



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
SOROTI 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
ISSA	International Standards on Auditing
PFMA	Public Finance Management Act, 2015
UGX	Uganda Shillings
FY	Financial Year
MoFPED	Ministry of Finance, Planning and Economic Development
VAT	Value Added Tax
NCHE	National Council for Higher Education
TIN	Tax Identification Number

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

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Soroti 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 Soroti 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.

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.12,582,021,000 was budgeted and availed through warrants to cater for Soroti University activities. However, by the close of the financial year only 86.5% of the availed funds ie UGX.10,881,180,651 had been spent resulting into under absorption of UGX.1,700,840,349 (13.5%). Additionally, I noted that out of UGX.6,000,000,000 received for capital development, UGX.1,632,412,621 was diverted to recurrent expenditures without the Minister’s approval as required by Regulation 16(1) of the public finance management regulations, 2016.

Management implemented a number of planned activities during the year. The major activities that were implemented included; benchmarking with other Universities on students welfare, policies and academic programs, curriculum review for medicine, nursing and computer engineering programs, procurement of assorted medical equipment and materials and construction of the multipurpose block, teaching block and laboratory block (96%).

However, I noted that a number of planned outputs were not achieved such as; enrolment and teaching of 300 students, completion of multipurpose block, teaching block and laboratory block, development of building designs and plans for library, dining hall,

medical school and administration block and the 2 lifts not installed in the Multipurpose academic Block. Management explained that the University was unable to consume all the available wage due to delayed recruitment of new staff and development funds were not fully paid due to absence of certificates from contractors yet the university had a number of court cases which necessitated payment of legal costs which had not been budgeted.

I advised the Accounting Officer to ensure adequate planning and implementation of planned activities and always seek approvals for necessary virements.

Other Matter

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

- **Provision of Legal Services to the University**

I observed that the University on 4th July 2017 signed a service level agreement with one of the three firms pre-qualified by the University for provision of legal services for a period of 18 months. The service agreement covered general legal advice for a retainer fee of UGX.15,000,000 per month payable quarterly in advance excluding disbursements and legal fees for opinions on and litigated matters requiring appearances by the Firm in or before any courts, the charges of which were to be determined basing on rates set out in the Schedule of charges annexed to the Agreement.

Audit review of the procurement and payment documents of Soroti University revealed that a total of UGX.1,025,265,000 was paid to the legal firm as indicated in the table below;

Type of fees	Amount (UGX)	Comment
Retainer fees	212,400,000	UGX.15,000,000 per month plus VAT, for general legal advice.
Disbursements fees	96,125,000	Payment of lawyer's expenditures in course of work.
Legal fees	716,740,000	Payments for invoices issued by the lawyer in line with service instructions issued by management.
Total	1,025,265,000	

However, the following matters were noted;

- **Single sourcing:** Contrary to Paragraph 3.2.1 of the PPDA Guidelines 2014, the University only used one Law firm without requesting for proposals from the other 2 pre-qualified firms. An amount of UGX.212,400,000 was paid as retainer fees through single sourcing.

- Since the amounts paid exceeded UGX.200,000,000, the contract should have been subjected to the Solicitor general's approval in accordance with procurement regulations. However this was not done.
- Audit observed that invoices were being paid in full as received before commencement of work contrary to the requirement in the schedule of charges which provided for 50% legal fees on commencement of any litigated matter and negotiations between the firm and the University to agree on a final fee. I noted in one instance that the University was charged UGX.64,900,000 to file an appeal and UGX.62,540,000 to stay execution of the order pending hearing of the same appeal. The total sum of UGX.127,440,000 was paid as legal fees for an appeal involving UGX.110,000,000.
- Although VAT amounting to UGX.141,733,220 was paid to the firm, the invoices presented did not have the VAT number to justify the payments. In some cases payments were made on pro-forma invoices, contrary to the tax laws.

Direct procurement method limits competition and exposes the University to a risk of acquiring services at non-competitive rates. The irregular procurement and payment processes indicate that the University may not have achieved value for money.

Management explained that the circumstances that the University was faced with at the time required urgent legal representation from a competent legal firm. The lawyers were engaged because of their track record and the Contract was reviewed and ratified by the University Council. In the forth coming recruitment, the job position of legal officer will be filled to enable the university handle some legal matters internally.

I advised management to always ensure that all procurements are done in accordance with the regulations and agreements.

- **Delayed Enrolment of Students**

According to Soroti University Strategic Plan 2016/17 – 2019/20, the University was scheduled to admit 300 students effective academic year 2017/18. However, audit noted that no students were enrolled by the University during Academic year 2017/18. Additionally, by the time of audit in September 2018 the University had not admitted any students for the new academic year 2018/19.

This was attributed to failure by management to obtain clearance from the National Council for Higher Education (NCHE) to start offering study programs due to inadequate facilities among others.

The delayed admission of students has hampered achievement of strategic objectives of the University and also affects budget implementation as planned learning activities are not undertaken.

Management indicated that NCHE made a number of recommendations for the University to achieve accreditation of 3 science programs. The University has acquired some equipment for medical school but still lacks equipment for physiology, nursing school, computer engineering and electronics. The recruitment of certain categories of skilled staff is being facilitated by MoFPED.

I advised management to engage the relevant ministries for the necessary funding to ensure operationalization of the University.

- **Occupancy of University Land**

Soroti University is located on Block 7, Plots 50 and 51 (228.5 hectares) in Arapai sub county, Soroti district. The land was transferred to the University's names on 26th July 2016. However it was occupied by residents of Aputon Village, Arapai Sub County claiming to be customary owners of the land.

At the beginning of financial year 2017/18, the University management filed a suit against residents for trespass to avoid payment of compensation. The University won the 1st Suit for Plot 50 and had all the 15 families evicted. An appeal against the orders of eviction was lodged in the Court of Appeal in June 2018 which is yet to be disposed of. The matter of Plot 51 is yet to be decided by court and 5 families still occupy the land.

In addition to its inaccessibility for development purposes, the continued occupancy of the land exposes the University to security risks.

Management indicated that the University issued instructions to its Lawyers to handle the appeal.

I await the outcome of the court processes.

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 Soroti 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 the Soroti 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 Soroti 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:

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.

A handwritten signature in black ink, appearing to read 'J. Muwanga', with a large, sweeping flourish extending to the right.

John F.S. Muwanga
AUDITOR GENERAL

18th December 2018

