



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
MAKERERE 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
ISSAIs	International Standards of Supreme Audit Institutions
PFMA	Public Finance Management Act, 2015
UGX	Uganda Shillings
MUK	Makerere University
F/Y	Financial Year
MDA	Ministry, Department, and other Agencies
MoPS	Ministry of Public Service
UOTIA	Universities and Other Tertiary Institutions Act

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

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Makerere 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 Makerere 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.248,053,280 was budgeted to cater for Makerere University activities. However, by the close of the financial year UGX.325,059,246,493 had been received. This amount includes NTR amounting to UGX.68,640,142,918 which was transferred to UCF implying that the university realised revenue amounting to UGX.256,419,103,575. This further implies that the university realised excess revenue over the budget of UGX.8,365,823,461.

We also noted that the university registered a Non Tax Revenue shortfall of UGX.3,091,253,200. It was observed that out of the budgeted amount of UGX.91,273,517,114, only UGX.88,271,686,316 was realized leading to a shortfall of UGX.3,001,830,797 (3%).The revenue shortfall resulted from tuition arrears due to students.This shortfall in revenue was attributed to non paying students, and sponsored students whose payments delayed.

Management implemented a number of planned activities during the year. Some of the major activities that were implemented include; revamping of walk ways, partial revamping

of dining halls in halls of residence. However, I noted some planned activities were partially implemented. These include; putting in place a fully functional Intellectual Property Rights (IPR) Unit, refurbishment of Dining halls in halls of residence as well as purchase of specialised equipment for the Presidential Initiative Projects. Management attributed the failures to a shortfall in non-tax revenue as well as a shortfall in funding for the presidential initiative projects. **Appendices I** and **II** show the status of implementation of planned activities, and the related Management responses.

The Accounting Officer is advised to ensure adequate planning and implementation of planned activities, as well as putting in place adequate controls to ensure complete collection of Non-Tax Revenue.

Other Matter

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

- **Inaduate Revenue management**
Students with tuition arrears

Section 2.J.vii of the University fees policy, dated 13th July 2016 provides that students who are indebted to the university for any reason shall not be allowed to sit for examinations ,proceed further with their studies, receive a university transcript or degree or, any other award.

However, review of the Results Management System revealed that 81 students had exam results despite having tuition arrears totaling to UGX 148,854,250. Review of the Integrated Tertiary Software (ITS) system further noted that 32 students who appeared on the graduation list for January 2018, had not cleared their tuition arrears amounting to UGX.65,186,400.

There was no evidence to show that these students subsequently paid up , rendering the debt outstanding and a potential financial loss to the University.

Failure to enforce revenue controls leads to revenue losses to the university.It also undermines service delivery.

The Accounting Officer explained that students who completed without full payment of fees obligations have not been given their transcripts and tuition arrears will be collected at the time of picking transcripts.

I advised Management to consistently comply with the University policies in place. Efforts should be enhanced to ensure full collection of the outstanding amounts to avoid possibility of a financial loss.

Outstanding rental fees

A review of the schedule of miscellaneous revenue revealed that the University was expected to collect rental fees of UGX.1,666,975,942 during the financial year under review. However, only UGX.929,780,919 was collected resulting into a shortfall of UGX.737,195,025. Further investigations revealed that 59 tenants were not paying rental income to the university. The anomaly was attributed to absence of tenancy agreements and weaknesses in implementation and enforcement of the existing procurement and financial management guidelines.

Under collection of revenue hampers effective service delivery as some planned activities are not undertaken. It also means that the occupied premises are exposed to a risk of deterioration/wear and tear without the means for their maintenance.

The Accounting Officer explained that Management has put up measures to ensure the collection of outstanding fees. He indicated that reminders for unpaid bills have been issued. He also indicated that the Directorate of Legal Affairs with chamber status was instructed to follow up recovery.

I advised Management to implement and enforce existing procurement and financial guidelines to ensure transparent, efficient and effective process of selecting the tenants and collection of rent revenue. It is all advised that Tenancy agreements should be signed with all the tenants.

- **Funds not accounted for**

Paragraph 4.6.4 of the Makerere University Finance Procedures Manual, 2014 requires advances to be accounted for within fourteen (14) days of the completion of the activity and in any case not later than 60 days.

It was however noted that a sum of UGX.181,570,073 advanced to various University staff for implementing official activities was not accounted for. This was attributed to laxity on the part of management in instituting follow up measures on the staff involved.

There is a risk that some funds may not have been used for the intended purposes. It should also be noted that delayed accountability may result into presentation of false accountabilities.

Whereas management had indicated that all accountabilities were available, the sum of UGX.181, 570,073 remained outstanding. I advised Management to ensure that all funds expended are accounted for or else recover the amount from the concerned officers.

- **Management of university assets**

Review of the university assets management function revealed a number of matters as outlined below;

Encroachment on University Land

Review of reports from the Estates Department indicated encroachment on university land at Makerere hill, Bwaise, Katanga and Katalemwa.

The encroachment was attributed to delayed occupancy and development of the land. This has resulted into court cases between the university and the encroachers with associated costs. There is also a risk that the University could lose some of the prime land.

Management explained that the University with the support of His Excellency the President set up an inter-ministerial Land Protection Task Force comprising of internal members of the University and officials from external agencies including Ministry of Lands and UPDF to come up with a report on how to deal with resolving issues of encroachment on University land. He also indicated that the legal department was handling several cases involving University land and awaits the determination by the Courts.

Vacant and Undeveloped Land

The university has prime pieces of land that remain vacant and undeveloped. These include; Makerere Hill, Makerere North, Katanga, Makindye, and Buyana. The anomaly was attributed to lack of a comprehensive plan for efficient utilization of university assets.

Management explained that the University was engaging private developers under the Public Private Partnerships and that the Proposals were being evaluated. It was further explained that the University had sourced for funds and been able to put up new

structures for example the Central Teaching Facilities at the main campus and the Graduate Labs in Kabanyolo.

The presence of vacant and undeveloped prime plots exposes the land to the risk of encroachment.

I advised Management to expeditiously develop a comprehensive plan to manage the land resources of the university. In the interim, efforts should be made to have all the unutilized land fenced.

Untitled land

It was observed that the university management had not secured titles for the following pieces of land; Makerere Hill (School of Law), Makerere Hill, Kagugube Hill, Katalamwa: located along Gayaza road, Kasangati: located along Gayaza road, Kibaale (Kamwege kyegegwa Biological station) and Nabyeya Forest station. Failure to title the land was attributed to outstanding negotiations with various stakeholders including Buganda Land board and Church of Uganda. In other cases part of the land had encroachers.

The university risks losing this land to encroachers if it remains untitled

Management explained that the University management lodged request for titles with the ministry of Lands and awaits finalisation of the process by the Land Commission.

I advised Management to step up negotiation efforts where necessary. I further advised that where there are no issues, the process of acquiring the land titles should be expedited.

- **Staffing Gaps**

It was noted that out of the 4458 approved posts for the University, only 2898 (64%) were filled leaving 1560 (36%) posts vacant as shown in the table below.

Description	Approved	Filled	Vacant	
Professor	212	88	124	58.4
Associate Professor	225	159	66	29.3
Senior Lecturer	453	205	248	54.7
Lecturer	687	496	191	27.8
Assistant Lecturer	652	493	159	24.4
Graduate Fellow	2229	1457	772	34.6
Total Academic	4458	2898	1560	36.0

This was attributed to inadequate funding for Wage by government.

Understaffing negatively impact on the quality of service delivered by the university and ultimately the quality of student graduates produced.

Management attributed the staffing gaps to a moratorium by government on recruitment of new staff. He indicated that there is continuous follow-up with government for more funding to cover the staffing gaps.

I advised Management to continuously engage Ministry of Public Service (MoPS) and MOFPED for adequate funding and support to fill the key positions.

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 Makerere 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 Makerere 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 Makerere 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 allocation of funds for the Library**

Regulation 9.4 of Statutory Instrument 85 of the Universities and Other Tertiary Institutions' Institutional Standards (Regulations) 2005 requires the 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 purpose, the University or tertiary institution shall set aside at least 10% of the total university or tertiary institution budget for this purpose.

A review of the annual budget for the year ended 2017/18 indicated that UGX.504,000,000 was allocated to this purpose representing 0.21% of the university budget. It was further noted that no expenditure was incurred on updating and purchasing of new information materials during the period under review.

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

Management explained that the university faced financial constraints amidst several competing priorities including the heavy wage bill which constrains the ability to provide more funding for library resources.

I advised Management should to ensure that adequate funding is availed to the library in accordance with the UOTIA regulations.

- **Unclear status of sponsored staff**

Section 5 (a) of the standard bonding agreement between Makerere University Council and its staff development fellows requires the Council/Sponsor to recover the whole or any part of the grant if the grantee fails or neglects to complete his/her course/course of study at the institution within the time prescribed by the terms of engagement/regulations relating to such course of training or fails to pass the qualifying examination

According to the available records, a total number of 123 staff were sponsored for further studies over the last 5 years. It was however observed that 55 of the beneficiaries failed to complete their courses within the required timelines. There was no evidence of efforts by Council to enforce compliance of the staff with the prescribed timelines or to have the grants recovered.

Failure to efficiently utilise the grant could result in loss of future funding from the donors thereby depriving other eligible beneficiaries of the opportunity to receive financial aid.

The University initiated a process of handling all staff who contravened the provisions of the bonding agreement and the human resources manual. These include the following:

The matters are before the appointment board where the culpable staff is being charged with abscondment and other related offences. Based on a fair hearing before the Appointments Board, the University will initiate recovery measures.

The bonding agreement has been revised to strengthen sanctions in case of contravention of the provisions.

Management is following up on the cases of several other staff to establish relevant details to guide the next steps.

Management is advised to enforce the terms and conditions of sponsorship to avoid losing future grants.



John F.S. Muwanga
AUDITOR GENERAL
12th December, 2018

Appendix 1 – Budget implementation

Appendix I: Non implemented activities due to shortfall in NTR

No	Vote Function Output	Item Description	Planned Output/Quantity	Actual Output/Quantity	Variance Output/Quantity	Amount Budgeted (UGX)	Amount warranted/Release(UGX)	Variance between Budget and warranted (UGX)	Amount spent (UGX)	Variance between and release / spent (UGX)	Audit Remarks	Management explanation
0751 Delivery of Tertiary Education (figures in thousands)												
Recurrent Budget Estimates												
01- Sub-Programme 01 Headquarters												
	75102	Research, Consultancy and Publications	• Staffed & Functional IPR Unit	25% of 1500 staff involved in research	IPR unit not fully in place	36,335,583	35,214,174	1,121,409	34,423,588	790,586	No IPR unit in place.	IPR unit not fully staffed but law chambers are fully fledged
Development Budget Estimates												
Project 1272 Support to Makerere University												
	75,180	Construction and rehabilitation of learning facilities (Universities)	Furnishing of Central Teaching Facilities	No information provided	No information provided	1,927,425	1,495,569	431,856	660,090	835,479	The CTFs were not furnished and as a result plastic chairs are being used in the CTFs	CTFs were not fully furnished due to limited funds

	75182	Construction and Rehabilitation of Accommodation Facilities	Refurbishment of Accommodation facilities in halls of residence.	No information provided	No information provided	400,000	250,000	150,000	50,000	200,000	Only 3 halls were refurbished which include Lumumba, Mitchell and CCE	Management could only manage to refurbish 3 halls of residence due to limited funding.
	75184	Campus based construction and rehabilitation (walkways, plumbing, other)	Construction of 5 meter perimeter wall	Construction ongoing in a phased manner	N/A	1,541,537,045	1,404,467,017	137,070,028	429,704,756	974,762,261	Process of working on the Perimeter wall is ongoing	Process of working on the Perimeter wall is ongoing

Appendix II: Non implemented activities due to shortfall in funds for the presidential initiative

No	Vote Function Output	Item Description	Planned Output/ Quantity	Actual Output / Quantity	Variance Output/ Quantity	Amount Budgeted (UGX)	Amount warranted/ Released (UGX)	Variance between Budget and warranted / release (UGX)	Amount spent (UGX)	Variance between and release / spent (UGX)	Audit Remarks (for material outputs provide verification results)	Management explanation
0751 Delivery of Tertiary Education (figures in thousands)												
Project 1341 Food Technology Incubations II												
Capital Purchases												
	75177	Purchase of Specialized Machinery & Equipment	Installation of Specialized Machinery and equipment	Air compressor procurement of PET Bottle blower Steam fittings for retort steam line installation still awaited. Extruder line installation continued	Machinery not yet procured	1,100,000	718,269	381,731	488,402	229,867	Significant budget deficit	Air Compressor awaiting installation/Contract for PET Bottle awarded/Retort Steam Line not installation not done

	75180	Construction and rehabilitation of learning facilities (Universities)	Expansion and furnishing of incubator space and capacity	Refurbishing works	No progress on the project.	2,040,000	1,460,216	579,784	1,456,321	3,895	No activity/Significant budget deficit	BOQs for sub-phasing the works are now completed and procurement will commence in next FY 2018/19. Payments for the design consultancy work effected during this quarter.
Project 1342 Technology Innovations II												
Capital Purchases												

	75176	Purchase of Office and ICT Equipment, including Software	Modernization of Laboratories	Because of limited funding this financial year, the college hasn't been able to procure much of the equipment	Most of the equipment not purchased	810,200	477639	332,561	368,031	109,608	Because of limited funding this financial year, the college hasn't been able to procure much of the equipment	Because of limited funding this financial year, the college hasn't been able to procure much of the equipment
	75177	Purchase of Specialized Machinery & Equipment	Modernization of ICT Equipment Rehabilitation and Modernization of Lecture Facilities	Modernization process not fully completed		1,300,000	1,117,408	182,592	858,279	259,129	Budget Deficit	Couldn't complete projects due to limited funding, some items still in procurement process

