



**THE REPUBLIC OF UGANDA**

**REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF**  
**MUNI UNIVERSITY**  
**FOR THE YEAR ENDED 30<sup>TH</sup> 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
MDA	Ministry, Department, and other Agencies
MoFPED	Ministry of Finance, Planning and Economic Development
PFMA	Public Finance Management Act, 2015
PPDA	Public Procurement and Disposal of Public Assets Authority
TI	Treasury Instructions
UGX	Uganda Shillings
F/Y	Financial Year
NCHE	National Council for higher education

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**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 Muni University for the year ended 30<sup>th</sup> 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 Muni University for the year ended 30<sup>th</sup> 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.

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

### **Emphasis of matter**

Without qualifying my opinion, I draw your attention to the following matter presented in the financial statements that, in my judgement, is of such importance and fundamental to users' understanding of the financial statements.

- **Under performance of Non Tax Revenue(NTR) collections**

Section 4.10.2 of the Treasury Instructions 2017 requires planning and budgeting to be closely linked and the budget to reflect the organization's policies over the period covered, and represent a statement of intent against which performance shall be compared.

A review of the University's budget performance however revealed that it realized only Ugx.424,382,457 (45.6%) out of the budgeted revenue of Ugx.930,739,200 resulting into a revenue shortfall of Ugx.506,356,743 (54.4%).

Under performance of NTR hinders implementation of planned activities and may explain the accumulation of outstanding commitments reported in the financial statements.

Management attributed the anomaly to unrealistic budget indicative figures for Non tax Revenue determined by the Ministry of Finance.

I advised the accounting Officer to liaise with the Ministry of Finance, planning and Economic development to ensure that realistic non-tax revenue budgets are made.

### **Other Matter**

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

- **Mischarge of expenditure**

Section 11.4.1.4 of the Treasury Instructions, 2017, requires the Accounting Officer to ensure that there is no mischarge and diversion of funds through wrong coding of transactions. However, a review of the University's expenditures revealed that the entity charged improper codes in the sum of UGX.58,129,306 for expenditures incurred through the IFMS system.

Mischarge of expenditure undermines the objectives of budgeting and misrepresents balances in the financial statements.

Management attributed the mischarges to inadequate IFMS training offered to accounts staff who make the entries. Management further stated that as a corrective measure, it's

planning to train the accounts staff and the vote controllers on Government of Uganda chart of Accounts descriptions.

I advised management to always ensure that correct expenditure and budget codes are adhered to in the accounting system.

- **Staffing gaps in Academic departments**

Section 51 (2) (a & c) of the Universities and other Tertiary Institutions Act 2001(amended 2006) provides that the academic staff shall consists of Deans of faculties or Schools, Professors, Associate professors, Senior Lecturers and Assistant Lecturers.

A review of Muni University human resource establishment structure revealed that the academic staff category was highly under staffed. Only 6 out of the established 77 positions were filled leaving 71 (92.2%) positions vacant.

Further analysis revealed the following staffing gaps;

<b>Category</b>	<b>Establishment</b>	<b>Actual</b>	<b>Shortage</b>	<b>Shortage %</b>
Professor	14	0	14	100
Associate Professors	14	0	14	100
Senior Lecturers	23	2	21	91.3
Lecturers	26	4	22	85
<b>TOTAL</b>	<b>77</b>	<b>6</b>	<b>71</b>	<b>92.2</b>

As a result of inadequate staffing the university might not be able to achieve its core mandate of teaching and research.

Management attributed the understaffing to inadequate wage bill and restrictions in recruitments.

I advised the Accounting Officer to liaise with the relevant Ministries of Public Service and Finance for increased wage bill provision to enable appropriate staffing of the University.

- **Undeveloped Land**

Audit observed that the University had prime pieces of land that had not been developed. The schedule below refers;

<b>Details of Site</b>	<b>Acreage/Size</b>	<b>Year of acquisition</b>	<b>Remarks</b>
Bidi campus Location: Bidibidi Sub county: Romogi Yumbe District	439.58 acres	9 <sup>th</sup> February 2009	<ul style="list-style-type: none"> <li>• No development by University, but claims to have plans for forestry/agro-forestry training.</li> <li>• Refugees now temporarily settled on the land.</li> <li>• Processing of title ongoing</li> </ul>
Paroketo Land in Pakwach District	147.166 acres		<ul style="list-style-type: none"> <li>• No development</li> <li>• Process of titling is ongoing.</li> </ul>
Madi-Okollo Madi County block 1 Plot 8 Arua District	2,973.13 Acres	05 <sup>th</sup> Feb 2014	<ul style="list-style-type: none"> <li>• A number of dilapidated buildings left behind by UNCHR on site but not occupied- need renovations</li> </ul>
Hospital cell Basaar Ward Arua Hill Plot no. 15 Post office road Arua Municipality Arua	0.44 acres	2003	<ul style="list-style-type: none"> <li>• Not developed but proposed for liason office and city centre based activities</li> </ul>

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 explained that they were in the process of developing master plans for the individual pieces of land. However, management indicated that funding will remain a critical factor in realising the physical infrastructure on the land.

I advised the Accounting Officer to explore use of Public-Private Partnerships (PPPs) for better utilization of land and continue liaising with relevant government agencies and other partners for the necessary funding.

### **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 Muni 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 Muni 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 to the Library function**

Regulation 9.4 of Statutory Instrument 85 of the Universities and Other Tertiary Institutions' Institutional Standards (Regulations) 2005 requires a University to provide and maintain adequate funding to facilitate the updating and purchase of new information materials to maintain growth in the existing and newly developed areas of study. To achieve this output, the university should set aside at least 10% of the total university budget for this purpose as stipulated in the university and Other Tertiary Institutions' Act (UOTIA).

Review of the annual budget for the financial year 2017/2018 indicated that there is no specific/separate budget provision for the library. Analysis of the budget revealed that UGX.265,348,000 was allocated to information materials out of total budget of UGX. 13,348,000. This is only 1.9% of the budget.

Insufficient funding to the Library limits the university's ability to facilitate growth in the existing and newly developed areas of study and research.

Management attributed the anomaly to the fact that from its inception it had adopted a blended Learning Approach where learning at the University is both face to face and ICT supported. Further, it stated that the University has more e-resources than the traditional

text books such as; 28 e-Journal databases which are Multi-disciplinary (Subjects), 10 eBooks databases which are Multi-disciplinary (subjects) and 1 Local server for the Essential Electronic Agricultural Library (TEEAL).

I advised management to aim at improving allocation of funds to the Library function to the 10% proportion as prescribed in the UOTIA.

- **Unauthorized Diversion of Living out Allowance**

Section 22 (1) of the Public Finance Management Act 2015 states that the Minister may, upon request by an Accounting Officer, vary within a vote, the amount of the money allocated to the vote. Instruction 10.10.16 of the Treasury Accounting Instruction 2017 requires all payments to be fully coded according to the chart of accounts codes to enhance expenditure classification and reporting.

The University transferred a total of UGX.506,096,637 from the IFMS to the Operation Account Number 9030009220479 in Stanbic bank to cater for living out allowances of government sponsored students. Audit however noted that only Ugx.282,418,453 out of the amount transferred was used to pay living out allowance and the balance of Ugx.223,678,184 was used on unrelated activities such as Induction And Appointments Board expenses, Security and School Practice facilitation without authorization.

Diversion of funds without authority undermines the intentions of the budgeting process.

Management explained that the budget for the reported items was inadequate to support the current level of operations of Muni University.

I advised management to always spend within the approved estimates and to seek for authority to reallocate work where necessary.



John F.S. Muwanga  
**AUDITOR GENERAL**

17<sup>th</sup> December 2018