



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL**  
**ON THE FINANCIAL STATEMENTS OF MBARARA UNIVERSITY OF SCIENCE**  
**AND TECHNOLOGY**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**OFFICE OF THE AUDITOR GENERAL**  
**UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS**  
**OF MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY FOR THE**  
**YEAR ENDED 30<sup>TH</sup> JUNE 2017**

**THE RT. HON. SPEAKER OF PARLIAMENT**

**Opinion**

I have audited the accompanying Financial Statements of Mbarara University of Science and Technology, which comprise the Statement of Financial Position as at 30<sup>th</sup> June 2017, the Statement of Financial Performance, Statement of Financial Position Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 25 to 37.

In my opinion, the financial statements of the Mbarara University of Science and Technology for the year ended 30<sup>th</sup> June 2017 are prepared, in all material respects in accordance with section 51 of the Public Finance Management Act, 2015.

**Basis of Opinion**

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am independent of the Project in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act, 2008, the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code), the International Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics and other independence requirements applicable to performing audits of Financial Statements in Uganda. I have fulfilled my other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing audits in Uganda. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in my audit of the financial statements of the current period.

I have determined that there are no key audit matters to communicate in my report.

### **Emphasis of Matter**

Without qualifying my opinion, I draw your attention to the following matters in the financial statements;

- **Mischarge of Expenditure**

Section 21(1) of PFMA, 2015 requires the Accounting Officer to use the annual cash flow plan issued by the secretary to the Treasury as the basis to plan and manage the activities as indicated in the policy statement of the vote. Implementation of the budget should be based on the annual work plans, procurement plans and recruitment plans.

Analysis of the programme expenditures and appropriated budget for the financial year under review revealed that the University inappropriately charged some of the item codes with a sum of UGX.112,651,720.

Mischarge of expenditure contravenes the intentions of the appropriating authority and affects the implementation of activities from which funds are diverted.

Management explained that the Central Government expenditure codes do not fully cover Universities and sometimes expenditure is charged to a related code.

I advised management to comply with the existing budget codes and where they are unclear, the advice of the Accountant General should be sought.

- **Student Debtors**

Review of the statement of financial performance and note 19 of the financial statements revealed receivables balance of UGX.488,231,235 relating to outstanding students fees.

This was contrary to the University fees policy which requires students to have nil school fees balance before sitting for exams. Analysis of a sample of individual student ledger cards revealed debts dating as far back as 2011.

Uncollected student fees curtail the University's cash flow and subsequently hinder implementation of planned activities.

The Accounting Officer stated that a revised fees policy has been approved by University Council and is expected to reduce fees defaulting.

I await the outcome of the implementation of the revised policy.

### **Other Matter**

In addition to the matters raised above, I consider it necessary to communicate the following matter other than those presented or disclosed in the financial statements:

- **Understaffing of key positions**

Out of the staff establishment of 2,497, only 535 positions were filled leaving 1,956 (78.3%) vacancies. In a sample of 6 faculties staffing gaps at both professor and associate professor level of 94% and 83% of the approved establishment respectively were noted. A number of departments had NIL or negligible number of core staff.

Lack of key academic staff hinders the achievement of planned standards of education. Staffing gaps were attributed to the limited wage allocation.

Management explained that submissions have been made to the Ministry of Finance, Planning and Economic Development requesting for an additional wage allocation in the 2018/2019 Budget to address the critical staffing gaps.

I await the outcome of the efforts taken by management.

### **Responsibilities of the Accounting Officer for the Financial Statements**

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officer is accountable to Parliament for the funds and resources of the University.

The Accounting Officer is responsible for the preparation of the financial statements in accordance with the requirements of the Public Finance Management Act, 2015 for such internal control as management determines is necessary to enable the preparation of

financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the University's ability to continue delivering its mandate, disclosing, as applicable, matters related to delivery of services, unless Government either intends to discontinue the University's operations, or has no realistic alternative but to do so.

### **Auditors' Responsibilities for the audit of the Financial Statements**

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

As part of an audit in accordance with ISSAIs, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:-

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

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

I communicate with the management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the management with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with management, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



John F.S. Muwanga

**AUDITOR GENERAL**

5<sup>th</sup> December, 2017