



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS
OF THE NORWEGIAN PROGRAMME FOR CAPACITY DEVELOPMENT IN HIGHER
EDUCATION AND RESEARCH FOR DEVELOPMENT (NORHED)
FUNDED PROJECTS – MAKERERE UNIVERSITY
FOR THE YEAR ENDED JUNE 30TH 2018

OFFICE OF THE AUDITOR GENERAL
UGANDA

ABBREVIATIONS

NORAD	Norwegian Agency for Development Cooperation
MUK	Makerere University Kampala
NTNU	Norwegian University of Science and Technology
NMBU	Norwegian University of Life Science
UOJ	University of Juba
CJMC	College of Journalism and Mass Communication
FAS	Statement of fund accountability
DELP	Distance Education Leap frogging project
EnPe	Energy and Petroleum Programme
LMIC	Low and Middle Income Countries
GL	General Ledger
NGOs	Non-Governmental Organizations
NSSF	National Social Security Fund
ISAs	International Standards of Auditing
PPDA	Public Procurement and Disposal of Public Assets Act.
USD	United States Dollars
NOK	Norwegian Kroner
Ush	Uganda Shillings
VAT	Value Added Tax
WHT	Withholding Tax

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THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the Fund Accountability Statement of the capacity Development in higher education and research for Development - NORHED - funded projects – Makerere University which comprise the fund accountability statement, and Notes to statement of fund Balance as at June 30, 2018, and a summary of significant accounting policies and other explanatory notes as set out on pages 15 to 23.

In my opinion, the fund accountability statement referred to below presents fairly, in all material respects, programme revenues, costs incurred and reimbursed for the year ended 30th June 2018 in accordance with the terms of the cooperative agreement and in conformity with the basis of accounting described in paragraph 2.3.a of this report.

Basis of Opinion

I conducted my audit in accordance with the International Standards on Auditing. 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 Norwegian programme for capacity Development in higher education and research for Development - NORHED - funded projects – Makerere University. I performed my duties 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 judgement, were of most significance in my audit of the financial statements of the current year. 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 that there are no key audit matters to communicate in my report.

Emphasis of Matter

I have determined that there is no emphasis of matter to communicate in my report.

Other Matter

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

- **Retirement of advances / accountability**

Advances were noted as not being accounted for within 14 to 60 days after completion of the Activity - NORAD, days after receipt of the money.

This constituted compliance with the requirement of having accountability within 14 days, with a risk of funds remaining unaccounted for.

In response, management stated that this had been partially implemented because the time period to which researchers take to finish the research activities is much higher than the recommended 14-60 days period.

I advised project management to always ensure compliance with the above provision when advances are given out, by aligning activities within the 60 days period.

- **Lack of Budgetary Control Mechanism**

There was non compliance with the budgetary control mechanism as various budget lines per different programme items were overspent, while certain budgeted for activities were not done.

The non-compliance can lead to forfeiture of grants from the donor, while project goals remain unfulfilled, and instead undesirable outputs are attained.

In response, management stated that the budget controls are in place because every year each projects adjusts it budget as per the guidelines from NORAD. Adjusted budgets are sent to NORAD for approval immediately after the Audit reports are submitted, but that because of delays in Audit exercise budgets for subsequent years are approved very late.

I advised management that an approved budget should consistently be adhered to, while an approval should be sought and documented from NORHED programme coordinator for re allocation on the budget lines.

- **Flouting of Procurement Regulations**

I noted that most of the projects' procurements during the year did not follow the provisions of PPDA – Public Procurement and Disposal of Public Assets Act, 2014, as they lacked acceptable minimum standards of procurements and were made without the authority of the Contracts Committee. Non compliance with PPDA Act requirements may expose the projects to the risk of poor quality supplies and possible financial loss due to connivance and fraud.

Management stated that the programme strongly follows the PPDA Act except in some isolated cases where there are specialised Items that are not in prequalified firms of Makerere like items for maama baby survival plus and equipment for the weather stations.

I advised management that in addition to compliance with procurement rules, the Contracts committee should be consulted before, during and after the procurement of goods or services.

Management Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Government of Uganda and Norwegian Agency for Development Cooperation, NORAD guidelines. This responsibility includes designing, implementation and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies and making estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is 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 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 judgement and maintain professional scepticism 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 controls 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 project's internal controls.
- 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 project's ability to

continue as a going concern. If I conclude that a material uncertainty exists, then I am required to draw attention in my auditors' 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 auditors' report. However, future events or conditions may cause the project to cease to continue as a going concern.

- 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 those charged with governance 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 those charged with governance, 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 Legal and Regulatory Requirements

The Terms of Reference require me to give an opinion compliance with the provisions of the Grant agreement and other relevant laws of government of Uganda.

The Project complied fully with the grant agreements and other relevant laws of Uganda.



John F.S. Muwanga
AUDITOR GENERAL

14th December 2018

