



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
GULU 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
IESBA	International Ethics Standards Board for Accountants
ISA	International Standards on Auditing
ISSAIs	International Standards for Supreme Audit Institutions
ICT	Information Communications Technology
IFMS	Integrated Financial Management System
LAN	Local Area Network
MOFPED	Ministry of Finance, Planning and Economic Development
PAYE	Pay As You Earn
PDU	Procurement and Disposal Unit
PPDA	Public Procurement and Disposal Act
UOTIA	Universities and Other Tertiary Institutions Act
URA	Uganda Revenue Authority
PFMA	Public Finance Management Act, 2015
TAI	Treasury Accounting Instructions
UGX	Uganda Shillings
F/Y	Financial Year

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of Gulu 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 Gulu 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.

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.

Unimplemented budget activities

Based on the procedures performed, I noted that Gulu University had an approved budgeted of UGX.39,693,243,184 and a total of UGX.40,676,745,253 was actually released. However, though the University realized 102% of funding it failed to fully implement planned activities. Notable among the unimplemented activities were; drawing master plans and business plans for the 7 pieces of lands; Rehabilitation of Dean of Students Block and Academic Registrars Block and Planning Block.

Failure to carry out planned activities affects service delivery and attainment of the University objectives.

Un-implemented activities were attributed to shortfall in government releases for capital development and diversion of funds to settle domestic arrears which had not been budgeted for.

I advised the Accounting Officer to liaise with MOFPED to ensure that the capital development budget is enhanced.

- **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 two 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.

Based on the procedures performed, I observed that in the current year the University incurred domestic arrears amounting to UGX.5,216,963,475 relating to allowances, employee costs, goods and services however this amount was not disclosed in the final financial statements. The Accounting Officer explained that these arrears are yet to be verified and taken over by MOFPED as a national debt.

Although there was a decrease of 31% for arrears from UGX.5,857,479,788 as at 30th June, 2017 to UGX.4,049,014,694 as at 30th June, 2018, I observed that the entire disclosed balance for arrears relate to previous years. The outstanding arrears amount is still significant and poses risks of litigation and related costs to the University.

Further analysis noted that a sum of UGX.1,808,465,094 was spent towards part settlement of domestic arrears in FY2017/18 without a budget provision. Consequently planned activities were not fully implemented as originally envisaged.

The continuous existence of domestic arrears implies that the Accounting Officer has not adhered to the commitment control system of government that is meant to stop entities from committing government beyond the level of availed resources.

The Accounting Officer was advised to ensure sufficient budget provisions are made to cater for settlement of outstanding domestic arrears, and to strictly adhere to the government commitment control system to avoid risk of overcommitting government.

Other Matter

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

- **Teaching of Un-reviewed programs**

Review of the University programs for 2017/18 revealed that 16 out of 56 academic programs offered by the University had not been reviewed contrary to Section 119A of the University and Other Tertiary Institutions Act, 2001. Continued teaching of un-reviewed programs puts the students at a risk of obtaining qualifications that are not recognized by National council of higher education.

Management indicated that the University submitted the affected programs to National Council for Higher Education for review and re-accreditation but no evidence was provided to confirm management's assertion.

I advised management to ensure timely review of academic programs offered by the University.

- **Un-Collected premium and ground rent**

The University leased 4 acres of land located on Plots 3-7, Laroo Division, Gulu Municipality to a proprietor for construction of a student's hostel. Audit inspection revealed that by 2010 the land had been developed however, payment of the premium and annual ground rent stated in the memorandum of understanding (MOU) had not been fulfilled. It was noted that the MOU did not specify the premium and ground rent amounts payable.

The accounting officer indicated that a committee will be appointed to review the memorandum of understanding and ensure that identified gaps are addressed.

I advised the accounting officer to ensure specification of the payable amounts and collection thereof.

- **Irregular Occupation of Premises**

The University rents out its facilities and space to ensure provision of services needed by the University population. In doing so, the University is required to follow the procurement guidelines and enter into contracts with tenants.

However, Physical inspection of the University premises revealed that 11 private businesses either occupied spaces on the University without tenancy agreements or the tenants illegally occupied the premises.

As a result the tenants were neither paying the University tenancy fees nor utility fees for electricity and water consumed thus occasioning a financial loss to the University.

Management explained that a team of University officials has been instituted to carry out inspections with a view of regularizing the tenancies.

I advised management to regularise the tenancies and ensure that rental income from the properties occupied is assessed and collected without further delay.

- **Statutory Deductions**

Section 124 (1) of the Income tax Act states that a withholding agent who fails to withhold tax in accordance with the Act is personally liable to pay to the commissioner the amount of tax which has not been withheld. During the audit, I observed that PAYE of UGX.324,624,045 relating to staff allowances had not been remitted to Uganda Revenue Authority.

Non remittance of statutory deductions may result into penalties and other sanctions from the tax body.

Management attributed the anomaly to diversion of the amount to some urgent activities and explained that the university will forthwith comply and make timely remittances.

I advised management to settle the tax liability and ensure compliance with the provision of the income tax without further delay.

- **Undeveloped Land**

Audit observed that the University had several undeveloped prime pieces of land without title as indicated in the schedule below;

Description	Location	Plot	Acreage/Size	Remarks
Amida Sub- County	Kitgum District	Surveyed	60 Acres	Not yet developed, however the area is planned for Kitgum campus
Patongo Sub- County	Agago	Surveyed	200 acres	Not yet developed, however the area is proposed for a training centre
Padre Sub-county	Pader	Not surveyed	500 acres	<ul style="list-style-type: none"> • Not titled • Not yet developed
Pajengo,Purongo/Sub-County	Nwoya District	Block 4, Plot 146	500 Acres	<ul style="list-style-type: none"> • Not yet developed
Lulayango Alero S/C	Nwoya District	Block 2, Plot 41	1,552 Acres	<ul style="list-style-type: none"> • Not yet developed, however development plan for the area is done
Latro, Purong S/C	Nwoya District	Leased land-Block 4 Plot 68	537 Acres	Not yet developed
Laroo Div.	Gulu Municipality		18 Acres	No evidence of survey and titling

I explained to management that vacant land without clear boundaries and titles may be encroached upon.

Management explained that the University will in financial year 2019/2020 allocate funds to enable the University develop a land policy that will govern the development of the University Land.

I advised University management to ensure that a land management policy is finalized to guide development of the land. In the meantime, the land titles should be obtained and boundaries be clearly marked.

• **Inadequate University Infrastructure**

Regulations 25-53 of Statutory Instrument 85 of the Universities and Other Tertiary Institutions' Institutional Standards (Regulations) 2005 spell out standards for physical facilities in universities. These include standards on classrooms, laboratories, utilities, health and safety among other.

Audit carried out selected inspections on the infrastructure and the following were noted;

- The University's lecture rooms on Blocks A; B; C; D and E are dilapidated and need urgent renovation.
- The University library space can only accommodate 250 students at a time despite the University having a students' population of 4,500.

- Administrative offices like Academic Registrar's office are dilapidated and there is no storage space for critical students' documents with most files scattered on the office floor.
- It was further observed that classes are sometimes conducted under sheds due to inadequate lecture space.
- The University does not have fire suppression systems at the main campus.
- The main ICT laboratory is dilapidated and inadequately equipped with 71 monitors and 8 Central Processing Units of which only 44 monitors and 6 CPUs are functioning. The computers are not enough for the student population.

The anomalies above impede the learning environment and records keeping at the University.

Management attributed the anomalies to inadequate funding and indicated that the African Development Bank (ADB) project had funded construction of a new Library Block with capacity to accommodate 400 students and that plans are underway to build a Senate Building in financial year 2019/2020 that will provide adequate administrative space.

I advised the accounting officer to liaise with the Ministry of Finance, planning and economic development to enhance the capital development budget such that university facilities are well maintained and equipped with up-to-date firefighting equipment, computers and laboratory items.

- **Loss of cash in transit**

Review of Council minutes revealed that the University lost UGX.48,527,800, which had been withdrawn by an accounts staff from the bank. The matter was reported to police and investigated. The University Council resolved that the funds be recovered from the officer.

However, audit noted that only UGX.15,000,000 had been recovered by the time of audit in October 2018. The unrecovered amount was not disclosed in the financial statements, contrary to financial regulations.

The accounting officer explained that the recovery plan for the remaining lost money had been drawn.

I advised the Accounting Officer to ensure that the funds are recovered and that appropriate disclosures are made.

- **Staffing Gaps**

It was noted that, out of the 183 approved posts for key academic University staff only 37 (20%) were filled leaving 146 (80%) positions vacant. The schedule below refers;

Description	Approved	Filled	Shortage	Shortage %
Professor	49	7	42	86
Associate Professor	53	5	48	91
Senior Lecturer	81	25	56	69
Total	183	37	146	80

I observed that the University therefore does not have the requisite number of academic staff despite teaching and research being its core mandate.

Management indicated that for the last five years, there has been a temporary ban on recruitment by government and this has affected staffing. Recruitments are only conducted for replacements in vacant positions where staff have resigned or retired.

I advised management to make concerted efforts in engaging with all stakeholders for adequate funding and support to fill the key vacant posts as this will enable attainment of the University's core mandate.

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 the Gulu 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 Gulu 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 Gulu 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 to the Library function**

I noted that in 2017/18, only UGX.135,292,000 (0.34%) out UGX.39,693,243,184 University budget was allocated for the procurement of library information instead of the required 10% as required by Regulation 9.4 of Statutory Instrument 85 of the Universities and Other Tertiary Institutions' Institutional Standards (Regulations) 2005.

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

Management attributed the under low provision of library funds to the many competing needs that are both recurrent and capital in nature but further indicated that the University now mostly subscribes for materials using online library system.

The Accounting Officer was advised to comply with the statutory Institutional Standards.



John F.S. Muwanga

AUDITOR GENERAL

18th December, 2018

