

PARLIAMENT OF THE REPUBLIC OF UGANDA

REPORT OF THE COMMITTEE ON PUBLIC ACCOUNTS (COMMISSIONS, STATUTORY AUTHORITIES & STATE ENTERPRISES) -PAC (COSASE) ON THE REPORT OF AUDITOR GENERAL ON THE FINANCIAL STATEMENTS OF THE HIGHER EDUCATION STUDENTS FINANCING BOARD FOR FINANCIAL YEAR ENDED 30TH JUNE, 2022 AND OTHER MATTERS

Office of the Clerk to Parliament
Parliamentary Building, Kampala

June, 2023

1. INTRODUCTION

In accordance with Article 163(5) of the Constitution of the Republic of Uganda, 1995, Rule 181(2) of the Rules of Procedure of Parliament, this is the Report of the Committee on Public Accounts (Commissions, Statutory Authorities & State Enterprises) –PAC (COSASE) on the Report of Auditor General on the Financial Statements of the Higher Education Students Financing Board (HESFB) for Financial Year ended 30th June, 2022 and other matters

2. BACKGROUND

The Report of the Auditor General was laid before Parliament on 18th January, 2023, and referred to the Committee in accordance with Rule 181(4) & (5).

The Higher Education Students Financing Board is established by the

3. METHODOLOGY

In the consideration of the Report, the Committee:

a) Held meetings with:

- i. The management of the Higher Education Students Financing Board
- ii. The Board of HESFB
- iii. The Ministry of Education and Sports

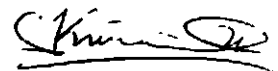
b) Reviewed various documents including:

- i. The Report of the Auditor General on the Financial Year ended 30th June, 2022;
- ii. Responses to the queries from the management of HESFB.

4. FINDINGS, OBSERVATIONS, AND RECOMMENDATIONS

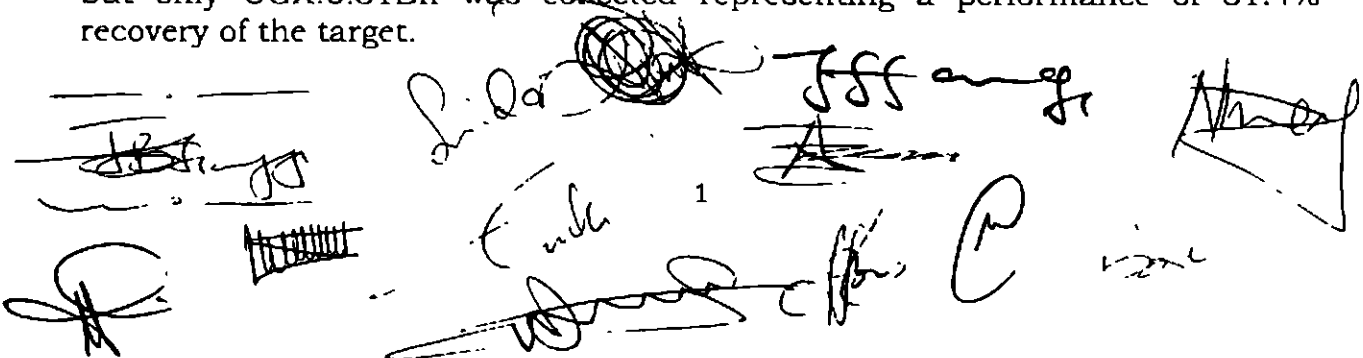
1. Implementation of the Approved Budget

1.1 Revenue Performance



1.1.1 Performance on Non-Tax Revenue

The Board budgeted to collect NTR of UGX.0.59Bn during the year under review. Out of this, UGX.0.75Bn was collected, representing a performance of 128% of the target. In addition, the Board planned to collect revenue due to the revolving funds from recovery of loans amounting to UGX 0.98Bn during the financial year but only UGX.0.31Bn was collected representing a performance of 31.4% recovery of the target.



The Accounting Officer submitted that the low level of recovery performance was mainly due to the effects of Covid-19 resulting into low levels of economic performance. In addition, the Board was affected by the low level of staffing especially in the recoveries unit, with only three staff to follow up on more than 4,000 beneficiaries that have completed and are in the repayment cycle. He informed the Committee that the Board had designed a number of strategies including working with employers through the Federation of Uganda Employers (FUE), Ministry of Public Service, the Credit Reference Bureau and other large data base handlers in order to improve loan recovery. The board also profiled beneficiaries in the different cohorts and formed social media groups where beneficiaries are updated regularly on the status of their loan repayment.

Observations

The Committee observes that:

- i. The over performance in NTR collection was due to the increase in the number of applicants in the year under review, owing to the the non refundable application fee of UGX50,000
- ii. The Board collected much less than what it ought to collect owing to understaffing, and whereas there were strategies to increase loan recoveries, the rate is still low.

Recommendation

The Committee recommends that the Accounting Officer should institute measures to ensure that more recoveries are attained to enable continuation of the fund.

1.1.2 Performance of GoU Receipts

The Board budgeted to receive UGX. 32.3Bn out of which UGX. 16.9Bn was warranted, resulting in a shortfall of UGX.15.4Bn which is 48% of the budget. The Auditor General further noted that the entity did not seek a revision of its budget, and the work plan as provided for by Section 17 (3) of the PFMA 2015. The funds that were not warranted were meant for the implementation of the following activities:

| No | Out-put | Activity | Budget Amount (UGX) "Bn" | Purpose |
|----|------------------------|------------------------------------|--------------------------|--|
| 1 | Loans and scholarships | Sponsorship of continuing students | 11 89 | Sponsor continuing students for the loan dues for the F/Y 2021/2022 as well as clear any outstanding arrears |
| 2 | 22...series | Operations of the Board | 3 11 | Day-to-day Board operations |
| | Total | | 15Bn | |

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The Accounting Officer submitted that the shortfall in funds released during the financial year created arrears on the part of HESFB whereby Higher Education Institutions submitted demand notes/invoices which the board could not honour. The arrears were verified by the Ministry of Education and Sports internal audit department and submitted to the Ministry of Finance, Planning and Economic Development as domestic arrears and the board was following up to ensure that these were prioritised and paid.

The Accounting Officer explained that the shortfall had a negative bearing on the fees to be paid to various institutions, and the last release came in towards the end of the financial year. In financial year 2022/23, only 60% was released and the challenge of arrears would remain. As a result of the budget cut, only 600 students had been sponsored whereas the Board had planned to sponsor 1,600 students. 85% of all applicants are eligible, but not all of them can benefit from loans because of budget cuts. He stated that the board had made several requests for supplementary funding to the Ministry of Education and Sports but the releases from the Ministry of Finance were inadequate.

Observations

The Committee observes that:

- i. The shortfall in government funding significantly impairs the ability of the board to sponsor the planned number of students. As a result, many deserving students end up missing out on sponsorship;
- ii. The board has domestic arrears in form of unpaid fees from FY 2021/22 caused by a fall in releases.

Recommendations

The Committee recommends that the Ministry of Finance, Planning & Economic Development should:

- i. Fully fund the budget of the Board to enable it clear its outstanding obligations to the higher education institutions;
- ii. Allocate more funds to enable the Board sponsor all eligible applicants.

2. Absorption of Funds

Out of the total warrants of UGX 26.19Bn received during the financial year UGX. 24.05Bn was spent by the entity resulting in an unspent balance of UGX.2.14Bn representing an absorption level of 91.83%. The unspent funds were retained to be used in the subsequent financial year. The funds that were not absorbed were meant for investment in fixed deposit which was not implemented. Also, the funds for salaries and gratuity were not used due to non-recruitment of staff as planned, owing to a ban on recruitment by the Ministry of Public Service.

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Observation

The Committee observes that the delay in the procurement process regarding the fixed deposit investment led to the absorption of funds.

Recommendation

The Committee recommends that the Accounting Officer should ensure that all procurement processes are initiated in a timely manner.

4. Accumulation of Payables

A review of the financial statements revealed that the Board reported under the statement of financial position, payables amounting to UGX.15.33Bn compared to the previous year payables position of UGX.1.42Bn indicating an increase in payables of UGX.13.905Bn (977%) out of which 99.4% relates to Loan disbursements to beneficiary institutions. In addition, the payables verification report by the Internal Auditor General’s office and Ministry of Education was not availed for audit verification.

The Accounting Officer submitted that the accumulated payables/arrears were highlighted in all the reports to the different stakeholders and were verified by the Internal Auditors of the Ministry of Education and Sports. Following the verification exercise, a request for supplementary funding was submitted to the Ministry of Finance, Planning and Economic Development.

He explained that the arrears arise as a result of low release performance and noted that in the year under review, only 52% of the required funds were released, and the board had engaged various stakeholders including the Ministry of Education and Sports, and Finance, Planning & Economic Development over the matter.

Observations

The Committee observes that:

- i. The presence of payables is attributed to the low release of funds from the Ministry of Finance, Planning & Economic Development;
- ii. The payables are in the form of unpaid fees to institutions of higher learning, which impairs the ability of the board to perform its primary mandate, and also cripples the finances of the institutions that the beneficiaries attend;
- iii. There was no evidence that the Office of the Internal Auditor General and the Ministry of Education and Sports had prepared payables verification reports.

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Recommendation

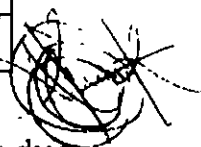
The Committee recommends that the Internal Auditor General and the Ministry of Education and Sports should prepare the payables verification reports to ascertain the payables.

5. Low Loan Recovery Rate

Section 20(1) of the HESFB Act, 2014 states that, "the scheme is only for Ugandan students seeking financial assistance to pursue an accredited course of study or Programme of higher education in an accredited institution of higher learning recognized by the National Council for Higher Education."

A review of the statistics of students' beneficiaries from the loan scheme since inception indicated that there was a decline in the current financial year in student financing with reference to note 21 of the financial statements The Board had managed to finance only 25% of the total demand by applicants which was below average performance.

| Financial Year | Student Applications | Students Financed | Percentage |
|----------------|----------------------|-------------------|------------|
| 2014/2015 | 2125 | 1201 | 57% |
| 2015/2016 | 4399 | 1273 | 29% |
| 2016/2017 | 3764 | 1325 | 35% |
| 2017/2018 | 4219 | 1448 | 34% |
| 2018/2019 | 4608 | 2943 | 64% |
| 2019/2020 | 5300 | 1847 | 35% |
| 2020/2021 | 5590 | 1141 | 20% |
| 2021/2022 | 6256 | 1593 | 25% |
| Total | 36261 | 12771 | 35% |



The Accounting Officer submitted that the poor loan recoveries were partly due to the effects of the Covid-19 pandemic which led to the lock down of the entire economy resulting into businesses closing down and high levels of unemployment. He further submitted that the majority of the loan beneficiaries were not yet into gainful employment and could therefore not make a substantial contribution or repayment on their loans. He explained that several efforts including working with employers, profiling the beneficiaries, and using their leadership while at university to trace for the beneficiaries were instituted and would continue in order to improve loan recovery.

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The low levels of staffing especially in the recoveries unit which has only 3 staff to handle more than 4,000 students in the recovery phase.

Observations

The Committee observes that the low recovery denies opportunity to numerous eligible students who would benefit from the money ploughed back by the past beneficiaries

Recommendations

The Committee recommends that.

- 1. The Accounting Officer should institute measures to recover the amounts due and submit a report on the same to Parliament within six (6) months from the date of adoption of this Report;
- ii. The Accounting Officer should put in place a Loan Recovery Policy within six (6) months from the date of adoption of this Report

6. Lack of Loan Portfolio Risk Analysis (Performance) Reports

Section 9.1 of the Board Credit Manual provides that the Board shall observe and comply with the principles and requirements of loan classification and provisioning according to the International Financial Reporting Standards (IFRS). It further provides that the Board shall also observe both the objective as well as the subjective criteria for establishing provisions which shall be categorized into, (a) Normal Risk (Pass); (b) Watch (Special Mention); (c) Substandard; (d) Doubtful; and (e) Loss.

The additional disclosure required at the review of the Financial Reporting Framework in terms of loan portfolio reporting for the receivable loan portfolio was noted as inadequate and may not be informative to stakeholders and users.

It was noted that whereas management disclosed the Loan Portfolio/investment of UGX.127.83Bn in the statement of financial position, there was no evidence to show that analysis reports were made to ascertain the risks status and aging analysis of the loan portfolio.

The Accounting Officer explained that at the inception of the Program, student loans were looked at as normal banking loans with the assumption that the classifications that apply to commercial loans also apply to student loans. It was later realized that these are long term social loans spanning 6-11 years in the recovery period, and where disbursement continues throughout the recovery period. As such, the classification in the credit Manual is not appropriate in the circumstances, and the Credit Manual was under review. The board was benchmarking with other countries to define the appropriate measure of classification.

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Observation

The absence of analysis reports makes it difficult to ascertain the credibility of the reported figure of the Loan Portfolio/investment of UGX.127.83Bn in the statement of financial position. It is therefore difficult to establish what is due for recovery.

Recommendation

The Committee recommends that the Accounting Officer should put in place an appropriate Credit Manual for the institution and prepare periodic analysis reports regarding the risk status and ageing analysis of the loan portfolio

6. Failure to Approve the Loans Recovery Policy

The Board established a loan recovery department composed of a Recoveries Manager and 2 Senior Recoveries Officers. A review of the Loan Recovery Report prepared by the Recoveries Manager for the period ending June 2022 indicated 3,025 student loan beneficiaries owing a total of UGX. 48.056Bn had completed their courses and grace period and were due for recovery over the next 10 years.

However, it was noted that there was no approved Loans Recovery Policy to guide the recovery process of the due amounts from the 3,025 beneficiaries. The draft policy has been in place since 2019/2020 but had never been approved by the Board and hence cannot be used as a guide for recovery operations.

The Accounting officer explained that efforts to conclude the policy were affected by the expiry of the Board and the rather long period it took for a new one to be constituted. After receiving a new Board, the policy was submitted to the responsible committee which reviewed it and it was ready for submission to the full Board for approval.

Observation

The Committee observes that the absence of a Board for a long time hindered the approval of the loans recovery policy.

Recommendation

The Committee recommends that the new board should expeditiously approve the loans recovery policy, and management should report to Parliament on the same about the same within 3 months from the date of adoption of this report.

7. Staffing Gaps

The Approved HESFB Organizational Structure provides for 65 approved permanent staff positions. However, the Board had a big staffing gap despite increase in its activities. In the current financial year, out of the established 65 positions, only 28 positions were filled (43%) leaving 37 positions vacant (58%).

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Some of the unfilled positions are senior and the Auditor General was not shown a recruitment plan to fill these positions.

| No. | Title/Position | HESFB SCALE | Number of staff as approved organogram | Number of positions Filled 2020/2021 | Number of positions not filled |
|-----|---|-------------|--|--------------------------------------|--------------------------------|
| 1. | Executive Director | HESFB 1 | 1 | 1 | - |
| 2. | Directors | HESFB 2 | 3 | 2 | 1 |
| 3. | Managers | HESFB 3 | 13 | 3 | 10 |
| 4. | Senior Officers | HESFB4 | 16 | 10 | 6 |
| 5. | Officers | HESFB5 | 19 | 4 | 15 |
| 6. | Secretary /Customer Cares Service/Records | HESFB6 | 5 | 1 | 4 |
| 7. | Office Assistants/Drivers | HESFB7 | 4 | 4 | - |
| 8. | Office Assistants | HESFB7 | 2 | 1 | 1 |
| 9. | Data Entrants | IIESFB7 | 2 | 2 | - |
| | Total | | 65 | 28 | 37 |

- The vital positions included. Manager-Loans and Manager-Scholarships under the directorate of operations while the directorate of finance did not have the Manager-Finance, Manager-HR, Manager-Procurement, Manager-Planning; Manager-M&E.
- There were 15 officer positions that were vacant since 3 officers were promoted as Senior Officers and One Loan Officer's contract was not renewed and replaced hence 4 extra positions in addition to the prior 11 positions

The Accounting Officer explained that it was true that the Board requires staffing in some key positions, and the Board was understaffed and requires some key personnel in order to efficiently deliver on its mandate. However, staff recruitment had been affected by the ban on recruitment by the Ministry of Public Service and the ongoing discussion on mergers and mainstreaming of agencies.

Observations

The Committee observes that:

- The low staffing levels, especially the absence of middle level managers, significantly affects the functioning of the Board;
- The low levels of staffing have impaired the ability of the board to recover loans, and this affects the continuity of the loans scheme.

Recommendation

The Committee recommends that, notwithstanding the ban on recruitment, the Board should recruit officers for key positions to enable it execute its mandate.

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8. Governance of HESFB

Section 6.4.2 of the HESFB Financing Policy 2012 indicates that the Board will be composed of nine (9) members who shall be appointed by the Minister of Education and Sports to play an oversight role over the Secretariat.

Their contracts shall be for a term of 4 years, renewable only once on satisfactory performance.

The following anomalies were, however, noted:

- The position of the representative from the Uganda National Students' Association (UNSA) had not been filled for the last 9 months.
- The term of the Board of Directors expired in March 2022 and renewal/appointment of the new Board had not been undertaken by the time of audit.

In the absence of a fully constituted Board of Directors, the oversight functions may not be performed and the Board could lack in strategic direction.

The Accounting Officer explained that the Board had been fully appointed by the Minister of Education and Sports for a four-year term, and the position of student representative had now been filled with a more permanent member, the Executive Director of the Uganda National Students Association.

Observation

The Committee observes that whereas the board was fully constituted by the Minister with effect from 1st December, 2022, the failure to fully constitute the board in time by the Minister hampered the functioning of the institution.

Recommendation

The Committee recommends that the Minister should always ensure that the board is fully constituted and that vacant positions are expeditiously filled.

9. HESFB Mandate on Managing Existing Grants

Section 42 (1) of the HESFB Act, 2014 states that, (1) "All scholarships currently offered by the Government of Uganda, including bilateral scholarships, existing immediately before the commencement of this Act shall vest in the Board and (2) The Central Scholarships Committee of the Ministry of Education and Sports existing immediately before the commencement of this Act shall cease to exist on such a date as the Minister may by Statutory Instrument publish in the gazette".

Contrary to the above requirements, the mandate for management of the scholarships by the Government of Uganda has not been handed over to the

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Board. This is a violation of the Act and could result into duplication of roles and mandate.

The Manager in charge of Finance and Administration explained that the board had continued to engage the Ministry of Education and Sports regarding this critical mandate of the Board. However, following the issue of mergers of government entities, it was said that the Student Loan Scheme would be mainstreamed under the department of Higher Education which also manages Scholarships.

Observations

The Committee observes that:

- i. Whereas a law was enacted to streamline the management of all scholarships in the country, this has not been adhered to to-date,
- ii. The Statutory Instrument for the cessation of the activities of the Central Scholarships Committee was not gazetted and therefore has no force of law. As such, Section 42 of the Act was not implemented.

Recommendation

The Committee recommends that the Minister for Education and Sports should operationalise Section 42 of the Act, within six (6) months from the date of adoption of this report.

10. Risk Management

10.1 Absence of Fraud Prevention Mechanisms

Section 4.5.1 of the HESFB Risk Management Policies and Procedures Manual, 2020 indicates that HESFB shall establish a mechanism of independent, ongoing assessment of credit risk management. All facilities shall be subjected to individual risk review at least annually, and monitoring of the various types of risks to be able to come up with risk registers. In addition, Section 2.1 of the HESFB Risk Management Policies and Procedures Manual, 2020 indicates that the Risk Management Process/cycle should entail a detailed process of identification, assessment and measurement control.

The Auditor General found that on the contrary, the Board lacked a fraud prevention mechanism in place to curb fraud before it arises.

It was submitted that risk assessment and review at the Board is currently under the Internal Audit Unit where the Auditor plans and draws annual work plans based on assessment of risk and periodically carries out audit and reports to the audit committee of the Board. However, as with all other units, the unit is understaffed with just one staff.

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Observations

The Committee observed that:

- 1. Lack of a fraud prevention mechanism could result in fraud and errors being undetected and causing loss to the institution;
- 11. Understaffing of the Internal Audit Unit makes it difficult for the board to detect and prevent fraud.

Recommendation

The Committee recommends that the Accounting Officer should put in place a fraud prevention mechanism within six (6) months from the date of adoption of the Committee Report.

10.2 No Risk Assessment and Management Reports and Policies

Section 2.1 (5) Paragraph 2 of the HESFB Risk Management Manual(RMM), 2020 indicates that reports detailing the risk exposure of HESFB shall be reviewed by Management and the Board of Directors on a regular basis. The types of reports to be prepared for the Board of Directors and management shall include the following at a minimum.

- Summaries of the institution’s risk exposure.
- Reports demonstrating compliance with policies and limits
- Results of stress tests including those assessing breakdowns in key assumptions and parameters
- Summaries of the findings of reviews of risk policies, procedures, and the adequacy of the risk measurement systems; and
- The reports will be prepared on a Quarterly, Bi-Annual and Annual basis.

Contrary to the above requirements, the Auditor General noted that the Board did not carry out risk assessment for the period under review. As such, there were no quarterly, bi-annual and annual reports produced on risk management of the Board.

It was submitted that the Board has an Internal Auditor and the Audit Committee which periodically carries out risk assessment and audit programmes based on identified risks. The Auditor prepares annual work plan based on risk assessment.

Observation

The Committee observes that the lack of risk assessment and management reports and policies may expose the Board to risks that could have been detected early enough and mitigation measures put in place had risk assessment been done.

Recommendation

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The Committee recommends that the Accounting Officer should put in place risk assessment and management policies within a period of months (6) from the time of adoption of this report

10.3 Monitoring and Evaluation of the Board Activities

Lack of Joint Monitoring Team

Section 3 4 1 of the HESFB Monitoring and Evaluation Procedures Manual, 2022 states that, "The Executive Director shall from time to time constitute a Joint Monitoring Team (JMT), composed of representatives from departments and units, as well as staff with expertise in M & E to undertake monitoring and evaluation activities at HESFB; will be responsible for carrying out routine monitoring activities at the Board and reports will be submitted to the Executive Director outlining challenges and suggested solutions and/or recommendations."

On the contrary, no joint monitoring team was constituted in the period under review, hence monitoring and evaluation was not adequately performed as per the procedures in place.

It was submitted that the Board is severely understaffed, and the Monitoring and Evaluation unit has only one staff.

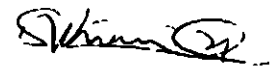
Observations

The Committee observes that:

- i. In the absence of a joint monitoring team, the Board may not be in position to assess and evaluate whether it is effectively delivering on its mandate and achieving its strategic objectives;
- ii. Understaffing impairs the ability of the board to carry out joint monitoring.

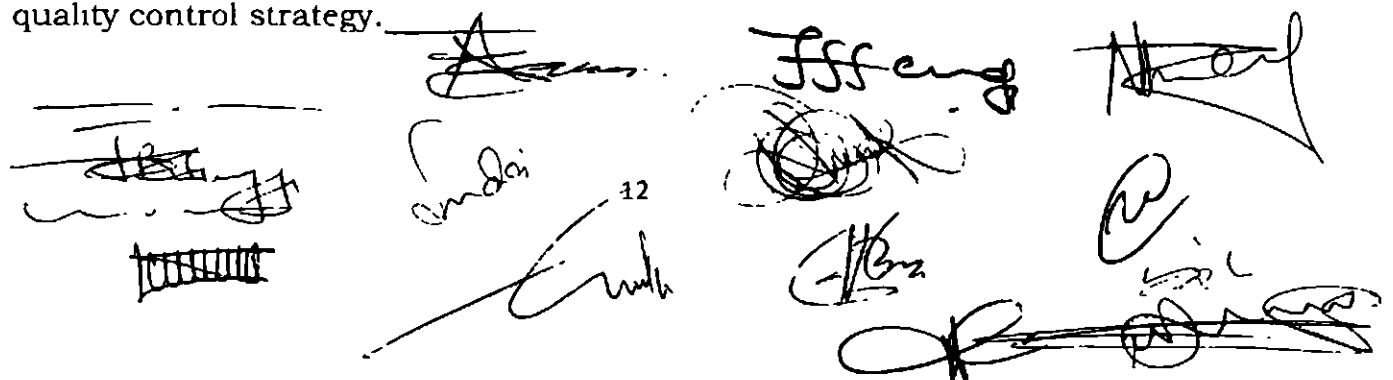
Recommendation

The Committee recommends that the Accounting Officer should put in place a joint monitoring team within three (3) months from the date of adoption of this Report.



8.5 Lack of Data Quality Control Strategy

Section 3.4.6 of the HESFB Monitoring and Evaluation Procedures Manual, 2022 states that to ensure that data and data sources related to the assessment of performance are objective and reliable, the M&E Unit will implement a data-quality control strategy.



On the contrary, the Auditor General noted that the Monitoring Unit did not set up or implement the Data Quality Control Strategy to enable data quality assessment.

Management explained that the board was understaffed, with the Monitoring & Evaluation Department having only one staff which made it difficult for the team to implement the Data Control Strategy. As an intervention, staff were given capacity building training in M&E.

Observations

The Committee observes that:

- i. Understaffing at the board made it difficult to develop and implement a data control strategy
- ii. The absence of a data control strategy may affect the quality of data and in turn performance measurement may not be accurate and reliable.

Recommendation

The Committee recommends that the Accounting Officer should put in place and implement a data control strategy within three (3) months from the adoption of this report.

11. Non-operationalization of the 5 Year (2019/2020-2024/2025) Resource Mobilization Strategy (RMS)

The Board developed a 5-year Resource Mobilization Strategy for the period 2019/2020-2024/2025. However, despite the expiry of three financial years, there was no evidence to show that the Board had started implementing the strategy, which could partly account for the low rate of students' loan financing and could curtail the board from achieving the intended objectives of the Scheme.

The Accounting Officer submitted that the strategy was to help reduce reliance on government funding and increase intake. One of the areas was to increase skills of proposal writing. In FY 2022/23, the board developed at least two fundable proposals to be submitted to different funders. A proposal was submitted to St. Augustine and the board received 20 scholarships.

However, understaffing presented severe challenges as most of the vacancies for the relevant staff were unfilled.

Observation

The Committee observes that understaffing had severely impaired the operationalisation of the 5-year resource mobilisation strategy

Recommendation

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The Ministry of Finance, Planning & Economic Development should provide funds to the board to enable the recruitment of critical staff and consequently the operationalisation of the 5-year resource mobilisation strategy.

12. Management of Information Technology (IT) Investments in Government

12.1 Planning and Budgeting for IT system Acquisitions

Section 45 (3) of the Public Finance Management Act, 2015 requires an Accounting Officer to enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a Financial year.

During the three (3) financial years: 2019/20, 2020/21 and 2021/22; the HESFB had a total budget of UGX 4.77Bn for acquisition of IT systems and equipment. However, UGX 0.929bn was eventually spent on the budget lines. The details are shown in the Table below.

Table showing GoU funding

| Financial Year | Budgeted (UGX) A | Actual (UGX) B | Variance - UGX (A-B) |
|----------------|----------------------|--------------------|----------------------|
| 2019/2020 | 404,497,000 | 291,627,659 | 112,869,341 |
| 2020/2021 | 925,275,000 | 199,962,147 | 725,312,853 |
| 2021/2022 | 3,443,200,000 | 437,044,205 | 3,006,155,795 |
| Total | 4,772,972,000 | 928,634,011 | 3,844,337,989 |

Findings

A review of the budgets revealed the following:

- Comparison of the budgets with the actual funding revealed shortfalls of UGX. 3.84Bn out of the total budget for the three years of UGX 4.77Bn (81%) implying that the Board could not procure the necessary software/licenses and this impacted on service delivery.

Table showing Budget Shortfall

| Activity | Financial Year | | Quantity | Unit Cost | Amount (UGX) |
|----------|----------------|---------------------|----------|---------------|---------------|
| Software | 2019/20 | | | | 0 |
| | 2020/21 | Accounting Software | 1 | 625,000,000 | 625,000,000 |
| | 2021/22 | ILMIS Upgrade | 1 | 3,000,000,000 | 3,000,000,000 |
| Licenses | 2019/20 | | | | 0 |
| | 2020/21 | | | | 0 |

| | | | | | |
|----------------------|---------|------------------------|---|------------|----------------------|
| | 2021/22 | | | | 0 |
| Equip ment | 2019/20 | Mail server | 1 | 55,000,000 | 55,000,000 |
| | 2019/20 | Toil free system | 1 | 30,000,000 | 30,000,000 |
| | 2019/20 | Digital call centre | 1 | 95,152,521 | 95,152,521 |
| | 2020/21 | | | | 0 |
| | 2021/22 | | | | 0 |
| Other IT Costs | 2019/20 | Maintena nce | | 3,289,361 | 3,289,361 |
| | 2020/21 | Maintena nce | | 17,818,748 | 17,818,748 |
| | 2021/22 | Maintena nce | | 17,579,260 | 17,579,260 |
| Total | | | | | 3,843,839,890 |

- ii) It was noted that funds to the tune of UGX 0.917Bn for IT Systems acquisition was released and UGX 0.929Bn was spent and none was diverted to other activities but UGX.0.012Bn was diverted to ICT acquisitions.

Summary of diversion of Funds for IT Systems acquisition

| Financial Year | Release/warra nt UGX (a) | Amount Spent UGX (b) | Variance (a-b) |
|-------------------|--------------------------------|-------------------------|-------------------|
| 2019/2020 | 291,627,659 | 291,627,659 | NIL |
| 2020/2021 | 199,962,147 | 199,962,147 | NIL |
| 2021/2022 | 425,403,205 | 437,044,205 | 11,641,000 |
| Total | 916,993,011 | 928,634,011 | 11,641,000 |

The Accounting Officer submitted that the board had made continuous follow up with the relevant stakeholders including the Ministry of Finance, Planning and Economic Development and the Ministry of Education and Sports for 100% funds release. The board has put in place a service level agreement with NITA-U.

Observations

The Committee observes that:

- i. The budget of the Board relating to ICT services did not get released in its entirety, which adversely affected the smooth implementation of IT systems, planned upgrades and equipment acquisition and may compromise Information Systems security;
- ii. Diversion of funds not only contravenes the Public Finance Management Act, 2015 but also negatively affects the delivery of services and negates the purpose of budgeting.

Spina-Ed

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Effeng

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Recommendations

The Committee recommends that:

- i. The Ministry of Finance, Planning & Economic Development should provide funds to the Board to ensure that it can acquire the requisite equipment/licences;
- ii. The Accounting Officer should ensure that the funds released are utilised for the strict purposes for which they are meant.

12. 3 ICT Governance

IT governance entails leadership, structures, and processes that enable an organization to make decisions to ensure that its IT that sustains and extends its strategies and objectives. However, a review of the ICT governance structure of the Board revealed that:

- i. There were no specific structures that steer and oversee ICT implementation.
- ii. The entity has 2 positions of ICT staff establishment; whose occupants have the required qualifications.
- iii. Internal Audit has not received adequate training to enable them interrogate or review the Board systems. In his work plans and appraisals, he has requested for Information systems training for the last 3 years but none has been granted, and has not had efficient access to the ILMIS system except for a few reviews.
- iv. There was no approved IT risk management framework/policy at the entity, and risk register.
- v. There was no business continuity plan, contrary to Section 4.6 of the National Information Security Policy, 2014.

The Accounting officer explained that understaffing remains a major challenge to the board. However, the ICT department was not an exception but they had planned to recruit a Senior ICT Officer with specialisation in programming which was not possible due to a ban on recruitment imposed by the Ministry of Public Service.

He also indicated that the matters related to IT structure and mechanism were discussed and agreed for implementation in a phased manner and the development of the ICT policy was initiated during the year and a draft policy was in place awaiting Board approval and the Board would follow through to ensure IT risk management framework was established and would work in consultation with NITA U to establish a business continuity and recovery plan.

Shirani

The bottom of the page contains several handwritten signatures and stamps. On the left, there is a rectangular stamp with illegible text. Next to it is a signature that appears to be 'Shirani'. To the right, there are several other signatures, some of which are circled or crossed out. The page number '16' is centered below the signatures.

Observation

The Committee observes that absence of ICT governance structures hampers formulation of appropriate ICT policies, strategies and real time upgrade of ICT interventions. In addition, it may lead to misalignment of IT investments with the overall entity strategic objectives

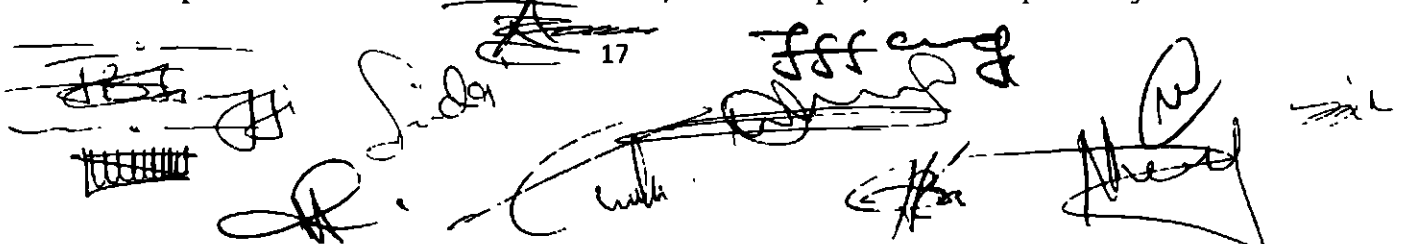
Recommendation

The Committee recommends that the Accounting Officer should institute governance policies, structures to effectively manage ICT investments in consultation with other stakeholders within three (3) months from the date of adoption of this Report.

General Observations

The Committee observes that:

- i. There is a lack of regional balance among the beneficiaries of the loans scheme. The Committee found that whereas the loans scheme was meant to aid students from underprivileged backgrounds, the vast majority of beneficiaries of the scheme, according to the information from the HESFB, were from districts which were not as underprivileged. On the contrary, districts from predominately underprivileged regions such as Karamoja and Scbei were not well represented among beneficiaries (**Refer to Annexure A**)
- ii. The school infrastructure in underprivileged regions such as Karamoja is a reason for concern. These regions have few schools, and even fewer schools with 'A' level translating into fewer learners studying up to 'A' Level. As such, students from such regions stand at a disadvantage when it comes to selection for loans.
- iii. The Committee found that the bulk of beneficiaries of the loans scheme are those pursuing science related courses at higher institutions of learning. The Committee was informed that at present the board was also providing loans to students pursuing tourism related courses. The Committee found that awarding loans to majorly learners pursuing science-related courses was unfair and not based on evidence, because development requires knowledge from all fields. The bias towards sciences means that many worthy beneficiaries are left out.
- iv. PWDs: The Committee found that there was progress regarding support to Persons with Disabilities. According to the Board, all PWD applicants who qualify actually get awarded. However, the Committee was concerned that PWDs have other challenges which the Board has not taken care of. The loans provided to PWD beneficiaries, for example, do not separately cater



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for assistive devices. The PWD beneficiaries, therefore, find that they have to pay interest on the money they use to buy assistive devices. In this way, the scheme has not been as beneficial to the PWDs as it ought to.

General Recommendations

The Committee recommends that:

- i. The board should adopt a district quota system where each district is allocated slots to ensure equitable access to the scheme;
- ii. The Board opens up the scheme to both arts and sciences;
- iii. The Ministry of Education and Sports should establish schools in all districts in accordance with the government policy that provides that every sub county has a secondary school,
- iv. The Board should specifically provide a grant for PWD beneficiaries to cater for assistive devices and personal aides.

5. CONCLUSION

The Committee notes that the Higher Education Students Financing Board has not received the support it requires to fully execute its mandate. This is manifested through the lack of adequate funding for the approved budgets, as well as the failure to enable the board to control all scholarships as provided under the law. It is imperative to provide the requisite funding to the Board to enable it recruit the staff needed so as to execute the mandate for which it was formed.

Additionally, the regional imbalance in granting loans to beneficiaries ought to be addressed as soon as possible; students from different regions of the country should benefit equally.

I beg to move.

The page contains several handwritten signatures and scribbles. At the top center, there is a signature that appears to be 'Jesse'. To the left, there are several horizontal lines with scribbles underneath. Below these, there is a signature that looks like 'Linda'. To the right of 'Linda', there is a large, circular scribble. Further right, there is a signature that looks like 'Kimmie'. At the bottom center, there is a signature that looks like 'Cuth'. To the right of 'Cuth', there is a signature that looks like 'R'. At the bottom left, there is a signature that looks like 'P'. At the bottom right, there is a signature that looks like 'S'. The page number '18' is written in the center.