



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
THE MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY
FOR THE YEAR ENDED 30TH JUNE 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

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LIST OF ACRONYMS

F/Y	Financial Year
GOU	Government of Uganda
INTOSAI	International Organization of Supreme Audit Institutions
ISA	International Standards on Auditing
MDA	Ministry, Department, and other Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
MUST	Mbarara University of Science and Technology
PFMA	Public Finance Management Act, 2015
PPDA	Public Procurement and Disposal of Public Assets Authority
TI	Treasury Instructions
UGX	Uganda Shillings
NCHE	National Council for higher education

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FOR THE YEAR ENDED 30TH JUNE, 2018

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of the Mbarara University of Science and Technology 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 the Mbarara University of Science and Technology 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.46,349,974,011 was budgeted to cater for the MUST activities. However, by the close of the financial year 97.2% of the approved budget amounting to UGX.45,033,747,326 had been warranted resulting into a budget shortfall of UGX. 1,316,226,685 (2.8%). I also noted the University spent only UGX.39,027,276,483 out of warranted funds resulting into under absorption of UGX.4,186,655,777 (9.3%)

I further noted that the University failed to utilize UGX.2,932,578,281 out of UGX.3,253,672,627 released for capital development and was returned back to the consolidated fund.

In response, Management attributed the cause to lengthy court proceedings and delayed procurement processes which affected some key procurements such as the construction of the students’ hostel at Kihumuro campus. Management however, indicated that the University has taken steps to improve the procurement planning and evaluation processes such as recruitment of a Principal procurement officer.

I advised management to ensure that all the necessary steps to improve on the procurement processes are undertaken as I await the outcome of the few so far taken.

Other Matter

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

- **Weak Grants Management System**

Management disclosed 23 projects in the financial statements with a total balance of UGX.836,474,351 at the close of the financial year.

I reviewed 17 audited research projects with a combined expenditure of UGX.4,477,036,618 and noted that out of the 17 projects, only 6 (35%) had unqualified audit opinions while 8 (47%) had qualified opinions with 3 (17%) projects receiving disclaimer of opinions.

Major weaknesses identified included; comingling of funds, inadequately supported expenditure, material differences between the reports submitted to the donors and the University accounting records, lack of dedicated project accounts and non compliance with reporting requirements among others.

Management explained that a corrective action plan has been developed to improve the grants management system, including implementation of an appropriate accounting system to adequately segregate project funds to avoid comingling, establishment of controls to ensure effective management of advances. It also includes opening of dedicated project accounts as well as developing.

A weak grants management system exposes the project funds to misuse and hence failure to achieve the grants objectives and risking non-funding of future projects.

I advised the accounting officer to ensure implementation of the corrective action plan developed.

- **Academic Staffing Gaps**

I noted that out of the approved teaching staff establishment of 864 positions, the University only had 258 permanent academic staff creating a variance of 606 (70%) staff. Among the unfilled posts are key positions of Professors and Associate Professors. The most affected departments are Computational Mathematics and Statistics, Science

Laboratory Technology, Civil and Building Services Engineering, Mechanical and Industrial Engineering with no staff.

I also noted that the proportion of part time to full time teaching staff is 110:258 representing 43% which is above acceptable benchmark of 35% provided for in the National Council for Higher Education Quality Assurance Framework.

Management explained that this was due to the inadequate wage bill and indicated that several attempts have been made to get additional resources but with no success.

Inadequate teaching staff makes it difficult for the University to effectively achieve its mission of provision of quality and relevant education to its students as a service to the nation.

I advised the accounting officer to liaise with the Ministry of Finance Planning and Economic Development in order to review the wage bill.

- **Illegally Operating Businesses**

Physical inspection of the University premises revealed that 15 private businesses occupy space at the University without valid tenancy agreements or Memoranda of understanding.

I noted that the University did not have a policy or guidelines for regulating assessment, billing and collection of revenue from assets owned by the University.

Operation of unauthorized businesses at the University, leads to an increase in the cost of utilities and denies the University of the much needed revenue to improve on its operating effectiveness.

I advised the Accounting Officer to formulate a policy to regulate/guide the usage of its revenue generating assets and space.

- **Delayed procurements**

Review of the approved procurement plan against the monthly procurement reports revealed that the University only procured goods and services amounting to UGX.3,612,212,975 (52%) out of UGX.6,956,356,000 planned.

In response, management explained that this was mainly caused by court cases which delayed several projects like the construction of the students' hostel. I however noted

that the court cases were due to weaknesses in the procurement process which led to various administrative reviews and arbitrations.

Failure to perform all the planned procurements despite funds availability greatly affects service delivery.

I advised the Accounting officer to ensure that the procurement and disposal Unit properly plans and coordinates the activities of the university so as to reduce incidences which lead to delays in the procurement process.

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 Mbarara University of Science and Technology.

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 the Mbarara University of Science and Technology, 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 MUST 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**

I noted that contrary to regulation 4 of the Universities and Other Tertiary Institutions (institutional standards) regulations requirement of allocating at least 10% of the approved budget to library and research activities, the University allocated only UGX.136,670,000 representing 0.3% of the total budget of UGX.42,220,986,000 of its budget to library activities.

In response Management attributed the low allocation to funding gaps and added that the University, as a member of the Consortium of Uganda University Libraries supplements the physical book stock in the library with e-journals and e-books.

Inadequate budget allocation to the library hinders the update and purchase of new information materials for the University, limiting the students' opportunity to access up to date and quality study and research materials.

I advised the accounting officer to adequately allocate resources to the library as prescribed in order to enhance research and information needs of the University.



John F.S. Muwanga

AUDITOR GENERAL

20th December, 2018