



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS**  
**OF MAKERERE-SIDA BILATERAL RESEARCH PROGRAM**  
**FOR THE YEAR ENDED 30<sup>TH</sup> JUNE 2018**

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

## **ACRONYMS**

DICTs	Directorate of Information Communication Technology
DRGT	Directorate of Research & Graduate Training
FY	Financial Year
GIS	Geographical Information Systems
GoU	Government Of Uganda
ICT	Information and Communication Technology.
M & E	Monitoring & Evaluation
MAK	Makerere University
MoU	Memorandum of Understanding
MUCHAP	Makerere University Centre for Health and Population Research
Ph.D	Doctor of Philosophy
SEK	Swedish Kroners
SGS	School of Graduate Studies
SIDA	Swedish International Development Agency
SOPs	Standard Operating Procedure
UGX	Uganda shilling
USD	United States Dollars

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**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF  
MAKERERE-SIDA BILATERAL PROGRAM  
FOR THE YEAR ENDED 30<sup>TH</sup>. JUNE, 2018**

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

**Opinion**

I have audited the accompanying financial statements of Makerere-SIDA Bilateral Program, which comprise the statement of financial position as at 30<sup>th</sup> June 2018, Fund Accountability Statements, Actual versus Budget Analysis and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes.

In my opinion, the financial statements of Makerere-SIDA Bilateral Research Program Contribution Number 51180060 for the year ended 30<sup>th</sup> June 2018 are prepared, in all material respects, in accordance with the Grant Agreement as well as Section 52 of the Public Finance Management Act 2015.

**Basis for Opinion**

I conducted my audit in accordance with International Standards on Auditing (ISAs). 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 Makerere-SIDA Bilateral Program 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) 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.

**Other Matter**

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

- **Weaknesses in implementation of Navision accounting software (Navision DRGT Live)**

I noted that the computerized accounting software-Navision DRGT LIVE used by the Program has a lot of Software application set up weaknesses as follows:

- System budgetary controls (Parameters/Filters) are not properly set up meaning the system can allow a payment on a particular budget line even if there are no funds on that specific activity budget line.
- Navision DRGT live software setups are not up date.
- The linkages between the chart of accounts and the General ledger are not properly aligned. Apparently, the software produces a mismatched report between the trial balance report and identical expenditure report.

As a result of set up errors, the system will provide misleading management information that may affect management and stakeholder decision making.

Management stated that the System server was upgraded to support the web-based platform and to ensure data security, and all the required modules of the system have been implemented.

Additionally, two training sessions for the central staff (DRGT) were undertaken.

I advised management that, in addition to the training, Budgetary controls should be reset so that no payment is effected if the budget line is exhausted. This will address issues of negative budget variances.

- **Incomplete budget set up in Navision DRGT Live software**

According to the Standard Operating Procedures (SOPS), MAK-SIDA Collaboration program 2015-2016, the budget line is comprised of the following;

- a) Budget balance brought forward. The un implemented budget activities of the previous year are carried forward to the following year.

- b) Budget allocations for the year under review
- c) Re allocation within the budget lines
- d) Total budget (Cumulative budget)

Based on SOPS, I noted that the budget setup in the "Navision DRGT Live" is incomplete.

The current "Navision DRGT Live system", could only post current budget - (2017/2018 Budget), which was wrongly posted in the system. The wrong posting in system / budgetary analysis provides misleading information for decision making to management and stakeholders.

Management admitted that the Budgeting module in the Navision Accounting system has not yet been completed, and that when the system was set up, it was meant to capture budgets on an annual basis based on government budgeting processes. Additionally, they stated that they had already contacted the suppliers to improve the budgeting module.

I await the improvement from by the suppliers.

- **Compliance review of specific agreement on research collaboration between Sweden and Makerere University**

Analysis of the Sweden-Makerere Bilateral Research collaboration program cumulative disbursements indicated that the cumulative funds so far disbursed in three years to 30<sup>th</sup> June 2018, had a shortfall of SEK.20,647,180 equivalent to USD.2,432,382 (UGX.8,103,672,112), representing 19% of the total expected funds in three years.

This funding absorption is low and there is need to fast track project implementation by all stakeholders, so that by year 2020 all the funds are fully utilized.

There is a risk of some activities/programmes remaining unimplemented by project closure and funds returned to/recalled by the funders.

Management in response stated that during the year 2016/2017 there were interruptions in the Program activities arising out of the closure of Makerere University for 3 months from

October 2016 to December 2016, and the garnishing of the Mak-Sida Bank Accounts in 2017 for over a month.

During the period under review, Makerere has tried to fast track the implementation of activities and by 30<sup>th</sup> June 2018, the program had achieved 93% recruitment of beneficiaries (i.e. 353) and most of the planned activities were on course, with few remaining Masters and Postdoc positions to be filled. Thirty (30) master students have so far completed (Mbarara-19, Busitema-3, Gulu 3 and Kyambogo-2). All others are progressing well.

Management added that in its current state, the Agreement does not provide for an extension and all parties are working towards having all activities completed within the Agreement Period of June 2020.

I advised that the Implementing Partners review the Makerere-Sweden Research Partnership Training Program so that scope and coverage of the program is in line with the basic objective of increasing the capacity of Makerere and Partner public Universities.

- **Review of Accountable Advances**

Advances totaling to shs 31,463,550 were not accounted for within the approved 6 months by 30<sup>th</sup> June 2018 contrary to section.11.2 of the SIDA standard operating procedures (SOP). This exposes the programme to the risk of a financial loss.

In response, management stated that mobilization of accountabilities for all funds advanced to researchers is a key activity for the coordination office (DRGT), and had allocated a staff to ensure accountabilities are being closely followed.

I advised that management should enforce compliance to SOPs guideline and staff who delay.

Accountabilities should be made to refund the money.

- **Makerere -SIDA program operation weaknesses**

According to article 9, specific Agreement on Research collaboration between Sweden and Makerere University,- Mak- SIDA Program (DRGT) is supposed to submit Audited financial reports to The OAG of the by 15<sup>th</sup> September each financial year.

I noted that since the Program started in 2015, this target has not been achieved

Other delays have been noted in budgeting and budgetary controls, timely preparation and submission of budgets, submission of regular monitoring budget performance, generation of budget information and implementing Navision- DRGT live accounting software.

The above mentioned weaknesses have adverse effects in achieving the objectives of the program. In a worse scenario, such issues may lead to the qualification of the programme audit report.

Management admitted some delays in submission of reports, as a result of the workload involved in the routine operations. I advised that the steering committee should review the operations of Finance Department –Program Accountants’ Office, so as to streamline the operations of book keeping and client service to enhance efficiency.

- **Statutory compliancy (Income Tax Payment) review**

I noted that taxes amounting to UGX35,662,944 deducted from service providers had not been paid to Uganda Revenue Authority (URA). Mak Sida program will be liable to pay the tax outstanding with penalties.

In response, management stated that Cheques of UGX.35,662,944 which were submitted to the tax office were misplaced and could not be replaced then. After 6 months new ones were written and resubmitted with assurance that the lost ones had gone stale unrepresented.

I advised that Management should ensure the earlier cheques issued do not land into wrong hands.

**Other Information**

Management is responsible for other information. The other information comprises the; Director`s Report and the Management Information. My opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconstant

with the financial statements or my knowledge obtained in the audit, or otherwise appear to be materially misstated. Based on the work I have performed, I conclude that if 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 Management and those charged with Governance for the Financial Statements**

Management is responsible for preparation and fair presentation of financial statements in accordance with the provisions in the Grant Agreement, Section 52 of the Public Finance Management Act 2015, the financial reporting guide 2008 and for such internal controls as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing financial statements, management is responsible for assessing Makerere-SIDA Bilateral Program`s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate Makerere-SIDA Bilateral Program to cease operation or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing Makerere-SIDA Bilateral Program's financial reporting process.

### **Auditor's Responsibilities for the Audit of Financial Statements**

My objectives as required by Article 163 of the Constitution of the Republic of Uganda, 1995 (as amended) and Sections 13 and 19 of the National Audit Act, 2008 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 ISAs 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 ISAs, 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 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 Makerere-SIDA Bilateral Program`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 Makerere-SIDA Bilateral Program`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 Makerere-SIDA Bilateral Program 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 those charged with governance 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 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.

### **Report on Other Compliances**

I report based on my audit that;

- I have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of the audit;
- In my opinion, proper books of account have been kept by the Program, so far as appears from my examination of those books;
- The Statement of Financial Position and Fund Accountability Statement are in agreement with the books of accounts; and
- The Program has complied in all material respects, with the funding terms and conditions.



John F.S. Muwanga

**AUDITOR GENERAL**

25<sup>th</sup> November 2018