University council minutes for the council meeting held on 21st May, 2015 revealed that between 01st January, 2014 and 30th September, 2014, Mr. Jamil Mpagi Sewanyana was employed by two institutions i.e. MUBS and Mandela National Stadium Ltd and earned a total of UGX.34,555,719 in salaries from MUBS, in addition to his other salary at Mandela National Stadium. Drawing two salaries not only causes financial loss to Government, but also implies that the officer was double employed and could not effectively and efficiently render the required services to both institutions.

I noted that although the University has written to him reminding him to make good the monies he illegally earned from the school during his double employment, by the time of writing this report, no refund has been effected. Management informed me that the case had been forwarded to IGG for further action and that the Legal Department of the School had been directed to institute a suit against Mr. Ssewanyana at his cost. I await the outcome of these actions by management.

7.14 Delayed Implementation of the University Capital Development Projects

A review of the University strategic plan for the period from 2012/13 to 2014/15 revealed that the following construction projects, which were expected to be implemented in the three years, had not yet been commenced by the end of the financial year under review, which was also the last year of the strategic plan;

- Graduate Research Centre with a minimum of three floors
- Purchase of land and construction of offices and lecture halls in all the four upcountry campuses

- Construction of one multipurpose building at the main campus that will house lecture halls that will jointly be shared by all the four faculties.
- Construction of administration complex.

The above situation implies that the University did not fully implement all the planned capital development projects which ultimately may lead to failure to attain the intended goals in the stated timeframe.

It was also noted some activities within the strategic plan are supposed to be continued to enable the University achieve its mission and long term objectives. However by the time of audit, management had not put in place a new strategic plan. There is a risk that the intended objectives may not be attained.

Management acknowledged the delay in implementation of the projects but attributed the anomaly to the lengthy procurement process and failure to promptly identify land on which to construct at the three regional campuses as they had succeeded acquiring premises in Jinja.

I advised management to always ensure that all planned activities are implemented in accordance with the approved plan and also undertake comprehensive reviews of the strategy during implementation, to establish whether there are circumstances that could lead to changes in earlier agreed targets, so that appropriate action is undertaken at the time.

7.15 Audit of Out Reach Centres

During the audit, it was established that the University obtains 10 % of the total NTR collection by its outreach centers comprising of MUBS Leadership centre, Entrepreneurship centre, Microfinance Centre and the ICT centre. These are headed by Directors who work with some of the MUBS appointed employees. In the interviews with the respective Directors, it was revealed that the centers were formed with the main objective of reaching out to the outside world with a view of generating income and skilling students during and/or after their studies. However, I observed the following irregularities;

a) Undisclosed Transactions

During the audit of the outreach, I established that these centers collect and spend the revenue and prepare books of accounts. However the Centers' accounts are neither disclosed nor consolidated in the University's books. According to the University Bursar, the University only recognizes its 10 %, thus no need for the consolidation.

I further noted that there was no clear mandate and framework governing the operations of these centers. I requested management to provide information relating to the mandate to run these centers, but this was not availed although it was explained that they were formed by the University Council resolution. The appointment procedures of the staff running the centers were also not clear.

The above scenario exposes the School to the risk of a financial loss through revenue misappropriation.

I advised management to take keen interest in the operations of these centers through regular supervision and consider consolidating their accounts in the school's annual accounts.

7.16 Status of Prior Year Audit recommendations

A review was carried out on the status of implementation of the previous year's audit findings and the status summarised in the table below;

	ISSUE	STATUS
1	Outstanding Debtors	Not fully addressed as noted in the current FY and in the Statement of Arrears of Revenue in the Financial statements where an amount of UGX.1,044,268,870 is reported as cumulative arrears of revenue as at 30th June 2015.
2	Inadequate Staffing	Still outstanding as indicated in the report for the year under review, paragraph 7.5.
3	Incomplete Fixed Asset Register	Not repeated in the current FY.
4	Irregular Medical Expenditure	Not repeated in the current FY.
5	Exam Malpractice	Issue still outstanding as pointed out in the IT report where cases of exam marks alteration were noted.

I have advised management to ensure that all recommendations are fully implemented, so as to ensure enhanced accountability and better stewardship of the resources allocated to the School.

8.0 FINANCIAL STATEMENTS

APPENDIX 1