

**INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
OF UGANDA  
(ICPAU)**

**Draft Auditing Guidelines for Education  
Institutions**

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## **1.0 INTRODUCTION**

Education is the process of imparting/acquiring skills and value systems to be able to provide solutions to present and future challenges for the purposes of living a happy life. The system of education in Uganda has a structure of 7 years of primary education, 6 years of secondary education (divided into 4 years of lower secondary and 2 years of upper secondary), and 3 to 5 years of post-secondary education.

These guidelines have been developed as quick guide for persons auditing educational institutions in Uganda. They give the structure of education in Uganda, provide the legal framework and regulations of education, education policies aimed at enhancing education to all, highlight legal provisions on accounting and auditing, and provide auditing aspects covering the audit process and also provide a checklist for areas that may provide challenges to the auditor.

## **2.0 STRUCTURE OF EDUCATION IN UGANDA**

There are four levels of Education starting from: (i) Pre-primary Education, (ii) Primary Education, (iii) post primary education and training and (v) Tertiary and University Education.

The Education (Pre-primary, primary and Post primary) Act, 2008 categorizes Education institutions into;

- (a) Public education institutions or Government founded institutions;
- (b) Government grant-aided education institutions;
- (c) Private institutions which shall include profit and nonprofit making, and international institutions; and
- (d) Non-formal education centers.

Typically, Education in Uganda is provided through multiple approaches including the Formal, Non-Formal and Informal Systems. The National Constitution in operation mandates the Government to be responsible for leading in the provision of Education. However, individuals, private sector and NGOs are all encouraged to join Government to educate Ugandans. Within the formal sector, Government encourages a diversity of opportunities including general, Vocational and Technical structures.

In 1997 the Government White Paper recommended a Macro-structure of the Ministry of Education and Sports to improve on its efficiency. The current structure includes over 11 departments headed by the Permanent Secretary, Directors and Commissioners of Education. The Ministry also has one Minister and three other Ministers of State that is, Minister of State for Primary Education, Minister of State for Higher Education and Minister of State for Sports as political leaders. Primary and Secondary Education are legally transfer services to Local Government tamed as decentralisation of services which is entirely aimed at bringing services closer to beneficiaries.

### **3.0 LEGAL FRAMEWORK AND REGULATIONS GOVERNING EACH LEVEL OF EDUCATION**

Soon after the National Resistance Movement (NRM) came into power, an Education Policy Review Commission (EPRC) was setup in July 1987 to appraise the entire existing system of Education in Uganda and recommend measures and strategies for improving the system. Following the work of EPRC, Government, through the Government White Paper of 1992, put in a set of recommendations for implementation. It was considered necessary to introduce and implement major reforms in Education in line with the Education White Paper. These reforms were in the areas of policy and legal framework as well as other measures to increase access, improve quality and enhance equity at all levels of Education System in Uganda.

#### **3.1 The 1995 Uganda Constitution**

Article 30 of the Uganda Constitution makes provision for the right to education. It states that, “*All persons have a right to education*”. In addition to Article 30, Article 34 refers to the rights of children and it states that, “A child is entitled to basic education which shall be the responsibility of the State and the parents of the child”. In addition to these provisions in the Bill of Rights, the National Objectives, the Directive Principles of State Policy provide that the State shall promote free and compulsory education, take appropriate measures to afford every citizen equal opportunity to attain the highest educational standard possible. The other provisions which relate to education are contained in Articles 167 and 168 which set up and prescribe functions of the Education Service Commission. The Constitution also stipulates the role of Government and other stakeholders in providing education.

#### **3.2 The Children’s Act Cap 59 (2000)**

The Children’s Act brings together all the scattered laws on children to have them in line with the United Nations Convention on the Rights of the Child (UNCRC) and the African Children’s Charter. Section 5 of the Children’s Act stipulates the duty of a parent, guardian or any other person having custody of a child to maintain that child; and, in particular, it gives the child the right to education and guidance.

### **3.3 Local Governments Act, Cap 243, Laws of Uganda 2000**

The decentralisation of Educational services plan constitutes a major component of the National Policy framework of decentralisation. The implementation of decentralisation policy in Uganda has in general involved the devolution of functions which hitherto has been responsibility of the Central Government to Local Government.

The GoU decentralisation policy was announced in 1992 and led to the Local Government Statute of 1993. This provided for transfer of power and services to Local Government. The Constitution 1995 and the Local Government Act, Cap 243, Laws of Uganda 2000 both further entrenched the principles of decentralisation by empowering Local Government with responsibilities for lower level local councils, sub-counties and divisions. Under these legal frameworks, control of substantial amounts of divisions and Municipal Local Governments, which are corporate bodies, is bestowed with the Local Government System.

Education services, which cover nursery, primary, secondary, trade, special education and technical education are among the functions and services for which district councils are responsible, subject to article 176(2) of the Constitution and sections 96 and 97 of the Act. As such one of the merits of Decentralisation is that it has enlisted the participation of community / grass root in providing educational services.

## **4.0 REGULATORY FRAMEWORK FOR EACH EDUCATION LEVEL**

### **4.1 Pre-Primary Education**

These are largely run by private sector – individuals, churches, communities, non-governmental organizations.

**Law:**

The Education (Pre-Primary, Primary and Post-Primary) Act 2008

**Regulates:**

- Provision of Education and Training
- Registration and Licensing of teachers who teach in such Schools
- Control and Management of Schools
- Special provisions relating to private schools

### **4.2 Primary Education**

**Law:**

- The Education (Pre-Primary, Primary and Post-Primary) Act 2008.
- Local Governments Act, Cap 243, Laws of Uganda 2000.

### **Regulations:**

- Government White Paper – “Education for National Integration and Development,” 1992.
- The Local Government (Financial and Accounting) Regulations, 2007.
- School Management Committee Handbook, launched on 16th March 2006, by the then Minister responsible for Education, Mrs. Namirembe Bitamazire.

### **4.3 Secondary Education**

#### **Law:**

- The Education (Pre-Primary, Primary and Post-Primary) Act 2008.
- Budget Act 2001.
- Local Governments Act, Cap 243, Laws of Uganda 2000.

#### **Regulations:**

- Government White Paper – “Education for National Integration and Development,” 1992.
- The Local Government (Financial and Accounting) Regulations, 2007.
- The Education (Board of Governors) Regulations.

### **4.4 Universities and Other Tertiary Institutions**

#### **Law:**

- The Universities and Other Tertiary Institutions Act, 2001 as amended.
- Budget Act 2001

#### **Regulations:**

- The Universities and Tertiary Institutions (Establishment and Operation of Private Universities and Private Tertiary Institutions) Regulations, 2005.
- The Universities and Tertiary Institutions (Institutional Standards) Regulations, 2005.

## **5.0 LEGAL PROVISIONS ON ACCOUNTING AND AUDITING**

### **5.1 The Education (Pre-Primary, Primary and Post-Primary) Act 2008**

Section 28(2h) states that, the Minister, in consultation with the stakeholders, may by regulations make provision for any board of governors or school management committee established under this section, in respect of the funds of the school, including estimates, keeping of accounts and audit of such accounts.

Relatedly, as a way of ensuring control and management of schools the Section 25 (2) of the Act further requires every head teacher, on being requested by an inspector of schools, place at the disposal of the inspector of schools all records, accounts, notebooks and any other materials belonging to the school for inspection or audit.

## **5.2 The Local Governments Act, Cap 243. – The Local Governments Financial and Accounting Regulations 2007**

The Regulations have provisions for Accounts of secondary schools and the capitation grants, Primary schools in a Sub-county, Primary schools in a Division, and Government aided schools.

### **Regulation (63): Accounts of Secondary Schools and the Capitation Grants.**

- (a) Capitation Grants shall be transferred to the Secondary schools in the Districts in accordance with the policy governing such grants.
- (b) Boards of Governors shall account to the District Councils at the end of each academic term and Income and Expenditure Statements shall be presented to the Council at the end of each Calendar year.
- (c) The Chief Internal Auditor of the District shall audit books of account and where the boards of Governors fail to account for public funds, the Local Government Public Accounts Committee.

### **Regulation (64): Financial management of primary schools.**

- (a) The head teacher is responsible for the grants, fees and education tax received and shall ensure that a bank account is opened on which money received is banked.
- (b) Signatories to Bank Accounts of any primary school shall be registered with the subcounty Chief and the Executive Committee of subcounties shall be informed.
- (c) A minimum of two signatories shall operate a school account and one of the signatories shall be a non-teacher member of the management committee.
- (d) The head teacher shall maintain a cash book for recording receipts and payments of the school transactions and the cash book shall be monthly reconciled to bank statement.
- (e) The sub accountant shall inspect the school financial records and make a report to the Executive Committee as regularly as possible.
- (f) Head Teacher shall submit the schools financial statements to the subcounty council for each academic term, and where the Head Teacher is unable to prepare the financial statements, assistance shall be sought from the sub-accountant of the sub-county.
- (g) Copies of the financial statements shall be given to the Head of Finance and the Chief Executive of the subcounty.

### **Regulation 66: Security of accounting records**

- (a) Principal accounting records shall be kept in strong rooms or fireproof locked cabinets when not in use.

- (b) An accounting record shall not be removed from the room or safe-storage facility where it is normally kept except for auditing, production in court, or is impounded under legal warrant for fraud investigation and an official receipt shall be obtained.
- (c) Auditors and inspectors shall be given proper facilities to enable them to carry out their audit and evaluations without having to remove principal accounting records from Administration premises.

**Regulation 67: Retention or destruction of accounting records**

- (a) The originals and copies of vouchers and used receipts may be destroyed six years after the dates of the transactions to which they relate, if they have been audited.
- (b) If storage difficulties make it desirable to destroy records earlier, the written agreement of the Auditor General shall be obtained and in any case no destruction of records shall take place in less than four years even where the Auditor General is to give authority.
- (c) The principal accounting books and records shall be retained for fifteen years and the personnel records shall be retained for at least thirty years.

**5.3 The Universities and Other Tertiary Institutions Act, 2001(as amended 2003 and as amended 2006)**

**5.3.1 Public Universities**

**Section 61: Financial Year of a Public University.**

The financial year of a Public University shall be the period of twelve months beginning on the 1st day of July, in each year and ending on the 30th day of June, in the year following.

**Section 63: Accounts of a University.**

- (a) The University Council shall keep or cause to be kept books of all income and expenditure and proper records in relation to them.
- (b) The University Council shall cause to be prepared at the end of each financial year, a balance sheet and a statement of income and expenditure during the financial year.

**Section 64: Audit for a University.**

- (a) The accounts of a Public University shall, in respect of each financial year, be subject to audit by the Auditor-General or an auditor appointed by him or her.
- (b) The University Council shall ensure that within three months from the end of each financial year, a statement of accounts is prepared and submitted to the Auditor-General for auditing.
- (c) The Auditor-General or an auditor appointed by him or her shall be entitled to have access to all books of accounts, vouchers and other financial records of the Public

University and to require such information and explanation on them as may be necessary.

- (d) The Auditor-General shall audit and deliver to the University Council a copy of the audited accounts together with a report on the accounts not later than three months from the date of receipt of the final accounts by the Auditor-General.
- (e) The University Council shall, within one month from receipt of the audited accounts and the Auditor General's report on them, deliver copies to the National Council and the Minister who shall deliver copies to Cabinet and Parliament.
- (f) The fee for any auditor not being in the employment of the Government shall be fixed and paid by the University Council with the approval of the Minister.

### **5.3.2 Public Tertiary Institution**

#### **Section 89: Financial Year for a Public Tertiary Institution.**

The financial year of a Public Tertiary Institution shall be the twelve months beginning from the 1st day of July and ending on the 30th day of June.

#### **Section 91: Accounts and Audit of Public Tertiary Institution.**

- (a) The Governing Council shall keep proper books of account and prepare annual financial statements or accounts for the period immediately preceding the financial year not later than the 30th day of June.
- (b) The statement of accounts of the Institution shall, in respect of each year, be audited by the Auditor-General or an auditor appointed by the Auditor-General.
- (c) The Governing Council shall ensure that within four months from the end of each financial year, a statement of accounts of the Institution is submitted to the Auditor General for auditing.
- (d) The Auditor General or an auditor appointed by him or her shall be entitled to have access to all books of accounts, vouchers and other financial records of the institution and to require any information and explanation as he or she requires.
- (e) The Auditor-General shall audit and deliver to the Governing Council a copy of the audited accounts together with his or her report on the accounts not later than three months from the date of receipt of the final accounts.
- (f) The Governing Council shall within one month from receipt of the audited accounts and the Auditor-General's report on it, deliver a copy of the Minister who shall present them to Parliament.
- (g) The fee for any auditor not being in the employment of the Government shall be fixed and paid by the Governing Council.

### **Section 109: Annual Report and Audited Accounts of a Private University.**

A Private University shall prepare and submit to the National Council, an annual report on the operations and progress of the University including;

- (a) detailed evaluation of its academic activities and the extent to which the prescribed institutional standards are met;
- (b) a statement of the assets and liabilities of the University and its audited accounts.

Note: The Act does not prescribe persons who can audit Private Universities. These are prescribed by the provisions of the Companies Act, No. 1 of 2012 or the Accountants Act, No. 8 of 2013.

### **5.4 The Budget Act, 2001**

#### **Section 5: Submission of Estimates of Departments etc.**

1. The Head of any Government Department, Self Accounting Department, Institution, Organisation or Commission shall submit to the President preliminary estimates of revenue and expenditure of that Department, Institution, Organisation or Commission for the following financial year, by the 15th day of February in each year.
2. Estimates prepared and submitted under subsection (1) shall be laid before Parliament by the President under sections 3 and 4 but estimates by bodies established under the Constitution shall be laid without amendments however they may have recommendations made by Government.

### **5.5 School Management Committee Handbook Finance (No 1.6)**

Schools receive Conditional and Unconditional Grants from the Government. The funds may be directed to capital development of other educational purposes, for example, Teachers' salaries, UPE Capitation Grant, School Construction and Instructional Materials. Both Government Aided and Private schools must have an approved budget. Government public primary schools under UPE do not collect school fees.

A school can also receive donations from well-wishers. Donations may be in cash, in kind from fundraising functions. Well-wishers of the school may make donations in any form they may choose.

For a school to operate efficiently resources that have been mobilized and received must be managed properly in line with the Local Government (Financial and Accounting) Regulations, 2007. In this regard, the School Management Committee (SMC) members will be required to carry out the following roles:

- Receiving and approving monthly and quarterly income and expenditure statements.
- Organizing public fundraising functions such as auctions, charity walks, concerts, games and sports, sale of art and crafts products, donations, public appeals etc.
- Getting involved in the opening and operating of the school's accounts. (This involves the Chairperson/SMC and the Headteacher).
- Receiving, discussing, and approving the school budgets following stated policy guidelines.
- Reporting regularly the financial status and the progress of the school to the parents and other stakeholders.
- Ensuring that income and expenditure are approved and displayed.
- Making sure that the school books of account are audited annually.
- Witnessing the delivery of materials bought using Government/Public funds.
- Allowing the disposal of any old/unused equipment or materials in consultation with district officials.
- Timely accountability for school funds.
- Ensuring that no unauthorized fees/charges are collected.

A school must have a school finance committee which is comprised of heads of departments.

## **5.6 The Education (Board of Governors) Regulations**

Section 28 of the Act provides for the constituting of a Board of Governors or a school management committee. These Regulations apply to the management of all post primary educational institutions other than universities and other tertiary institutions not provided for by the Act.

### **Section 21 Functions of the headteacher.**

The Head teacher is responsible for the day-to-day expenditure of the school and present an account of such expenditure to the board as from time to time required by the board.

The head teacher of a school is also required to present a financial statement at every ordinary meeting of the board and a final balance sheet and the auditor's report for the annual accounts at every annual general meeting;

### **Section 23. Funds of board.**

A board may receive funds on behalf of a school—

- (a) by way of government grants;
- (b) by way of tuition and other fees including all moneys contributed by parents for the welfare of the students;
- (c) from interest on investment and deposits;
- (d) by way of sales of surplus equipment or produce; or

- (e) by way of gifts and grants or endowments from any other sources.

#### **Section 24. Expenditure**

- (1) A board shall apply the funds mentioned in regulation 23 for the conduct and management of the school and shall meet all the expenses of the school for which it is responsible.
- (2) Expenditure in any financial year shall be in accordance with the estimates either as originally approved by the Minister or district secretary for education or as varied by re-allocation or supplementary estimates.
- (3) The board may, without obtaining the prior approval of the Minister or district secretary for education increase the provision under any item of recurrent expenditure by re-allocation up to a maximum of ten percent of the original estimate for the item.

#### **Section 25. Reserve account and accumulate fund.**

- (1) Any excess of income over expenditure at the end of any financial year shall be appropriated to a general reserve accumulated account, where it shall remain until the end of the subsequent financial year.
- (2) At the end of the subsequent financial year, the amount of the general reserve account less the sum required to make good any excess of expenditure over income in that year may:
  - a. be carried forward as accumulated funds; or
  - b. be appropriated in whole or in part to a special reserve fund by a duly recorded resolution of the board at its meeting.
  - c. The special reserve fund shall be applied to meet any extraordinary claim or demand arising at any time against the school or in payment of the cost of extending or improving any part of the property or equipment of the school or otherwise for the benefit of the school.
  - d. Where any expenditure commits the Government to the expenditure of public funds, the prior approval of the Permanent Secretary, chief administrative officer or town clerk shall be obtained.
  - e. A sum equivalent to the amount set aside in any general reserve fund may be invested in readily realizable assets.

#### **Section 26. Depreciation.**

The cost of renewing any property or equipment or any part of the fund account property or equipment or of the board shall be charged to a depreciation fund account established for the purpose in accordance with accounting instructions issued from time to time, by the appropriate officer of the Ministry responsible for education.

## **Section 27. Application of Government grants.**

- (1) Where Government grants paid to the board are in respect of salaries, those grants shall be paid directly to the beneficiaries; and where this is not possible, the grants shall be paid into salary grant reserve account.
- (2) Where the relevant expenditure is less than the estimate on which the grants were based, only an amount equivalent to the actual expenditure shall be treated as income of the school.
- (3) At the end of the financial year, an amount equivalent to the expenditure incurred on capital projects and the purchase of equipment shall, on approval by the Permanent Secretary, chief administrative officer or town clerk of the Ministry responsible for education, be appropriated to accumulated funds.
- (4) Where the relevant expenditure is less than the estimate on which the grants were based, unless otherwise provided for in terms on which the grant was made, the excess of the grants actually paid over the sums to which, according to actual expenditure, the board is entitled, shall remain in the reserve account to be offset against subsequent Government grants for those purposes or to be repaid to the Ministry responsible for education.

## **Section 29. Accounts.**

- (1) The board shall keep or cause to be kept at the school proper books of accounts with respect to;
  - a. all sums of money received and expended by it on the school and the matters in respect of which receipt and expenditure take place; and
  - b. all assets and liabilities of the school.
- (2) The Board shall cause to be prepared within three months after the commencement of each financial year, in respect of the proceeding financial year;
  - a. an income and expenditure account;
  - b. a balance sheet in the form approved by the Minister or district secretary for education; and
  - c. the auditor's report.
- (3) The first account and balance sheet made under these rules shall cover such period as the board may approve.

## **Section 30. Audit**

- (1) The accounts of the board shall be audited annually by the Auditor General or an auditor appointed by the Auditor General.
- (2) The auditor shall have access to all books of accounts, vouchers and other financial records of the school and may require any explanation he or she thinks fit from any person.

- (3) The auditor shall, on completion of the audit mentioned in subregulation (1) make and submit to the Permanent Secretary, chief administrative officer or town clerk a report copied to board, which shall state whether in his or her opinion;
- (a) proper books of accounts have been kept by board; and
  - (b) the financial statement of the board;
    - i. has been prepared on a basis consistent with that of the proceeding year and is in agreement with the books of accounts; and
    - ii. gives a true and fair view of the income and expenditure account of the school for the financial year.

## **6.0 THE AUDITING ASPECTS**

### **6.1 Overview of Accounting Standards**

The accounting principles and practices, in Uganda, are governed, inter alia, by the International Financial Reporting Standards (Accounting Standard), Guidance Notes, etc., adopted and or issued from time to time by the Institute of Certified Public Accountants of Uganda (ICPAU). The mandatory status of an Accounting Standard implies that while discharging their attest functions, it will be the duty of the members of the Institute to examine whether the Accounting Standard is complied with in the presentation of financial statements covered by their audit. In the event of any deviation from the Accounting Standard, it will be their duty to make adequate disclosures in their audit reports so that the users of financial statements may be aware of such deviation. Ensuring compliance with the Accounting Standards while preparing the financial statements is the responsibility of the management of the education institutions.

### **6.2 The Basic Audit Process**

We carry out our audit in accordance with International Standards on Auditing (ISAs). The ISAs require that we plan and conduct our audit to ensure that we can determine with reasonable confidence whether or not the financial statements being reported on are free from material misstatement.

An omission or misstatement is regarded as material if it would reasonably influence the user of the financial statements. The quality of an audit is the auditor's top priority. Our audit should be one that facilitates and enhances audit quality. There are four fundamental steps in the audit process, namely:

#### **6.2.1 Planning**

**Objective: We need to assess risks and plan the audit.**

- We perform risk assessment procedures to understand the business, identify the risks and plan the audit.

- We develop the planned audit approach and audit strategy.

### **6.2.2 Control Evaluation**

**Objective: We assess the control risk.**

We assess control risk and determine the risk of significant misstatement.

### **6.2.3 Substantive testing**

**Objective: We perform substantive audit procedures.**

- We perform substantive audit procedures including analytical procedures, tests of detail and fraud procedures.
- We consider if audit evidence is sufficient and appropriate.

### **6.2.4 Completion**

**Objective: Form an audit opinion.**

- We perform completion procedures including an overall review of the financial statements.
- We evaluate audit objectives associated with significant risks, evaluate significant finding and issues.
- We form an audit opinion.

## **6.3 Fraud**

One of the fundamental audit risk facing schools is the risk of fraud related issues.

The term fraud refers to intentional acts by one or individuals amongst management, those charged with governance, employees, or third parties, involving the use of deception or misconduct to obtain an unjust or illegal disadvantage.

The primary responsibility for the prevention and detection of fraud and error rests with management and those charged with the governance of the organization. Our audit should review the risk of fraud and its impact on the financial statements.

## **7.0 CHECKLIST**

The following checklist will assist auditors in carrying out their audits of educational institutions (more specifically government aided institutions). This checklist has been developed following interviews with various stakeholders in the industry. The background and summarized findings are set out in the first part of this document. This checklist draws out the key weaknesses in the system and consequently the areas of focus for the auditor.

It should be noted that these procedures do not replace the fundamental audit process but provide supplementary guidance on specific issues to consider. Not all of the following may be relevant to your particular audit.

DRAFT

	<b>ISSUE</b>	<b>ACTION / IMPACT</b>	<b>AUDIT RESPONSE</b>
7.1	<b>Laws</b> Different institutions follow different sets of laws and regulations.	Refer to Legal Framework Governing each Level of Education in section 4.0 above.	Confirm category of institution that you audit; ensure that you are aware of legislation affecting that particular institution
7.2	<b>Audit Generally</b>		
7.2.1	For a school to be audited by a qualified auditor, audit fees was noted as an area of concern. The amount of funding that schools receive from government is quite little and this has financial implications in engaging the services of a qualified auditor.	An inherent problem that will take time to address.	Plan the audit, interview and meet stakeholders in advance; address concerns.
7.2.3	Most Head teachers perceive an audit as a fault finding exercise and most times fail to cooperate with auditors in providing explanations and information for an audit to be carried out successfully. The general community and parents on the other hand perceive an audit to be an exercise that exposes how much was misappropriated by Headmasters. If audits do not reveal such anomalies, they conclude that auditors have been compromised.	An inherent problem that will take time to address.	<ul style="list-style-type: none"> <li>Plan the audit, interview and meet stakeholders in advance; address concerns.</li> <li>Advice auditees on issues of governance.</li> </ul>
7.24	School Management Committees do not put pressure on school administrators to prepare accurate financial statements. The idea of auditing books of account of schools is not introduced to most members of Board of Governors and School Management Committees.	Enact laws to ensure proper accountability for school funds.	<ul style="list-style-type: none"> <li>Review and assess impact on the audit.</li> <li>Train Board of Governors and School Management Committee members in the appreciation of financial statements.</li> </ul>
7.2.5	The distance from where the auditors are based and the location of respective schools does not grant an opportunity for the two to interact and communicate easily.	An inherent problem that will take time to address.	Plan the audit, interview and meet stakeholders in advance; address concerns.
7.2.6	All powerful Heads of Schools, and toothless School Management Committees.	A School Management Committee Handbook has been developed by the Government.	<ul style="list-style-type: none"> <li>Review this Handbook.</li> <li>Assess applicability to school under audit.</li> <li>Assess independence of this SMC and override by Heads of Schools.</li> </ul>
7.3	<b>Budgets and Cash flows</b>		
	There tend to be no budgets and cash flow systems in place	Results in the inability to project and budget revenues and costs, plan and pay for	Review and assess impact on the audit

		supplies, maintenance, etc.	
	<b>ISSUE</b>	<b>ACTION / IMPACT</b>	<b>AUDIT RESPONSE</b>
7.4	<b>Head of School Override</b>		
7.4.1	Lack of systems/Lack of internal controls in place.		Obtain an understanding of the school's systems and internal controls, document them and test key controls.
7.4.2	Bursar colluding with / cowed by the Head of School	Bursar's salary is paid for by the school and therefore there is a risk that his actions are influenced by the Head of School	<ul style="list-style-type: none"> <li>Review bursar's appointment and terms employment.</li> <li>Review relation to the head of school.</li> <li>Review risk of collusion and impact on the audit</li> </ul>
7.4.3	Lack of segregation of duties. The Bursar handles everything i.e. receiving cash, recording transactions, writing cheques, drawing cash, procurement.	There is need for an independent treasurer for schools.	Review and assess impact on the audit.
7.4.4	No bursar and/or unqualified bursar. Lack of competent bursars because pay is too low to get the right people in the first place.	The majority of schools in the country do not have a bursar and where there is one then there is a likelihood that, that person does not have the necessary qualifications or basic skills.	<ul style="list-style-type: none"> <li>Review impact of risk of not having a bursar.</li> <li>Review bursar's credentials.</li> <li>Review impact of bursar's work for the completeness and accuracy of the outputs.</li> </ul>
7.5	<b>Income</b>		
7.5.1	<ul style="list-style-type: none"> <li>Receipts and payment basis of accounting</li> <li>Most schools use cash basis accounting.</li> </ul>	<ul style="list-style-type: none"> <li>There is a risk that contributions in-kind may not be accounted for.</li> <li>There is also the possibility of unrecorded liabilities.</li> <li>There is also the risk of inconsistent accounting and the need for guidelines to schools on the use of uniform accounting policies.</li> </ul>	<ul style="list-style-type: none"> <li>Review accounting policies.</li> <li>State in the accounting policies that cash basis of accounting (or modified cash accounting), if in use.</li> <li>Review process of recording in-kind contributions, e.g. labour, sand, etc.</li> <li>Review applicability of grant income accounting.</li> <li>Review unrecorded assets and liabilities.</li> </ul>
7.5.2	Ghost students.	The government contribution is based on student heads. There is the possibility of having ghost students.	<ul style="list-style-type: none"> <li>Conduct procedures to confirm existence of students.</li> <li>Review students' intake and records.</li> <li>Global proof of income</li> </ul>

			(number of students times fees).
	<b>ISSUE</b>	<b>ACTION / IMPACT</b>	<b>AUDIT RESPONSE</b>
7.5.3	<ul style="list-style-type: none"> <li>• No guidelines for management of funds in schools.</li> <li>• UPE funds are disbursed directly to schools and therefore managed by Head teacher.</li> <li>• Schools Facilities Grants is managed partly by District and partly by School Management Committee.</li> <li>• Text book funds are managed partly by school and partly by the District.</li> </ul>	The risk of misappropriation and diversion is quite high.	<ul style="list-style-type: none"> <li>• Review notification and circular; discuss with district officials if possible.</li> <li>• Review and assess impact on the audit.</li> </ul>
7.5.4	<p>There is a Teachers Service Commission in Uganda. Salaries for teachers paid into school's main bank account. Government support is based on student numbers. Funding based on normal operational budget and therefore capital expenditure tends to be under funded – partly funded through PTA if available. PTA funds also used to top-up teachers' payments or payment of privately recruited teachers.</p>	These funds generally tend to be segregated.	Review and assess impact on the audit.
7.5.5	<ul style="list-style-type: none"> <li>• Completeness of income - Two basic bank accounts maintained: <ul style="list-style-type: none"> <li>- Main account for government funds and teacher salaries;</li> <li>- PTA funding.</li> </ul> </li> <li>• There could be a bit of odd donor and church funding support generally through district level or direct (mainly in kind e.g. scholastic materials), not accounted for in the financial system.</li> </ul>	The risk of misappropriation and diversion is quite high.	<ul style="list-style-type: none"> <li>• Identify and review all sources of income.</li> <li>• Interview teachers, parents and students, if possible.</li> <li>• Ascertain the number of bank accounts maintained by the institution and are opened and managed according to the prevailing law and regulations.</li> <li>• Review intact banking, recording and accountability.</li> <li>• Carry out analytical review procedures.</li> <li>• Review and assess impact on the audit.</li> </ul>
7.5.6	Accounting for deposits, e.g., caution money.	<ul style="list-style-type: none"> <li>• The risk of wrong recording is quite high.</li> <li>• These funds are refundable to the students.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure its recorded as a deposit (payable), rather than as income.</li> <li>• Review completeness / reconciled to students on the register.</li> <li>• Review and assess impact on the audit.</li> </ul>

	<b>ISSUE</b>	<b>ACTION / IMPACT</b>	<b>AUDIT RESPONSE</b>
7.5.7	Inter-mingling of funds from different sources.	There is the need to keep separate bank accounts for government funds and non government funds.	<ul style="list-style-type: none"> <li>• Review maintenance of separate bank accounts for these funds.</li> <li>• Review existence of separate ledger accounts.</li> <li>• Review reconciliations.</li> </ul>
7.5.8	Cash receipts not banked; Cash receipts used for petty cash, i.e. mixing of cash receipts and petty cash.	Cash may not be banked intact. Imprest system not maintained for cash. There is a high risk of diversion.	<ul style="list-style-type: none"> <li>• Review procedures for collecting, undertaking expenditure, recording and reporting.</li> <li>• Assess impact on audit.</li> </ul>
7.5.9	Restrictions on Parental funding to avoid burden on poor parents; PTA funding came through extra curricular / boarding facilities. Accounting for PTA funds.	There is the need to keep separate bank accounts for government funds and non government funds.	<ul style="list-style-type: none"> <li>• Review maintenance of separate bank accounts for these funds.</li> <li>• Interview the treasurer of the PTA Committee.</li> <li>• Review sources of income.</li> <li>• Carry out appropriate audit procedures and assess impact.</li> </ul>
7.6	<b>Expenditure</b>		
7.6.1	<p>Expenditure Audit – There exist significant issues relating to:</p> <ul style="list-style-type: none"> <li>- Procurement vested primarily with head teacher. No receipts in place or fake receipts obtained. Being Upcountry.</li> <li>- Collusion with suppliers in small towns since all or most are colleagues.</li> <li>- Shoddy construction works.</li> <li>- Food prices cannot be controlled and tend to change frequently. Logic tests are difficult.</li> <li>- Firewood and cement procurement is another headache.</li> <li>- Labor issues on self construction.</li> <li>- Control on maintenance or no maintenance resulting in institutional infrastructure falling to pieces.</li> </ul>	Lack of segregation of duties is a high risk area.	<ul style="list-style-type: none"> <li>• Determine if value for money has been obtained on expenditures.</li> <li>• Determine if quotations were obtained from suppliers.</li> <li>• Check authenticity and reasonableness of expenses.</li> <li>• Carry out periodical (monthly?) analytical procedures.</li> <li>• Compare with other institutions.</li> <li>• Review and assess impact on the audit.</li> </ul>

	<b>ISSUE</b>	<b>ACTION / IMPACT</b>	<b>AUDIT RESPONSE</b>
7.6.2	Institutions do not have assets registers.	<ul style="list-style-type: none"> <li>• Capturing and reflecting the financial position of the school is a challenge. Information about assets and liabilities of the school is not adequately documented given the cash basis of accounting. This makes tracking of assets a problem.</li> <li>• The institution may not be keeping track of its assets, consumables, text books and stationery resulting in loss and misappropriation.</li> </ul>	<ul style="list-style-type: none"> <li>• Review procedures in place.</li> <li>• Reconcile registers to the General Ledger.</li> <li>• Review and assess impact on the audit.</li> <li>• Advise institutions to maintain assets registers.</li> </ul>
7.6.3	Issues surrounding motor vehicle running and fuel consumption for school vehicle.	The school bus, van, etc tends to be abused.	<ul style="list-style-type: none"> <li>• Review controls including maintenance and review of log books.</li> <li>• Analytical review procedures e.g. fuel consumption per KM, etc.</li> <li>• Review impact on the audit.</li> </ul>
7.6.4	Issue of third party documentation or supporting documents for certain expenses incurred is hard to come by. Most times there are no expenditure receipts for transport and food expenses incurred by school administrators while on official duty, items supplied by parents.	This is a significant risk area.	<ul style="list-style-type: none"> <li>• Analytical procedures.</li> <li>• Comparison with other institutions.</li> </ul> Review and assess impact on the audit.
7.6.5	Payment vouchers are not raised to provide evidence of payment made or expenditure incurred.	<ul style="list-style-type: none"> <li>• This is also a significant risk area.</li> <li>• Issue guidelines on minimum mandatory documents to be kept by the institution.</li> </ul>	Review and assess impact on the audit.
7.6.7	All payments in a primary school are supposed to be authorised by Chairman of School Management Committee. Payments may not authorised because the Chairman is not aware it is his/her responsibility.	The risk of misappropriation and diversion is quite high.	Review and assess impact on the audit.
7.6.8	There is always the possibility of insurance not being in place, e.g. Workman Compensation, Public Liability, Comprehensive Cover on school bus.	There could be the risk that loss, injury, damages to workers, students, teachers may not be compensated through insurance.	<ul style="list-style-type: none"> <li>• Check for adequacy of insurance cover.</li> <li>• Assess impact.</li> </ul>

	<b>ISSUE</b>	<b>ACTION / IMPACT</b>	<b>AUDIT RESPONSE</b>
7.7	<b>Financial Reports</b>		
7.7.1	There is inadequate capacity to facilitate preparation of financial statements. Bursars who are the technical personnel and responsible for this exercise are not adequately equipped to carry out their responsibilities. They experience challenges in capturing and presenting financial information. Some have not had any practical experience in preparation of financial reports.	<ul style="list-style-type: none"> <li>• There is need for an independent and competent treasurer for schools.</li> <li>• Review of salary structures of teachers/bursars, etc.</li> </ul>	<ul style="list-style-type: none"> <li>• Design audit procedures to ensure CEAVOP objectives are met.</li> <li>• Review overall presentation of the financial statements.</li> <li>• Assess impact on the audit.</li> </ul>
7.7.2	Head teachers are inadequately equipped with knowledge of financial management.	Training/Capacity building required.	Review and assess impact on the audit.
7.7.3	Records to be audited and upon which auditors base their opinion are not available.	Training/Capacity building required.	Review and assess impact on the audit.
7.7.4	Financial reports for UPE funds are prepared and kept by the schools, while other reports for Schools Facilities Grants (SFG), text books are not captured anywhere in the schools books of account but are captured in the districts' books of account. Bank accounts for these funds are opened and operated using the name of the school.	The risk of misappropriation and diversion is quite high.	Review and assess impact on the audit.
7.7.5	Format of presentation of financial statements for some educational institutions is not in place thus non uniformity in financial reporting by different categories of educational institutions.	<ul style="list-style-type: none"> <li>• Issue guidelines on formats and presentation, where there is none.</li> <li>• The Local Governments Financial and Accounting Regulations, provides format for preparation of accounts and financial statement of: <ul style="list-style-type: none"> <li>- Primary and secondary schools – Cashbook, a main and subsidiary ledgers; and income and expenditure account, accountability statement and balance sheet, in Chapter 7 of the Schedule.</li> <li>- Hospital, Maternity and Nurses' Training schools</li> </ul> </li> </ul>	Provide guidance while in the field.

		– monthly receipts and payments returns, quarterly financial statements, income and expenditure account, and balance sheet formats, in Chapter 8 of the Schedule.	
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