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VISION: " To be an effective and efficient Supreme Audit Institution (SAI) in promoting effective public Accountability."
MISSION: " To Audit and report to Parliament and thereby make an effective contribution to improving public accountability and Value for Money spent."

IN ANY CORRESPONDENCE ON **VFMSA 191/354/01**
THIS SUBJECT PLEASE QUOTE NO.:

27th September 2012

The Chairman
Makerere University Council
PO Box 7062
Kampala

| | |
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| Ref. nr.: | |
| Actie | AL / [Signature] |
| Ingekomen | 08 OKT 2012 |
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| Doss.nr. | |

**FINAL REPORT ON THE SPECIAL INVESTIGATION OF NPT/MAK/RUG/
STRENGTHENING ICT TRAINING AND RESEARCH CAPACITY IN THE FOUR PUBLIC
UNIVERSITY OF UGANDA PROJECT**

Following allegations of mismanagement of the project funds, this office instituted an investigation into the allegations. The main objective of investigation was to establish whether the utilization of funds earmarked for tuition, project management, construction of ICT building and the procurement of ICT equipment was in accordance with the project guidelines and government regulations.

Please find enclosed herewith the final report containing our findings and conclusions. I trust that you will find the report useful in addressing the matter.

John F. Muwanga
AUDITOR GENERAL

- c.c. The Ambassador, Royal Netherlands Embassy
- c.c. The Inspector General of Government
- c.c. The Vice Chancellor, Makerere University
- c.c. The Director General, NUFFIC
- c.c. The Director, Criminal Investigation Department, Uganda Police Force
- c.c. The University Secretary /Accounting Officer, Makerere University.
- c.c. Professor Venansius Baryamureeba

**SPECIAL INVESTIGATION INTO
ALLEGATIONS OF MISUSE OF FUNDS FOR
THE PROJECT, NPT/MAK/RUG/
STRENGTHENING ICT TRAINING AND
RESEARCH CAPACITY IN THE FOUR PUBLIC
UNIVERSITIES OF UGANDA**

FINAL REPORT

SEPTEMBER 2012

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REPORT ON THE SPECIAL INVESTIGATION OF NPT/MAK/RUG/ STRENGTHENING ICT TRAINING AND RESEARCH CAPACITY IN THE FOUR PUBLIC UNIVERSITIES OF UGANDA

EXECUTIVE SUMMARY

In June of 2007, Makerere University was awarded a grant from the Netherlands government under the *Netherlands Programme for the Institutional Strengthening of Post-Secondary Education and Training Capacity (NPT)* for the project aimed at 'Strengthening ICT Training and Research in four public universities in Uganda'. The public universities which benefited from this grant were Makerere University, Kyambogo University, Mbarara University of Science and Technology and Gulu University. The duration of the project was four years from 01 June 2007 to 31 May 2011.

The Dean of Makerere University Faculty of Computing and IT (FCIT), then was selected as the overall coordinator of the project for the Southern Partners. He was the head of the project coordinating committee comprising of coordinators from each of the four universities.

Following various complaints regarding the management of the project, the Auditor General instituted an investigation into these allegations. The major objective of the investigations were to establish whether tuition and project management funds remitted by the development partner were utilized in accordance with the project guidelines, the procurement of ICT equipment was undertaken in accordance with PPDA regulations and whether there was a basis for the allegation of misuse of funds for the construction of the ICT building

KEY FINDINGS AND CONCLUSIONS

The investigation into the allegations has revealed instances where the project and faculty management did not follow the University and donor guidelines governing the utilisation of project funds. It was particularly noted that at the time of the project closure and the time of this audit a total of Shs. 103 million earmarked for tuition and functional fees for Phd students had not been remitted to the University council account as required by the university guidelines.

It is imperative that ICT faculty puts in place a proper financial accounting system that ensures project funds are accounted for separately and not comingled with other funds and where savings are realized appropriate authority should be sought before funds are utilised.

Generally the procurement of IT equipment under this project was undertaken in accordance with PPDA Act and regulations .Our investigation revealed no conflict of interest which may have resulted in inflated prices of the procurement of IT equipment.

Based on the records reviewed, we have established that there is no basis in the allegation that the project funding towards the construction of ICT building had not been disclosed to the university administration by project management.

We did also not come across evidence to suggest any fraudulent intentions by the project management in handling of the matters which are the subject of this investigation.

Finally having evaluated the findings of this investigation, our conclusion is that the matters raised are not material enough to warrant an amendment of the audit opinion earlier issued on the financial statements of this project.



John F. S. Muwanga
AUDITOR GENERAL

27th September, 2012

FINAL REPORT ON THE INVESTIGATION OF THE PROJECT 'STRENGTHENING ICT TRAINING AND RESEARCH IN FOUR PUBLIC UNIVERSITIES IN UGANDA' IMPLEMENTED BY MAKERERE UNIVERSITY'S FACULTY OF COMPUTING AND INFORMATION TECHNOLOGY

1.0 INTRODUCTION

1.1 Background

In June of 2007, Makerere University was awarded a grant from the Netherlands government under the *Netherlands Programme for the Institutional Strengthening of Post-Secondary Education and Training Capacity (NPT)* for the project aimed at 'Strengthening ICT Training and Research in four public universities in Uganda'. The public universities which benefited from this grant were Makerere University, Kyambogo University, Mbarara University of Science and Technology and Gulu University. The duration of the project was four years from 01 June 2007 to 31 May 2011. The total project's funding was € 5,699,414 that was to be shared between the Northern (Universities in the Netherlands) and Southern Partners (i.e. the four Ugandan Universities). Of the total funds shared, the southern partners were allocated **€ 3,568,797** while the northern partners received **€ 2,130,000**

The main beneficiaries from the project were University staff, students and ICT policy makers. The Dean of Makerere University Faculty of Computing and IT (FCIT), then Prof. Venansius Baryamureeba was selected as the overall coordinator of the project for the Southern Partners. He was the head of the project coordinating committee comprising of coordinators from each of the four universities.

The project ended on the 31st May of 2011. However, there have been formal complaints regarding the management of Tuition fees and general management of the project. In particular the allegations are;

- **Tuition fees.** The financial reports revealed that a total amount of € 170,000 was provided for tuition fees. The allegations were that although the PhD candidates, who received training at Makerere University, got a tuition waiver, tuition fee costs were charged to the project by Makerere University. That if the waivers had been approved, expenditure for tuition fees could not be financed by the project for the period since only actual paid costs can be charged.
- **Procurement of ICT facilities.** An amount of €1,772,000 provided for the purchase of ICT equipment. It is alleged that the procurement of ICT equipment had been subject to a conflict of interest that resulted in the supply of computers at inflated prices.

- **Project management and administration costs.** An amount of € 310,000 was provided for project management and administration. However, some of these expenses were not eligible under the project's guidelines or that there wasn't adequate justification for them.
- **Extension of the Faculty of Computing and Information Technology:** It is alleged that funds from the NUFFIC project were irregularly used to fund a building construction project of Makerere University's Faculty of Computing and Information Technology yet the construction had been fully funded from other revenue sources.

As a result of the foregoing, the Office of the Auditor General instituted an investigation of the above allegations.

1.2 Mandate

This investigation was undertaken in conformity with Article 163 of the Constitution of the Republic of Uganda and Section 22 of the National Audit Act, 2008 which mandates the Auditor General to carry out financial audits, value for money audits and special investigations of any undertakings involving public funds.

In accordance with Section 17 of the National Audit Act and the Audit guidelines to the project agreement (Annex VI), the Auditor General has undertaken annual audits of the Nuffic projects financial statements from 2007 to 2011. These audits were undertaken in accordance with International Standards on Auditing (ISA). For the years 2007 to 2011 the Auditor General expressed unqualified opinions on the project's financial statements.

However, according to ISA 560 after the financial statements have been issued and facts become known to the Auditor that had it been known at the date of the Auditor's Report may have caused the auditor to issue a different audit opinion, the Auditor where feasible may require management to amend the affected financial statements or issue a new report.

This investigation was therefore undertaken on the understanding that should any matters arise, that impact on the opinion previously issued, the evidence available would be evaluated and the report amended.

1.3 Objectives and Scope

- To establish whether tuition amounts totaling €170,000 were utilized for the intended purpose and in accordance with project guidelines.
- To establish whether the procurement of IT equipment and software was undertaken in accordance with the PPDA guidelines.
- To establish whether project management funds were utilized in accordance with the NUFFIC guidelines.

- To establish whether the use of NUFFIC funds to pay for the construction of the ICT building was in line with the project objectives and guidelines.
- To evaluate the evidence and determine whether the results of the investigation materially affect the audit opinion issued on the annual financial statements.
- To establish whether there were any deliberate actions to unlawfully obtain personal gain in the areas subject to this investigation i.e. management of tuition funds, procurement of IT equipment, project management funds and construction of an extension to the IT building.

1.4 Limitations

- Our primary focus was investigating the allegations. Hence only documentation related to these allegations was reviewed.
- Some third parties to the project were called upon to provide contextual or corroborative information. The level of contact and the information obtained was not intended to develop conclusions regarding the outcomes of this investigation. Accordingly, this report makes no claim of inclusion of their input.
- Whilst investigating the NUFFIC funds spent on the extension of the faculty of computing and Information Technology (building project), our primary interest was to establish whether there was a double payment or over payment to the contractor. The scope did not cover the costs of the project.
- We relied on the documents presented to us by management and did not carry out any further tests to determine their authenticity.

2.0 APPROACH AND METHODOLOGY

There are no International Auditing Standards for Special Investigations. The methodology followed was designed specifically to achieve the objectives of the investigation.

2.1 Interviews

Interviews were carried out to obtain the relevant information and to verify facts. During the special audit investigation, we conducted several interviews with university staff, project staff and some of the beneficiaries of project funds. The findings of the draft report were discussed with the management of the project and the university.

2.2 Document review

During the course of the investigation, relevant documents were requested for and reviewed. Documents ranged from management reports, correspondences, financial records and reports some of which were provided as soft copies and emails.

2.3 Analysis

All numerical data received was analyzed to establish its completeness and reasonableness.

3.0 ISSUES RAISED AND THE FINDINGS

3.1 Whether project funds allocated for Tuition were used in accordance with project and University guidelines

3.1.1 Disbursement of funds

The southern partner was allocated and received a total of € 170,000 (UGX 448,700,000) to cater for tuition costs for 20 PhD students selected from the four participating Universities as indicated in the table 1 below. Makerere University fees payment guidelines require that fees payments by students for all programmes including PhD be deposited on designated fees collection bank accounts. Ideally fees payments should have been remitted directly from the NPT project account No 0105613457200 to one of the four designated fees collection accounts at DFCU and Stanbic Banks. Instead, a lump sum payment of student costs (tuition fees) covering tuition and functional fees, research costs, book allowances, stationery, printing, photocopying and welfare was made annually from the project account to the host institution account (faculty account no. 0140041700501). The tuition and functional fees remittances were then made from the faculty account to the university fees collection account.

The transfer of funds from the NPT project accounts to the operations account of the faculty instead of the University fees collection account was not consistent with the University's guidelines for fees payments.

The project coordinator explained that Makerere University's guidelines for payment of school fees were silent on whether money from projects for tuition should be paid directly to the council fees collection account or routed through the host institution and hence paying to the host institution which in turn paid to Makerere University council account was not a breach of the fees payment guidelines.

We have observed that there was lack of clarity in the project guidelines and university fees payment guidelines over the modalities of payment of fees for project-sponsored students which led to fees payments being routed through the host institution account. In view of the risk of possible unauthorised diversion of funds, we recommend that the university reviews the revenue collection/fees payments guidelines for the project sponsored students to address the matter.

Table 1 - Transfers of Tuition funds to the FCIT Account

| Date | Amount transferred (Euros) | Amount received (Shs) |
|--------------|----------------------------|-----------------------|
| 13/09/2007 | 40,000 | 96,000,000 |
| 24/06/2008 | 40,000 | 97,600,000 |
| 08/05/2009 | 40,000 | 115,000,000 |
| 18/01/2010 | 40,000 | 107,200,000 |
| 21/03/2011 | 10,000 | 32,900,000 |
| TOTAL | 170,000 | 448,700,000 |

3.1.2 Transfer of Tuition Fees to University Council

It was alleged that some of the tuition funds were not paid to the University Council and to the students as required by the university regulations as well as project guidelines.

According to the project records, € 170,000 equivalent to UGX 448,700,000 was remitted by the donor and received by the host institution to cater for tuition, functional fees and research costs. This amount was allocated by project management into various costs i.e. tuition fees, functional fees and book allowance as detailed in the table below.

Table 2 – Details of allocation of tuition costs and their transfer to the University council

| | Amount remitted by the donor (Shs) | Paid before project closure (Shs) | Balance Paid (Shs) project closure | after Total amount paid (Shs) | Balance unpaid (Shs) | |
|-----------------|------------------------------------|-----------------------------------|------------------------------------|-------------------------------|----------------------|--------------------|
| Tuition | 292,630,435 | 51,501,769 | 241,128,666 | 141,000,000 | 192,501,769 | 100,128,666 |
| Functional fees | 62,427,826 | 31,030,000 | 31,397,826 | 28,165,000 | 59,195,000 | 3,232,826 |
| Subtotal | 355,058,261 | 82,531,769 | 272,526,492 | 169,165,000 | 251,696,769 | 103,361,492 |
| Book allowance | 93,641,739 | 18,030,000 | 75,611,739 | 6,720,000 | 24,750,000 | 68,891,739 |
| TOTAL | 448,700,000 | 100,561,769 | 348,138,231 | 175,885,000 | 276,446,769 | 172,253,231 |

The tuition and functional fees were payable to the university while the research costs were payable to the students.

3.1.2 (a) Tuition fees

At the time of audit, of the **Shs. 292,630,435** earmarked for tuition fees, only **Shs. 192,501,769** had been paid to the university council leaving a balance of **Shs. 100,128,666**. Of this, **Shs. 66,000,000** was not remitted because nine of the students, being staff of Makerere University applied for and were granted tuition waivers.

We observed that the waiver of tuition fees for the eleven students generated savings to the project. According to the project guidelines, any savings on a project are supposed to be declared, re-budgeted and approved by the donor¹. However, we were not availed evidence that authority was granted for the retention and subsequent utilization of the UGX. **66,000,000** 'saving'. Table 4 below refers.

Table 3 – List of PhD students who received tuition waivers

| | Name | Reg. No | Period of waivers (years) | Total |
|---|----------------------------|------------------|---------------------------|-------------------|
| 1 | Amiyo Mercy Rebecca | 2007/HD18/ 4866U | 3 | 9,000,000 |
| 2 | Nakibuule Rose | 2007/HD18/ 4861U | 3 | 9,000,000 |
| 3 | Ssekibuule Richard | 2007/HD18/4856 U | 3 | 9,000,000 |
| 4 | Mwebaze Ernest | 2007/HD18/9366 U | 1 | 3,000,000 |
| 5 | Bagarukayo Emily | 2007/HD18/4830 U | 3 | 9,000,000 |
| 6 | Nakiyimba Irene | 2006/HD18/6781 U | 3 | 9,000,000 |
| 7 | Mirembe Patrick Drake | 2007/HD18/4828 U | 2 | 6,000,000 |
| 8 | Zawedde Aminah Sebagala | 2007/HD18/6783U | 3 | 9,000,000 |
| 9 | Mary Komunte | 2007/HD18/4855U | 1 | 3,000,000 |
| | TOTAL | | | 66,000,000 |

The project coordinator explained that the spirit of the Tuition waivers was to save the tuition funds during the project period and make it available to the students who would not have finished their PhDs during the project duration to complete their studies after project closure.

He added that the waiving of tuition fees was further not envisaged as a saving but as part of a pool of resources from which student costs would be met and that this

¹ Exhibit 1 – Project guidelines

was done after realising that the costs of facilitating a student at the host institution were above the Euros 2,000 per year originally anticipated.

3.1.2 (b) Functional Fees

Included in the tuition costs were functional fees (i.e. registration, administration, examination, library fees) payable to the University Council totaling UGX **62,427,826**. At the time of project closure only UGX **31,030,000** had been paid to the University Council. An additional amount of Shs **28,165,000** was paid after project closure leaving an unpaid balance of Shs **3,232,826**.

The project coordinator explained that the reported balance of Shs 3,232,826 was part of the pool of resources from which student costs would be met.

We observed that overall Shs. 103,361,492 in respect of tuition and functional fees was not remitted to the university council by the project management contrary to the university guidelines. The project coordinator explained that the balance of Shs. 103,361,492 was not meant to be transferred to the center because the transfers for students' costs to the host institution account was envisaged as a contribution to the host institution to cover costs of students undergoing training at the host institution and accordingly the amount was utilized to meet the costs of students' welfare, stationery, printing and photocopying.

However, in view of the fact that the funds had been comingled with other operational funds of the faculty, we were not able to link the operations expenditures of the faculty to the project activities. Besides, the university guidelines required that the balance should have been remitted to the university council from which the faculty share would be accessed by the host institution for purposes of meeting those expenses.

3.1.2 (c) Book Allowance/Research Costs

Out of Shs.93,641,739 earmarked for research costs/book allowances, Shs. 24,750,000 had been paid to the students leaving Shs.68,891,739 outstanding. We received written confirmation from the faculty head that this amount is available and committed to meeting the student's research costs as and when they claim them. However, this amount should not have been charged to the project since, according to project guidelines, only actual costs were chargeable to the project. (The amount expensed was Shs.75,611,739 at the time of project closure). For these funds to be retained a budget extension should have been sought from the donor but this was not done.

Based on the work performed, our conclusion is that;

- the failure to remit the Shs.103,361,492 contravened the university fees collection guidelines. Due to comingling of funds, we were unable to verify the assertions by the project coordinator that the amounts were utilized towards supporting Phd students.

- the charging of research costs of Shs.68,891,731 against the project contravened Nuffic guidelines as it had not been spent by the time of this audit.
- there was a lack of clarity in the guidelines regarding the remittance of university fees for project sponsored students which resulted in fees payments being made to multiple accounts.

3.2 **Whether the procurement of IT equipment and software was undertaken in accordance with PPDA guidelines**

The university was allocated and received € 840,500 equivalent to US\$ 1,417,881 for procurement of IT equipment and related software under two project components i.e. Improve ICT and Teaching infrastructure and Strengthening the Centre of Excellence as indicated in the table below;

Table 4 – Details of I.T. equipment Suppliers and contract amounts

| Details of procurement | Supplier | Contract Amount (USD) |
|--|-----------------------------------|------------------------------|
| Strengthening Centre of Excellence | | |
| • 700 desktop computers | International Business Associates | 621,650 |
| • 300 Thin client computers | Computer Point | 224,206 |
| • 802 UPS | Technology Associates | 96,170 |
| • Software | International Business Solutions | 136,361 |
| Improve ICT and Teaching Infrastructure | | |
| • 100 laptops | International Business Solutions | 148,730 |
| • 155 desktop computers | International Business Solutions | 148,335 |
| • 155 UPS | Southern Business Solutions | 17,515 |
| • Smart board Interactive White Boards and accessories | ICT Consult | 24,944 |
| TOTAL | | 1,417,881 |

It is alleged that the above procurements of ICT equipment were subject to a conflict of interest and resulted in the supply of computers at inflated prices.

3.2.1 **Conflict of Interest**

The staff of the faculty of computer science established a company called ICT Consults Limited part of whose business objectives was to develop the professional

status of the academic staff of the institute of computer science, offer technical services, information systems consultancy services, systems analysis and design consultancy services and computer application consultancy services².

During the tenure of the project, ICT consults participated by tendering for some of the project procurements. The procurements under this grant were done in three phases;

Phase One

- The 1st phase comprised of procurement of 100 laptop computers, 155 desktops, and 155 UPS', GIS equipment and software (under Procurement reference No. MUK/SPLS/2007-08/00002)³. According to documents seen by Audit, ICT consults submitted a bid for supply of laptops, computer and UPS but the bid was rejected by the evaluation committee citing conflict of interest⁴. The contract was subsequently awarded to another company International Business Solutions.

Phase Two

- The 2nd phase involved the supply of 700 computers, 300 thin clients and 802 UPS (under procurement ref no. MUK/SPLS/2007-08/00036). ICT consult did not submit any bid for the 2nd phase. Following an evaluation process, the contracts were awarded to Technology Associates Limited, Computer Point limited, International Business Solutions limited and International Business Associates.

This particular procurement was subject of an investigation by the Public Procurement and Disposal Authority following a complaint that the procurement had not followed the PPDA regulations. In response to this complaint, PPDA instituted an investigation and in their conclusion they stated that **"...the procurement of the 1000 computers was done in accordance with the PPDA Act and Regulations thereunder and therefore there is no merit in the complaint"**.

We have reviewed and confirmed the findings of the PPDA report and concur with their position on the matter⁵.

Phase Three

- The 3rd phase involved the procurement of smart interactive white boards. ICT consult, a company in which the NUFFIC project coordinator had a controlling interest was awarded a contract through single sourcing to supply and deliver four smart interactive white boards with accompanying projectors, laptops and

² Exhibit 4 – ICT Consults Memorandum of association

³ Exhibit 5 – Evaluation report phase 1

⁴ Exhibit 6 – Evaluation report phase 2

⁵ Exhibit 7 – PPDA report

accessories at a contract sum of \$24,944. The contract was awarded on the grounds that;

- o ICT consult was the sole authorized partners of MS Smart technology limited who are the manufacturers' of smart-board learning technology.
- o The firm had previously supplied the same interactive white smart boards to the procuring entity through a contract funded under the Carnegie fund.
- o Before the contract under the Carnegie Fund was awarded, the Procuring Unit was mindful of the risk of conflict of interest. On September 07, 2006 they contacted known manufacturers of smart technologies in the world inquiring if they had local or authorized dealers in Uganda. Only one manufacturer of SMARTBOARD Technologies cooperation responded pointing out ICT consults ltd as their only local supplier⁶. Under the circumstances, Makerere University had only the option of single sourcing, since there was only one local supplier.

During the review, we did not come across any instances of conflict of interest in the procurement of various computer equipment from International Business Associates, Southern Business Solutions, Technology Associates and Computer Point. As for the procurement of smart interactive boards, mitigating measures were taken to address the apparent conflict of interest.

3.2.2 Inflated pricing

We compared the contract prices for the procurement of computers and related software to an existing Framework contract of the University for supply of computers. Although there was no exact match with respect to the specifications of the computers in the Framework contract and those that are the subject of the allegation, the prices for the computers and related equipment were fair as compared to the framework contract.

We also sought expert advice on the pricing of similar products. Based on the work undertaken our conclusion is that the prices charged were fair and reflect the prevailing market prices at the time of the procurement.

3.3 Whether the use of NUFFIC funds to pay for the construction of the ICT Building was in line with the project objectives and guidelines

The contract for the Extension of the ICT building was awarded for Shs. 12 billion to M/S Compliant to be executed in three phases. According to the contract, the works were to be phased and executed subject to availability of funds. At the time of the audit, two phases had been completed as detailed below;

⁶ Exhibit 8 – ICT Consults representation letter from Smartboard technologies

| Phase | Contract Sum | Contract Date |
|---------|----------------------|---------------------------------|
| Phase 1 | 3,937,223,753 | 9 th February, 2006 |
| Phase 2 | 4,239,799,118 | 26 th February, 2007 |

The phase 2 contract was first amended on the 12th June 2007 through an addendum to the contract⁷. This raised the contract sum to **SHS 4,829,116,457**. Variations orders were subsequently made whose net effect was an increase of the contract value by Shs. 584,460,910 (or 12% of the contract value). As a result, the Final Contract value for Phase 2 increased to **Shs. 5,373,625,316**. There was however no evidence that Reg. 261(2) of the PPDA Regulations, 2003 which requires approval of contract variations by the Contracts Committee was complied with.

It was alleged that although this project was fully funded through internally generated revenue disbursements to the Faculty of Computing and IT, the coordinator of NUFFIC also used NUFFIC project funds to pay for 3 certificates whose value was **Shs.1,331,410,927** hence causing a double and/or over payment to the contractor.

It was also alleged that the coordinator had not disclosed the NUFFIC funds meant for the building construction to the university's administration implying that he requisitioned for funds for building construction fraudulently

a) Disclosure of NUFFIC funding for the building construction

It is true that NUFFIC funds amounting to **Shs. 1,331,410,927** were utilized to settle 3 works certificates relating to the construction of the Extension of the FCIT building.⁸ Project records indicate that this amount had actually been provided for in the project budget to cater for the furnishing and finishing of a floor of centre of excellence.

In an unreferenced letter dated 29th January, 2007 to the Vice chancellor and copied to the University Secretary, the project coordinator stated that **'Out of 1.5 million Euros for Makerere University, Euro 527,000 is for finishing and furnishing one floor on the new building'**⁹.

Therefore the allegation that NUFFIC funding for the building had not been disclosed to the university authorities has no basis.

b) Double payment/Over payment to contractor

According to documents availed, the contractor submitted certificates for works done amounting to SHS 9,093,390,528. Payment records indicate that to date only SHS 8,251,507,519 has been paid to the contractor as indicated in the table.

⁷ Exhibit 10 – Addendum to contract

⁸ Exhibit 11- Payments for phase 2 by NUFFIC

⁹ Exhibit 12 – Letter to Vice Chancellor

Table 5 - Summary of Certificates and Payments

| Certificates | Total value | Certificates | Total Payments | Source of funds |
|--------------------------------|----------------------|--------------|----------------------|--------------------|
| Certificates 1-8 (Phase 1) | 3,719,765,212 | | 3,642,864,655 | Faculty |
| Certificates 1, 5-11 (Phase 2) | 3,802,560,422 | | 3,293,668,304 | Faculty and Centre |
| Certificates 2-4 (Phase 2) | 1,571,064,894 | | 1,314,974,560 | NUFFIC |
| TOTAL | 9,093,390,528 | | 8,251,507,519 | |

Our review did not reveal any double or over payment to the contractor as a result of the alleged non-disclosure of the NUFFIC funding to the University.

We also observed that the funds used to pay for the certificates were from different bank accounts yet there was a designated building project account. This is not good practice as it can lead to double/over payment and loss of audit trail.

During the 2nd phase of the project, Makerere University wrote to the Ministry of Finance applying for a VAT waiver on the project. There was no formal approval of the VAT waiver¹⁰. However, we note that some of the payments made were VAT inclusive while others were not.

3.4 Whether project management funds were utilized in accordance with the NUFFIC guidelines

There were allegations that the €310,000 meant for project administration expenses was not utilized as stipulated by the NUFFIC regulations.

In the project budget/work plan, administration costs were allocated to various items as indicated in the table below;

Table 6 - Work plan/Budget extract of Project Management Expenses

| BUDGET ITEM | REF: | AMOUNT |
|---------------------------------------|------|----------------|
| Staff time | PM1 | 303,500 |
| Project Leader's international travel | PM2 | 7,020 |
| Staff Time in NL | PM3 | 0 |
| TOTAL | | 310,520 |

According to the project guidelines, only expenses relating to payment of salaries, incentives, communication costs (telephone, mail, messenger service), office supplies,

¹⁰ Exhibit 13 – Request for a VAT waiver.

photocopying and any other operational costs including transportation, maintenance of project cars and insurance are allowed as general administrative costs. For all these costs, NUFFIC had to also approve the various expenditure items.

3.4.1 Project Management expenses

An analysis of the reported expenses for project management indicated that all the expenses were eligible under NUFFIC's guidelines for project management. A summary of the expenses in Euro and SHS is presented below;

Table 7 - Summary of Project Management expenses

| SUMMARY | EUROS | SHS |
|-------------------------|----------------|-------------------|
| FUEL | 0 | 26,341,893 |
| MEETINGS & WORKSHOPS | 58,478 | 16,869,500 |
| CONSULTANCY | 204,330 | 11,779,580 |
| COMMUNICATION & AIRTIME | 0 | 31,580,909 |
| TAXES | 9,170 | 0 |
| TOTAL | 271,978 | 86,571,882 |

3.4.2 Staff Time Record Book

- **€ 204,330** and **SHS 11,863,580** of project management expenses were in respect of staff-time payments to eight project staff as indicated in table 8 below. In order to justify this expenditure, the project management was expected to maintain records showing the amount of time spent on project activities as well as show outputs for the paid time. The expected outputs include reports, minutes of meetings attended, etc.

Table 8 - Payments for staff time summarised by staff member

| | Staff Name | TOTAL PAYMENT | |
|---|-----------------------------|----------------|-------------------|
| | | Euros | SHS |
| 1 | Baryamureeba Venansius | 141,132 | 7,820,000 |
| 2 | Ddembe Williams | 3,713 | 0 |
| 3 | Egessa Francis | 1,504 | 977,900 |
| 4 | Josephine Nabukenya | 3,008 | 0 |
| 5 | Jude Lubega | 15,980 | 1,222,000 |
| 6 | Komugisha Consolate | 14,691 | 782,080 |
| 7 | Michael Niyitegeka | 7,990 | 0 |
| 8 | Peace Buhwamatsiko Tumuheki | 16,312 | 977,600 |
| | TOTAL | 204,330 | 11,779,580 |

The project coordinator presented a staff time record book showing a record of the time spent on the project. However, the attendance registration book cannot be relied on for a number of reasons;

- Although some staff did not meet the contracted hours per month, they were earning a fixed allowance for each month.
- Not all staff consistently signed the book. Three staff members including the project coordinator did not sign the register at all.
- The register has spaces and gaps.
- The register was not being ruled off at the end of day or month, hence creating a risk of fraudulent registration.
- There is no direct correlation between time recorded and the output on the project.
- There is no proof of authorization or checking on the time spent on the project.
- The following staff, although employed on the project did not sign the register; Ddembe William, Egessa Francis and Josephine Nabukenya.

In spite of these gaps in the maintenance of the staff time record book, the outputs from these staff were to a large extent evident from our interviews of staff and the review of project management and project completion reports.

4.0 OVERALL CONCLUSION

The investigation into the allegations has revealed instances where the project and faculty management did not follow the University and donor guidelines governing the utilisation of project funds. It was particularly noted that at the time of the project closure and the time of this audit a total of Shs. 103 million earmarked for tuition and functional fees for Phd students had not been remitted to the University council account as required by the university guidelines.

It is imperative that ICT faculty puts in place a proper financial accounting system that ensures project funds are accounted for separately and not comingled with other funds and where savings are realized appropriate authority should be sought before funds are utilised.

Generally the procurement of IT equipment under this project was undertaken in accordance with PPDA Act and regulations .Our investigation revealed no conflict of interest which may have resulted in inflated prices of the procurement of IT equipment.

Based on the records we reviewed, we have established that there is no basis in the allegation that the project funding towards the construction of ICT building had not been disclosed to the university administration by project management.

We did also not come across evidence to suggest any fraudulent intentions by the project management in handling of the matters which are the subject of this investigation.

Finally having evaluated the findings of this investigation, our conclusion is that the matters raised are not material enough to warrant an amendment of the audit opinion earlier issued on the financial statements of the project.



John F. S. Muwanga
AUDITOR GENERAL

27th September, 2012

5.0 APPENDICES

5.1 List of staff who benefitted from the tuition waiver

| | Name | Reg. No | Period of waivers (years) | Total |
|----|-------------------------|------------------|---------------------------|-------------------|
| 1 | Amiyo Mercy Rebecca | 2007/HD18/ 4866U | 3 | 9,000,000 |
| 2 | Nakibuule Rose | 2007/HD18/ 4861U | 3 | 9,000,000 |
| 3 | Ssekibuule Richa d | 2007/HD18/4856 U | 3 | 9,000,000 |
| 4 | Mwebaze Ernest | 2007/HD18/9366 U | 1 | 3,000,000 |
| 5 | Bagarukayo Emily | 2007/HD18/4830 U | 3 | 9,000,000 |
| 6 | Nakiyimba Irene | 2006/HD18/6781 U | 3 | 9,000,000 |
| 7 | Mirembe Patrick Drake | 2007/HD18/4828 U | 2 | 6,000,000 |
| 8 | Zawedde Aminah Sebagala | 2007/HD18/6783U | 3 | 9,000,000 |
| 9 | Mary Komunte | | 1 | 3,000,000 |
| 10 | Peter Khisa Wakhooli | | 1 | 3,000,000 |
| 11 | Fred Noah Kiwanuka | | 1 | 3,000,000 |
| | TOTAL | | | 72,000,000 |

5.2 List of the project staff

| Name | Position | Consultancy rate/hour |
|------------------------------|-------------------------|-----------------------|
| Prof. Baryamureeba Venansius | Project coordinator | 40 |
| Consolata Komugisha | Project Finance Officer | 20 |
| Peace Tumuheki | | 20 |
| Niyitegeka | | 25 |
| Ddembe Williams | | 25 |
| Francis Egessa | | 10 |
| Jude Lubega | | 25 |
| Josephine Nabukenya | | 25 |

5.3 Building Certificates and payments for Phase 1

| Phase | Certificate No. | Certification Excl VAT | VAT | Total Certificate Value | Vr. No. | Total Voucher Payment |
|--------------|------------------------|------------------------|--------------------|-------------------------|-----------|-----------------------|
| Phase I | Advance | 787,444,751 | - | | 1159 | 787,444,751 |
| Phase I | Cert no. 1 | 430,644,661 | 77,516,039 | 615,821,865 | 1164 | 562,930,741 |
| Phase I | Cert no. 2 | 459,433,347 | 82,698,002 | 796,439,351 | 1164 | |
| Phase I | Cert no. 3 | 409,706,640 | 73,747,195 | 483,453,835 | 1168 | 483,453,835 |
| Phase I | Cert no. 4 | 443,976,454 | 79,915,762 | 523,892,216 | 1176 | 523,892,216 |
| Phase I | Cert no. 5 | 598,188,291 | 107,673,892 | 705,862,183 | 1178&1180 | 705,862,183 |
| Phase I | Cert no. 6 | 263,323,596 | 47,398,247 | 310,721,843 | 1181 | 310,721,843 |
| Phase I | Cert no. 7 | 156,901,123 | 28,242,202 | 185,143,325 | 1195 | 185,143,328 |
| Phase I | Cert no. 8 (retention) | 83,415,758 | 15,014,836 | 98,430,594 | 3511 | 83,415,758 |
| TOTAL | | 3,633,034,621 | 512,206,175 | 3,719,765,212 | | 3,642,864,655 |

5.4 Building Certificates and payments for Phase 2

| Phase | Certificate No. | Certification Excl VAT | VAT | Total Certificate Value | Vr. No. | Total Voucher Payment | Source of funds |
|--------------|---------------------|------------------------|--------------------|-------------------------|---------|-----------------------|-----------------|
| Phase 2 | Cert no. 1 | 81,612,999 | 14,690,340 | 96,303,339 | 1198 | 96,303,339 | Faculty |
| Phase 2 | Cert no. 2 | 96,507,855 | 17,371,414 | 113,879,269 | 3652 | 90,713,384 | NUFFIC |
| Phase 2 | Cert no. 3 | 177,364,935 | 31,925,688 | 209,290,623 | 3692 | 166,723,039 | NUFFIC |
| Phase 2 | Cert no. 4 | 1,057,538,137 | 190,356,865 | 1,247,895,002 | 3892 | 1,057,538,137 | NUFFIC |
| Phase 2 | Cert no. 5 | 642,249,516 | 115,604,913 | 757,854,429 | 3507 | 658,681,883 | Faculty |
| Phase 2 | Cert no. 6 | 100,583,956 | 18,105,112 | 118,689,068 | 3514 | 100,583,956 | Faculty |
| Phase 2 | Cert no. 7 | 631,317,858 | 113,637,214 | 744,955,072 | 3519 | 631,317,858 | Faculty |
| Phase 2 | Cert no. 8 | 462,153,645 | 83,187,656 | 545,341,301 | 3522 | 462,153,645 | Faculty |
| Phase 2 | Cert no. 9 | 290,725,857 | 52,330,654 | 343,056,511 | 3523 | 290,725,857 | Faculty |
| Phase 2 | Cert no. 10 | 893,137,090 | 160,764,676 | 1,053,901,766 | 903558 | 1,053,901,766 | Centre |
| Phase 2 | Cert.11 (Retention) | 120,727,912 | 21,731,024 | 142,458,936 | | | Centre |
| TOTAL | | 4,553,919,760 | 819,705,556 | 5,373,625,316 | | 4,608,642,864 | |

**PROJECT MANAGEMENT OF THE PROJECT 'STRENGTHENING ICT TRAINING AND RESEARCH CAPACITY
IN THE FOUR PUBLIC UNIVERSITIES IN UGANDA'**

PROJECT MANAGEMENT TASKS

| Tasks | Costs per task in Euros | Activities/Outputs |
|----------------------------------|------------------------------------|--|
| Staff Time | 219,440 | <ul style="list-style-type: none"> • Contribution of each staff to project outputs as shown in appendix B |
| Inception Phase | 40 | <ul style="list-style-type: none"> • Refreshments for students' selection committee |
| Project Launch | 2,834 | <ul style="list-style-type: none"> • Procurement of T-Shirts and bags • Cocktail |
| Coordination meetings | 64,247 | <ul style="list-style-type: none"> • Transport, Per diem and Accommodation for members resulting into 15 meetings • Sitting Allowances/refreshments for the members of the Coordination/ Management Committees at Gulu, Kyambogo & Mbarara resulting into several meetings |
| Communication | 8,467 | <ul style="list-style-type: none"> • Facilitation to the Project Administrator • Internet Modems and subscription for the project management team in all the 4 participating universities |
| Project Vehicle | 4,770 | <ul style="list-style-type: none"> • For meetings outside Makerere University • Transport for Project Leader and other Project staff while performing project activities • Maintenance costs |
| Project Coordinator Visits to NL | 4,475 | <ul style="list-style-type: none"> • 3 Management visits were undertaken by Project Leader, Project Administrator, and Project Finance Officer. |
| Closing ceremony | 5,727 | <ul style="list-style-type: none"> • Transport Refunds & Perdiem for Participants from Upcountry Universities, Gifts and other organizing related costs |
| Totals | 310,000 | |

BREAKDOWN OF STAFF TIME-APPENDIX A

| Staff | Months in 2007 | Months in 2008 | Months in 2009 | Months in 2010 | Months in 2011 | Total in Months | Hrs per month | Rate per hr | Total Amount in Euros |
|--|----------------|----------------|----------------|----------------|----------------|-----------------|---------------|-------------|-----------------------|
| Overall Project Leader/Coordinator | | | | | | | | | |
| Prof. Venansius Baryamureeba | 7 | 12 | 12 | 12 | 4 | 47 | 64 | 50 | 150,400 |
| Other Coordinators | | | | | | | | | |
| Dr. Ddembe Williams | 7 | 2 | | | | 9 | 20 | 25 | 4,500 |
| Dr. Jude Lubega | | 10 | 12 | 12 | 2 | 36 | 20 | 25 | 18,000 |
| Mr. Michael Niyitegeka | | | 3 | 12 | 2 | 17 | 20 | 25 | 8,500 |
| Dr. Josephine Nabukenya | | | | 6 | 2 | 8 | 16 | 25 | 3,200 |
| Administrative Staff | | | | | | | | | |
| Peace Tumuheki-Project Administrator | 7 | 12 | 12 | 12 | 2 | 45 | 20 | 20.00 | 18,000 |
| Consulate Komugisha- Project Finance Officer | 7 | 12 | 12 | 12 | 4 | 47 | 16 | 20.00 | 15,040 |
| Francis Egessa- Assistant Accountant | 3 | 12 | 3 | | | 18 | 10 | 10.00 | 1,800 |
| Total | | | | | | | | | 219,440 |

Notes:

- (1) Dr. Ddembe Williams worked from 1st June 2007 to 27th February 2008. Dr. Jude Lubega worked from 1st March 2008 to the end of the project.
- (2) Mr. Michael Niyitegeka joined the project as a coordinator to support linkages with the private sector in all the public Universities in Uganda. He put in 20 hrs per month for the period 1st October 2009 to the end of the project.
- (3) Upon the appointment of Dr. Josephine Nabukenya as Ag Dean of the Faculty of Computing and IT, she joined the project Management team and put in 16 hours per month from July 2010 to the end of the project.

STAFF TIME OUTPUTS- APPENDIX B

| Outputs | Details | How Staff Participated (Payable hrs per output) | | | | | | | | | |
|---|--|---|----|-----|----|----|-----|----|----|--|--|
| | | VB | DW | JL | MN | JN | PT | CK | FE | | |
| Built sustainable ICT human resource capacity at all the four Public Universities | <ul style="list-style-type: none"> Coordinating 30 PhD students 20 in Ug, 10 in NL. Selecting appropriate supervisors for UG students Monitoring and tracking students research progress Dialoguing between students and supervisors Linking students with industry stakeholders for their study cases Coordinating and follow-up of students' requests related to research within and outside the University Representing students' views to specific University Management Providing guidance on several issues deterring research progress Procuring internet connectivity and accommodation for students of Kyambogo, Gulu and MUST | 752 | 72 | 288 | 16 | 64 | 180 | 94 | 18 | | |
| Strengthened ICT Educational Programmes at the four public universities in Uganda | <ul style="list-style-type: none"> Quality Assurance workshops (4 reports) ICT Skills training of staff at Makerere University Recruitment of staff to provide teaching support to Kyambogo Gulu and MUST Curriculum review workshops by Dutch experts and local staff to MAK, KYU, Gulu and MUST | 188 | 18 | 46 | | | 32 | 18 | | | |

| | | | | | | | | | |
|---|--|-----|----|-----|----|----|----|----|----|
| | <ul style="list-style-type: none"> • Curriculum review for ICT programs MUST and KYU • ICT short course development • Mentorship on institutional branding through use of ICT • Open days for ICT based programs • Development of e-learning policy • Establishment of e-learning infrastructure • Training on e-learning implementation for students and staff | 658 | 18 | 112 | 32 | 16 | 54 | 76 | 18 |
| <p>Strengthened National Research and Joint Research Programme</p> <ul style="list-style-type: none"> • Research linkages with the different stakeholders • National ICT Research Agenda • International Conference on Computing & ICT Research (4 conferences and 4 research proceeding books) • Annual graduate students colloquium • International Journal of Computing and ICT Research (11 issues) • Research seminars and workshops for graduate students by local staff • Coordinating Research seminars and workshops for graduate students by Dutch experts • Quarterly Research Magazine • Research initiatives under the national research programme • Modern University and Research Management workshops (5 reports) • Establishment of research groups • Joint ICT Incubation for students in MAK | | | | | | | | | |

| | | | | | | | | | | | | | | | | | | | | |
|--|--|-----|----|-----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|----|
| | <ul style="list-style-type: none"> • Coordination and compilation of staff publication • Research students' mentorship from Dutch experts • Collaborative Community outreach programmes | | | | | | | | | | | | | | | | | | | |
| Promotion of Gender balance | <ul style="list-style-type: none"> • Development of gender promotion strategy • Development of news paper gender promotion supplements • Campaigns to cause improved enrollment of females in ICT programmes • ICT and Gender Workshops for women leaders, doctors, teachers • Career guidance for female students within Universities • Coordinating the ICT and Gender certificate course at MAK • Research enhancement for female researchers on the project to undertake research | 72 | 18 | 32 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 |
| Relations and Collaboration among the Public Universities, ICT Industry and Government | <ul style="list-style-type: none"> • Consultative/Stakeholders workshops (4 reports) • Strengthened relations and collaborations among the public universities • Strengthened relations with the ICT Industry • Strengthened relations with the government • Increased collaborative projects between private and public sector • Increased internship for ICT students within the industry • Improved dialoguing between private and public sectors | 304 | 18 | 188 | 72 | 16 | 45 | 47 | 18 | | | | | | | | | | | |

| | | | | | | | | | |
|--|---|-------------|------------|------------|------------|------------|------------|------------|------------|
| Annual Narrative Reports | <ul style="list-style-type: none"> • 5 reports • Minutes for 15 meetings of the main Project Management Committee • Monthly meetings minutes • Day today documentation of Project activities/face to face meetings and email communications | 564 | | | 16 | | 342 | 170 | 36 |
| Annual Financial Reports | <ul style="list-style-type: none"> • Monthly and quarterly management financial reports • 5 reports | 94 | | | | | | 188 | 54 |
| Coordination with Dutch Institutions | <ul style="list-style-type: none"> • Dutch expert missions to Uganda • Uganda missions to NL • Working on Planning documents • NUFFIC monitoring missions to Uganda | 94 | 36 | 112 | 16 | 16 | 135 | 47 | 18 |
| Coordination with Ugandan Institutions | <ul style="list-style-type: none"> • Gender awareness and promotion activities • Curriculum development and reviews • Curriculum implementation | 282 | 18 | 72 | 40 | 16 | 94 | 94 | 18 |
| Total Hours on the Project | | 3008 | 180 | 720 | 340 | 128 | 900 | 752 | 180 |

VB- Prof. Venansius Baryamureeba, **DW-** Dr. Ddembe Williams, **JL-** Dr. Jude Lubega, **MIN-** Mr. Michael Niyitegeka, **JN-** Dr. Josephine Nabukenya, **PT-** Ms. Peace Tumuheki, **CK-** Ms. Consolate Komugisha and **FE-** Francis Egessa

Notes:

- Some activities/outputs were implemented/achieved outside the payable hours i.e. staff put in extra hours beyond the project payable hours in the following:
 - Inception phase, which included coordination of the recruitment of PhD students, finalizing initial work plan, launching of the project etc [50 Days (400 Hours)].
 - Improvement of ICT teaching Infrastructure including purchase of ICT equipment for student labs, specialized labs, PhD students, staff and verification of equipment at the four public universities [20 Days (160 Hours)].

c) Coordination of the Tracer Study [25 Days (200 Hours)] .

2. In all other project activities the project team put in more hours beyond the claimable hours from the start of the project even beyond the project closure. These non-payable hours will cease when the last student on the project completes.