



THE REPUBLIC OF UGANDA

REPORT OF THE AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF
MBARARA UNIVERSITY OF SCIENCE & TECHNOLOGY
FOR THE YEAR ENDED 30TH JUNE 2019

OFFICE OF THE AUDITOR GENERAL
UGANDA

**REPORT OF THE AUDITOR GENERAL ON THE AUDIT OF FINANCIAL STATEMENTS
OF MBARARA UNIVERSITY OF SCIENCE & TECHNOLOGY FOR THE YEAR ENDED
30TH JUNE, 2019**

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the accompanying financial statements of Mbarara University of Science and Technology (MUST) which comprise the statement of Financial Position as at 30th June 2019, the Statement of Financial Performance, Statement of Changes in Equity and Statement of Cash Flows together with other accompanying statements for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the financial statements of Mbarara University of Science and Technology for the year ended 30th June 2019 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 for 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 Statements 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 Organization of Supreme Audit Institutions (INTOSAI) Code of Ethics, the International Ethics Standards Board for Accountants (IESBA) Code of Ethics for Professional Accountants (Parts A and B) 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 Matter

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.

1.0 Implementation of the Approved budget

Section 45 of the Public Finance Management Act, 2015, requires the Accounting Officer to control the regularity and proper use of the money appropriated to the vote.

According to Section 45 (3) of the same Act, the Accounting Officer shall enter into an annual performance contract with the Secretary to Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan for the vote for the financial year. Work plans are based on outputs to be achieved for the financial year,

and during implementation, effort is required to be made to achieve the agreed objectives/targets for the entity within the available resources.

Paragraph 49 of the budget execution circular for financial year 2018/2019 requires management to prepare budget performance reports that clearly indicate the actual performance against the planned outputs and performance for each quarter showing the quantity/quality and physical location of the reported outputs against expenditure. All performance reports should be based on the program budgeting system (PBS) programs and subprograms.

It has been observed over the years that planned and budgeted for activities of a number of Governments entities are not implemented thereby affecting service delivery.

In the overall office wide planning, I assessed risks like 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 outputs of the entity's which greatly impact on the wellbeing of communities.

Consequently I developed procedures in order to address the performance of the budget of the entity:

- Ascertaining the amount received by the entity and the source of the funding
- Inquiring from management of off-budget financing received and ascertaining the basis for the off-budget financing, if any.
- Comparing the approved budget against the actual receipts
- Comparing the planned vote function outputs against the actuals and determining the variances
- Reviewing utilisation of these funds

Based on the procedures performed I observed that MUST has the mandate to deliver Tertiary Education to Ugandans and non-Ugandans Under Universities and other Tertiary Institutions Act 2001.

In order to achieve its mandate, the University planned to implement and achieve a number of both recurrent and development deliverables under various programmes. A review of the entity's ministerial statement, approved work plans and budgets revealed that the University had an approved budget of UGX.52,186,292,240 out of which UGX.52,184,241,959 (99.9%) was received. The key deliverables for the financial year 2018/19 were as shown below;

The key deliverables for the financial year 2018/19 are indicated in the table below.

Table: Showing key deliverables for MUST for the year

Sn	Key deliverables	Amount (UGX)	Cumulative percentage of approved budget
1	Teaching and Training	25,520,145,524	49
2	Research, consultancy and publications	384,184,280	50
3	Outreach	635,155,052	51
4	Students Welfare	1,063,400,000	53
5	Administration and Support Services	16,347,117,253	84

6	Guild Services		
7	Government Buildings and Administrative Infrastructure	301,000,000	85
8	Roads, Streets and Highways	6,285,047,000	97
9	Purchase of Motor Vehicles and Other Transport equipment	150,000,000	97
10	Purchase of Office and ICT Equipment, including software	100,000,000	98
11	Purchase of Specialised Machinery and Equipment	140,000,000	98
12	Purchase of Office and Residential Furniture and Fittings	321,926,714	98
13	Purchase of Office and Residential Furniture and Fittings	100,000,000	99
14	Construction and rehabilitation of learning facilities (Universities)	400,000,000	99
	Arrears	368,316,417	100

The University planned to achieve the above deliverables through implementation of 30 outputs. I sampled 18 out-puts worth UGX.41.5billion representing 80% of the total budget and below are the findings;

No	Observation	Recommendation
i.	<p><u>Under absorption of funds</u></p> <p>Section 15 (1) of the Public Finance and Management Act, 2015 states that after approval of the annual budget by Parliament, the Secretary to the Treasury shall issue the annual cash flow plan of Government, based on the procurement plans, work plans and recruitment plans approved by Parliament. Section 15 (2) states that the annual cash flow plan issued under subsection (1) shall be the basis for release of funds by the Accountant General to the Accounting Officers. Further to this, section 15 (3) requires an Accounting Officer to commit the budget of a vote, based on the annual cash flow plan issued under this section.</p> <p>Contrary to the above, I noted the following;</p> <ul style="list-style-type: none"> The entity budgeted to receive UGX.52,186,292,240 during the financial year under review and a total of UGX.52,184,241,959 was warranted resulting into a shortfall of only UGX.2,050,281 representing 99.9% performance. Out of the warrants (UGX.52,184,241,959), UGX.51,838,890,797 was spent by the University resulting into unspent balance of UGX.345,351,162 representing an absorption level of 99.3%. The unspent balance at the end of the financial year was subsequently swept back to the consolidated fund account. <p>Budget shortfalls and failure to spend funds resulted into partial or non-implementation of planned activities.</p> <p>Management attributed the under absorption of funds to a number of factors including; un-submitted NSSF funds for staff who had fallen out of the contribution bracket, change in Government policy on purchase of motor vehicles which made the</p>	<p>I advised the Accounting Officer to always ensure timely implementation of planned activities to address under absorption.</p>

	existing balance of UGX.64,220,000 redundant and failure by some suppliers to deliver in time.	
ii.	<p><u>Unremitted off-budget Receipts</u></p> <p>Section 36(6), 43 and 44(20) of the PFMA 2015, requires all the public resources including external financing to be paid into the consolidated fund and once deposited shall form part of the consolidated fund and shall be availed through the Appropriation by Parliament. Paragraph 24.6.2 of the Treasury Instructions 2017 also requires an Accounting Officer to ensure that all planned development partner disbursements under his or her vote are included in the vote budget estimates i.e. appropriated by Parliament.</p> <p>I noted that the University received off-budget financing of UGX.9,230,134,027 which was not appropriated by Parliament.</p> <p>The failure to declare the funds was attributed to lack of a mechanism between the University and Ministry of Finance to transfer and budget for the funds. Off-budget financing distorts planning, and may result into duplication of activities. In addition, the practice contravenes the PFMA and the Treasury Instructions, 2017.</p> <p>The Accounting Officer promised to include the Off- budget revenue and expenditure in the budget for the FYR: 2020/21 as per the guidelines.</p>	I advised the Accounting Officer to engage the Office of the Accountant General to ensure proper budgeting and accounting of the donor receipts in line with the law and the Treasury Instructions.
iii.	<p><u>Non-Tax Revenue Performance</u></p> <p>I reviewed the NTR estimates, revenue sources and rates charged at vote level for the financial year 2018/2019 and noted that out of the budgeted revenue of UGX.11,587,693,658 for the year 2018/19, only UGX.11,412,179,867 was collected representing a performance of 98% of the target.</p> <p>The observed performance was attributed to failure by the University to collect all fees due from the students. This affects implementation of planned activities and achievement of the intended objectives.</p> <p>I also noted that UGX.12,198,619,396 comprising of; opening cash balance of UGX.1,377,707,314, revenue collected of UGX.11,412,179,867 and advances recovered of UGX.11,705,856 was remitted to the consolidated fund leaving a cash balance of UGX.602,973,641 at the end of the year.</p> <p>The Accounting Officer explained that various measures such as barring students who have not paid tuition from sitting for exams and sending reminders to Letters to sponsoring agencies have been put in place to address Non Tax Revenue Under collection.</p>	I advised the Accounting Officer to institute collection measures to ensure timely collection of all fees due to the University without disadvantaging the students.
iv.	<p><u>Quantification of Outputs/activities</u></p> <p>Paragraph 49 of the Budget Execution circular for the FYR: 2018/2019 requires management to prepare budget performance reports that clearly indicate the actual performance against the planned outputs and performance for each quarter showing the quantity/quality and physical location of the reported outputs against expenditure. All performance reports should be based on</p>	

the program budgeting system (PBS) programs and subprograms. Out of the 30 outputs/activities with a total budget of UGX.52.2bn implemented by the University during the financial year, I sampled and reviewed 18 outputs/activities with a budget of UGX.41.5bn representing 80% of the total budget as indicated below;

Table showing outputs/activities planned

Details	Number	Budget
Total Outputs/activities	30	52.2bn
Outputs/activities sampled	18	41.5bn
Percentage	60%	80%

A review of the University performance reports 2018/2019 revealed that all the 18 outputs reviewed were quantified to enable measurement of performance.

v.

Implementation of Planned outputs

An analysis of the outputs/activities that were quantified revealed that although the University absorbed 99% of the funds that were released, some of the activities remained either partially or not implemented at all. Out of the 18 outputs/activities assessed, 11 outputs/activities representing 61% were fully implemented, 5 outputs/activities representing 28% were partially implemented while 2 outputs/activities representing 11% were not implemented at all. Details are attached in **Appendix 1**. Results of the entity performance are summarized as below;

Table showing the level of implementation

S/n	Description	Reporting	Outputs	Performance in %
1	ALL the planned outputs have been achieved or realized (100%).	Fully Implemented	11	61%
2	A portion of some of the planned outputs has been achieved or realised (less than 100%).	Partially Implemented	5	28%
3	The entity did not realise or achieve ANY of the planned outputs (0%).	Not Implemented	2	11%
		Total outputs	18	100

The failure to achieve planned outputs was attributed largely to procurement delays and delayed completion of works. Non-implementation of planned activities implies that the expected services to the beneficiary communities were not attained. For example, the University did not implement the following activities despite receiving 100% of the total budget.

- 1) Upgrading 0.6km of access road at Kihumuro to full gravel, and
- 2) Purchase of Motor Vehicle.

The Accounting Officer attributed the failure to Upgrade the 0.6km of access road at Kihumuro to change in the work plan

I advised the Accounting Officer to always ensure that funds are spent as per the approved budget and follow-up on projects behind schedule to ensure their completion is expedited.

from upgrading of access road to construction of a gate at Kihumuro Campus as the upgrade had been done in the prior year and failure to Purchase the Motor vehicle due budget cuts resulting into suspension of the Procurement.	
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Emphasis of Matter

Without qualifying my opinion, I draw attention to the following matters disclosed in Note 24 of the financial statements:

2.0 Accumulation of Domestic arrears

Section 21(2) of the Public Finance management Act, 2015 provides that a vote shall not take any credit from any local company or body unless it has capacity to pay the expenditure from the approved estimates as appropriated by Parliament for that financial year. However, the financial statements revealed that the University had outstanding payables totalling to UGX.286,121,044 at the closure of the financial year under review. Accumulation of domestic arrears is a sign of break down in the commitment control system.

The commentary on the financial statements by the head of accounts showed that these were mainly allowances for part time teaching. The failure to pay teaching allowances in time affects morale of staff and thereby impacts negatively on the quality of education provided. The Accounting Officer promised to make adequate budgetary provisions.

I advised the Accounting Officer to ensure that sufficient budget provisions are made in 2019/20 to enable settlement of the outstanding domestic arrears.

3.0 Outstanding Receivables

The University had outstanding receivables in uncollected fees to the tune of UGX.220,535,081as at the end of the financial year reflected in the statement of arrears of revenues. This was attributed to inadequate revenue collection efforts by management through registration of students on AIMS system without fulfilling tuition requirements against the purpose for which AIMS was established.

Failure to recover outstanding debts deprives the University of Revenue that would be used to improve service delivery.

The Accounting Officer is advised to institute measures to ensure prompt collection of fees due to the University.

Other Matter

In addition to the matters raised above, I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements.

4.0 Legal Costs

The University had twelve (12) court cases running throughout the financial year out of which three (3) were concluded and lost resulting into payment of court awards and legal costs totalling to UGX.123,350,280. I noted that cases against the University arose from claims of irregular recruitment, inappropriate decisions of staff dismissal

from the University service, and breach of contract most of which appeared to be avoidable. Payment of such legal costs translates into wasteful expenditure. The Accounting Officer promised to carry out due diligence to avoid litigation.

I advised the Accounting Officer to undertake a wholistic analysis of the causes of the court cases with a view to finding strategies to avoid wasteful expenditure in unnecessary legal costs.

5.0 Un-accredited/un-reviewed Programs

Section 119A of the Universities and Other Tertiary Institutions Act, 2001 provides that no person shall operate a University, Other Degree Awarding Institution or a Tertiary Institution without the prior accreditation of its academic and professional programs by the National Council for Higher Education (NCHE). However, I noted that one (1) new academic program offered was not yet accredited while 22 programs had expired and were due for re-accreditation.

This was attributed to management delays in addressing the major corrections needed for re-accreditation. Teaching of unaccredited and un-reviewed programs affects the standard of Education. It may also lead to nullification of university awards and thereby affect academic careers of beneficiaries.

The Accounting Officer explained that the university submitted the programs to NCHE for re-accreditation.

I advised the Accounting Officer to ensure expeditious re-accreditation of expired programs and approval of the new academic programs by NCHE.

6.0 Management of the Academic Information Management System (AIMS)

Section 45 (2) of the Public Finance Management Act 2015, requires that an Accounting Officer shall, in respect of all resources and transactions of a vote, put in place effective systems of risk management, internal control and internal audit.

AIMS is an Integrated Educational management system that automates all the business processes by managing admission, billing and payments, registration, programs and curriculum and other aspects of the education that was recommended by the Ministry of ICT and National Guidance as the preferred education management system for all Public Universities and Self-Accounting Tertiary Institutions (PUSATIs). However; a review of the system's operation revealed the following weaknesses;

- Lack of documented roles and responsibilities for different users interfacing with the system to guide system usage. This negatively impacts on the achievement of system objectives;
- Lack of reviews on direct postings to the System. Manual posting of student transactions to the system by assigned staff does not go through any level of verification and approval. This indicates lack of segregation of duties and irregular entries may go unnoticed.
- Inadequacies in ledger reports generated by the system. It was established that the system cannot generate a combined ledger for all students showing revenue billed and collected to enable easy follow-up and analysis of individual receipts from students.

The anomalies indicate control weaknesses that may lead to irregular transactions.

The Accounting Officer explained that the University was transitioning to a newer version of AIMS at the end of October, 2019 which would address all the system inefficiencies.

I advised the Accounting Officer to engage with the Ministry of Finance, Planning and Economic Development to ensure that the system weaknesses are fully addressed in the newer version.

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.

Management Responsibilities 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 MUST.

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 for such internal control as management determines necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the University's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, 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 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 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 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 the 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 continue as a going concern. 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 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 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 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 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 Section 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 compliance with legislation section below, and whose effect has been considered in forming my opinion on 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;

7.0 Inappropriate use of direct Procurement

Section 85(1) of the PPDA Act 2003, provides for use of direct procurement method only for procurement requirements where exceptional circumstances prevent the use of competition. However, it was observed that the University used direct sourcing on service and repairs (maintenance) of vehicles of total value UGX.239,066,000 without proper justification. Direct procurements undermine the benefits that accrue from competitive procurements such as high quality goods and services at appropriate and reasonable prices.

The Accounting Officer explained that this was done to ensure professional handling of the vehicles to ensure longevity amidst limited resources to purchase new ones as the fleet is relatively old.

I advised the Accounting Officer to enforce compliance with the procurement regulations to enhance efficiency and economy in the procurement processes.

8.0 Staff Performance Management Initiatives

The Government of Uganda has been implementing Public Service Reforms since the 1990's geared towards cultivating a performance culture focused on results, excellence and professionalism.

Consequently, a number of performance management initiatives have been introduced for enhancing performance and service delivery in the Public Service. These include: Open Performance Appraisal System, Rewards and Sanctions Framework, Client Charters and Service Delivery Standards and Performance Agreements/Plans among others.

To implement the staff performance management initiatives, public service issued Circular Standing Instructions No. 1 of 2010, Circular Standing Instruction No. 1 of 2016, Public Service Standing Orders, Circular Standing Instruction No.1 of 2011 to offer guidance to MDAs and Local Governments in undertaking the different activities on staff performance management.

8.1 Development of Performance Plans

I noted that out of 528 staff in post at the beginning of the financial year 2018/19, none filled annual performance plans. This was because of lack of staff sensitisation and enforcement of the guidelines in the manual.

This limits effective accountability and demonstration of staff commitment to the University's strategic goals. In the circumstances, the basis against which individual performance achievements can be measured at the end of the assessment period is not provided.

8.2 Completion of Performance Appraisals

I observed that out of 528 staff in post at the beginning of the financial year, only 25 completed performance appraisals for the year 2018 while 503 staff did not undertake the activity.

In the circumstances, management is unable to determine the extent to which set performance targets are achieved and also to enforce the rewards and sanctions guidelines as they largely depend on the performance appraisal process.

The Accounting Officer explained that delays in appraisal were due to difficulty by staffs in understanding the new appraisal tool arising from review of the Human Resource Manual which was later approved in 2018. This he explained required the University to revert to the old tool resulting into few staff being appraised at the time.

8.3 Completion of Performance Improvement plans

I noted that there were no performance improvement plans contrary to Section 8 of the Public Service Standing Orders. This undermines staff performance as performance gaps are not addressed.

The Accounting Officer acknowledged the anomaly and promised to ensure that performance improvement plans are made to enhance staff performance.

I advised the Accounting Officer to ensure that the Human Resource department provides regular updates on the employment of the performance measurement initiatives for his action with regard to non-compliance.

8.4 Absence of attendance monitoring mechanisms

Contrary to Section 5 of the Public Service Standing Orders, I noted that the Commission does not have a mechanism to monitor staff attendance.

The Accounting Officer explained that the university was in the process of procuring attendance registers to be utilized to record and monitor staff attendance to duty with a view of using them effective January, 2020.


I advise the Accounting Officer to expedite the process.

8.5 Failure to develop a Client Charter

I noted that management had not developed and operationalized a client's charter contrary to Section 27 of the Public service standing orders. This may lead to clients' obscurity about the University and hence potential risks of low enrolment, litigations and related financial implications.

The Accounting Officer promised to put a client Charter in place.

I advised the Accounting Officer to prioritize development of a client charter.


John F.S. Muwanga
AUDITOR GENERAL

11th December, 2019

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Statement of Responsibilities of the Accounting Officer

The financial statements set out on pages 7...to 13...have been prepared in accordance with the provisions of the Public Finance Management Act, 2015 (the Act). The financial statements have been prepared on the modified cash basis of accounting and comply with the generally accepted accounting practice for the public sector. Under the modified cash basis of accounting, only financial and non-produced assets and liabilities are recognized and presented in these financial statements.

In accordance with the provisions of Section 45 and Schedule 5 of the Public Finance Management Act, 2015, I am responsible for and personally accountable to Parliament for the activities of the vote to which I am the accounting officer. Further, I am responsible for the regularity and proper use of the money appropriated to the vote to which I am the Accounting Officer. I am also responsible for authorizing any commitments made by the vote and for controlling resources received, held or disposed of by or on account of the vote. Finally, I am responsible for putting in place effective systems of risk management and internal control in respect to all resources and transactions of the vote.

Section 45 (3) of the Act require the Accounting Officer to 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.

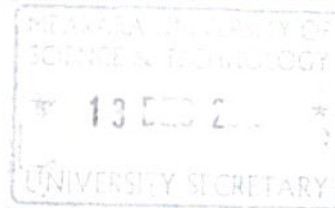
Sections 50 and 51 of the Act respectively require me to prepare and submit half-yearly financial statements of my vote to the Secretary to the Treasury, and also to prepare and submit annual financial statements of my vote to the Auditor General for audit and to the Accountant General within two months after the end of each financial year.

Accordingly, I am pleased to report that I have complied with these provisions in all material respects and I am also pleased to submit the required financial statements in compliance with the Act. I have provided, and will continue to provide all the information and explanations as maybe required in connection with these financial statements.

To the best of my knowledge and belief, these financial statements agree with the books of account, which have been properly kept.

I accept responsibility for the integrity and objectivity of these financial statements, the financial information they contain and their compliance with the Public Finance Management Act, 2015.

for *Rebecca Zadoca Beebwa*
Accounting Officer [Names & Signature]
13/12/19
Date



MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

Commentary on the Financial Statements by the Accounting Officer

General Information about the Reporting Entity

Please provide the following information within a maximum of a two page commentary!

Principal Activity of the Vote

Mbarara University of Science and Technology is mandated under section 24 of UOTIA to deliver Tertiary Education.

Mission and Vision

Vision: A centre for academic and professional excellence in science and technology

Mission: To provide quality and relevant education at national and international level with particular emphasis on science and technology and its application to community development

University Objectives

- To advance, transmit and preserve knowledge from one generation to the next;
- To provide the necessary human resource in applied sciences, technology and management skills;
- To generate and disseminate knowledge and innovation
- To provide services to the public in analyzing and solving problems;
- To teach students to understand and appreciate local, national and international issues.

Key Performance highlights

During the reporting period, the vote undertook the following activities and major outputs;

i) Teaching and training

Enrolled and registered 1,234 (37% Females) new students. Conducted 30 weeks of lectures & practicals and 4 weeks of examinations. Procured teaching materials (Computer supplies, Chemicals, and Apparatus for 4,015 (36.4% Female) students. Paid Faculty allowance to 278 students of FoM and 264 GoU Science based students of FoS. Conducted 1 Study Trip for each of the following programmes: BSc. Ed ± Physics, Chemistry & Biology & BBA & BSAF students; MLS students to Nakasero blood bank. Held 6 Quality Assurance and Curriculum Review meetings/workshops. staff. Conducted Graduation for 964 (39.1% Female). Held 2 Curriculum Review meetings/workshops. Paid salaries for 345 staff.

ii) Research consultancy and publications

Conducted 9 research studies in sexual/reproductive health in adolescents; Repatriation of decision making processes of Rwandan Refugee settlement, Health Financing Structures after abolishing user fees; made 4 publications in microbiology, Institute of IEEE conference respectively. Held 1 Annual Research dissemination conference (13 out of the 115 research presentations addressed Gender & Equity issues), 2 Public Lectures, CITT Launch, FCI Students project exhibition and 7 Research workshops one for Chemistry (FOS, CITT, FoBAMS, FCI).

iii) Outreach

Conducted industrial placement for 57 pharmacy & Pharmaceutical Sciences students and Educational Field trip for each of the following programmes: 130 BSAF & 42 BPSCM, BSc. Ed ± Physics, Chemistry & Biology & BBA & BSAF students; Industrial Training for 79 Pharmacy & Pharmaceutical Sciences students and home visits for BNS, community twinning programmes in 9 Mbarara villages by FIS and Nursing Education practicum survey. Conducted survey for Community placement, School practice and Industrial Training; 5 weeks of Leadership and community placement for 420 (33.3% Females) Medical, Nursing, Pharmacy, Pharmaceutical Sciences, Physiotherapy & Medical Lab. Science students in hard to reach health centre IIIs; 8 weeks of School Practice for 254 Science Education Students, 8 weeks of Industrial Training for 117 Computer Science, Computer Engineering and Information Technology (37.6% Females) Students; 279 (46.6% Female) Business Administration, BSAF, BPSMS) Students; 90 BGWH, BPCD, & BALFP (61.7% Females) and 85 Diploma Science Laboratory Technology (I&II) Students.

iv) Students Welfare

Paid Living out allowance for 652 (27.5% Female) GoU Students. Facilitate 5 GoU sponsored students with special needs. Cleaned students hostels.

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v) Administration and support services

Paid for 236,234.17 units of electricity and 57,390 units of water. Maintained and cleaned 13.2 hectares of compound and 20,030m² of lecture rooms, laboratories and students' halls. Routine maintenance of buildings, equipment & vehicles. Held 21 Council and Council Committee meetings, 4 Senate, 8 Contracts Committee, 6 management meetings. Paid monthly 90Mbps Internet subscription. Conducted HIV/AIDS, Gender, Special Needs awareness and behavioral Change activities/workshops. 4 Ethical Review Committee meetings. Participated in the NCHE Annual exhibition. Timely payment of salaries for 193 staff.

vi) Transfers to other organisations

Facilitation for Guild office supplies, workshops, meetings, seminars and recreation seminars and recreation and sports (National Football league, interfaculty games, executive meetings for E.A Sports federation, subscription to Uganda Volley ball federation and western regional association). Transfer(s) to ITFC ±Bwindi for forest conservation research through community participation & facilitate MUST sports teams at national and regional games. Facilitated MUST sports teams to participate in the East African University games in Dodoma ±Tanzania & National games

Paid annual subscription fees to IUCEA, ACU, Lib E- service and membership fee to the consortium of Uganda universities libraries, Federation of Uganda Employers and Uganda Universities Quality Assurance Forum and AICAD, & subscriptions to journals

vii) Government buildings

Constructed Phase 1 of Students Hostel (Male & Female) - Fixed window frames, completed internal plaster and external rendering, Floor finishing at level 3, plumbing & electricals first fix & paint priming at level 3 completed & handed over. Phase 2 started its at 20% progress. Phase 1 of FCI - 100% walling at level 1, and 2, columns at level 2, and 3 formwork complete for slab at level 3, reinforcement placed for beams and slab at level 3, casting ongoing at 60%. Paid Certificate No. 1 to 4. Overall progress is 71%. Students' Cafeteria works executed- site clearance, setting out, plinth work, walling and wall plate at 65% (all at Kihumuro). Supervision of works done. Renovation Works of Anatomy & AR Extension block executed to over 95% with a few snags The outputs included: Plater primer, painting, removal of old plumbing installations, re-installation of new plumbing fittings, replacement of floor with ceramic tiles, re-tiling of Anatomy sedimentation tank, replacement of roof covering for anatomy block and the splash apron.

viii) Roads, streets and highways

Main Gate - Works ongoing - Setting out, foundation, plinth wall and site concrete; all concrete columns ring beam and eaves plus roofing structure done. Progress at 68% .

ix) Purchase of machinery and equipment

Procured wireless network equipment (1 network layer 2 switch & 1 wireless outdoor access point) and 30 Desktop

Computers for laboratories. Assortment of Lab., LR and Office Equipment: majorly for FoS. FoBMS: 3 Desktops, 3 Laptops, 3 Projectors, 1 Colour Printer, 1 Projector Screen. FIS: 3 Laptops, 3 Projectors; FoS: 1 set of Bench-top spectrometer, 1 Binocular stereozoom microscope, 2 ASICO Ballistic Galvanometer, 1 Rotary Microtome with steel knife model LYD, 1 Magnetic Field Strength Meter; 1 HP Laserjet Pro MFP 227 Printer, 1 HP 30a Printer, Desktop Computer, 1 Dell Optiplex computer, UPS 750vc APC Smart, 1 ITB External hard drive one touch backup, 2 Desktop Computers for US,s Office, Desktop Dell Optiplex computer, 1 HP Laserjet Printer for US,s Office, 1 HP Laserjet Pro MFP Pinter, 2 Refrigerators for Cuban Professors Residence.

X) Purchase of Office furniture and fittings

Assorted Lecture Room, Office & Laboratory Furniture: Faculty of Science (FoS), 3 Seater (pieces), 4 Cushioned Executive Chairs, 4 Lecture Room Tables, 2 Executive chairs, Seminar room tables for FAST, Vertical Blinds, Stacking 30 Board room chairs for AR's Board Room, 1 Office Chair no wheel, Furniture for US's Office, 1 Reception Desk 1955, Office Chairs with cushions, 1 Book shelf, 2 Working Tables, 1 set of Visitors chair.

MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

UNIVERSITY PROFILE

Mbarara University of Science and Technology (MUST) was established in 1989 by an Act of Parliament with one Faculty of Medicine. To-date, it has six(6) Faculties and two(2) Institutes.

Location

- Located on Plot 8-18, Kabale Road
- Kihumuro Main Campus along Mbarara-FortPortal Road (6kms)
- Outside site include the Institute of Tropical Forest Conservation, Bwindi (Kabale); Rugazi Health Centre (Rubirizi); Bughoye Health Centre (Kasese).

The Principal address

Mbarara University of Science and Technology
P O Box 1410
MBARARA – Uganda

Size and population

The land size of the University is 257.72 hectares

The current student population is 4,015

The staff population is 538

Risk Management Practice and Internal Control

The university structure and systems catered for risk management and internal controls.

There was budget approved by council which provided guide on income generation and expenditure management.

The University also has in place an approved risk policy that guides on risk identification and management.

On financial management the University uses IFMIS (integrated financial management information system) as budget and financial control tool.

On student records, we use AIMS (Academic information management system) which does admission, enrolment and registration of students, issue examination cards and handles student Marks.

Internal Audit unit of the University reviews on quarterly basis the systems of internal control and compliances to Regulations and other relevant Acts. Reports are produced for management administratively and functionally to council through audit and risk committee of council.

The council committees review the quarterly reports of different sectors as a control measure.

Comment on the Payroll for both salary and Pensions

The University spent Ugx 32,980,934,511 on payment of salaries for 538 staff.

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MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

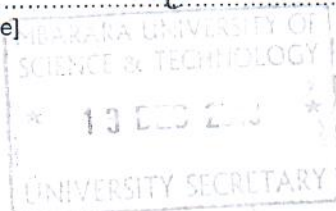
Action on Parliamentary Recommendations

The recommendations of Parliament based on the reports of the Auditor General were received for the financial year 2015/16. The actions taken are as follows;

S/N	Key Findings	Management Action to-date
3.6	Staff Shortages.	The inadequate wage bill given by MoFPED and MoPS continues to constraint massive recruitments. The University has continued to solicit for funds year after year and has not been successful yet.
60.1	Conflicting Laws on the operations of the Audit Committee.	The Solicitor General advised to continue with the Audit Committee which is in place and functional. A copy of the advice is attached herewith.
60.2	Ineffectiveness of CEMAS functionality.	CEMAS was replaced by the Academic Information Management System (AIMS) which handles all the students' processes right from applications to graduation. MoFPED introduced IFMS which is being used for accounting and PBS for budgetary performance.
60.3	Mbarara University Buhoma Project.	The title for the land at Buhoma was obtained and rent of UGX10,000,000 per annum is being collected from the community.
60.4	NTR Budget Shortfall.	This was attributed to a decline in the number of students who registered during the year.
60.5	Follow up of prior year recommendations Dilapidated University in Infrastructure	Efforts to have the private public partnership (PPP) to develop the Inn did not materialize as the proposed Five Star Hotel was regarded as inappropriate by the PPP Unit in the MoFPED. Management has gone back to the drawing board to carry out a market analysis to determine the most appropriate project.

for *Zadock Beebwa*
Accounting Officer [Names & Signature]

13/12/19
Date



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MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

Commentary on the Financial Statements by the Head of Accounts

The University's revised approved budget for financial year 2018/19 was Ugx 52.186 bn comprising Government of Uganda funds of Ugx 29.462 bn for wages, Ugx 4.357 bn for Non-wage recurrent, Ugx 3.599 bn for Development and Ugx 0.248 bn for salary arrears. Non-tax revenue was ugx 14.520 bn which included a supplementary budget of Ugx 1.600 bn.

1) Revenue performance

A total of ugx 51,575,005,867 was received during the year out of the revised approved budget of ugx 52,186,292,240 which was a performance of 99%

2) Expenditure

Total expenditure was ugx 51,838,178,126 out of the warranted amount of ugx 52,184,241,959 which was a performance of 100%. The University incurred outstanding commitments of ugx 286,121,044 that were in respect of mainly allowances for part time Teaching staff.

3) Adjustments to reserves

The adjustments to reserves included salary arrears of ugx 248,229,860 which were in respect to support staff whose salaries were increased the previous year. Adjustment has also been of ugx 119,999,830 in respect to payables incurred in the previous year and Ugx 220,535,081 in respect to receivables in order to suit the basis of Accounting (Modified cash basis)

Adjustment of UGX 1,514,264 has been made to correct payables that had been posted by debiting reserves and crediting payables. We have now debited payables and credited reserves.

4) Movement of cash and cash equivalents

The movement in cash was a decrease from ugx 1,377,707,314 at beginning of the financial year to ugx 602,973,641 at end of financial year due to net decrease of cash flow of ugx 774,733,673.

5) Receivables

By way of disclosure, the University ended the year by students debtors amounting to ugx 220,535,081 that were not incorporated in the accounts due to the basis of accounting being applied by government entities.

6) Non Tax Revenue Budget

The approved Non Tax revenue Budget was ugx 14,520,263,658 which was received from Treasury through warrants during the year 2018/19. Out of the amount received Ugx 2,932,570,000 was to compensate for excess remittance of revenue to treasury during the FY 2017/18 and meant for construction of students hostel. The balance of Ugx 11,587,693,658 was NTR for FY 2018/19 and our remittances to the consolidated fund amounted to Ugx 12,198,619,396 resulting into excess remittance of Ugx 610,925,738 which is a receivable from UCF.

7) Construction works advance recovery

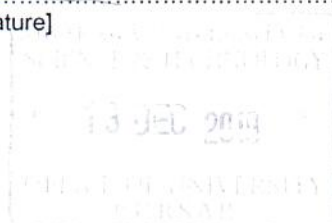
A recovery of ugx 263,172,525 was made from a contractor during the year for works advance that had been made in FY 2017/18.

University handled Research Grants for 56 projects during the year whose details are available on page 37.

I take full responsibility for the completeness and integrity of these Financial Statements

.....
Head of Accounts [Names & Signature]

12-12-2019
Date



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Financial Statements for the Financial Year ended 30 June 2019

MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

Statement of Financial Performance

[Based on classification of expenditures by nature]

	Note	Actual 30 June 2019 (Shs)	Actual 30 June 2018 (Shs)
OPERATING REVENUE			
Revenue			
Taxes	2		
External Grants Received	3		
Transfers received from the Consolidated Fund	4	51,575,005,601	44,329,123,975
Transfers from the Contingencies Fund	5		
Transfers received from Other Government units	6		
Non – Tax revenue	7	11,412,179,867	9,681,492,385
Total operating revenue		62,987,185,468	54,010,616,360
OPERATING EXPENSES			
Employee costs	8	36,107,367,969	30,707,070,783
Goods and services consumed	9	5,812,001,534	5,103,028,262
Consumption of property, plant & equipment	10	7,537,299,473	1,228,510,533
Subsidies	11		
Transfers to other Organisations	12	419,042,953	386,029,700
Social benefits	13		
Other operating expenses	14	1,844,247,671	1,602,637,205
Total operating expenses		51,719,959,600	39,027,276,483
Excess of revenue over expenditure from operating activities		11,267,225,868	14,983,339,877
Foreign exchange loss (Gain)	15		
Finance costs	16		
Transfers to Treasury	17	12,198,619,396	12,349,220,281
Excess of Revenue over expenditure for the year		-931,393,528	2,634,119,596

Zadock Beelom
for Accounting Officer [Names & Signature]



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MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

Statement of Financial Position

	Notes	30 June 2019 (Shs)	30 June 2018 (Shs)
ASSETS			
Cash and cash equivalents	18	602,973,641	1,377,707,314
Receivables	19	956,642,541	1,452,056,003
Inventories	20		
Investments	21	3,000,000	3,000,000
Non Produced Assets	22		
Total Assets		1,562,616,182	2,832,763,317
LIABILITIES			
Borrowings	23		
Payables	24	286,121,044	37,624,144
Pension Liability	25		
Total Liabilities		286,121,044	37,624,144
Net assets (liabilities)		1,276,495,138	2,795,139,173
REPRESENTED BY:-			
Net Worth		1,276,495,138	2,795,139,173

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MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

Statement of Changes in Equity (Net Worth)

	Schedule	30 June 2019 (Shs)	30 June 2018 (Shs)
At 1 July - Net worth Last Year (B/F)		2,795,139,173	646,761,014
Less: Transfers to the UCF account (Previous Year Balances)			
+/- Adjustments (<i>Cash and cash equivalents</i>)			
Payables adjustments (<i>See statement of outstanding commitments</i>) :		1,514,264	(35,780,000)
ADJ New payables		(119,999,830)	
ADJ New salary Arrears		(248,229,860)	
Adjustments in the receivables		(220,535,081)	(449,961,437)
Revaluation reserve			
Add: Excess of revenue over expenditure for the Year		(931,393,528)	2,634,119,596
Closing Net Financial Worth		1,276,495,138	2,795,139,173

for Zadell Beebun
Accounting Officer [Names & Signature]



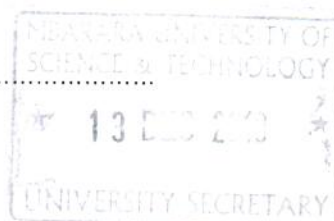
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MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

Cash flow Statement for the year ended [Direct Method]

	30 June 2019 (Shs)	30 June 2018 (Shs)
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue from Operating activities		
Taxes		
External Grants Received		
Transfers received from the Consolidated Fund	51,575,005,601	44,329,123,975
Transfers from the Contingencies Fund		
Transfers received from Other Government units		
Non – Tax revenue	11,412,179,867	9,681,492,385
Deposits received		
Advances/Arrears recovered	11,705,856	255,990,298
Less Transfer to Treasury (Balances and NTR)	(12,198,619,396)	(12,349,220,281)
Total Operating revenue	50,800,271,928	41,917,386,377
PAYMENTS FOR OPERATING EXPENSES:		
Employee costs	35,978,092,138	30,707,070,783
Goods and services consumed	5,684,830,521	5,101,933,172
Subsidies		
Transfers to Other Organisations	389,368,753	386,029,700
Social benefits		
Other expenses	1,844,247,671	1,602,637,205
Foreign exchange loss/(gain)		
Net Advances paid		
Domestic arrears paid during the year	404,339,570	550,549,235
Pension paid during the Year		
Losses of cash		
Letters of Credit receivable/Advances		1,219,815,066
Total payments for operating activities	44,300,878,653	39,568,035,161
Net cash inflows/(outflows) from operating activities	6,499,393,275	2,349,351,216
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	7,274,126,948	1,228,510,533
Purchase of non-produced assets		
Proceeds from sale of property, plant and equipment		
Purchase of investments		
Proceeds from sale of investments		
Net cash inflows/(outflows) from investing activities	-774,733,673	1,120,840,683
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from external borrowings		
Repayments of external borrowings		
Proceeds from other domestic borrowings		
Repayments of other domestic borrowings		
Net cash flows from financing activities		
Net increase (decrease) in cash and cash equivalents	-774,733,673	1,120,840,683

for Zadoch Beebun
Accounting Officer [Names & Signature]



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MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

Cash flow Statement for the year ended (continued)

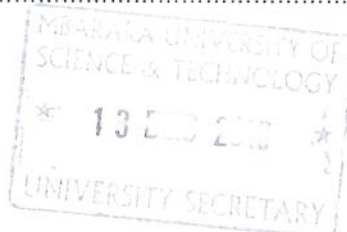
Reconciliation of movement of cash during the year

	Notes	30 June 2019 (Shs)	30 June 2018 (Shs)
At the beginning of the year		1,377,707,314	256,866,631
Less: Transfers to the UCF account (Previous Year Balances)			
Add/ (Less): Adjustments to the opening balance			
Add/ (Less) : Adjustments in cash and cash equivalents			
Net increase (decrease) of cash from the <u>Cash flow Statement</u>		-774,733,673	1,120,840,683
At the end of the year		602,973,641	1,377,707,314

For purposes of the cash flow statement, cash and cash equivalents comprise

		30 June 2019 (Shs)	30 June 2018 (Shs)
Cash and bank balances	18	602,973,641	1,377,707,314
Cash and bank balances		602,973,641	1,377,707,314

Zadock Beekun
for Accounting Officer [Names & Signature]



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Financial Statements for the Financial Year ended 30 June 2019

MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

Statement of Appropriation Account [Based On Services Voted]

	Initial Approved Budget 1 July 2018 (Shs) (a)	Revised Approved Budget 30 June 2019 (Shs) (b)	Warrants 30 June 2019 (Shs) ©	Actual 30 June 2019 (Shs) (d)	Variance 30 June 2019 (Shs) (b-d)
RECEIPTS					
Taxes					
Non – Tax revenue	12,920,118,002	14,520,263,658	14,520,263,656	11,412,179,867	3,108,083,791
Transfers received from the Consolidated Fund	35,094,123,313	37,666,028,582	37,663,978,303	51,575,005,601	(13,908,977,019)
Transfers from the Contingencies Fund					
Grants Received					
Transfers received from Other Government units					
Total receipts	48,014,241,315	52,186,292,240	52,184,241,959	62,987,185,468	(10,800,893,228)
EXPENDITURE- by services as per appropriation					
Teaching and Training	23,673,185,093	25,520,145,524	25,520,145,525	25,508,063,473	12,082,051
Research, consultancy and publication	204,342,000	384,184,280	384,184,280	378,543,780	5,640,500
Outreach	635,155,052	635,155,052	635,155,052	635,155,052	0
Students welfare	1,063,400,000	1,063,400,000	1,063,400,000	1,063,387,500	12,500
Administration and support services	15,346,662,456	16,695,433,670	16,693,383,388	16,326,360,095	369,073,575
Transfers to other Organizations	371,000,000	391,000,000	391,000,000	389,368,753	1,631,247
Government Buildings	6,008,570,000	6,685,047,000	6,685,047,000	6,856,329,365	-171,282,365
Roads and Bridges	50,000,000	150,000,000	150,000,000	132,050,046	17,949,954
Purchase of Motor Vehicles	100,000,000	100,000,000	100,000,000		100,000,000
Specialized Machinery and Equipment	461,926,714	461,926,714	461,926,714	456,009,776	5,916,938
Office and Residential Furniture	100,000,000	100,000,000	100,000,000	92,910,286	7,089,714
Total Expenditure	48,014,241,315	52,186,292,240	52,184,241,959	51,838,178,126	348,114,114
Net Receipts/Payments	0	0	0	11,149,007,342	(11,149,007,342)

Zadell Beebwa

Zadell Beebwa

Accounting Officer [Names & Signature]

