



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
BUSITEMA UNIVERSITY
FOR THE YEAR ENDED 30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

GOU	Government of Uganda
INTOSAI	International Organization of Supreme Audit Institutions
ISA	International Standards on Auditing
PFMA	Public Finance Management Act, 2015
UGX	Uganda Shillings
FY	Financial Year
ICT	Information and Communications Technology
NTR	Non Tax Revenue
NCHE	National Council for Higher Education
PPP	Public Private Partnerships

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
BUSITEMA UNIVERSITY
FOR THE YEAR ENDED 30TH JUNE, 2018

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Busitema University for the year ended 30th June 2018. These financial statements comprise of the statement of financial position, the statement of financial performance, and cash flow statement together with other accompanying statements, notes and accounting policies.

In my opinion, the financial statements of Busitema University for the year ended 30th June 2018 are prepared, in all material respects, in accordance with Section 51 of the Public Finance Management Act, 2015, and the Financial Reporting Guide, 2018.

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 Statement's section of my report. I am independent of the University 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, were of most significance in my audit of the financial statements of the current period. These matters were addressed in the context of my audit of the financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined the matters described below to be key audit matters communicated in my report.

- **Implementation of Budget approved by Parliament**

Section 45 (3) of the Public Finance Management Act, 2015 states that “ An Accounting Officer shall enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a Financial year, submitted under section 13 (15)” of the said Act. It has been observed over years that planned and budgeted for activities of a number of Government entities are not implemented thereby affecting service delivery.

In the overall office wide planning, I assessed risks of inadequate release of funds, and failure to undertake budget monitoring and supervision that are likely to be the causes of failure to implement entity planned activities. The focus was put on the planned major outputs of the entities which greatly impact on the wellbeing of communities.

Consequently, I developed specific audit procedures which included the evaluation of the financial and annual physical performance by analysing government releases, testing consistency of planned outputs with the approved budget and verifying the accuracy and completeness of the reported actual outputs.

Based on the procedures performed, I observed that a total of UGX.36,505,945,702 was budgeted to cater for Busitema University activities. However, by the close of the financial year 97.2% of the approved budget ie UGX.35,472,993,198 had been received resulting into a budget shortfall of UGX.1,032,952,504 (2.8%).

Management implemented a number of planned activities during the year. The major activities that were implemented included; teaching and examination of 3,225 students, training of 213 staff in proposal writing, feeding and payment of living out allowance to 700 students at the university, construction of a lecture block at Arapai campus and renovation of the anatomy laboratory at Mbale campus.

However, I noted that a number of planned outputs were not achieved such as; establishment of 10 outreach centres, implementation of University business plan and phase 1 construction of a lecture complex at Namasagali among others.

Appendix 1 refers.

Management explained that some outputs were not achieved due to inadequate funding for both recurrent and development programs. 70% of capital development was released in 4th quarter which made it hard to utilize the funds on time.

I advised the Accounting Officer to liaise with stakeholders for adequate release of appropriated funds and ensure that planned and actual outputs are quantified in the work plan and annual performance reports.

- **Domestic Arrears**

Domestic arrears refer to the total value of unpaid bills for goods and services rendered to a government entity, including wages and pension that remain outstanding at the closure of a financial year. There has been persistent accumulation of domestic arrears to unmanageable levels which has led to settlement of arrears that are not authorized, unbudgeted for, inadequately supported and in some instances there has been inadequate recognition and disclosure of the domestic arrears.

Consequently, domestic arrears were considered a key audit matter which needed to be examined to assess: the appropriateness of recording, recognition and disclosure of domestic arrears, the trend and the underlying factors, and the adequacy of the internal controls surrounding management of domestic arrears.

During audit planning, I focused on examination of domestic arrears in regard to goods and services, salaries and wages, and pension and gratuity. I undertook the following procedures in relation to domestic arrears: a trend analysis over a period of three years to ascertain the underlying causes of accumulation, reviewed budget and commitment control procedures to assess their effectiveness, ascertained the authenticity of the supporting documentation and assessed the appropriateness of the accounting treatment. I also engaged the Accounting Officer to enable me arrive at the audit conclusions.

Based on the procedure performed, I have nothing significant to report on this matter.

Emphasis of Matter

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

- **Losses of Public Assets**

The University disclosed losses of public assets valued at UGX.1,211,056,050 in the Statement Of Reported Losses of Public Assets in the financial statements. Audit noted that the items lost included a building, ICT equipment and furniture through fire and theft. The loss impacts negatively on the University's capacity to facilitate learning.

Management hinted on the likelihood that the fire was caused by a contractor who was installing equipment at the time, meanwhile the Solicitor General has been engaged to provide guidance.

I advised management to follow up the matter and have it resolved and put in place adequate safe guards against loss of University assets.

- **Long Outstanding Receivables**

The University disclosed receivables of UGX.246,527,500 in the statement of financial position, which relate to student fees balances for financial year 2013/14 whose possibility of recovery is uncertain. This matter was also raised in my previous report for the financial year 2016/17.

The continued recognition of the student debts violates the accounting principle of Prudence and overstates the assets of the University.

Management indicated that the student debtors partly arose out of the inconsistencies in the billing system and approval for write-off had been sought from University Council.

I advised management to follow up the matter and have it conclusively resolved.

Other Matter

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

- **Under-utilization of Land**

I observed that for a total of 2,838.119 acres of land owned by the university at 6 locations, only an average of 44% of the land had been utilized or developed 77% of which lacked Master plans to guide developments. The table below refers;

Details of Site	Acreage/Size	Year of acquisition	Remarks
Busitema main campus	1309	2007	Master plan in place, 50% land utilization
Mbale campus	50	2013	Master plan in place, 0% land utilization
Arapai campus	679.54	2010	No master plan, 80% land utilization
Namasagali campus	187	2012	No master plan, 30% land utilization
Pallisa campus	27.804	2009	No master plan, 30% land utilization
Nagongera campus	584.775	2007	No master plan, 30% land utilization
Total	2,838.119		

The delayed development of land was attributed to inadequate capital development funds.

Vacant land exposes the University to the risk of encroachment especially where the land boundaries are not secured.

Management indicated that the University has launched an enterprise to facilitate profit oriented investments, manage public private partnerships (PPPs) and ensure adequate utilization of university land.

I advised the Accounting Officer to formulate master plans for all owned land and continue liaising with relevant government agencies and other partners for the necessary funding.

- **Staffing Gaps**

It was noted that, out of the 2,974 approved posts for the University, only 435 (15%) were filled leaving 2,539 (85%) posts vacant. A further analysis revealed that the category of academic staff was the most affected; out of the 900 required academic staff, only 164 (18%) of the posts were filled. Consequently, the university hired 49 part time lecturers and paid for extra workload to cover the gaps. The table below refers;

Table depicting staffing shortages

Description	Approved	Filled	Vacant	Part-time staff	% of Part-time
Professor	88	2	86	-	-
Associate Professor	88	2	86	-	-
Senior Lecturer	228	12	216	-	-
Lecturer	272	99	173	33	33%
Assistant Lecturer	136	32	104	16	50%
Teaching Assistant	88	17	71	-	-
Total Academic	900	164	736	49	30%
Administrative Staff	533	73	460	-	-
Support Staff	1,541	198	1,343	-	-
Total	2,974	435	2,539	49	

This was attributed to inadequate funding for Wage by government.

The University therefore does not have the requisite number of academic staff despite teaching and research being its core mandate. This impacted negatively on service delivery and achievement of the university's objectives.

Management indicated that it had continued to engage Ministries of Finance, Education and Public Service for additional support on Wage.

I advised management to follow up the matter with all the relevant stakeholders for funding to fill the key vacant posts.

- **Inadequate Funding for Research**

I reviewed the budget allocations to research and consultancy over the last 3 years and noted that allocations were at an average of 1.5% of the budget over the 3 years. I further noted that 78.8% of academic staff at the university had not engaged in research. Consequently the University only attracted research grants amounting to UGX.1,194,220,000 (3.6% of the budget) during the financial year 2017/18. This matter was also raised in my previous report. Details in table below;

FY	Total Budget (UGX)	Allocations to Research and publications (UGX)	Percentage Allocation
2015/16	27,305,892,000	605,506,000	2.2%
2016/17	33,958,454,000	295,556,000	0.9%
2017/18	33,337,760,000	477,824,200	1.4%

This was attributed to non-prioritization of research activities by the University and under funding for research from government.

I further noted that National Council for Higher Education (NCHE) had not set a minimum budget allocation requirement for research for Universities.

Failure to carryout research undermines the core activity of the University hence impacting negatively on the University education service provision and University growth.

Management indicated that the allocation for research was to be increased to 5% in the FY 2019/20 and efforts will be made to engage government and development partners for funding.

I await the outcome of the promised actions by management.

Other Information

The Accounting Officer is responsible for the other information. The other information comprises the statement of responsibilities of the Accounting Officer and the commentaries by the Head of Accounts and the Accounting Officer, and other supplementary information. The other information does not include the financial statements and my auditors' report thereon.

My opinion on the financial statements does not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially consistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

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 Busitema University.

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 Reporting Guide, 2018, and 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 affecting the delivery of the mandate of Busitema University, and using the Financial Reporting Guide 2018 unless the Accounting Officer has a realistic alternative to the contrary. The Accounting Officer is responsible for overseeing the University's financial reporting process.

Auditor's 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the University's 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 Accounting Officer 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 Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Accounting Officer, 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.

Other Reporting Responsibilities

In accordance with sections 19(1) of the National Audit Act, 2008, I report to you, based on my work described on the audit of Financial Statements that:

Except for the matters raised in the compliance with legislation section below, and whose effect has been considered in forming my opinion on the financial statements, the activities, financial transactions and information reflected in the financial statements that have come to my notice during the audit, are in all material respects, in compliance with the authorities which govern them.

REPORT ON THE AUDIT OF COMPLIANCE WITH LEGISLATION

The material findings in respect of the compliance criteria for the applicable subject matters are as follows;

- **Inadequate Budget Allocation For the Library Function**

I noted that only UGX.461,149,989 was allocated for the library function in FY2017/18. This was only 1.4% of the approved budget instead of the 10% prescribed by Regulation 9.4 of Statutory Instrument 85 of the Universities and Other Tertiary Institutions' Institutional Standards (Regulations) 2005. Furthermore, I noted a reduction of 4.5% in the provision between FY2016/17 and 2017/18.

Insufficient funding to the Library limits the universities ability to facilitate growth in the existing and newly developed areas of study.

Management indicated that the University now mostly obtains materials using online library system. However, the provision for Purchase of new reading materials will be increased to 5% progressively in the subsequent 5 Years.

I advised management to ensure compliance with the statutory Institutional Standards in terms of funding the library function.

- **Failure to Maintain Student Class Attendance Registers**

Section 3 (3.2) ii of the Common Examination Rules and Regulations, 2015 require that a candidate who has missed 20% or more of the required course attendance in a given

course shall not be allowed to sit university examinations. This implies that the University has to register students who attend class in order to assess their attendance for a given course of study.

Audit noted that the University does not maintain student's class/lecture attendance registers for the purpose of enforcing the above regulation.

The non-maintenance of students' attendance registers renders it difficult to assess attendance of students for eligibility to sit examinations, and may impact on the pass rates.

Management indicated that the Deans had been instructed to ensure that students' class attendance registers are in place in every Faculty.

I advised management to explore avenues of efficient recording of student class attendance for subsequent student assessment.

- **Non-involvement of External Examiners In Examinations Management**

I noted that appointed external examiners were not invited to examine examinations for the academic year 2017/18, contrary to Section 4(iii) of the University common rules and regulations.

Absence of review responsibilities of external examiners may lead to quality control issues of the University examination processes.

Management indicated that the external examiners were not invited due to lack of funds during the academic year 2017/18, however this has been budgeted for the academic year 2018/19.

Management should ensure that External examiners undertake their responsibilities as required.



John F.S. Muwanga
AUDITOR GENERAL

17th December 2018

**Appendix 1:
Implementation of Budget approved by Parliament**

Details	Annual Planned Outputs	Outputs Achieved	Outputs not achieved	Amount Budgeted (UGX 000)	Amount Released (UGX 000)	Amount spent (UGX 000)	Management explanation
Program: 51 Delivery of Tertiary Education							
Recurrent Programmes							
01 Teaching and Training	<p>1. 2500 students admitted of which 775 females and 1725 males</p> <p>2. 3,420 students taught and examined for two semesters of which 1060 females and 2360 males</p> <p>3. 1,221 students graduated of which 379 females and 842 males</p>	<p>1. 2,077 students were admitted for degrees, diplomas and certificates which 43% are female (157 Government aided and 1,920 were private).</p> <p>2. 3,225 students of which 968 (31%) females and 2,257 (69%) males were taught and examined</p> <p>3. 922 Students graduated with Masters, Bachelors, Diplomas and Certificates of which 284 were female while 638 were male and 3 were PWDS.</p>	<p>423 students not admitted</p> <p>195 students for teaching and examining not achieved</p> <p>Graduation of 299 students not achieved.</p>	17,164,570	16,759,946	16,748,642	-Some programs could not be launched -Limited facilities due to inadequate capital funding
02 Research, consultancy and publications	<p>1. 241 staff trained in proposal and report writing, and publications skills of which 102 females and 139 males</p> <p>2. 83 publications published by staff in different Reviewed Journals</p> <p>3. 1 repositories developed and updated</p>	<p>1. 213 staff were trained on proposal writing of which 31% were female</p> <p>2. 91 publications published by staff in different Reviewed Journals (20% by female and 80% male</p> <p>3. 50 papers were presented in research seminars.</p> <p>4. 4 research grant applications were made in the faculty of Health sciences.</p> <p>5. One open digital institutional repository was developed at various campus</p>	No variation reported	366,109	344,609	344,514	No variation
03 Outreach	<p>1. 4 research outputs (prototypes) and innovations successfully developed into socially useful and relevant products</p> <p>2. 10 Outreach centers established and functional (location)</p> <p>3. 12 Exhibitions done</p> <p>4. 3 model villages established</p>	<p>1. 3 research outputs (prototypes) and innovations successfully developed.</p> <p>2. A scientific innovation exhibition was held at the University to mark 10 years of existence of the University</p> <p>3. 7 outreaches were conducted in Namasagali Campus in Bukungu fish landing site, Katikolo compost making farm, National Tree Seed Centre Namanve, Sugar corporation Lugazi and SON fish farm.</p> <p>4. 270 stakeholders were reached during a business training session held in Pallisa Campus.</p>	<p>Development of 1 research outputs (prototypes) not achieved.</p> <p>Establishment of 10 Outreach centres not achieved.</p> <p>4 Exhibitions not achieved</p> <p>Establishment of model villages not achieved.</p>	111,715	107,258	107,176	Inadequate funding
04 Students' Welfare	<p>1. 816 students supported (with feeding, living out) of which 253 females and 563 males</p> <p>2. 1265 students counseled of which 392 females and 873 males</p> <p>3. 17 trophies won by University Teams 20 teams supported at National level</p>	<p>1. 700 students were supported (with feeding, living out) of which 224 females and 476 male.</p> <p>2. 3060 Students treated and counselled.</p> <p>3. Inter-University games was supported in which 5 medals and 2 trophies were won of which two were won by females</p>	<p>Feeding and payment of living out allowance for 116 students not achieved.</p> <p>15 trophies not achieved.</p>	1,963,229	1,939,889	1,939,817	Inadequate funding
05 Administration	<p>1. 1 Revenue generating projects undertaken</p> <p>2. University Business</p>	<p>1. One Revenue generating project Undertaken with 40 acres</p>	University Business plan not implemented.	15,234,067	14,983,363	14,944,577	The late release of funds affects

and Support Services	Plan implemented (1 Enterprise started) 3. Annual financial statements prepared. 4. 7 policies developed to benefit 30% female and 60% male 5. 4500 trees planted	of maize planted at Busitema campus 2. The Annual Financial statements for FY 2016/17 was prepared. 3. 6 policies were approved and printed which include: The ICT policy, Quality Assurance policy, Gender Policy, Outreach Policy, Guidelines for the staff tribunal and the council charter. 4. 5,500 trees planted planned across the campuses	1 policy not developed				timely implementation of activities
1057 Busitema University Infrastructure Dev't Capital Purchases				1,666,256	1,384,105	1,380,178	
80 Construction and rehabilitation of learning facilities (Universities)	1. Construction of a lecture block and extension of an Anatomy laboratory at Mbale UGX. 520,000,000 2. Construction of a lecture block at Arapai campus at UGX. 15,000,000 3. Construction lecturer complex at Namasagali Phase 1UGX. 150,000,000	1) Payments of arrears were made towards the Construction of lecture block at Arapai campus UGX. 340 M 2) Redesigning and construction of lecture block was done at Mbale (Sub structural works up to casting of over site floor) at UGX.303.9M 3) Construction of a lecture block at Arapai campus was done at UGX. 165.6 M ((Fixing doors, windows, Burglar proofing, plastering	Construction lecturer complex at Namasagali Phase 1UGX. 150,000,000 not achieved				70% (UGX. 702 M) of capital development was released in 4th Quarter which makes hard to utilize all the funds timely
Project: 1466 Institutional Support to Busitema University – Retooling Capital Purchases							
75 Purchase of Motor Vehicles and Other Transport Equipment	Payment of taxes for the two double cabin pick-ups (80m) and purchase van for Faculty of Health Services-Mbale	1. Taxes for pickup double cabin for FoE was paid 2. one van for Faculty of Health Services-Mbale was purchased	Taxes of one pickup double cabin not paid				70% (UGX. 702 M) of capital development was released in 4th Quarter which makes hard to utilize all the funds timely
77 Purchase of Specialised Machinery & Equipment	Purchase of laboratory equipment and recess term materials	Not Reported on					
78 Purchase of Office and Residential Furniture and Fittings	Purchase of furniture for offices and lecture rooms	Not Reported on					
80 Construction and rehabilitation of learning facilities (Universities)	Rehabilitation of 2 hostels, a sports house and double happiness hall-Arapai	1. Rehabilitation of 2 hostels, a sports house and double happiness hall-Arapai was done (Renovation of 1 Hall of residence at UGX. 23.6 M, Renovation of 7 hostels structures at UGX.53.2 M and Renovation of drainage and water systems in the hostels at UGX. 45.4M) 2. The Anatomy laboratory was renovated in Mbale Campus 3. One sickbay at Nagongera and Busitema Campus were renovated	No variation reported				No variation
Total				36,505,946	35,519,169	35,464,904	

