

**INSTITUTIONAL ASSESSMENT
OF
THE EDUARDO MONDLANE UNIVERSITY
MOZAMBIQUE**

Final report 2003-11-20

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CONTENTS

EXECUTIVE SUMMARY	4
LIST OF ACRONYMS	11
1. BACKGROUND	13
1.1 The need for an institutional assessment	13
1.2 Context	13
1.3 Overview of UEM	15
1.3.1 The University	15
1.3.2 UEM's sources of funds	15
1.3.3 Changes in funding	17
1.4 Overview of the Cooperation between UEM and Sida	17
1.4.1 The Cooperation	17
1.4.2 Changes in the relations between UEM and Sida/SAREC	18
1.4.3 Sida/SAREC support to UEM	18
1.5 Support from other donors	19
2. THE ASSIGNMENT	20
2.1 The Terms of Reference	20
2.2 The Team	21
3 METHODOLOGY, WORK PLAN AND REPORTING	22
3.1 Workplan and methodology	22
3.2 The interest from other donors to participate in the review	23
3.3 Reporting	24
4. FINDINGS	24
4.1 Constitution and Organisational Structure of UEM	24
4.1.1 The Constitution of UEM	24
4.1.2 The relation between UEM and the Ministry	27
4.1.3 The Organisation of UEM	27
4.1.4 Staff capacity at the Finance Directorate	31
4.1.5 Staff capacity in the faculties	33
4.1.6 Responsibilities and roles	35
4.2 Financial Management	36
4.2.1 Steering processes	36
4.2.2 Audits	39
4.2.3 Improvement in financial management of external funds	42
4.2.4 Procurement procedures and practices of UEM	43
4.2.5 Accounting system	43
4.2.6 Assets Management	44
4.2.7 Scholarships and staff loans	45
4.2.8 Transparency in the administration of funds and the corruption risks	47
4.2.9 Reporting to internal and external stakeholders	47
4.2.10 Cash management	48
4.2.11 General recommendations	54
4.3 Differences in accountability requirements of donors	55
4.4 Other management systems	57
4.5 Audit of Particular Funds	58
4.5.1 Support to building of ICT infrastructure 2000 and 2001	60

4.5.2 Support to the Library 2001 and 2002	62
4.5.3 Support to the Open Research Funds 2001 and 2002	63
4.5.4 Core Support 2000-2001	66
4.5.5 Discrepancy in Exchange Rates	74
4.5.6 Discrepancies in UEM's account at Banco Internacional de Moçambique	76
4.6 Linkages between the use of governmental funds and externally funded projects	77
4.6.1 Mission and vision	78
4.6.2 Salaries and incentives	78
4.6.3 Norms and values	79
4.6.4 The level of co-operation	80
4.7 Sida as donor	80
5. CONCLUSIONS AND RECOMMENDATIONS	82

Exhibits and tables

Exhibit 1: Funding Sources for UEM.....	17
Exhibit 2: Sida/SAREC support to UEM, 2001-2003, '000 USD	19
Exhibit 3: Funds available to UEM in 2002	20
Exhibit 4: Organisation Chart of the Central Administration of UEM.....	28
Exhibit 5: Organization Chart of the Directorate of Finance (DF)	31
Exhibit 6: Allocation of Accounts Staff.....	32
Exhibit 7: Planned Finance/Accounts Staffing	32
Exhibit 8: Receipt and flow of Sida/SAREC funds	49
Exhibit 9: Management of Petty Cash	51
Exhibit 10: Core Support	53
Exhibit 11: Test of Sample Payments	54
Exhibit 12: Use of Donor Funds at UEM in 2002	56
Exhibit 13: Selection process for University Open Research Funds	64
Exhibit 14: Core Support expenditures and budget for the period 2000-2002.....	67
Exhibit 15: Scholarship payments.....	68
Exhibit 16: Selection Process for Staff Training	69
Exhibit 17: Exchange rate discrepancies	74
Exhibit 18: Exchange rate discrepancies	75
Exhibit 19: Summary of recommendations	86

Appendices

APPENDIX I. Terms of Reference

APPENDIX II. Report "Reform of the Financial Management System of UEM - Volume II"

APPENDIX III. Persons Met and Interviewed

APPENDIX IV. Bibliography

APPENDIX V. List of Manuals

APPENDIX VI. Summary of the Report from the Finance Inspectorate (Ministry of Finance)

APPENDIX VII. Comparison of Donor Accountability Arrangements Operated at UEM

EXECUTIVE SUMMARY

Until recently the Eduardo Mondlane University (UEM) was the only higher education institution (HEI) in Mozambique. Today there are nine higher education institutions: four public schools and five private. Nevertheless, UEM is by far the largest in terms of students (8,000), employees (2,700) and research capacity. During the last quarter century much progress has been made. The number of Mozambican teaching staff at UEM has increased from five to 547, and the number of these holding doctoral degrees has gone from none to about 50. The vision of UEM is based on an ambition to maintain UEM as the nation's premier university and to provide access for all at UEM. The mission and vision creates a strong link between different parts of the organisation.

Current Sida support to UEM (agreement for 2001-2003) includes: 27 research training projects – covering most faculties, centres and institutes; four faculty funds and a university fund; plus institutional research support to administration and library services. A separate core support fund has been utilised for research infrastructure, staff training, student scholarships, press and public relations services. Moreover, Sida has also collaborated with UEM on an extensive ICT infrastructure project.

The assessment has revealed some weaknesses in procedures and widespread lack of enforcement of procedures. It also identified some unjustified expenses. The existing management systems are not adequate for a university of UEM's size and importance. Many initiatives have been undertaken in order to improve performance. However, the new systems have not been effectively implemented.

Our detailed recommendations are to be found in the end of each sub-section. Chapter 5 contains a summary of our conclusions and recommendations.

In our opinion the following ten main recommendations may summarize the more detailed findings, conclusions and recommendations that are to be found in the report:

1. Donor harmonisation and a pooling effort are important to provide a better base for performance management.

At present, each donor agency has its own accountability and reporting requirements. We have made a detailed comparison of the reporting and other accountability requirements of the major donors to UEM – Sida/SAREC, Italy, Netherlands/Nuffic and the World Bank (see Appendix VII). All these donors favour harmonisation to reduce the transaction costs arising from the diversity of aid practices. Harmonisation should include the use of common procedures and timetables for diagnosis of needs, formulation of plans and project budgets, common formats for reporting, procurement, common formats for requests for advances/reimbursements, notification of direct payments by donors, statements of expenditure and source and use of funds, inventory reports, etc. and external audit.

Another reason for pooling donor efforts is that there is a large difference between used and available funds at UEM. In 2002, a total amount of USD 2,752,699 (41%) was not used by UEM although available to the university. The explanation given in the annual report is that the funds arrived late from the donors. A pooling effort would most certainly reduce this problem.

2. It is recommended that local representatives of the major donor partners of UEM meet regularly with UEM and concerned government officers as a UEM Support Group, chaired and led by UEM.

There is no forum for the cooperation and coordination of these partners in their dealings with UEM. It would be advantageous for UEM, as well as the foreign partners, to have some permanent machinery for discussion, including the issues of financial management harmonisation. The more that donors pool project support or put funds into the host institution's budget, the lower the transaction costs. Even without pooling or direct UEM budget support, transaction costs would be lowered by the adoption of common timetables, procedures and formats.

3. Sida should support capacity building at all levels.

There are significant weaknesses in UEM's capacity to implement programme activities, particularly from the Open Research Funds and the Core Support. The consolidated accounts for Sida-supported projects 2001 spent only 43% of the funds channelled to them, and had accumulated an unspent balance of SEK 3.7 million. Moreover, out of the project expenditure, 24% was not supported by documentation (SEK 0.9 million out of 3.6 million). The audit report was qualified¹ accordingly. The accounts for core support showed a similar picture, only 57% of the donation being spent, and a cash balance of SEK 2.2 million accumulated.

The slow progress in resolution of fundamental issues reflects a general problem of lack of resources in the management of UEM and the management of Sida/SAREC-funded research.

The 70-page Strategic Plan, which was originally intended for implementation between 1999 and 2003, is a relatively comprehensive document which looks at all aspects of the UEM. It consists of 12 separate sections, each of which contains between four and 25 specific recommendations. Many of these recommendations, if implemented, would have a significant impact in improving the quantity and quality of the services delivered by the UEM, as well as its administration and management.

There are, however, several reasons to be concerned about the extent to which these recommendations will in fact be implemented. The most fundamental of these involves the issue of the adequacy of the resources available to the University – both financial and human. The reality is that not only are the Country's finances very limited, given current economic conditions, but so also is its human resource base. Nowhere is the evidence of the problems caused by limited resources more clearly seen than in the UEM's Planning Office itself. While the office was more highly staffed during the time in which the plan was being prepared, its staff has dwindled significantly during the time when implementation needs to occur. Currently the office is staffed by one professional with some clerical assistance. Nevertheless, it is charged with monitoring the implementation of this complex strategic plan. Clearly, it does not have the resources necessary to do this in an effective manner.

The Finance Directorate has 26 staff members, but no members of professional accounting bodies. A capacity building option is recommended in the case of the finance staff. UEM, with World Bank and Sida/SAREC support, should train finance/accounts staff internally on

¹ The term unqualified means the audit report is clean. The term qualified means the opposite.

the new system and retain them by the availability of opportunities to further themselves professionally.

4. Sida should support introduction and implementation of a Performance Management System

One of the main objectives defined by the Government of Mozambique (GoM) for Higher Education is to raise the standard of the courses given. In addition the Strategic Plan of UEM underlines the importance of increased quality in research and education.

The basic reality is that in terms of the concerns of Sida/SAREC for insuring the quality of the product produced through their assistance to UEM, there is no truly effective management system in place. Different faculties take very different approaches to managing and monitoring the administration of Sida/SAREC funds. Where oversight is carried out in terms of actual project performance, the same is true.

Internal Peer Review Systems are often not operational at UEM. Furthermore, UEM has not used external Peer Review. Clearly, there is a need to implement, at a minimum, internal Peer Review Systems for the award of, and possibly for the assessment of, projects funded by Sida/SAREC.

The norms and values that develop within an institution obviously have a profound effect upon its operations. In many instances they can have more influence upon how it operates than do formal rules and procedures. As many aspects of this report clearly suggest, that is the case with UEM. More often than not the concerns that have been raised about the utilisation of Sida/SAREC funds have less to do with the adequacy of policies and procedures and more to do with the manner in which they are enforced and implemented. We recommend Performance Management to be implemented at all levels, supported by Sida. Sida should also fund training opportunities sufficient to retain skills in UEM. The management system should also include clear norms and values. A performance-linked salary system should be developed to further increase result orientation.

We recommend that Sida supports the development of Peer Review Systems for the awarding of Sida/SAREC projects at all faculties and levels of UEM. Sida should also support the introduction and implementation of a transparent incentives scheme for researchers and staff involved in its projects. Incentives should be based on performance. A project should be established, supported by Sida, on how the quality of research can be ensured. A system of quality assurance should be introduced.

5. UEM's entire financial function and various phases of financial management will have to be improved

The reports of the professional firm on Sida-supported projects are mainly qualified or unable to express an opinion. At present, it does not appear that UEM qualifies for more untied budget support and that highly specified project aid should remain the dominant modality.

The UEM budget is not structured into meaningful programmes, and projects are therefore not defined in support of particular programmes. It has been agreed that a programme approach to

budgeting will be adopted for the next Sida agreement period and that Sida/SAREC will fund a workshop at UEM and find Swedish and regional experts for it.

The Sida/SAREC-funded projects varied in their accountability. However, it would be fair to say that official procedures were not complied with in the majority of cases sampled, particularly as regards the completion and filing of documentation. Records management, asset registration, for example, is very poor. The audit team found weaknesses in internal control. Furthermore, it was not always possible to conclude whether all project objectives had been achieved. No cases of fraud or deliberate loss came to light, but no comfort can be taken from this, as the evidence was not sufficient to form an opinion. The problem is that laxity in administration leaves public funds (including external donations) wide open to abuse. The main recommendations to UEM, therefore, are to upgrade management capacity and staff competencies through the training and supervision of relevant staff.

Following a policy of decentralisation, UEM has made project coordinators in the faculties and units responsible, not only for budget management, but also for accounting and reporting on their projects. The result has been long delays in reports. Only 20% are submitted on time. However, decentralised budget management does not necessarily imply that the coordinator keeps the bank account or signs cheques, nor that s/he maintains accounts, makes reconciliations of the cash book with the bank statements, or summarises transactions onto reports. In fact, there are insufficient accounts staffs for full decentralisation.

The present manual and spreadsheet-based accounting systems will be replaced by an integrated computerized and networked system that will link the faculties/units with the Directorate of Finance. The proposed system will be on an accrual basis, which will be a quantum increase in complexity compared with the existing cash-based system. The various components of the project are being implemented by a Project Implementation Unit in UEM, supervised by a Project Coordination Unit in the Ministry of Higher Education, Science and Technology (MESCT). One of the requirements for the new financial management system was that it should be able to manage all UEM funds, and all other sources of funds, and should have a chart of accounts covering specific needs of different funds. The planned integrated financial management system meeting the accounting needs of Sida should be implemented following the previously agreed plan.

It is of utmost importance that donors of the UEM cooperate and develop a uniform financial reporting system. All levels of staff, especially those working with the financial reporting on a daily basis, must be adequately instructed and supported in the implementation of such a system. The content and length of the workshop for the financial staff should be reviewed to ensure that the message actually reaches the individuals who deal with the day-to-day accounting work. Since Portuguese is the official and functional language in Mozambique, all forms and documents Sida requires accountants to fill in should be in Portuguese, e.g. financial reports at project level. It may even be necessary to clarify guidelines, Sida policies and the terms of the agreement in Portuguese.

Signatories should not authorize any payment supported by insufficient documentation. All assets over a minimum value should be registered, irrespective of the source of funding, and the Asset Management Director should control all disposals over a certain value. The DF's responsibility should be extended to include the controlling of financial reports submitted by the projects, and not just limited to aggregating these. The financial report format should be amended to show the cash balance at the beginning and end of the period reported on (as well as budgeted and actual expenditure), and a copy of the bank statement confirming the balance held should be attached. This should be done on project level. This change would enable DF

and Sida/SAREC to check that all funds are accounted for and that excessive idle balances are not accumulated.

6. It is recommended that Sida supports strengthening of internal and external audit of UEM

External audit is provided by the Inspector General of Finance (IGF), the supreme audit institution in Mozambique (the Tribunal Administrativo) and, in respect of Sida funds, by a professional firm. We recommend that they coordinate their audit programmes and share reports.

The IGF oversees internal audit units in the Government. It has an important role in changing and improving the financial systems. Shortage of resources has prevented the IGF from auditing the government contribution to the UEM every year, as required by law. We recommend that Sida support external audits provided by the IGF annually, including external funding.

There is a major problem for Sida in getting audit reports in good time. It is recommended that external auditors and their Terms of Reference be pre-approved by Sida, and their reports be sent to Sida and UEM simultaneously. One reason for a late audit report is a late start in the audit process. Auditors should be required as a condition of contract that they plan the audit together with UEM so that their final report can be submitted by 30 June each year.

UEM should produce a management response on all audits and evaluations. Sida should be provided with the management response when Sida-funded projects are involved.

Internal audit has recently been expanded in terms of staff numbers, but the unit needs strengthening, in particular by structured training in audit, and by the preparation of an Internal Audit Manual. The scope of internal audit should be clarified and extend to all funds under the control of UEM. Internal audit should increase the training in internal control for administrative staff. At a future stage, internal audit may expand its focus to performance audit. At present, however, it should aim to extend the scope of its financial and compliance audit and make it more effective.

7. Transparency in the administration of funds should be increased to reduce the corruption risks

According to the draft Country Financial Accountability Assessment for Mozambique, fiduciary risk is high.² No fiduciary risk assessment has been made on the UEM alone, which might therefore be better or worse than the government-wide assessment. However, the audit reports do not give confidence that UEM is doing better than other agencies. In the opinion of the IGF, frauds and irregularities extend to funds from all sources: they are equally at risk.

Transparency is the condition that any member of the public can see what any officer of UEM is doing and has access to the files and records at any time, except for certain recognised exceptions. There is no Freedom of Information legislation in Mozambique, and the culture of GoM (and of UEM) is secretive. The release of information, financial and statistical, is highly controlled. The most important statements in the discharge of financial accountability, i.e.

² World Bank (2002) Project Appraisal Document on a proposed Credit for a Higher Education Project, Report No: 22962-MOZ, p. 58.

audited financial statements are late and audit reports are highly qualified. Sida should together with the other donors offer the GoM a Freedom of Information Legislation project.

8. The capacity for organisational development should be further strengthened

The issue of University organisation has been a subject of much discussion and consideration within UEM for some years. In part, this issue has been addressed through a technical assistance project funded and supported by the Government of the Netherlands. The fact that the reorganisation initiated in 1995/1996, and approved in 1999 has not yet by July 2003 achieved agreement on the final document describing the new suggested organisation indicates the difficulties in this traditional approach on reorganisation. The reorganisation of UEM should be finalised and the staff well-informed on the division of responsibilities in the organisation. We recommend for the future a more modern strategy for continuously adjusting smaller parts of the UEM organisational structure when deemed needed.

In the current organisation structure, the directors of faculties (deans) report directly to the Rector. Thus, even if the Academic Vice-Rector position were filled, the role of that person would be more one of being a coordinator of the activities of the associate and assistant deans, rather than providing academic leadership and guidance to the directors/deans and their respective faculties. Consequently, the current structure places unusually great responsibility and, if it is used, authority in the person of the Rector. Serious consideration should be given to having the directors/deans of faculties report to the vice rector for academic affairs in order to ensure that full time is devoted by a single individual to advancing the academic side of UEM.

There is no question that UEM has made significant strides in terms of the strengthening of its research capacity and, more recently, has begun the process of initiating post-graduate education. However, up to this point, there has not been a central academic officer whose specific responsibility has been to coordinate and lead this dual effort. The development of UEM has now reached a point where such leadership is increasingly necessary. Serious consideration should be given to the appointment of an assistant vice rector for research and post-graduate studies. The appointment of such an individual will not only help coordinate the technical assistance funded by Sida/SAREC but also provide much needed leadership as UEM moves forward in areas of activity that are increasingly going to be central to its future development.

The various Directorates in the central administration are supposed to have a more service oriented and coordinating role rather than a supervising role. However, there are different opinions among the persons the team has met with and interviewed if this principle really reflects the reality.

9. A review of the division of responsibilities between UEM and MECT and a most effective level of cooperation with donors should be initiated

The constitution (or charter) of UEM, last revised in 1998, like many such documents leaves many important issues unresolved. Among the most significant of these is what will be the relationship with the Ministry of Higher Education, Science and Technology (MESCT) which was established in 1999. This ambiguity also produces conflicting views on the exact roles of the University Council, the Academic Council and the Board of Directors. Another major area of ambiguity which currently impacts upon the overall work of the University involves the

role of the teaching and administrative staff in the selection of university officers and, in particular, the Rector and Vice-Rector (who are formally appointed by the President of the country). The position of Vice-Rector for Academic Affairs has been vacant for three years. In some faculties there is a strong faculty council and scientific council, whereas in other faculties those bodies are obviously dormant.

One of the MESCT's strategic goals is to promote and facilitate multilateral and international cooperation through establishing partnerships between HEIs and donors. Providing such information on external support to each HEI is a specific action that would do very much to facilitate partnerships and identify gaps. The external funding for HE is, like in many other countries, very dispersed and uncoordinated.

There is also much technical assistance and research support to various Faculties and Departments. The assistance tends to be ad hoc, with small projects that lack integration and collaboration between donors.

One thing that becomes clear is that donor support to HE is lacking a holistic view of the education system. The support to HE is, for the most part, not articulated with the goals and strategies of the lower levels of the education system and the education system as a whole. One way of bringing HE and basic education together would be through donor support that would necessitate connections between the two sub-systems.

One of our recommendations is that Sida should together with UEM and MESCT discuss the most effective level of cooperation. It should also be evaluated if Scholarship funds and Core Support should be at UEM and/or MESCT level. In addition the processes of reporting, monitoring and evaluation should be harmonised with the planning and monitoring cycle of MESCT.

10. We recommend Sida/SAREC to impose significantly tighter restrictions on the use of its funds.

As part of the effort to lesson the impact of the present situation, there is no question that Sida/SAREC can impose significantly tighter restrictions on the use of its funds. There needs to be greater clarity and enforcement of the appropriate use of Sida/SAREC funds, especially the funds for open research, staff training, and payments to administrative staff. Increased control, supervision and feedback from Sida would increase the staff's motivation to do things correctly. It may be necessary to compile a list of prohibited uses of funds, to avoid the misinterpretation of the guidelines and agreement terms. Clarification is required from Sida regarding whether staff training funds can be used according to the "contract route". Disbursements should be withheld until reports are delivered. The recommendations also cover system changes, such as changes to the chart of accounts, to the main financial report format (which should include bank balances) and to a single rate of SEK/USD exchange for all Sida/SAREC reporting.

LIST OF ACRONYMS

Acronym	English	Portuguese
Asdi	Swedish International Development Cooperation Agency	Agência Sueca de Cooperação para o Desenvolvimento Internacional
BIM	International Bank of Mozambique	Banco Internacional de Moçambique
CIUEM	Centre of Informatics Eduardo Mondlane University	
DF	Directorate of Finance	
HE	Higher Education	Educação superior
HEI	Higher Education Institutions	
GoM	Government of Mozambique	Governo de Moçambique
ICT	Information and Communication Technology	
IGF	Inspector General of Finance	
INIA	National Institute for Agricultural Research	Instituto Nacional de Investigação Agrária
INIVE	National Veterinary Research Institute	Instituto Nacional de Investigação Veterinária
ISRI	Higher Institute of International Relations	Instituto Superior de Relações Internacionais
ISI	International Institute for Scientific Information	Instituto Internacional para Informação Científica
MA	Master of Arts	Mestrado de letras
MESCT	Ministry of Higher Education, Science and Technology	Ministério de Ensino Superior, Ciência e Tecnologia
MHO	Joint Financing Programme for Cooperation in Higher Education (administered by Nuffic on behalf of the Netherlands Ministry for Development Cooperation)	
MINED	Ministry of Education	Ministério de Educação
MONAP	Mozambique Nordic Agricultural Programme	Programa Nordico Agrícola para a Agricultura em Moçambique
MSc	Master of science	Mestrado de ciência
MT	Meticais (national unit of currency)	
NATUR	Department for Natural Resources and the Environment (Sida)	
NORAD	Norwegian Development Agency	Agência Norueguesa para o Desenvolvimento
NUMAC	Nucleus of Academic Women (at UEM)	Núcleo da Mulher Académica
NUFFIC	Netherlands Organisation for International Cooperation in Higher Education and Research	Organização Holandesa para o Desenvolvimento em Educação Secundária
PARPA	Action Plan for the Reduction of Absolute Poverty	Plano de Acção para a Redução da Pobreza Absoluta
PhD	Doctor of Philosophy	Doutor de Filosofia
PIU	Project Implementation Unit	
PM	Promemoria (term used within Sida for	<i>Promemoria</i>

	background document prepared to assist decision making)	
PROAGRI	Agricultural Sector Programme	Programa para o Sector de Agricultura
PwC	PricewaterhouseCoopers	
SAREC	Sida's Department for Research Cooperation (before 1 August 1995 SAREC was a separate agency – the Swedish Agency for Research Cooperation with Developing Countries)	(Agência Sueca para Cooperação em Pesquisa com Países em Vias de Desenvolvimento)
Sida	Swedish International Development Cooperation Agency	Agência Sueca de Cooperação para o Desenvolvimento Internacional
SEK	Swedish currency (Krona)	Moeda sueca (Krona)
SWAp	Sector Wide Approach	Estratégia integral para um Sector
SLU	Swedish University of Agricultural Sciences	Universidade Sueca para as Ciências Agrícolas
UEM	Eduardo Mondlane University	Universidade Eduardo Mondlane
UFICS	Entity for Social Science Training and Research at UEM	Unidade de Formação e Investigação em Ciências Sociais
UNICEF	United Nations Children Foundation	Fundação das Nações Unidas para as Crianças
USAID	United States Agency for International Development	
WB	World Bank	Banco Mundial

For acronyms, we have used the Portuguese abbreviations for Mozambican institutions. For non-Mozambican institutions, we have used the English acronyms.

1. BACKGROUND

1.1 The need for an institutional assessment

The Mozambican Finance Ministry carried out an audit of some units of the Eduardo Mondlane University (UEM), referring to the 1999 and 2000 financial years. During this audit they discovered some serious irregularities. The inspectors audited the university accounts during the period of August 2001 to February 2002, and in March 2003 the results reached the public domain.

In line with Sida's policies for appropriate management of Swedish funds, Sida is obliged to undertake a special audit on use of Swedish funds at UEM.

The information about suspected financial mismanagement came prior to a visit by UEM to Sida in March 2003. The issue was discussed during this meeting. In order to clarify the situation Sida and UEM agreed on the conduct of an independent review of the management of and the use of external funds at UEM, to start as soon as possible, without harming the ongoing activities.

Sida welcomed the participation of other external funders in this review. Part of the task of this project was to present and discuss the terms of reference for this review with other external funders of UEM. After several meetings, the Sida terms of reference, which covered the management of all external aid, were found to be acceptable. No supplements were proposed to the terms of reference.

1.2 Context

Mozambique became independent in 1975, and, with a massive exodus of the Portuguese, the country was left with only a handful of university graduates. Illiteracy rates were above 90%. Building research capacity in this context was not an easy task, and unfortunately, the prospects were not very favourable.

During the first decade after independence, the country opted for a socialist development strategy. A civil war occurred. With peace established in 1992 and with the democratisation of the country and improved economic policy-making, the Mozambique has since made spectacular progress although poverty remains acute in many parts of the country. The eradication of poverty is the stated policy of the Mozambican government.³

The war resulted in millions of Mozambicans becoming displaced both within and outside the country. On top of this, the destruction of primary and secondary schools caused the loss of the early gains in eradicating illiteracy.

With the rehabilitation efforts after the war, the return of displaced people, and the rehabilitation of schools, the number of students in secondary schools has increased and will continue to do so as a result of the efforts in primary education. Twelve years after the peace accord, a growing number of secondary students are interested in studies at the universities though only a fraction of those can be admitted.⁴

³ Government of Mozambique (2001) Action Plan for Reducing Absolute Poverty (PARPA).

⁴ According to Lind and Igboemeka 2002, in 1999 there were almost 11,000 applicants for 2,300 places.

This high and growing demand for university training is the result of the high rate of economic growth attained by Mozambique since 1992, which has boosted demand for university training.

Higher education is an important part of the of the Mozambican government strategy to reduce poverty: *“Mozambique suffers from a dramatic deficit of professionals with higher education in all fields. By way of example, the primary, general secondary and middle technical sectors operated in the year 2000 with only 752 teachers who have higher education. In 1998, less than 3% of the national staff for the whole Public Administration had higher education. It is imperative to overcome the current situation of poorly qualified human resources at all levels and in all areas”*⁵.

The Government of Mozambique (GoM) has defined the following main objectives for Higher Education:

“Expand access to higher education; raise the standard of courses given; extend higher education opportunities to citizens from regions outside Maputo; contribute to the viability of expanding the number and size of higher education institutions and the resultant increase in the number of places available”.

Since independence education has been a priority sector of the Mozambican government. In 1999, 24% of the government’s total expenditure on education was for the public HEIs (UEM: 20%, UP: 3% and ISRI: 1%). At the same time, the education sector as a whole received about 15% of government expenditure - less than in several neighbouring countries. Projections show an increase by an average of 4.7% per year, significantly below the rates of economic growth of about 7% per year up to 2004.

Portuguese has continued to be the language of instruction in the whole education system, which means that most students from rural areas and poorly educated families are disadvantaged from the beginning (55% of the students from UP had a rural origin compared to only 26% of UEM students) Graduates from 12th grade represent a small minority - often from privileged homes in which Portuguese is spoken. The education system is extremely selective and access narrows down the pool of candidates already after the first cycle of primary education. While about 2 million children are in grades 1 –5, less than 200 000 make it to the 2nd cycle of primary education, grades 6-7. The total number of students registered in grade 12 at public schools, in 2000, amounted to 9029, including both general and technical education, day and evening shifts. Among these, 4116 graduated in the same year. In addition around 1000 grade 12 students were enrolled at private schools, most of them in the capital. This is far too little to respond to the demands of the labour market, the training of teachers and to the expansion of HE ⁶.

Until recently UEM was the only higher education institution in Mozambique. Today there are four public schools of higher education: UEM, Universidade Pedagógica (UP), ISRI (Instituto Superior de Relacoes Internacionais) and the Police Academy. In addition, there are five private higher education institutions. While the government and donor funds finance the public universities almost entirely, the private HEIs depend on student fees, external support (in the case of UCM), and venture capital (ISPU, ISCTEM, ISUTC).

The growth in the number of university students has been impressive. The total has grown from 4,100 in 1991 to 14,200 in 2001. For UEM, the increase was from about 3,000 to 7,100

⁵ PARPA, April, 2001, p. 43

⁶ Lind, 2002

during the same period. According to the Operational Plan⁷ for UEM, this figure will reach 12,200 in 2004. However, UEM's share in the student population has decreased from 73% in 1999 to 50% in 2001. Nevertheless, UEM is by far the dominant actor in terms of qualified research capacity.

The increase of higher education institutions led the Government of Mozambique to create the Ministry for Higher Education, Science and Technology (MESCT) 1999/2000. According to the MESCT strategic plan, the existing HEIs can expand significantly through various efficiency and rationalisation measures.

Analysis of the implications of expanding HE to other geographical areas in Mozambique suggests the need to apply a gradualist approach, (e.g. by creating Faculties instead of new institutions), and to consider the possibilities of making use of available infrastructure in the provinces and academic and organisational support from existing HEIs.

1.3 Overview of UEM

1.3.1 The University

UEM is Mozambique's major higher education institution. It was established in 1962 and mainly served the needs of the Portuguese colonial regime. In a country then with about 13 million people, there were only 3,000 university students. With the exodus of the Portuguese in 1975 this figure dropped to 1,300 after Independence and then further to only about 1,000 in 1980. Prior to the peace agreement in 1992, the number of university students slowly and steadily increased to about 3,000, the same level as before Independence.

Today the University has 8,000 students and 2,700 employees. There are two Vice-Rector posts under the Rector, one responsible for administration and resources, the other for purely academic matters. The latter post has been vacant since 1999. The 10 faculties report directly to the Rector. The director (or dean) of a faculty has between one and three deputies, depending on the size of the faculty. See sub-section 4.1.3 for the present organisation of the University.

In 1995/1996 the Rector initiated the reorganisation of the University (RUMA project), financed by the Dutch Government and involving the Twente University in the Netherlands. The reorganisation was approved in 1999 and the final document was presented in July 2003. The reform covers three aspects of UEM operations - organisation, financial management and curriculum. While there remains some ambiguity about the reorganisation plan, several steps in the area of curricula reform have been undertaken as will be noted later in the report.

1.3.2 UEM's sources of funds

UEM receives funds from four different sources: the Government of Mozambique (State Budget), donations (grants from donor agencies), credit (loans, usually on concessionary terms, from donor agencies), and its own internal revenues (such as consultancy fees, fees for Internet use). Utilization of funds from each of these sources has a specific payment procedure, sometimes varying from institution to institution, which makes it difficult to generalise. Since the focus of this report is on external funds, these will receive special attention in section 4.3. However, in order to understand the relevance of external funds to

⁷ UEM (1999) Operational Plan, p.26.

UEM's budget and to better understand the respective processes, a short overview of the funding sources is provided below.

State Budget

The funds provided by the State budget are deposited in a central account under the management of the Finance Directorate (DF). These funds are spent according to an annual plan and budget that is approved by the University Council. The budget is in two parts:

- **Recurrent budget:** the majority of this is used for salary expenses (65% of the total). The rest of the recurrent budget is divided between General Expenses, which are managed centrally by DF, and so-called Petty Cash, which are allocations spent directly by each of the University's faculties and other units (44 in number).
- **Investment Budget:** the Construction Office manages capital expenditures on assets that are under construction centrally. Funds used to purchase machinery are managed centrally by the Directorate of Assets (DAPM). The DAPM also manages funds originating from the selling of machinery and equipment.

Strict procedures have to be followed to use State funds. A report on the use of State Funds is sent to the Government monthly and annually.

Credit

The World Bank is the major source of credits for UEM. A Project Implementation Unit (PIU) at the DF manages the majority of these funds centrally. The payments are made according to a plan approved by the University Council.

In addition, the Government, through the Ministry of Higher Education, Science and Technology (MESCT), monitors the use of these resources. If MESCT suspects any wrong use of these funds (e.g. suspicion of nepotism), it has the right to exclude staff from using these funds (see further discussion below in sub-section 4.5.4).

The DF (PIU) reports on the use of these funds to the Government monthly and bi-annually.

Internal Revenues

Internal revenues are generated and used by the individual units. The amount generated by each unit depends on its capacity to generate revenues through activities such as consultancy services and Internet access fees. These funds are managed and supervised by the dean of the faculty or unit. These resources are also not subject to distribution or reallocation to other units. Each unit reports on these funds to the DF four times a year.

Donations

UEM has numerous donors (see 1.5 below). This creates a significant administrative workload on the University, as it has to cope with the divergent managerial and financial reporting demands of all of them.⁸ A section 4.2 focuses on the routines used for the donations of Sida/SAREC, while section 4.3 compares the management and reporting of funds from major donors.

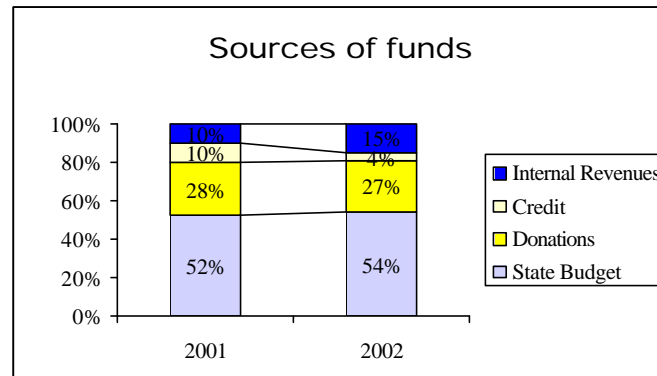
⁸ In addition, (1) senior university staff have to find time to host visiting missions and respond to their information needs, and (2) qualified nationals sometimes must be recruited into temporary project management units at salaries that are unsustainable by the Government, thus multiplying accountability structures and subverting Government efforts to reform its own accountability systems. These impacts have not been costed but are nowadays believed to be very high.

1.3.3 Changes in funding

The income generated by the university itself has grown in importance. In 2002 own receipts were 15 % of total revenue, up from 5 % in 1996. Most of this comes from consulting services.

During the past decade the most salient feature of overall university funding is that total donor support has decreased dramatically from USD 18.9 to 7.0 million. Ten years ago, donor contributions were three times the Government's contribution. In 2002, the situation had almost reversed and the Government contributed much more than the donors.

Exhibit 1: Funding Sources for UEM



1.4 Overview of the Cooperation between UEM and Sida

1.4.1 The Cooperation

Swedish support to Mozambique commenced immediately after Independence in 1975. At first this was import and balance of payments support, which was progressively untied and linked to the World Bank and IMF's package of economic reforms. In 2000, Sweden and like-minded donors started providing direct support to the government budget, linked to progress in achieving good governance and the eradication of poverty. The Council of Ministers approved the Strategy Document for the Reduction of Poverty, PARPA, in April 2001. Sida also contributes to the basket funding of the education sector programme.

Sida's Department for Research Cooperation (Sida/SAREC) has collaborated with UEM since 1978, with a focus on the development of indigenous research capacity, later broadened to include institutional capacity.

During this quarter century, on a total Sida contribution of almost SEK 250 million, the number of Mozambican teaching staff at UEM has increased from five to 547, and the number of these holding doctoral degrees has gone from none to about 50. Research laboratories and libraries have been equipped. UEM is Mozambique's main centre of higher education and the only university with major research programmes at post-graduate level and above. The University is thus the focal point for Sida's support to the development of national research capacity. The entire program of research cooperation between Sida and UEM was evaluated in late 2002⁹. This and other external evaluations have attested to Sida support to UEM being a crucial factor in the development of national research capacity.

⁹ Alberts, Tom et al (2003) Evaluation of Sida's Support to UEM.

1.4.2 Changes in the relations between UEM and Sida/SAREC

Prior to 1995, “the old” SIDA and SAREC were two independent public agencies. As of 1 August 1995, SAREC became one department within the new Sida organisation. In the new organisation, SAREC has a semi-autonomous status with its own budget and board of directors.

Traditionally, SAREC has had three basic objectives:

- research capacity building
- generating relevant research
- support to development research at Swedish academic institutions (10% of the budget)

These objectives have been retained by SAREC since its integration in Sida. To what extent should SAREC broaden its mandate is still being discussed. For example, whether Sida/SAREC should have overall responsibility for other education activity remains an open question.

Inevitably, at present, Sida's division of work appears somewhat confusing to UEM. Sida/SAREC has successively taken over responsibility for other Sida departments' support to UEM. This change in responsibilities has been particularly complicated in the agricultural sector. For example, the Natural Resources and Environment Department (NATUR) of Sida has been supporting agricultural research and research training. Sida/NATUR participated actively in the development of the sector programme for agriculture, PROAGRI, and set aside significant resources for the planning and development of a national agricultural research system in Mozambique. SAREC did not participate in this work.

In addition, through the Swedish Embassy in Maputo, Sida has provided funding to UEM. It is decided 2002 that this support should be administered by SAREC.

1.4.3 Sida/SAREC support to UEM

At present Sida supports eight faculties (out of 10) in research capacity building and research projects, mainly in the Faculties of Science, Engineering, Arts and Veterinary Science, and the Informatics Centre and Historical Archive. Current Sida support to UEM includes: 27 research training projects – covering most faculties, centres and institutes; four faculty funds and a university fund; plus institutional research support to administration and library services. A separate core support fund has been utilised for research infrastructure, staff training, student scholarships, press and public relations services.

Sida/SAREC's current agreement period with the UEM is 2001 to 2003. Since the last agreement (1998-2000), more funds have been dedicated to a university open fund in order to increase flexibility and to provide an incentive for younger researchers to apply. The Faculty of Science receives the largest funding from Sida/SAREC. It takes 24.3% of the total funds and is divided among 10 projects. The Faculty of Engineering is the second largest recipient, with 11.5% of total Sida/SAREC funds. These funds for the Faculty of Engineering are divided among six projects. The table in exhibit 2 presents data on Sida/SAREC support to individual units of UEM.

Exhibit 2: Sida/SAREC support to UEM, 2001-2003, '000 USD¹⁰

	Total	Per cent
SOCIAL SCIENCES	707	9,8%
Research Programmes	525	
Open Fund in Humanities and Social Sciences	182	
FACULTY OF SCIENCE	1 744	24,3%
Research Programmes	1 653	
Open Fund for the faculty of science	91	
FACULTY OF ENGINEERING	829	11,5%
Research Programmes	693	
Open Fund for Faculty of Engineering	136	
CENTER OF INFORMATICS	465	6,5%
Internet-based Learning Activities in Mozambique	64	
Training (6 students)	401	
FACULTY OF MEDICINE	481	6,7%
Research Programmes	345	
Open fund for faculty of medicine	136	
VETERINARY SCIENCES		
Research Programmes	375	5,2%
HISTORICAL ARCHIVES		
Core support for historical archives	318	4,4%
FACULTY OF LAW		
Research Programmes	121	1,7%
FACULTY OF AGRONOMY		
Research Programmes	253	3,5%
INSTITUTIONAL RESEARCH SUPPORT	931	12,9%
University open research fund	582	
Library Services	232	
Scientific Directorate	68	
Administration	49	
	931	
Sida external evaluation	57	0,8%
Sub-total of Sida/SAREC research support	6 282	87,4%
Core support country frame	909	12,6%
TOTAL UEM	7 191	100,0%
Total open funds	1 127	15,7%
<i>Source:</i> Sida/SAREC		
<i>Note:</i> Rate of exchange used SEK/USD	11	

1.5 Support from other donors

Among the universities in Mozambique UEM is the largest recipient of international co-operation and external funding. Funding from donors is an important part of UEM's financial sources and 16 % of the university budget for 2003 is from external sources. In a recent publication, 140 agreements with foreign donor organisations as of June 2002 are listed, and the main areas of collaboration are specified.¹¹

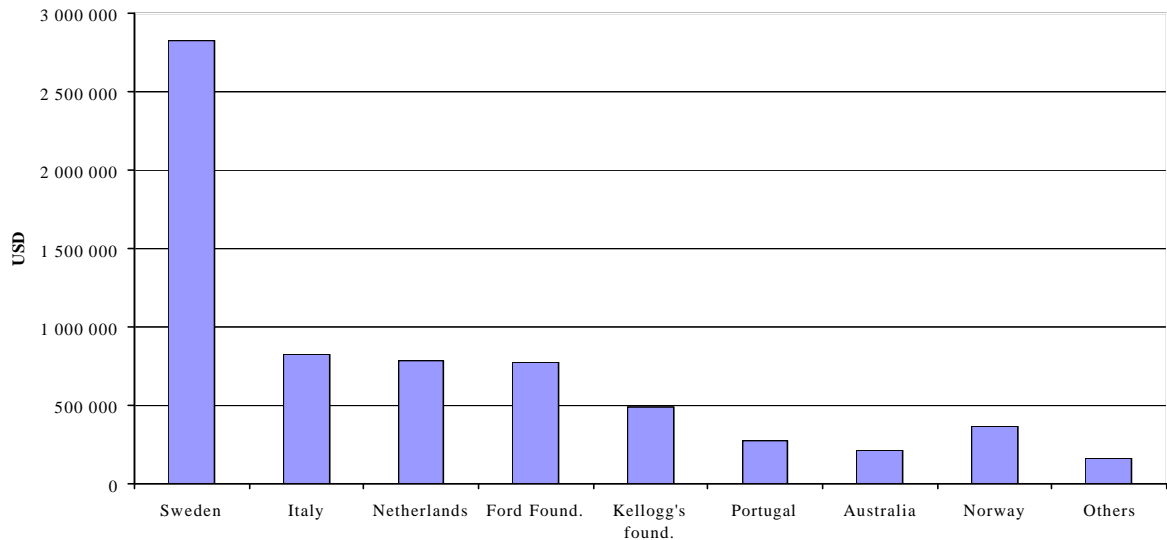
Sida/SAREC is UEM's most important donor. According to UEM's annual report for 2002, Sida provides the largest part of its external aid, 42%. Other major donors are Italy and

¹⁰ Alberts et al: Evaluation of Sida's Support to UEM, April 2003

¹¹ UEM (2002) Cooperation at the Eduardo Mondlane University, pp. 44-58.

Netherlands, which support approximately 12 % each for the year 2002. Norway, Spain, Australia, Belgium USA, Portugal, World Bank and EU are also providing financial support to UEM (see Exhibit 3).

Exhibit 3: Funds available to UEM in 2002



Source: UEM's annual report 2002

The World Bank/IDA Higher Education Project, which became effective in June 2002, has a USD 32.9 million component for UEM. This includes new buildings, teacher training, scholarships and the design of an integrated budgetary system and participatory budget process, completion of the reform of the financial management system (in accordance with recommendations in a report of late 1999¹²), advanced training of financial management and administrative staff, and expansion of the ICT programme to allow setting up a comprehensive administrative, academic and financial database system.¹³ The component is being implemented by a Project Implementation Unit in UEM, supervised by a Project Coordination Unit in the Ministry of Higher Education, Science and Technology (MESCT). At present, a USD 0.6 million contract for design of the financial management system is awaiting a 'no objection' from the World Bank. The system is scheduled to be ready for implementation by September 2004.

2. THE ASSIGNMENT

2.1 The Terms of Reference

The terms of reference are given in full at Appendix 1. In essence, the purpose of this assignment was to carry out an in-depth institutional assessment of UEM, i.e. to assess UEM's financial management and its ability to govern and control operations in a manner to insure that external funds are appropriately utilised, documented and reported. The

¹² Ernst and Young (1999) Volume I: Diagnosis of Actual Problems, and Volume II: Future Vision, in Portuguese, December. Funded by World Bank. Translation into English by the team at Appendix II.

¹³ World Bank (2002) Project Appraisal Document on a Proposed Credit for a Higher Education Project, 4 February. Report No. 22962-MOZ.

assessment was to include an analysis of the actual use of particular funds at the UEM (as listed below in section 4.5 on audit on particular funds), and an assessment of UEM ability to develop appropriate routines and systems to correct present shortcomings.

UEM has had external funding for many years and from various donors. The 2002 Sida Evaluation pointed at difficulties for the UEM to meet the different reporting requirements of donors. The evaluation claims that different conditions and requirements may hamper the development of sound and general practices within UEM. One aim of the review is to elaborate on the type and extent of differences in requirements and to make recommendations to UEM on how to handle the situation.

The irregularities discovered by the Ministry of Finance audit concerned governmental funds only. The assessment aims to indicate the risks arising to external funds in the same institutional environment.

Both the above-mentioned Sida evaluation and the Ministry of Finance audit point to weaknesses in the management of funds and the capacity to implement programme activities, particularly from the Open Research Funds and the Core Support. Despite late and also partly erroneous reporting, there were no obvious indications on the misuse of funds in more strictly programmed activities like research training. However, a more systemic and holistic view on the financial management was deemed to be needed to verify the correct or determine the degree of inappropriate use of external funds.

It is therefore considered important that UEM is sufficiently strengthened to host externally funded programmes and that any problems regarding the university and its institutional capacity are resolved before any new Swedish funding is released for the open activities. It is important to analyse what improvements are needed in the structure and the existing organisation in order to facilitate successful and fruitful cooperation with external funding agencies, including Sida and local counterparts.

The purpose of the institutional assessment is to document UEM's different modalities and assess its capability to implement, govern and control the operations of external funding agencies so that funds are efficiently utilised for the intended purposes. A further purpose is to assess what additional measures may be needed for UEM to attain the missions of different funder requirements. Hence, the assignment was to:

- evaluate UEM's current management capacity as regards external funding
- examine the organisational structure and processes within UEM and its cooperating procedures with funding agencies
- provide recommendations to UEM with regard to developing a functional organisational structure to successfully implement, govern and control external funding.

It is anticipated that the study will provide an analysis of UEM as an organisation. It should highlight its strengths as well as its weaknesses and give suggestions on how to organise its financial management so as to fulfil its duties within the University.

2.2 The Team

The assignment to perform the institutional assessment was given to Professional Management AB.

To cover the different tasks, a multidisciplinary international team was formed with the necessary skills to address the issues raised in the ToR. The team comprised:

Mr Arne Svensson (Team leader). Mr Arne Svensson is the President of Professional Management AB. He has 30 years of substantive experience in the administrative reform process of central and local government, including democracy and governance, legislative and parliamentary development, citizen participation, governmental relations, state and local governments, civil society, devolution, decentralisation, organisational development, management and public administration. He has been a senior consultant for more than 600 public and private organizations, including the United Nations, the European Commission and governments around the world. He has published more than 15 books on management issues.

Ms Jessica Arnlund. Ms Jessica Arnlund is an auditor. She has a Master of Science in Economics and Business with a Major in Accounting and Managerial Finance. She has been studying in Portugal and Brazil.

Dr Tony Bennett. Dr Tony Bennett is a chartered accountant and has a doctoral degree in economics. He has for many years been Interregional Adviser on Financial Management, United Nations Department of Economic and Social Affairs, New York. He has over 30 years of experience in financial management in the private sector and public sector, and in financial management capacity building for accountability, transparency and good governance in developing countries.

Ms Marcia Isaksson. Ms Marcia Isaksson has a Bachelor of Accounting Science and is a member of the Association of Chartered Certified Accountants. She is Zimbabwean and has worked with auditing and accounting for nine years, four of them in Zimbabwe and four in Sweden.

Dr Allan Rosenbaum. Dr Rosenbaum is the President of the International Association of Schools and Institutes of Administration. He is Director, Institute for Public Management and Community Service and Professor, Department of Public Administration Florida International University; Miami, Florida. He has been Dean at Florida International University and has lectured, provided technical assistance or carried out research in about 60 countries around the world and for such groups as the US Agency for International Development and the United Nations.

Ms Stina Waern. Ms Stina Waern has long experience in the evaluation of companies and organisations, i.e. quality aspects, process analysis, management, etc. She has been Director General of IMPOD, a Swedish government authority with the aim of assisting the developing countries with their exports to the Swedish market.

3 METHODOLOGY, WORK PLAN AND REPORTING

3.1 Workplan and methodology

Professional Management AB carried out this study in the period June-September 2003. The team made two institutional assessment visits to UEM, in July and August 2003.¹⁴

¹⁴ Stina Waern and Jessica Arnlund (30 June – 5 July 2003), Arne Svensson (11-15 August), Marcia Isaksson and Jessica Arnlund (4-15 August), Allan Rosenbaum (10-19 August) and Tony Bennett (13-20 August).

We have reviewed all relevant written documentation. This included plans, budgets, organisation charts, etc. for UEM on a general level and all documentation regarding the Sida-financed projects according to the ToR. The team also reviewed all audits made at the University for the period 1999-2002, to get an overview of documented strengths and weaknesses. In addition we have reviewed the management systems, including all manuals¹⁵. A bibliography is attached at Appendix IV.

Interviews have been held with key persons at UEM within central management and at faculties, departments and centres. These key persons were selected for their responsibilities for the management of externally funded programmes. We have also interviewed representatives of MESCT, IGF, BIM (UEM's bank) and donors. A list of persons met and interviewed is attached at Appendix III. We have met with some of these key persons several times.

One of the objectives of the first institutional assessment visit was to make a preliminary assessment of the use of Sida's funds to Core Support, Library, Open Research Funds and ICT Infrastructure. The assessment began with an understanding of UEM's cash handling processes and a subsequent analysis of the effectiveness of such processes; including:

- The reception and allocation of Sida/SAREC funds
- Payment and cash management
- Asset management
- Scholarships
- Open research funds
- Payroll and staff loans
- Reporting to external stakeholder—Sida

In order to be able to assess and evaluate the organisational structure for financial management, as well as the planning and budgeting processes, as much relevant documentation on the relevant management systems as possible was collected.

One of the objectives of the second institutional assessment visit was to make an audit of particular funds specified in the TOR. Another objective was to conduct in-depth analyses of the financial management systems and other related management systems, as well as the constitution and organisational structure of the University.

The report on the audit of some faculties of UEM carried out by the Inspector General of Finance (IGF) at the Ministry of Finance in Mozambique has been translated by the team into English from Portuguese (attached at Appendix VI) and reviewed by the team. Meetings were also organised with the IGF. The Inspector General expressed his interest in assisting with whatever Sida might require in the future.

3.2 The interest from other donors to participate in the review

One aim of the first part of the mission was to find out whether other external donors were interested in participating in the audit and on what terms. At a meeting held during the first field visit the invitation from Sida was explained and discussed and also the terms of reference of the assessment. The Italian representatives were especially interested in participating. Discussions were held also with representatives of the Netherlands and Norway

¹⁵ All manuals are available in Portuguese on a CD and on paper (3000 pages). Their titles are listed in Appendix V in English (translated by the team).

and written responses were obtained from Netherlands and USAID. No changes in the Sida TOR, which already were broad enough to cover all donors, were proposed.

3.3 Reporting

The study has been carried out with the close collaboration and cooperation of UEM. The terms of reference were presented to the University during the first visit.

During the second institutional assessment visit, we presented a brief, oral report at the Swedish embassy, including preliminary observations, analyses and evaluations, as well as recommendations. An oral report was also made to UEM during the second visit.

Thereafter, we prepared a draft report in English which followed the structure in the ToR and it was submitted to Sida and UEM for comments on 19 September 2003. We have received written comments from the UEM. In addition Sida/SAREC and Sida/Maputo has provided us with comments. The comments have been carefully reviewed and taken into consideration. The final report, written in English, was completed two weeks after submitted comments.

The report includes recommendations regarding UEM's ability/capacity to manage funds effectively and provide timely and relevant information/reports to the various stakeholders, and recommendations on appropriate strategies for strengthening systems in order to attain the missions of the University and of the external donors. It also includes recommendations addressed to Sida and other donors that would support the same objective.

4. FINDINGS

4.1 Constitution and Organisational Structure of UEM

4.1.1 The Constitution of UEM

Organisationally, UEM looks very much like many modern contemporary universities. Its various faculties are very similar to the schools and colleges that one would find in a typical western university, especially in places like the United States and the Netherlands. It is established on the basis of a constitution that was granted to it by the Mozambique Parliament. This constitution, or charter, was revised in April 1995 and, most recently, in July 1998. It lays out a number of aspects of the organisational framework of the University, including indicating the principles and objectives of the University, the role and competencies of the University Council and the Academic Council, and the responsibilities of the chief administrators of the University, including the Rector, the two Vice-Rectors (one for administration and one for academic affairs) and the Directors (or Deans) of Faculties.

However, and not surprisingly, some very important issues are left unresolved. Among the most significant of these involve what will be the relationship between the Ministry of Higher Education Science and Technology (MESCT) which was established in 1999, and UEM (see 4.1.2 below). The constitution of UEM has not been revised after MESCT was established.

Another major area of ambiguity which currently impacts upon the overall work of the University involves the role of the teaching and administrative staff in the selection of university officers and in particular, the Rector.

The constitution, or basic statute, of the University also establishes the basic governing structure of the institution. The highest body of the institution is the **University Council**, which is composed of the Rector, the two Vice-Rectors as well as representatives of various university constituencies, including the directors of the faculties, senior professors, instructors, administrative support staff, students, individuals appointed by the Government and other stakeholders drawn from civil society. The University Council meets twice a year.

The two other principal university-wide bodies are the **Academic Council**, composed of deans and senior members of the University's teaching staff who are elected for three-year terms, and the **Board of Directors (Conselho de Directores)**, which is composed of the Rector, the Vice-Rectors, the directors in the central administration and the directors of each of the institution's faculties. The Board of Directors meet once a month. While the University's basic statute does specify certain activities for these two bodies, there is nevertheless some ambiguity as to precisely what their roles are in actual practise, and one does get quite different interpretations from individuals associated with them. These same circumstances carry over to the involvement of these bodies in activities relating to Sida/SAREC support of the University

There is much ambiguity among UEM staff over the issue of their role in the appointment of the institution's **Rector**. The current Rector was appointed to his position in 1995 by the President of the country (who by law appoints both the Rector and the institution's two Vice-Rectors). While the University constitution or basic statute does not address the issue of terms in office, there is among the teaching and administrative staff a general belief that faculty directors (deans) are appointed for three-year terms, Vice-Rectors for four-year terms, and the Rector for a five-year term. In fact, however, while there is a fairly general acceptance of the notion that faculty directors, who are appointed by the Rector, will serve three-year terms subject to reappointment by the Rector, there is considerable ambiguity regarding the situation of the Rector and Vice-Rectors.

For example, in the case of the Rector, consistent with the notion of having input from teaching and administrative staff, a referendum was held at the institution regarding the tenure of the Rector. In an election in which he was the only individual nominated, it was recommended that he be appointed for a second term. However, the President of the country, perhaps feeling that the issue of the appointment of the Rector and Vice-Rectors was a matter totally subject to his discretion, has not responded to the internal vote of the university staff. Rather, he has ignored it - presumably on the assumption that both the appointment and the termination of the Rector is a matter of Presidential discretion. It may also be, as some at UEM have suggested, that he questions the validity of an election that included only the individual who was responsible for its organisation.

The situation regarding the institution's top-level leadership is further complicated by the failure of the President of Mozambique to fill the position of **Vice-Rector** for Academic Affairs. That position became vacant three years ago when the then Vice-Rector for Academic Affairs was appointed to the position of Minister at the Ministry of Higher Education Science and Technology. The ambiguity of this situation is further increased by the fact that no one at the institution seems to know why the position has not been filled even though the Rector has forwarded three names to the President for consideration for this post. It is obvious that the vacancy has severely decreased the efficiency of the top-level leadership of UEM. This, along with the lack of adequate financial resources, is one reason for shortcomings in effectively implementing the Strategic Plan of UEM. We recommend a discussion on the best process to appoint Rector and Vice-Rectors.

The top-level leadership of UEM is determined by the constitution. This effects the internal organisation within UEM and the division of responsibilities between the Rector, the Vice-Rectors and the Directors of the central administration. The Conselho de Reitoria (the Rector, the Vice-Rectors and the Directors of the central administration) meets once a month. We recommend a discussion on what would be the best process to elaborate on changes in the top-level organisation of the UEM's administration.

There are also issues of organisational and governance ambiguity at the operating levels of the University. For example, in some of the various faculties one finds a strong **faculty council** and **scientific council** whereas in other faculties those bodies are obviously dormant. In those faculties where such councils do exist, they often play an important role (especially the scientific council) in prioritizing the request of individual teaching staff for Sida/SAREC support, especially in the area of open funds. However, where such bodies are not active, the director of the faculty tends to assume the role that these councils might play in those faculties where they are operational.

The problem regarding these councils (in those faculties where they are not functioning effectively⁹ is very much related to another general problem in the management of Sida/SAREC-funded research (the failure of faculty to complete supported projects within an appropriate timeframe or at all). The issue, as will be noted at more length below, is one of a lack of time to devote to the task of participating in either the faculty or the scientific councils (or of the completing of projects by individual researchers) because of the need to be devoting all available time to earning additional income through other teaching responsibilities or consulting activities.

In truth, the extent of these constitutional or organizational ambiguities are not that unusual for an institution like a university in which shared governance, with an important role for the teaching faculty, is the strived-for norm. In many cases, constitutional or organizational ambiguity is resolved through established practice which is widely accepted by all constituencies within the institution. This has certainly been the case of UEM in terms of the appointment of the directors (or deans) of the various academic faculties. While the constitution of the university provides that these individuals are to be appointed by the rector, it is generally accepted practice that the person whom the rector will appoint is that person who has been elected to the position by the teaching staff of the faculty. It is only when either the members of the faculty are unable to reach a decision or a director has been performing exceedingly poorly that the rector exercises personal discretion in the making of these appointments.

Recommendation

- *Sida should, together with other donors, initiate a dialogue with UEM and MESCT on the Constitution of UEM and especially on how it should address the issue of the relationship between UEM and MESCT.*
- *Sida should, together with the other donors, initiate a dialogue with UEM and MESCT on the issue of the process of appointing Rector and Vice-Rectors at HEI in general.*
- *The respective role of the University Council, the Academic Council, the Board of Directors and Conselho de Reitoria should be clarified.*
- *The faculty councils and scientific councils at the faculty level should be strengthened by more clearly delineating their roles.*

4.1.2 The relation between UEM and the Ministry

It is very clear that the relationship between the University and the Ministry of Higher Education, Science and Technology (MEST) is a complex one, with considerable but quite different concerns about that relationship being expressed by each party. On the one hand, there are those at the Ministry who feel that the University is not responsive – especially to the overall directions of the strategic plan for higher education in Mozambique, which the Ministry issued in July 2000. On the other hand, it is equally clear that there are those at UEM who feel very strongly that the Ministry is seeking to micromanage the University and to intrude on its historical autonomy.

In spite of the positive aspects of the recent development of the HE sub-system in Mozambique, such as the expansion and diversification, the declining dependence on expatriate staff, the willingness to finance HE both by government and donors, major challenges remain. For example, the Strategic Plan of MESCT has addressed the problems related to

- Financing the HE sub-system, and co-ordination of donor funding and co-operation
- The quality and quantity of Human Resources needed to implement the strategic plan
- The need for HE managers and planners to fulfil the guiding and supervising role of the MESCT, and to manage the various institutions
- The limited recruitment base, resulting from serious quality and efficiency problems of the whole education sector, and the limited number of people who can afford the costs of HE.

The best way to support the whole HE sub-system would be to greatly increase budget support to the sub-sector, complemented by institutional capacity development support.

While it is not unusual for there to be tensions with regard to issues of authority and control between organizations or agencies that have responsibilities for either oversight or guidance of multiple institutions of higher education and the individual institutions with which they deal, the current situation in Mozambique is more intense than is normally the case. For example, some senior officials at UEM suggest that the real reason that the president has not appointed a vice rector of academic affairs is due to the specific opposition of the current minister. Others at the university will add that this is part of a pattern emanating from the Ministry of seeking to lessen the influence of UEM within Mozambique. At the same time, there are those at the ministry who feel that absent pressure from it, UEM will not respond to the country's need for greatly increased trained personnel.

Recommendations:

- *Sida should, together with other donors, initiate a dialogue with UEM and MESCT on the relationship between MESCT and UEM*
- *The UEM processes of reporting, monitoring and evaluation should be harmonised with the planning and monitoring cycle of MESCT.*

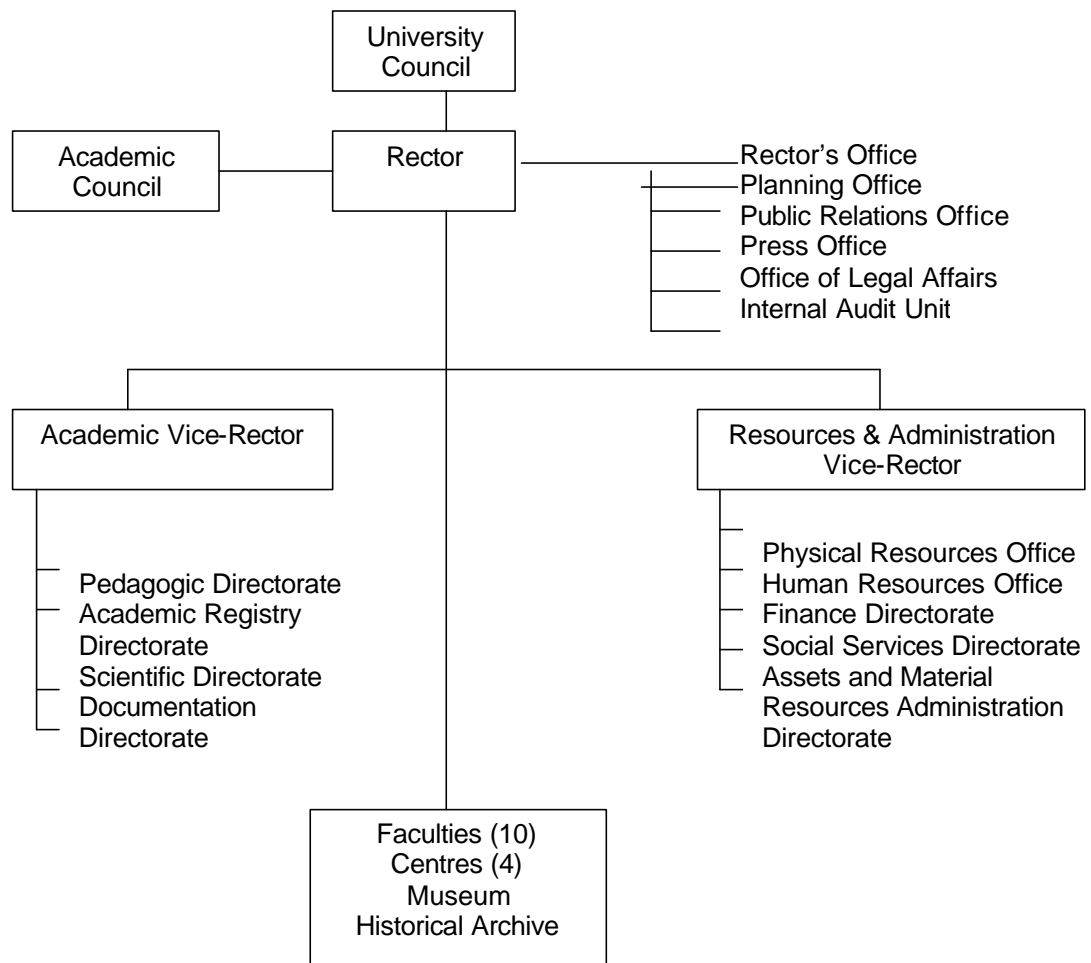
4.1.3 The Organisation of UEM

In terms of its current organisation UEM looks similar to many middle size public universities around the world. It currently has ten separate faculties (or schools), including agronomy, architecture, arts, economics, education, engineering, law, medicine, social science and veterinary science.

In the current organisation structure, the directors of faculties (deans) report directly to the Rector. Thus, even if the Academic Vice-Rector position were filled, the role of that person would be more one of being a coordinator of the activities of the associate and assistant deans, rather than providing academic leadership and guidance to the directors/deans and their respective faculties. Consequently, the current structure places unusually great responsibility and, if it is used, authority in the person of the Rector.

The present organisation of the central administration of UEM is shown in the chart below (Exhibit 4).

Exhibit 4: Organisation Chart of the Central Administration of UEM



There is no question that UEM has made significant strides in terms of the strengthening of its research capacity and, more recently, has begun the process of initiating post-graduate education. However, up to this point, there has not been a central academic officer whose specific responsibility has been to coordinate and lead this dual effort. The development of UEM has now reached a point where such leadership is increasingly necessary. In many, if not most, initiatives of the size and scope of UEM, one finds a vice rector, or assistant vice rector, for research and post-graduate studies. The appointment of such an individual will not only help coordinate the technical assistance funded by Sida/SAREC but also provide much

needed leadership as UEM moves forward in areas of activity that are increasingly going to be central to its future development.

The various Directorates in the central administration are supposed to have a more service oriented and coordinating role rather than a supervising role. However, there are different opinions among the persons the team has met with and interviewed if this principle really reflects the reality.

The issue of University organisation has been a subject of much discussion and consideration within UEM for some years. In part, this issue has been addressed through a technical assistance project funded and supported by the Government of the Netherlands. This project has involved the utilisation of a variety of Dutch technical experts who travel to Maputo at regular intervals to provide assistance to the UEM administration in thinking through issues of administrative reorganisation. In fact, the final set of recommendations for University reorganisation was supposed to have been agreed upon during the last few months. However, there seems to be some ambiguity about whether this in fact has occurred.

Nevertheless, significant reorganisation proposals have emerged and are being discussed and apparently are in the process of being implemented in several parts of the University. For example, current plans include proposals to merge certain faculties for the purposes of achieving economies of scale. Specifically it has been proposed to merge the agronomy and veterinary faculties, and to merge the arts and social science faculty (as well as a free-standing African studies centre). While final decisions on these proposed mergers will apparently not occur for some months, it nevertheless looks like they will take place, in part because there seem to be significant administrative advantages to be achieved through their implementation. However, some opposition to them does continue to be voiced particularly from the social science faculty and from the African studies centre (which achieved some significant prominence – and political support - through its ongoing conduct of anti-apartheid and anti-colonial research studies during the 1980s).

It has also been proposed over the last several years to establish various new units of the University in locations in and outside of Maputo as a means of both national needs and responding to increasing pressure from the Ministry of Higher Education, Science and Technology to both increase enrolments and graduations. Towards that end, a Tourism School has been established with courses in hotel management, a new Faculty of Law has been established in the country's second largest city, a new arts and communication faculty is being established in a community to the south of Maputo and the Education Faculty

While there is no doubt that the reorganisation process has been a very slow one, having been initiated in the mid-nineties, and there is still some ambiguity about what will be its final outcome, the reality is that because of the systems of shared governance that exist in most universities, the achievement of significant reorganization is never an easy task and is often one that requires much time and negotiation. In fact, the apparent efforts to merge existing programmes and establish new ones has been heavily driven by the university's strategic planning process which was initiated in 1997 but has only really begun to be implemented in the past two years.

The fact that the reorganisation initiated in 1995/1996, and approved in 1999 has not yet by July 2003 achieved agreement on the final document describing the new suggested organisation indicates the difficulties in this traditional approach on reorganisation. We recommend for the future a more modern strategy for continuously adjusting smaller parts of

UEM when deemed needed. In fact, actual practice at UEM suggests that within individual units this is already taking place.

In general, the organization of UEM's central administration is not unlike that of many comparable universities although it would not be uncommon to have a Vice rector whose sole responsibility would be either research or student affairs. However, the principal current organizational problem at UEM focuses around the failure of the President of the country to fill the position of academic vice rector. Were that position filled, there is no question that that individual would assume some of the burden of interacting on a day-to-day basis with the individual faculties and as a consequence, would be available to assist in addressing some of the administrative and academic infrastructure problems that exist within the institution. On the other hand, it should be noted that at least a couple of the directors of the faculties are generally quite comfortable with the fact that the position has not been filled in that it ensures much more frequent their direct access to the Rector.

What is somewhat unusual about the University's organisation is that many, if not most of its degrees, are structured in such a way to produce students graduating with a licenciatura degree. This is typically a five or six year degree which is found in various Ibero-American countries. It is normally suggested that this degree provides a level of education somewhere between the Bachelors and the Masters degree which is typically found in the United States, Western Europe and in much of Africa.

In fact, as a part of its strategic planning process, UEM is moving away from the utilization of the licenciatura degree and moving towards the use of the more traditional bachelor's and master's degrees. It is anticipated that this will not only make UEM practice more consistent with that of its neighbouring countries, but will also help to improve institutional productivity by lessening some of the problems that emerge as a consequence of the traditional practice within the licenciatura degree of requiring that the student prepare a thesis prior to the award of the degree.

This is a serious issue for UEM which has been the target of significant criticism for lack of adequate productivity. For example, as Mario et al note: *"UEM and ISRI in terms of their capacity to graduate students are very expensive institutions when compared with the Pedagogical University and the non-governmental institutions. What these calculations do not take into account is that only ISRI and UEM undertake research and the fact that the UEM budget includes large amounts for student scholarships and welfare."*¹⁶

Similarly a major concern both at MESCT and throughout UEM is the fact that many students ultimately do not graduate with their degrees. In at least some of these instances, this is a direct result of students failing to complete the licenciatura thesis requirement. For example, the typical engineering student is currently required to spend six months writing a thesis after the completion of four and a half years of coursework. As the director of the engineering faculty noted, many students are able to obtain full-time employment as engineers prior to or during the writing of their thesis and consequently, never finish it and thus, never receive the degree.

Two of the new curriculums are approved and already in use. The remaining with the exception of medicine will be finalised in December 2003.

¹⁶ Mário et al 2001, p. 49

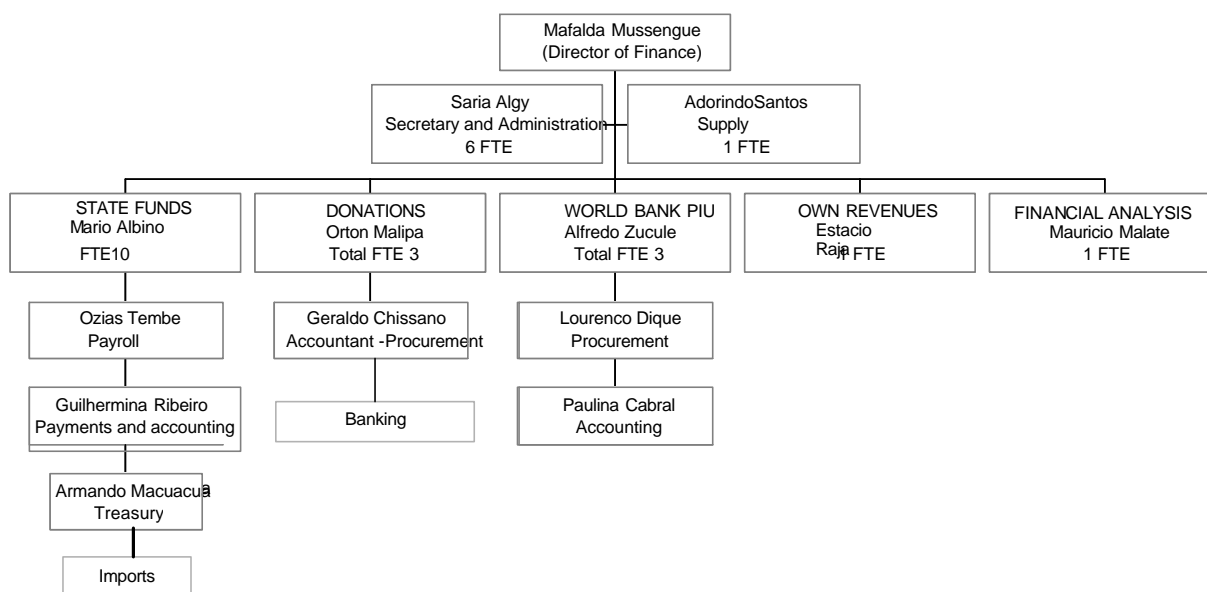
Recommendations:

- *The reorganisation of UEM should be finalised and the staff well-informed on the division of responsibilities in the organisation*
- *A prerequisite for more Sida-funding should be the filling of the position of academic vice rector*
- *Serious consideration should be given to the appointment of an assistant vice rector for research and post-graduate studies*
- *Serious consideration should be given to having the directors/deans of faculties report to the vice rector for academic affairs in order to ensure that full time is devoted on a single individual to advancing the academic side of UEM*
- *UEM should in the future use a strategy for continuously adjusting smaller parts of the organisation when deemed needed.*

4.1.4 Staff capacity at the Finance Directorate

The Directorate of Finance has a very important role in the efforts to strengthen the financial management of UEM. As can be seen in the chart i Exhibit 5, the DF has presently (August 2003) 26 staff in post. This excludes five staff of the Internal Audit Unit, which reports to the Rector, and the Scholarships officer, who also reports to the Rector. The World Bank Project Implementation Unit (PIU), the Financial Analysis officer and the Scholarships officer are all paid by the World Bank.

Exhibit 5: Organization Chart of the Directorate of Finance (DF)



Note: FTE means number of staff or full-time equivalents

The Financial Analysis Officer handles MIS (Management Information System) administration and financial reports, provides systems support to faculties/units, and undertakes studies on cost savings, revenue generation, etc. He has the licenciatura and is studying for a master's degree.

Apart from the secretarial and office supplies units, which have purely administrative duties, there are four units managing the funds from each of the four sources – state funds, donations, credit and own revenues. These four units have 17 personnel (or full-time equivalents). It is

noteworthy that there is a major imbalance in the number of personnel assigned to each unit and the volume of funds handled by that unit. The table below (Exhibit 6) shows a 'Control Index', which assesses the number of employees allocated to control each type of funds. It is assumed that similar processes are performed with these funding sources and the DF has to control them. The comparison indicates that Donation Funds and Internal Revenues are under-controlled and under-supervised by the DF. This is in line with information gathered in the interviews, since the DF just analyses consolidated information for Donation Funds and most of the Donation Funding is managed at a lower level without interaction with the DF.

Exhibit 6: Allocation of Accounts Staff

Fund Sources	% of UEMs Funding 2002	No. of Staff Allocated	% of Staff Allocated	"Control Index"*
Government	54%	10	58%	1.07
Donation Funds	27%	3	18%	0.67
World Bank (Credit)	4%	3	18%	4.50
Internal Revenues	15%	1	6%	0.40

Note: Control Index = % of staff / % of UEMs Funding.

In these four units, two staff members (both with the PIU) have Master's degrees, five have the licenciatura, two have bachelor's degrees, one has an accounting diploma (technician level), and seven have basic education (grades 1-10). There is a lack of skills even at the technician level. It is also estimated by some observers that half of the staff of the Finance Directorate are unproductive.

It is planned under the World Bank credit to replace the present manual and spreadsheet-based accounting systems with an integrated computerized and networked system that will link the faculties/units with the DF. The number of accounts staff will be increased to 61 as follows in Exhibit 7:

Exhibit 7: Planned Finance/Accounts Staffing

	Number of finance/accounting staff
Directorate of Finance	
Qualified technicians (management and economics graduates)	5
Medium-qualified technicians (Commercial Institute certificate)	8
Basic qualified technicians (10 years basic education only)	<u>1</u>
Sub-total	<u>14</u>
Faculties/Units	
Medium-qualified technicians (Commercial Institute certificate)	30
Basic qualified technicians (10 years basic education only)	<u>17</u>
Sub-total	<u>47</u>
TOTAL	<u>61</u>

Source: Ernst and Young (1999) Strengthening of the Financial Management System, Executive Summary, English translation.

The proposed accounting system will be on an accrual basis, which will be a quantum increase in complexity compared with the existing cash-based system. It should not be

thought that computerization will avoid the need for accounting skills: on the contrary, greater skills will be needed at the higher level, and any savings will be made only at the junior clerical level.

The success of the system, after the consultants leave, will depend crucially on UEM being able to attract and retain professional accountants. In the market, accountants get starting salaries of about USD 700/month. Since an accountant can look after several small faculties, the Finance Directorate figures that seven good accountants would suffice for UEM's 10-12 faculties whereas now each faculty has a technician-level accountant paid roughly USD 100/month. The difference is just USD 3,700/month to employ adequate personnel to run a modern system appropriate for a university with a multi-million dollar budget. The problems are: (1) to find a sustainable source for these extra salaries, (2) to avoid anomalies in the UEM salary structure and resulting dissatisfaction, and (3) to retain skilled officers in the organisation. It is unlikely that UEM, even if it secured far greater autonomy from government pay scales, could ever match the salaries offered in the private sector. Most donors are not generally willing to supplement salaries as this is not a sustainable solution. However, donors are willing to fund both internal and external training of UEM staff members, even if the UEM were likely to lose a proportion of its trained officers to the private sector every year, since the country as a whole would still benefit. One option, which was successful in another developing country, is to train accountants internally on the new system and retain them by the availability of opportunities to further themselves professionally. Trained officers can be induced to remain with UEM for a time, before they find better paid jobs outside. With appropriate capacity building and retention strategies, supported by donors, UEM could manage its finance function.

Recommendations

- *Sida should coordinate with UEM and WB-PIU on design and implementation of training programmes for accountants, internal auditors and non-financial managers*
- *Sida should fund training opportunities sufficient to retain skills in UEM*
- *UEM should suggest to the responsible bodies within GoM to change the pay scales for qualified and medium-qualified accountants.*

4.1.5 Staff capacity in the faculties

The basic structure of the Swedish technical assistance programme (with its combining of both predetermined highly specified projects and open funds – which result in even more highly specific projects) places considerable administrative and financial management responsibility on both the University's central administration and the administration of the individual faculties. This has produced major problems in terms of effective general project administration and financial management. The principal reason for this has to do with the very limited administrative capacity that exists at the level of the individual faculty.

The reality is that in several cases deans and assistant deans of various faculties find it necessary, just as is the case with teaching staff, to supplement their own incomes with outside employment. This obviously significantly lessens their ability to exercise oversight of those individuals responsible for managing the Sida/SAREC technical assistance.

This would not present such a difficult situation if the deans and assistant deans had adequate administrative support staff at the faculty level. At UEM, the most senior of administrative staff at the level of the individual faculty (including accounting staff) would likely receive a university salary of no more than USD 700 a month, and most of the staff receive salaries below that, with starting salaries in the range of \$200-300 per month. However, as several

individuals indicated, the starting salary in the private sector for an accountant just out of school is typically around USD 700 a month. Therefore it is necessary to find additional payment from projects in order for the dean to attract qualified accountants.

At present, the faculties vary in even their financial management capacity, though the average is lower than in the DF. In the Faculty of Sciences, for example, there is an Accountant, who accounts for all State funds, and a Chief of Departmental Administration, who manages all research funds (from external sources). State Funds are held by DF. The Accountant should be sending monthly accounts to DF. At present he is seven months behind, due to a software problem. Some faculties have an Intranet, but there is still not an Intranet for the whole University.

The Chief holds all project funds in separate accounts, and makes payments on request from the respective Project Coordinators. He keeps accounts on an Excel spreadsheet, and submits bi-annual accounts to DF, who consolidate accounts for each donor. This faculty is a month behind in its statements, which are due within one month: the statements for Jan-Jun 2003 were submitted on 30 July 2003.

In terms of the issue of staff capacity, it is useful to contrast the management of the technical assistance provided by Sida/SAREC with that provided to UEM by the Italian Government. As a consequence of the strong interests on the part of both a representative of the Italian Embassy in Mozambique and the full-time staff person that the Italian government has in place at UEM to oversee and assist in the management of its technical assistance to the University, attention was devoted to exploring how the Italian technical assistance functioned and how those units of the University that received assistance both from the Italian government and the Swedish government perceived the benefits and drawbacks of each technical assistance programme. Very quickly, it became evident that there were three major differences in the two programmes that those people involved in receiving the assistance found in each case to be a highly attractive feature about the Italian assistance. These were:

1. Italian assistance could be used to finance administrative overhead¹⁷ costs;
2. The Italian assistance could be used to provide modest salary support (in the form of stipends) to individual UEM staff involved in these projects; and
3. The Italian government had placed on site at UEM an individual knowledgeable in the administration of University technical assistance projects, to both oversee and provide assistance to the UEM staff responsible for the management and implementation of the Italian technical assistance.

All three of these differences were ones that provided important supplemental assistance to UEM that was not available through the Swedish projects. On the other hand the Sida/SAREC support is more flexible and the Italian decision-process on new programmes and projects much slower than the Swedish. According to some observers it takes two years to get a project approved and one year to receive the reimbursement.

The assistance for administrative overhead was very important to UEM for at least two reasons. First, there are always significant administrative overhead costs involved in the receipt of external funds for any university. The projects supported by these funds require space, basic academic infrastructure, and management support. All of these activities draw upon university resources, which frequently are in short supply. This is why, for example, a

¹⁷ Also Norway (NUFU), with a total of 15,8 mNkr for three projects during 2002-2006, allocates 4,1 % for central institutional administrative support. The Netherlands (NUFFIC) has also funding for overhead, even if the percentage is lower.

typical university in the United States and many countries in Europe will not accept external funds unless there are provisions for anywhere from 10 to 100 percent of the total research assistance funds being matched by administrative overhead funds that are utilizable by the university at its own discretion for the cost of the maintenance of the space and equipment that the project requires and the myriad of administrative costs that are involved, including additional payroll reporting expenses, purchasing expenses, costs for personnel management, and the like.

The second major difference between the Italian and Swedish technical assistance involves the ability of UEM to utilize some of the Italian money for the purposes of providing some salary supplements to the researchers who are receiving the Italian technical assistance. Such an arrangement is obviously very useful in terms of enabling the researchers carrying out the activity that is being supported to devote a greater amount of their time to the task at hand since it lessens their need to seek other outside employment in order to supplement their University salaries. Moreover, such arrangements also provide useful leverage to the University in terms of ensuring that the work will be completed on time, in that the salary supplements can be structured in such a way as to represent awards made to the faculty member at the completion of the project supported by the technical assistance.

The third significant difference between the Italian and Swedish technical assistance programmes involves the fact that the Italian Government has, as part of its assistance, set aside some funds to finance the locating onsite at UEM of an Italian national who is highly knowledgeable about Italian technical assistance programmes and also has some knowledge of University operations. This individual not only oversees the general administration of the Italian project, ensuring that it functions more or less as intended, but also provides considerable technical assistance to staff at the individual faculty level. This is particularly valuable in terms of issues of effective and timely financial management practice since, as noted elsewhere in this report, in many cases the financial management staff at the faculty level are not adequately trained and do not have the necessary experience to effectively manage multiple projects involving diverse personnel and goals.

It should further be noted that with the assistance of the on-site Italian technical assistance representative, arrangements have been worked out in various instances to provide supplementary financial assistance to the individual faculties to enable them to upgrade the quality of financial management personnel available at the faculty level. This has been particularly helpful in those faculties where there are multiple Italian projects underway. It has also served to lessen the burden on the on-site Italian technical assistance representative in terms of having to be involved in extensive discussions and activities with the financial management personnel at the faculty level.

Recommendations

- *UEM should strengthen the administrative infrastructure at the faculty level*
- *A certain percentage of the technical assistance funds received by UEM should be used for the administration of the programme/project.*

4.1.6 Responsibilities and roles

The division of responsibilities within the central administration of UEM is not clear. The vacant post as Academic Vice-Rector is obviously one of the reasons why the roles in practice do not always follow the organisation chart. Another reason is the ongoing discussion on the reorganisation. It is not clear to everyone what changes have already been implemented and

what changes are still under discussion. However, we recommend that the ongoing reorganisation be finalised as planned.

Financial management roles have changed in recent years. Up till 1999, the DF kept all donor funds centrally. Following a policy of decentralisation, UEM has made project coordinators in the faculties and units responsible, not only for budget management, but also for accounting and reporting on their projects. The result has been long delays in reports.

Decentralised budget management means that only the individual project coordinator can authorise a payment from his/her project. It does not necessarily imply that the coordinator keeps the bank account or signs cheques, nor that s/he maintains accounts, makes reconciliations of the cash book with the bank statements, or summarises transactions onto reports. In fact, there are insufficient accounts staffs for full decentralisation. The UEM has as part of its strategic plan to send abroad several students to take degrees in business administration. The intention is to get these people into the units as business administrators, to take over the administrative and accounting role from project coordinators.

It is recommended that in the future a single USD account be kept by each faculty/unit for all Sida funds and that the faculty make all payments on behalf of project coordinators and render periodic accounts to them, showing their expenditure and balances available. A similar account can be kept for each other donor, pending agreement on pooling. This decentralization of the Treasury and accounting functions will improve accounting and reporting without affecting the budget management responsibilities of project coordinators. They would remain responsible for formulating and defending their budgets, and for managing their activities within budget limits. No payments should be made from a project budget without the signature of the respective coordinator. However, a prerequisite for a single USD account for each faculty/unit is the new accounting system in place and functioning.

Recommendations

- *The reorganisation of UEM should be finalised and the staff well-informed on the division of responsibilities in the organisation*
- *It is recommended that in the future a single USD account be kept by each faculty/unit.*

4.2 Financial Management

This section reviews and assesses the various phases of financial management, following the breakdown given in the terms of reference. Findings and recommendations are given in each sub-section (4.2.1 to 4.2.10).

4.2.1 Steering processes

According to the TOR this sub-section should cover planning and budgeting process, steering documents, regulations, mandates of operations, documentation procedures, etc.

The Strategic Plan

UEM prepared its first strategic plan from April 1997 to November 1999. The 70-page strategic plan, which was originally intended for implementation between 1999 and 2003, is a relatively comprehensive document which looks at all aspects of the University. It consists of 12 separate sections, each of which contains between four and 25 specific recommendations.

Many of these recommendations, if implemented, would have a significant impact in improving the quantity and quality of the services delivered by the University as well as its administration and management. It is published in two parts, viz. a statement of mission and strategic objectives (approved by the University Council in October 1998), and an operational plan.¹⁸

The planning process involved meetings with university staff in faculties, departments, centres and services, concerned government officers and student representatives, and visits to six universities and higher education institutions in the region. The exercise was conducted in the light of the Government's Strategic Plan for Education 1999-2003, UNESCO documents on higher education development in Africa, and the Proposal of the Government Programme 2000-2004.

The process was coordinated by a Planning Committee responsible to the Rector. The plan is participative, but not revised and re-issued each year, i.e. it is not a rolling plan.

There are, however, several reasons to be concerned about the extent to which these recommendations will in fact be implemented. The most fundamental of these involves the issue of the adequacy of the resources available to the University – both financial and human. UEM has started an evaluation of the implementation of the strategic plan. It has been found that UEM has not the capacity to implement the plan. The reality is that not only are the country's finances very limited, given current economic conditions, but so also is its human resource base. The strategic plan is not linked to available resources. To some extent the strategic plan is statements that cannot be performed within the existing framework. Nowhere is the evidence of the problems caused by limited resources more clearly seen than in the University's strategic planning office itself. While the office was more highly staffed during the time in which the plan was being prepared, the staff has dwindled significantly during the time when implementation needs to occur. Currently the office is staffed by one professional with some clerical assistance. Nevertheless, it is charged with monitoring the implementation of this complex strategic plan. Clearly, it does not have the resources necessary to do this in an effective manner.

Budget process for State funds

The management of State funds is regulated by a set of manuals for the General State Budget, and detailed manuals for most of the faculties, directorates and centres (see list at Appendix V).

UEM receives a Ministry of Finance Note each May, setting a ceiling for the UEM budget for the forthcoming year (January to December), and the method of preparation. The limit is subdivided among the faculties/units by the Conselho de Reitoria comprising the Financial Director, Planning Director, Assets Director, Human Resources Director, Construction Office Director, Academic Registration Director and Social Services Director. Faculties/units are required to draft their estimates within these limits in late May or June. The limits are flexible, however. Estimates can exceed the ceiling if the excess is justified, e.g. by new faculties, new degrees, or increase in student numbers. Estimates are consolidated by DF, recurrent and capital separately, approved by the Council of Directors and the University Council and submitted to the Ministry of Planning and Finance (not to the recently established Ministry of Higher Education, which is said to have no formal role in the budget process). Estimates go through the same scrutiny and approval process as other agencies in receipt of government

¹⁸ UEM (1998) Strategic Plan 1999-2003, December, and UEM (1999) Operational Plan, November.

funds (July to December), and are finally approved by Parliament. The target date is 31 December, but Parliamentary delays are possible. The budget for 2003 was approved on 5 January 2003.

Ministry of Planning and Finance notifies UEM of the approved amount of State funding, and this is notified to all units. State funds are released monthly by the Ministry of Finance, one twelfth each month. However, funds for non-salary expenses may be reduced or delayed. This often makes it impossible for UEM to operate as planned: the GoM provides over half the total funds UEM needs and these funds are unpredictable. Some donors, such as Ford Foundation, are quite liberal in allowing their funds to be used to meet temporary shortfalls. Other donors may allow some discretion in the interpretation of their guidelines, e.g. Sida/SAREC was asked to use core support funds (intended for scholarships for poor students) to buy food for their hostel cafeterias (see 4.5.4).

Own revenues

The management of own revenues is left to the revenue-earning faculties/units.

Donor funding

The process of planning for the use of external funds is different for each donor. For Sida, the approval of each 3-year programme involves Sida/SAREC, the UEM and the Ministry of Foreign Affairs and Cooperation. The management of external funds (donations and credits) is controlled by the guidelines and procedure manuals of the respective donors.

The effect of every donor or co-operating institution choosing to support their favourite niche, can be disruptive to adopting a strategic approach, setting priorities and, in the end, decision making. UEM has, in vain, it seems, tried to get donors to pool resources for core support for the common purpose of enhancing the university's own plans and systems. Making detailed plans would be facilitated with a stable, predictable amount and volume of financial resources. The analysis of UEM's strategic planning process carried out by ADEA's working group on HE discusses this issue. It states that persuading donors to act in co-ordination with UEM's own priorities has been difficult.

Reallocation of External Funds between Projects (budget virements)

The UEM budget is not structured into meaningful programmes, and projects are therefore not defined in support of particular programmes. It has been agreed that a programme approach to budgeting will be adopted for the next Sida agreement period and that Sida/SAREC will fund a workshop at UEM and find Swedish and regional experts for it.

According to the agreement between UEM and Sida, major reallocations of funds provided directly to projects need to be discussed between the parties at the joint annual review. In the case of reallocations between projects, prior approval from Sida must always be obtained. On the other hand, budget reallocations within a project are performed more freely. In the past, some reallocations exceeded the original amount estimated in the budget by up to 10 times. As a result, Sida and UEM agreed (Minute of March 2003) that a reallocation within a project is allowed up to 30% of the year's budget for each item. No change has been made to the ban on reallocations between projects without Sida approval. Other donors have similar restrictions.

Faculties have flexibility over their open funds. Directors have authority to redistribute funds among projects, though this appears to be rarely done. For projects financed from the UEM open fund, reallocations can be made centrally, by the Scientific Committee.

It is for Sida to decide how much flexibility (and concomitant scope for misuse of funds) it will allow. However, it appears odd that different rules should apply to each of the three ways (direct project funding, faculty open funds, and university open fund) by which it provides support to research projects. If faculty projects have their bank accounts consolidated, it will be easier for faculty directors to spot slow-moving projects, and reallocate funds away from them to more worthy candidates. Sida may consider merging, and applying the same rules to, direct project funding and faculty open funding.

Recommendations:

- *The processes of reporting, monitoring and evaluation should be harmonised with the planning and monitoring cycle of MESCT*
- *The capacity to implement and follow up the strategic plan should be developed*
- *The local representatives of the major donor partners of UEM should meet regularly with UEM and concerned government officers as a UEM Support Group, chaired and led by UEM. This could function as a sub-group to the existing Development Partners Group and its Sectoral Working Group on Education. The objectives of the UEM Support Group would be for donors to harmonise their modalities of aid so as to promote UEM ownership, to increase the delivery of aid commitments, to make aid funds more effective, and to minimise the transaction costs of aid.*
- *Sida may consider merging, and applying the same rules to, direct project funding and faculty open funding.*

4.2.2 Audits

According to the TOR this sub-section should cover internal controls and the internal and external audit, as well as management response to audits/evaluations.

Internal audit

Internal audit is provided by an Internal Audit Unit reporting to the Rector, and having day-to-day contact with the Resources & Administration Vice Rector. This unit checks that all UEM units comply with the regulations/guidelines, at least as regards the use of State funds, and that the financial and personnel records are properly kept and financial statements prepared. It also follows up on all external audit reports and ensures that queries are answered and criticisms addressed. It is able to enforce its recommendations through the Resources & Administration Vice Rector. It has adequate access to personnel and records, and relationships with the faculties are said to be cooperative.

The Unit has recently been expanded from two to five persons. Four of these have the licenciatura in public administration or a work-related subject, and one has the Commercial Institute Accounting Certificate. Some officers have been attached to the external audit firms (PwC and BDO) for periods of on-the-job training, but none has received any structured audit training.

According to the Unit Coordinator, the regulations are clear, and failures to comply are usually due to misunderstandings by unqualified staff: documentation in support of expenditure is often badly organised, but unjustified transactions are rare. An important role of Internal audit is to further develop the training in internal control for administrative staff.

Recommendations:

- *Internal audit should continue to be strengthened, in particular by structured training in audit, and by the preparation of an Internal Audit Manual*
- *The scope of internal audit should be clarified and extend to all funds under the control of UEM*
- *At a future stage, internal audit may expand its focus to performance audit. At present, however, it should aim to extend the scope of its financial and compliance audit and make it more effective.*
- *Internal audit should increase the training in internal control for administrative staff.*

Independent audit

Independent audit is provided by the Inspector General of Finance (IGF) and, with respect to Sida funds, by PricewaterhouseCoopers (PwC). The IGF is a part of the Ministry of Finance, with the task to audit government organisations and government financial contributions. The IGF does not coordinate with the supreme audit institution in Mozambique, the Tribunal Administrativo, but the latter “can ask for the IGF report”.

The IGF oversees internal audit units in the Government. It has an important role in changing and improving the financial systems. Shortage of resources has prevented the IGF from auditing the government contribution to the UEM every year, as required by law. However, a major audit was made of parts of UEM for the years 1999 and 2000. This report was published in March 2003¹⁹. It revealed some weaknesses in procedures and a widespread lack of enforcement of procedures. It also identified unjustified expenses and other amounts to be returned to UEM amounting to MT 2269 million (about USD 95,000). This covered the Directorates of Finance and Social Services, the Faculties of Agronomy and Sciences, and the Information Technology Centre. Other directorates and faculties were not covered. The Inspector General intends to complete the audit of UEM units in 2004, including external funds, and to follow up the recommendations made in his first report. According to the Coordinator, Internal Audit, most of the criticisms in the IGF report have been answered and the final report is less critical. We have not been able to confirm this, since the only report that has been made available to us is the one presented in March 2003. .

Recommendations:

- *Sida should ask the IGF to confirm that Sida/SAREC funded programmes and projects will be included in his audits*
- *Sida should cooperate with the IGF in his audits*
- *Sida should support external audits provided by the IGF annually, including external support.*

External audit

PwC is the external auditor for both Sida funds and State funds. The audit results in the following reports:

- The audited financial statements for the period September-December 2001 were examined (the latest available, dated 31 October 2002). These show that, apart from negligible bank charges, DF transferred the entire grant received to the respective users, and received a clean audit report.
- The consolidated accounts for Sida-supported projects 2001, however, spent only 43% of the funds channelled to them, and had accumulated an unspent balance of SEK 3.7

¹⁹ Inspeção Geral de Finanças, Ministério do Plano e Finanças, June 2002, Relatório de Inspeção realizada na Universidade Eduardo Mondlane- UEM

million. Moreover, out of the project expenditure, 24% was not supported by documentation (SEK 0.9 million out of 3.6 million). The audit report was qualified²⁰ accordingly.

- The accounts for core support showed a similar picture, only 57% of the donation being spent, and a cash balance of SEK 2.2 million accumulated.
- The auditors of the UEM open research fund for the period September-December 2001 were unable to express an opinion on its accounts, because a total of USD 55,544 was not supported by documentation.

Timeliness of audit reports

There is a major problem for Sida in getting audit reports in good time. No report was submitted for the year 2001. The reason given was that Sida was alleged no longer to request the report. In the 2001-2003 agreement, UEM understood that only a report covering the entire duration of the agreement should be presented, and not annual reports. This issue has already been clarified, and the 2001 Annual Report has been submitted to Sida.

Audit reports, in particular the detailed report, are not transparently made available to Sida. The Sida/SAREC agreement with UEM does not specify the timing or distribution of reports to include Sida. They are supposed to be submitted in March together with the annual report for the previous year.

However, the audit report for 2001 was not produced until 31 October 2002. The report for 2002 was still awaited at August 2003. Not only is the report late in being produced, it is not copied to Sida. Reports are received by DF, which invites project coordinators to comment on them directly to the auditors. After comments, final reports for each project are issued and sent to DF, which forwards them to the project coordinators and Sida, and keeps copies. The auditors also issue a global report, covering all UEM funds (including Sida funds), which is submitted to the University Council. As Sida pays the audit fee (through its support to administration costs), and the report concerns its own funds, it is in a position to insist on not only being copied on the report, and any preliminary drafts, at the same time as UEM, but also to ensure that the selection and TOR of the auditors meet its needs. This is done by the World Bank, which requires audited financial statements within six months of the year-end, i.e. by 30 June.

Besides expressing an opinion on the statements in compliance with international auditing standards, the auditor is required to include a paragraph commenting on the accuracy and propriety of the reported expenditures, and to prepare a separate management letter giving observations and comments, and recommendations for improving accounting records, systems and controls.

One reason for a late audit report is a late start in the audit process. The external auditors did not start the 2001 audit until May 2002. Good audit planning could schedule two out of three stages of the work to be done during the year, viz. an examination and testing of the routines and controls in place, and a verification of the financial reports for nine, ten, or eleven months of the period. If internal control is found to be lacking in stage one, then stage two would consist of mainly substantive procedures (i.e. third party documentation, physical verification etc). The final stage of the audit would be a month or two after the year-end, depending on how soon the books could be closed. UEM also shares the view expressed by this statement. There is still a constraint in terms of financing this new approach. To minimize this problem,

²⁰ The term unqualified means the audit report is clean. The term qualified means the opposite.

and following the norms of the new State Financial Administration System (SISTAFE), an internal audit team has been created, to follow-up on the management recommendations from external auditors and perform routine preparatory audit, in order to cut costs to be paid to external auditors

Recommendations:

- *External auditors and their TOR should be pre-approved by Sida, and their reports should be sent to Sida and UEM simultaneously*
- *Auditors should be required as a condition of contract that they plan the audit together with UEM so that their final report can be submitted by 30 June each year.*

Management response to audits/evaluations

There is no system in place for management response to audits and evaluations. However, Internal Audit follows up on all external audit reports and ensures that queries are answered and criticisms addressed. It is able to enforce its recommendations through the Resources & Administration Vice-Rector.

Recommendations:

- *UEM should produce a management response on all audits and evaluations.*
- *Sida should be provided with the management response when Sida-funded projects are involved.*

4.2.3 Improvement in financial management of external funds

According to the TOR we have analysed activities that have been organised and pursued by UEM to improve financial management of external funds.

Financial management at UEM is being reformed as part of the State Financial Management System Project (SISTAFE). The main components of reform are:

- professionalisation of UEM financial management
- decentralisation of funds management
- improvement of the quality of financial information.

At present (August 2003), budget execution of donated funds and own revenues, and part of state funds, has been decentralised, and work has been done to define cost centres and performance indicators. This was supported by the Netherlands Government under the MHO agreement. UEM assets have begun to be recorded, and procedures have been established to keep the inventory record (asset register) up to date. These aims have not been completely realised (see relevant sub-sections in this report). Internal audit has been strengthened. Pending the design and implementation of the integrated financial management network, an interim computerised system has been designed. The system was designed for State and donations funds; so far, only State funds sub-system is set up and running and the supplier is implementing the donations sub-system, following a previously agreed plan.²¹

Recommendation:

- *The financial management of external funds should be improved as an integrated part of the ongoing reform*

²¹ After drafting our report design has been done, a bidding was launched (financed by WB funds) for the supply and implementation of the financial management information system, and is awaiting the “no objection” from the WB:

4.2.4 Procurement procedures and practices of UEM

Sida's procurement guidelines are not used. They were not known by the staff members responsible for Sida-funded projects that we have met with and interviewed.

Procurement using government funds is carried out according to the following routine: Every three months the Government updates a list of companies (Caderno de Concurso) that provides products at the most attractive prices. The authorising officer (e.g. director) has to approve the cheapest quotation otherwise a justification explaining the reason has to be added. Government entities and Public institutions must purchase from approved suppliers, but exceptionally are allowed to purchase from other suppliers, when the good is not available from those ones approved, including outside the country when no internal supplier is available, particularly (but not exclusively) for Investment expenses. The procurement of goods and services is regulated by the Regulation for the Procurement of Goods and Services for State Organs and Institutions (Decree nr. 42/89, from 28th of December). At UEM, as a tool for implementing this regulation, a Procurement Commission has been created.

The procedure begins with a newspaper advertisement calling for open bidding. Then, a minimum of three suppliers is selected from the government list. The chosen supplier is the one that provides the best value for money in terms of price and quality.

According to the Asset Manager Director, under the new State Financial Administration System, all the purchases done by Public institutions, regardless of the source of funding, including external funds, are also covered according to the country law. This implies that the acquisition of assets using external funds should be handled in the same way, even if not under DAP supervision.

Acquisition of assets using Sida/SAREC funds follows the same procedure at a decentralized level. The purchasing process from external funds is similar to the one for government funds, but is more flexible.

The ICT project gives more importance to quality than to price. No faculties/units used the government list of cheapest suppliers when purchasing goods with external funds. In addition, when the faculties (e.g. the Science Faculty) did not find the product on the local market, they imported it from abroad. The custom clearance fees are theoretically paid from the State budget but have occasionally been paid from Sida funds when the government was out of resources and the product was waiting at customs. The international testing service (ITS) tests the equipment before delivery to UEM to ensure correct functioning.

Recommendation:

- *Sida's procurement guidelines should be used in Sida-funded projects*
- *Sida and other donors should consider allowing the UEM to use the government procedures for purchasing made with donor funds.*

4.2.5 Accounting system

According to the TOR this sub-section should cover chart of accounts, financial statements, general ledger, payroll, etc.

The chart of accounts and general ledger are different for each of the sources of funds, but they are sufficiently compatible for DF to consolidate the UEM accounts. A new chart of

accounts and general ledger is being designed for the planned integrated FM system. This will need to meet the needs of all users. It is intended that the system will be compatible with all donor classifications, so that their reports can be generated easily. It should also meet international standards such as those of the International Federation of Accountants – Public Sector Committee, the IMF Government Finance Statistics (standard economic and functional classifications), and the UN COFOG (Classification of Functions of Government).

One of the requirements for the new financial management (FM) system was that it should be able to manage all UEM funds, from all sources of funds, and should have a chart of accounts covering specific needs of different funds. The system shall work in an accrual basis, and not under the current cash basis.

Financial statements are discussed at sub-section 4.2.9.

Salaries are paid centrally by the Human Resource Directorate (HRD). The GoM, without any room for change, strictly sets the salary amount. In many cases UEM salaries are uncompetitive compared to the private market and the NGOs. However, Sida/SAREC funds cannot in any case be used for paying salaries. Some donors give key civil servants extra money for doing work that is part of their job, such as attending seminars, or administering donor funds. Both donors and UEM justify this supplementation or subsidy in terms of the higher productivity of recipients. UEM intends to negotiate with donors for a percentage of donations to be provided for project management, which would allow a subsidy to the executors.²²

Recommendations:

- *The planned integrated FM system meeting the accounting needs of Sida should be implemented following the previously agreed plan*
- *A performance-linked salary system should be developed to further increase result orientation.*

4.2.6 Assets Management

According to the TOR this sub-section should cover Procedures for recording the use, safeguarding and disposal of assets (vehicles, equipment, tools as well as other commodities)

Assets acquired with State funds

Annually every Faculty/Unit Director sends an inventory list to the Asset Manager Director, who is responsible for updating the inventory list annually, and preparing an aggregated list for the entire university. The procedure is manual and badly needs computerisation. The latest list available is from 2001. However currently it contains only nine units, including two faculties, out of a total of 44.

According to the list, the assets database contains the following fields:

- **Number:** a sequential number (not a structured code), starting at 1. Each of the three groups (machine/equipment/tools/instruments, automobiles, and furniture) has its sequential code starting at one. A quick check on five items in the Asset Management Director's office demonstrated that the number is not engraved on the item.
- **Description:** an item description, with no standard specification. For instance, a printer can be described as printer or Printer HP laserjet 1100. 'Trash cans' can be found both in the furniture group and the machine/equipment/tools/ instruments group.

²² UEM (2002) Cooperation at the Eduardo Mondlane University, p. 8.

- Quantity, which is inappropriate. One item can be described as computer, quantity 01, and another item can be described as computer, quantity 02.
- Location: a more structured code, containing location information from the faculty, unit and physical location. It also shows if the item was acquired from the State Budget or External Funds.
- Incomplete fields: the list contains other fields, such as year of acquisition, value, and observations. These items are incomplete and few assets have those completed.

Sales of surplus or unwanted inventory are managed by the Asset Management Director. Direct sale of items is not allowed by UEM's units and faculties. The selling process begins with an evaluation of the items by a committee of seven people nominated by the Rector. This Committee has to value the goods and investigate if there is any need for them at any other UEM facility. If there is no use for an item, it is sold through a public auction, with closed bids. A public press announcement is made three times a year for this purpose. The bids are opened by the Asset Management Director in front of the committee and the public. After he calls the amount, an assistant signs the bid. The majority of all sales are done by this procedure. If no one is interested in buying the item after three auctions, the faculty or unit is allowed to dispose of it.

It is also important to note that UEM's assets are not insured. The main justification is that UEM does not have funds to do so. Some items such as vehicles have a minimum insurance required by traffic authority. Besides that, the University has its own security guards, which provide extra protection to its property.

Management of Assets acquired with External Funds (Sida/SAREC)

There is some confusion over the procedure for registration of assets acquired with Sida funds. According to the Asset Management Director, they should be registered in an inventory list, which is later submitted to DAP. However, according to the Assistant Director of CIUEM, there is no need to register assets acquired with Sida funds. The rationale used is that the item does not belong to the GoM, thus it does not need to be registered. As a result, CIUEM assets acquired with external funds are not registered.

In addition, when CIUEM wants to dispose of an item it no longer uses, the Director says that normally it is just thrown away. This practice does not follow the procedure mentioned above by the Director of Asset Management.

Recommendation:

- *All assets over a minimum value should be registered, irrespective of the source of funding, and all disposals over a certain value should be controlled by the Asset Management Director*

4.2.7 Scholarships and staff loans

This sub-section should according to the ToR cover procedures for travel and per diem as well as procedures for allocating scholarships and staff loans, etc

Scholarships

Sida funds allocated to scholarships within the Core Support budget are divided in two groups. The 'Scholarship Fund' is for scholarships for poor students to attend UEM. The 'Staff Training Fund' is for training of staff, normally abroad.

Student Scholarships

The scholarship fund gets 10% of the total core support budget. It is addressed to low-income students at the UEM who need financial support to attend the university. Out of 8,046 students, 2,338 receive scholarships. The Sida Scholarship Fund pays for 66 of these students. There are different amounts given to the students depending on their personal situation (e.g. family income, number of brothers and sisters living at home, age - below or above 23 years old). The Director of the Scholarship Fund and the Director of DF are responsible for the financial appraisal.

The **student selection process** is as follows:

- The Director of Academic Registry (DRA) together with five other people (including three members of the student association) analyze all the applications. During this process, the group sits together and discusses case by case.
- The group generates a list of students to be granted assistance. Every student receives a fixed amount paid for living allowances, which is exactly coincident with the minimum wage, and updated accordingly.
- The Rector gives the final approval to the list of selected students. According to the DRA, the Rector does not play a major role in defining the list.

The **payment procedure** for the scholarship funds is as follows:

- The Scholarship Manager creates a list of students registered at UEM who attend classes and have a scholarship (divided per donor).
- This list is approved and signed by the DRA.
- The Administrative Supervisor of Student Registration checks the list and sends a paper and an electronic copy of the list to the Directorate of Finance.
- DF personnel verify if the list contains the DRA's signature, no duplicate students, and if the amount requested is according to the amount agreed.
- The DRA signs monthly payments. Moreover, the Rector has to sign the total yearly amount given to students.
- After the approvals, a copy of the list is sent to the bank that makes the payments.

The report on our audit on the Scholarship fund is to be found in sub-section 4.5.4. Based on that report we recommend an attempt to achieve the objectives to introduce merit-based scholarships for outstanding students and to introduce female students into traditionally male courses should be made. Sida, UEM and MESCT should jointly study how to effectively run a collective fund for scholarships and/or a student loan program.

Staff training scholarships

The selection process for staff training scholarships has been disorganized (see Exhibit 14 and the audit findings in sub-section 4.5.4).

Staff loans

The Finance Inspection report mentioned problems concerning staff loans. However, the officers interviewed for this report stated that no loans were given using Sida/SAREC funds. The general policy of UEM is not to give out loans. If any loan is given, it is a very small amount using internal revenues. Since the GoM does not allow salary prepayment, employees sometimes need a small loan to cover exceptional expenses. However, collection problems at UEM have been solved. The current process is much stricter and the HRD is more cautious.

At the DAP (Directorate of Assets), a whole dossier of old loans was eliminated after letting the Human Resources Directorate recover them from the employees' salaries. According to

the Director of Science Faculty, giving loans is not a practice at their faculty. At the Engineering Faculty a MT 5 million fund for loans to the staff, implemented in 1990, had most of its value lost due to collection problems. After that, no additional funds have been provided.

Recommendation:

- *The rule not to allow staff loans from Sida funds should also in the future be safeguarded by strict procedures controlled by the Internal Audit*

4.2.8 Transparency in the administration of funds and the corruption risks

According to the draft Country Financial Accountability Assessment for Mozambique, fiduciary risk (i.e. the risk that public funds are not used for the intended purposes) is high.²³ No fiduciary risk assessment has been made on the UEM alone, which might therefore be better or worse than the government-wide assessment. However, the audit reports do not give confidence that UEM is doing better than other agencies. In the opinion of the IGF, frauds and irregularities extend to funds from all sources: they are equally at risk.

Transparency is the condition that any member of the public can see what any officer of UEM is doing and has access to the files and records at any time, except for certain recognised exceptions. There is no Freedom of Information legislation in Mozambique, and the culture of GoM (and of UEM) is secretive. The release of information, financial and statistical, is highly controlled. The most important statements in the discharge of financial accountability, i.e. audited financial statements are late and audit reports are highly qualified²⁴. Statements to Sida show only expenditures: they do not account for unspent balances of grants.

Nevertheless, the DF has plans to reform the whole accountability process, notably by the development of an integrated financial management information system, and the strengthening of internal audit. These developments should have a high priority in UEM's agenda.

Recommendations:

- *Sida should together with the other donors offer the GoM a Freedom of Information Legislation project*
- *The planned development of an integrated financial management information system should have a high priority in UEM's agenda*

4.2.9 Reporting to internal and external stakeholders

Each fund source has its own reporting arrangements. DF reports monthly and annually on State funds to the Ministry of Planning and Finance. Project Coordinators report to DF, monthly and annually, on the donated funds disbursed directly to them by donors, and to the donors as agreed. Sida funds, for instance, are reported on bi-annually.

PwC provides financial statements (denominated in SEK) and audit reports on each tranche of Sida grant. Statements and reports are submitted to UEM (DF), not to Sida. They are divided as follows:

²³ World Bank (2002) Project Appraisal Document on a proposed Credit for a Higher Education Project, Report No: 22962-MOZ, p. 58.

²⁴ The term unqualified means the audit report is clean. The term qualified means the opposite.

- receipts; transfers to faculty projects, core support, and UEM open research fund; and balances held by DF
- consolidated receipts, payments and balances held by faculty project coordinators
- consolidated receipts, payments and balances held by the recipients of core support.

The DF has to submit two financial reports to Sida each year - one annual report and one semi-annual before a new disbursement can be made. In addition, it was decided in March 2003 (Agreed Minutes) that before a new disbursement can be made, 70% of the previous disbursement has to be spent. According to the agreement, UEM also has to submit a progress report at the same time as the financial report. This procedure has been only partly followed by UEM.

The project coordinators are responsible for completing a report, which is later collected by the DF Donated Funds Coordinator. According to the agreed minutes of April 2002, the director of the faculty now also has to sign the reports. Before it is sent to Sida, the Director of Finance does a final review of the financial report. However, this is just a high-level review. Neither receipts nor justification is requested. These papers are kept at faculty level and are examined only annually by the external auditors and, to some extent, by the internal auditor.

PwC also provides individual project financial statements and audit reports to DF in Portuguese, and denominated in USD. Unaudited statements up to December 2002 in USD, with a summary in SEK, were provided to Sida at 30 May 2003. These show only budgeted and actual payments, no cash or bank balances. Most payments in USD are converted to SEK at a fixed rate of SEK 10.55/USD, but payments from core support funds are converted at a different rate. The result is a proliferation of reports in different currencies.

UEM fails to generate reports on time because of:

- Lack of skilled accountants at UEM. Due to low salaries there are difficulties in hiring skilled people, and (pending the World Bank-funded capacity-building programme) there is no structured in-house training.
- Coordinators responsible for the projects are academics, not accountants. As a result, they lack skills to do a better reporting.
- Lack of a computerized accounting system integrating the DF with all other units at UEM.
- Lack of enforcement by Sida/SAREC when UEM fails to deliver reports on time. For instance, disbursements are not withheld until reports are delivered.

Recommendation:

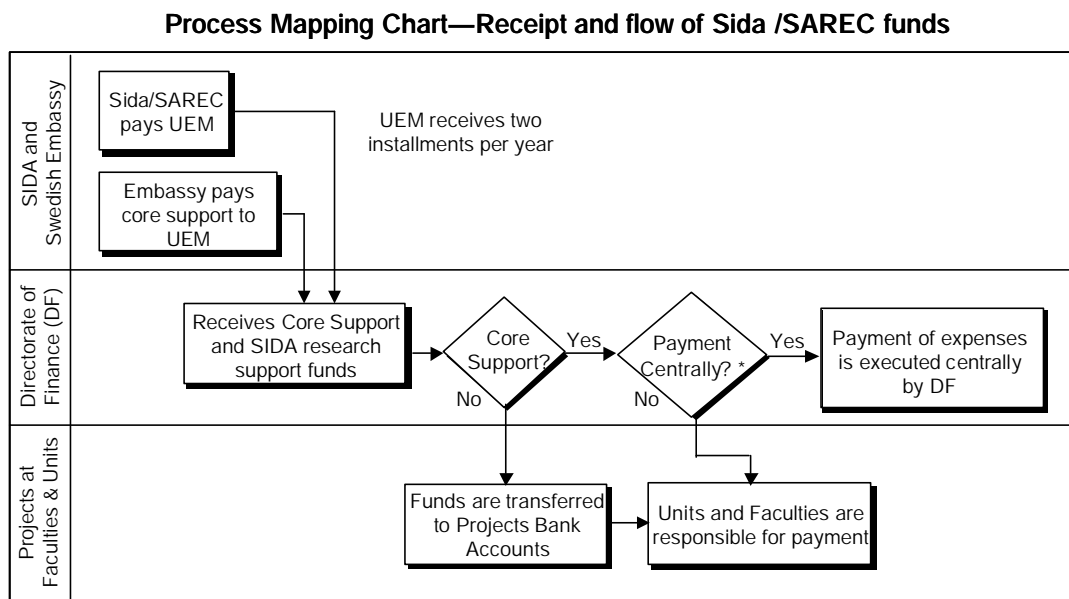
- *Disbursements should be withheld until reports are delivered.*

4.2.10 Cash management

Reception and Allocation of Sida/SAREC funds

The procedure of reception and flow of Sida/SAREC funds is described in the process-mapping chart below.

Exhibit 8: Receipt and flow of Sida/SAREC funds



Note: * Payments Centrally are for Scholarship Fund, Staff Training, Laboratory Support, and Administration of UEM. Payments Decentralized are for Library Support, Public Relations, and Press Office.

The Swedish donations to UEM have been previously divided into transfers (A) made by Sida/SAREC and (B) made by the Embassy. In the future there will be only one source of funds transfers, which will be from Sida/SAREC.

The funds are initially transferred in USD to one central account that is managed by the DF. This account will receive during the agreement period of 2001-2003 SEK 79.1 million including SEK 10 million for Core Support. Funds were planned to be transferred twice a year, which for the period 2001-2003 would represent six payments. However this payment schedule was not realized. For instance, the Core Support was supposed to receive an annual payment of SEK 10 million. This did not occur in 2002 and it is still not settled what will happen in 2003.

There are many differences on conversion which may or may not be legitimate. It would facilitate transparency and accountability if all UEM accounts were kept in the national currency. However, as the metical is depreciating, it is necessary for Sida funds to be kept in hard currency until they are actually required. Some European donors, such as Italy, are considering switching to a euro basis of disbursement and accounting. This would not help UEM, which is already struggling to maintain accounts in multiple currencies; unless non-euro donors agreed to do the same (see section 4.3 below).

Flow of Funds for Research Capacity Building

Research projects can be funded through Sida/SAREC in three different ways: directly by Sida/SAREC, via the University Open Research Fund, and via the Faculty Open Funds. As shown in the chart above, these Sida resources arrive at a DF account. Later, they are transferred into individual accounts for each project at the unit/faculty level. Project expenses are authorised and paid at the project level, following a budget approved previously. The Sida/SAREC Research Support represents 87.4% of the total Sida budget for UEM.

The management of these research funds is by the faculties and units, which gives the Project Coordinators autonomy and flexibility. The Directorate of Finance performs a general

financial supervision on the projects, but it is not deep or detailed. The DF receives the budget of each project and a non-standardized summary of expenses from each project, but does not check the procedures and use of funds. The Directors of the Faculty/ Units involved in the projects perform a more detailed supervision. They ensure efficient and correct use of these funds. However it is not a standardized procedure across faculties and units nor is there (yet) any effective internal audit to ensure that procedures are followed and that documentation is adequate and properly held. Records management is unknown.

An example of the close supervision of the funds through the Unit/Faculty Directors is that any movement in the bank account needs to be approved by them. In order to move funds from the bank accounts it has to be signed by two people. Those authorizing could be the Faculty Dean, the Financial Officer (or another person nominated by the Dean of the faculty) or the Project Coordinator.

Payment and Cash Management at UEM

This sub-section describes payments of 'current expenses', which include office material, gas, and other small expenses. Payments for acquisition of assets are described in sub-section 4.3.4. In most units or faculties where Sida provides grants, there are three ways of paying current expenses: in cash, by money transfer through a bank, and by cheque. Sida funds can only be paid out via money transfers and cheques, while Government funds can be paid by money transfer, cheque or cash (petty cash). Payment procedures are described below.

Expenses paid with Government Funds

The policy is that petty cash can only be used for purchases below MT 0.5 million.²⁵ The bank account is used for larger amounts. The magnitude of petty cash expenses is similar across institutes while the amount of the fund differs between faculties and units for expenses using bank account. In the Office of Public Relations, for instance:

- General expenses (bank account): The accountant is responsible for monthly expenses of MT 20 million (approx. USD 870)
- Petty Cash: The Petty Cashier is responsible for monthly expenses of MT 6 million (approx. USD 260)

In the case of payments using bank account, a request is submitted to the Director, who signs the request if the procurement policy has been followed (see sub-section 4.3.4). After that, a fund request is submitted to the DF (Directorate of Finance) who signs a cheque in the name of the supplier selected. The supplier delivers the goods together with an invoice. The invoice is one of the documents that support the cheque payment or money transfer. In some cases, instead of the invoice, a pro-forma invoice is used. After the payment is made, a receipt is sent by the supplier, which is filed with the other documentation.

The procurement process is harder in the case of government funds than for external funds. In addition, the process for government funds requires an approval by the DF, which is an extra measure of control. The only external funds that require an approval from the DF are those used by the Core Support with a centralized payment. The DF performs this centralized payment.

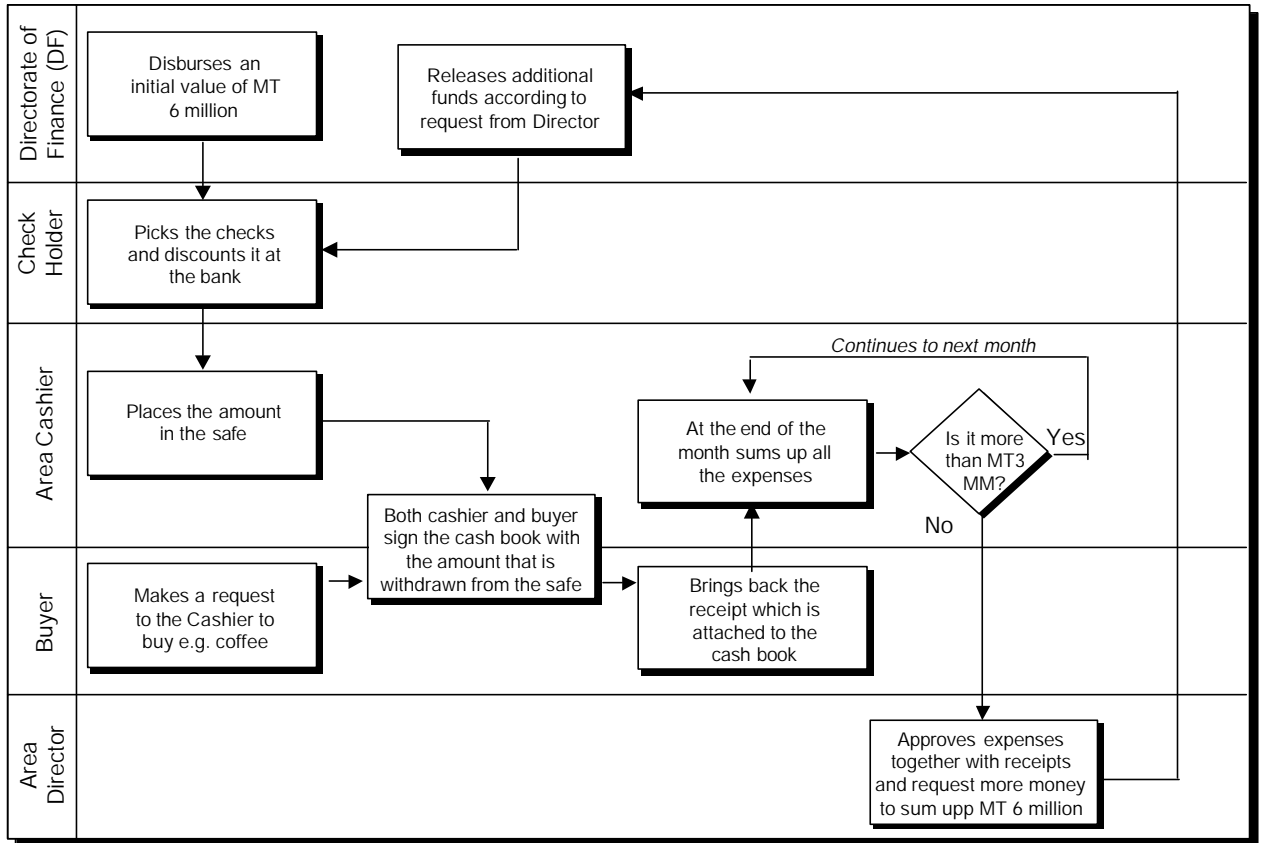
As illustrated in the exhibit below (Exhibit 9), the petty cashier starts the year with a total amount of MT 6 million. The expenses are made throughout the month with signatures from

²⁵ There was just one occasion in which the Public Relations Office spent over this limit (MT 974,000, less than USD 50) to send mail.

the cashier and the buyers, who provide receipts after the respective purchases. At the end of each month the cashier counts the funds left. If there is less than MT 3 million, he/she requires additional funds with approval from the Director.

Exhibit 9: Management of Petty Cash

Process Mapping Chart—Management of Petty Cash



Sample check of Petty Cash Payments

A ‘walk through’ the payment procedure using Petty Cash was performed to verify the robustness of the process in different offices. At the Library (Directorate of Documentation Services--DSD) the cash book and receipts were checked.

The results for the period of April to May 2003 are as follows:

- All summations were correct
- Receipts followed all expenses. However, in some cases it was quite difficult to understand the receipt due to poor handwriting and little information. In addition the information in the cashbook was not specific (e.g. ‘non-durable assets’).
- A surprise count of the petty cash was not possible because cash was not kept at UEM but in a personal cheque account of the cashier. It was argued that the Library (DSD) did not have any funds to pay for a safe. So, to keep the cash safely, he used his own bank account.
- No signature was required either by the cashier or by the buyer, when giving funds to the buyer. Such procedure does not follow the process mapped above. Instead, the cashier gives the amount necessary from his wallet to the buyer. A receipt is collected afterwards.

- The documentation shown for approval by the Director does not include any information about who is making the expense. For example, there are 25 transport tickets paid without information about the beneficiary.
- The Director did not authorize requests for additional petty cash funds to the Directorate of Finance.
- The person in charge of counting the petty cash is the same one who authorizes payments, so the cashier has no effective supervision. In addition, the fact that the Cashier keeps the funds in his personal bank account makes it impossible to verify the cash balance.

A similar review was performed at the Public Relations Office. The results from the period of 31 March to 10 June 2003 are as follows:

- All summations were correct.
- The Director as defined in the process authorized requests for additional petty cash funds to the Directorate of Finance.
- The documentation shown for approval by the Director does not include any information about who is making the expense.
- The person in charge of counting the petty cash is the same one who authorizes payments. This represents a lack of control over this person and a potential risk to the accuracy of the process.
- A surprise count of the petty cash balance revealed that the amount was correct.

Another walk through was planned at the Directorate of Finance; however it was not possible because the person in charge was not available at the time.

Expenses Paid with External Funds

The payment process using external funds (in this case Sida/SAREC funds) differs depending on the area that requests the payment. As shown in exhibit 2 above, some Sida/SAREC funds are decentralized while others are kept centralized and supervised by the Directorate of Finance.

The funds with decentralized payment are all funds for project research (87% of total funds) and core support funds not executed by the DF (see exhibit 5). This means that all expenses are approved and executed locally, with the Director or Dean of the unit or faculty accountable for the decision.

The purchasing process from external funds is similar to the one for government funds (see sub-section 4.2.4). Inconsistencies were found regarding supporting documentation. The payments are based on pro-forma invoices instead of the proper invoice at the Public Relations Office and the Science Faculty. It was argued that the receipt collected after the payment fulfils the process requirements.

In addition, the faculties and units have minor supervision from the Directorate of Finance. The DF does not verify individually (payment by payment) if the payments are correct. Similarly, when the DF collects data for the annual report, it does not require justification.

The external funds with centralized payment system are as illustrated in the table below.

Exhibit 10: Core Support

Area of support	Budget (SEK '000)	Budget (USD '000)	Coordinators office	Payment execution office
Scholarship Fund	1000	94	Scholarship Commission	DF
Training of Staff	2000	189	Scholarship Department	DF
Library Support	1600	151	Directorate of Documentation Services (DDS)	DDS
Laboratory Support	2600	245	Scientific Directorate	DF
Public Relations (PR)	800	76	PR Office	PR Office
Adm. Of UEM	1500	142	DF	DF
Press Office	500	47	Press Office	Press Office
TOTAL	10000	944		

The DF just processes the payment, while the Area Coordinators are responsible for the decision. For instance, the Director of the Academic Register is responsible for the selection of students and use of the Scholarship Fund, while the DF makes payments on request from DAR. Before executing the payment, the DF has to verify if the procedure has been correctly followed. For example, a payment for Laboratory Support has to comply with the following steps:

- The faculties develop and submit proposals to the university's scientific committee for approval. The committee rates and selects the best proposals. The list of approved proposals must be authorized by the Scientific Directorate and the Rector
- The DF certifies if the expense is within the limit approved by the Rector.
- The DF verifies if the procurement guidelines have been applied, e.g. if three suppliers were quoted. Other rules such as selection of low price suppliers from the government list are not applied when it comes to external funding. In addition, the procurement guidelines included in the Sida agreement were not mentioned at any time.

Three people are generally authorized to approve cheque payments at any faculty or unit of UEM. At the DF however, due to the large number of payments, there are five people authorized for this purpose:

- Vice Rector
- Director of Finance)
- Donations Coordinator (Fin. Officer), whose signature is mandatory
- Procurement officer
- An officer selected by the Government as a control mechanism due to decree. Not normally involved in daily transaction.

The other three centralized areas (Scholarships, Administration and Staff Training) are being managed similarly. The process for these areas does not include approval from the Scientific Directorate.

Check on a Sample of Payments using External Funds

In order to verify the effectiveness of the payment process, a test was performed on four transactions at the Faculty of Engineering and one at the Directorate of Documentation Services (DSD). It was based on analysis performed on copies of documents given by the University. The involved personnel were asked to supply the auditing team with all documents related to these transactions. Thus, if documents are missing, it is possible to conclude that the filing was bad or that the documents did not exist. The second assumption was used when filling the table in Exhibit 11.

Exhibit 11: Test of Sample Payments

Project	DSD	Glass	Biomassa	Cassava	Cassava
Purchase	Travel Expenses	Air Ticket	Printer Toner	Lab. Equip.	Office Supply
Sida Funding?	Yes	No	Yes	Yes	Yes
1-Purchase Request	Yes	No	Yes	No	No
2-Quotation Request	Not Applicable	No	Yes	No	Yes
3-# of Quotations	Not Applicable	2	2	1	2
4-Purchase Order	Not Applicable	No	Yes	No	Yes
5-Request for Funds	Yes	Yes	Yes	Yes	Yes
6-Invoice	Not Applicable	No	No	Yes	No
7-Request for Cheque	Yes	No	No	Yes	Yes
8-Cheque Payable to Supplier	Yes	Yes	Yes	Yes	No, contains cheque for a different order
9-Receipt	Yes	Yes	Yes	No	No

A total of nine documents were gathered in the walk through; however, none of the five transactions analyzed had all information. In addition, the documents were not standardized, showing a lack of forms and templates for this procedure. In some cases the documents contained copies from other purchases. Another discrepancy was that none of the purchases followed the requirement to get three quotations. Similarly, some purchases did not present documents, such as purchase order, invoice, and request for cheque, cheque, or even receipt. On the other hand, all of them had a request for funds, showing that this step was mandatory. It also can be concluded that the request of funds did not require the previous documents or that the funds were released without this supporting evidences anyway.

4.2.11 General recommendations

Section 4.2 covers all issues that are specified in the TOR. Under each sub-section findings and recommendations are specified. In addition, we have some more general recommendations on UEM's financial management.

The audit team's general recommendations for UEM's entire financial function:

- *It is of utmost importance that donors of the UEM cooperate and develop a uniform financial reporting system. All levels of staff, especially those working with the financial reporting on a daily basis, must be adequately instructed and supported in the implementation of such a system.*
- *As it may take some time before all donors are on board, Sida may consider allowing UEM to implement their own local policies, used for state funds, in the handling of Sida funds. This being an attempt to reduce the demands on individual accountants to follow several different donor policies.*
- *Once the implementation of the computerized accounting system is completed, funds should be allocated to the continuous training and support of staff.*

- *Increased control, supervision and feedback from Sida would increase the staff's motivation to do things correctly.*
- *An effort should be made to develop the internal audit function.*
- *Since Portuguese is the official and functional language in Mozambique, all forms and documents Sida requires accountants to fill in should be in Portuguese, e.g. financial reports at project level.*
- *The content and length of the workshop for the financial staff should be reviewed to ensure that the message actually reaches the individuals who deal with the day to day accounting work. It may even be necessary to clarify guidelines, Sida policies and the terms of the agreement in Portuguese.*
- *It may be necessary to compile a list of prohibited uses of funds, to avoid the misinterpretation of the guidelines and agreement terms.*
- *Signatories should not authorize any payment supported by insufficient documentation.*
- *The DF's responsibility should be extended to include the controlling of financial reports submitted by the projects, and not just limited to aggregating these.*
- *The financial report format should be amended to show the cash balance at the beginning and end of the period reported on (as well as budgeted and actual expenditure), and a copy of the bank statement confirming the balance held should be attached. This should be done on project level. This change would enable DF and Sida/SAREC to check that all funds are accounted for and that excessive idle balances are not accumulated.*

4.3 Differences in accountability requirements of donors

A detailed comparison was made of the reporting and other accountability requirements of the major donors to UEM – Sida/SAREC, Italy, Netherlands/Nuffic and the World Bank. Other donors (over 130) were not covered for lack of time and, in most cases, lack of access to the responsible officers who did not have representatives in Maputo.

At present, each donor agency has its own accountability and reporting requirements (see Appendix VII). The policies of all the above bilateral donors and the World Bank favour **harmonisation** to reduce the transaction costs arising from the diversity of aid practices. Harmonisation includes the use of common procedures and timetables for diagnosis of needs, formulation of plans and project budgets, common formats for reporting, procurement, common formats for requests for advances/reimbursements, notification of direct payments by donors, statements of expenditure and source and use of funds, inventory reports, etc. and external audit. All the above donors, and 42 others, signed the Rome Declaration on Harmonization, 25 February 2003. In the context of project aid, they agreed that they would work together with partner countries to simplify individual systems and procedures and adopt common formats, content and frequency for a single periodic report per project that would meet the needs of all partners.²⁶

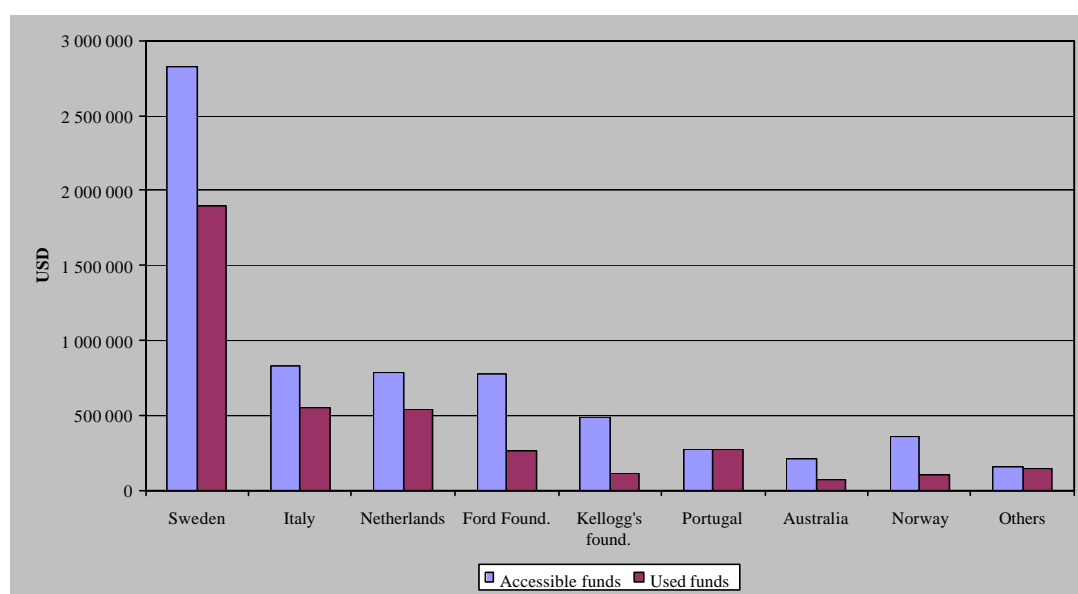
This global declaration is intended to support country-level initiatives. The onus is on each individual country to follow up and apply the good practices identified. In Mozambique, as in

²⁶ This was issued by the High-Level Forum on Harmonization, Rome, 24-25 February 2003, hosted by the Government of Italy. The Declaration and other documentation can be accessed at <http://www1.worldbank.org/harmonization/romehlf/Documents/>

other countries, the great bulk of external donations and credits are outside government budgetary procedure and are not harmonized.²⁷

This is also true at the level of implementing agencies. The UEM has agreements with all of its 130+ cooperation partners. Some of these are made through the Government of Mozambique (Ministry of Higher Education, Science and Technology and Ministry of Foreign Affairs and Cooperation) but most are made directly with the foreign partner. There is no forum for the cooperation and coordination of these partners in their dealings with UEM. It would be advantageous for UEM, as well as the foreign partners, to have some permanent machinery for discussion, including the issues of financial management harmonisation. The more that donors pool project support or put funds into the host institution's budget, the lower the transaction costs.²⁸ Even without pooling or direct UEM budget support, transaction costs would be lowered by the adoption of common timetables, procedures and formats. The Finance Director and Assistant Director estimated that such standardization would save them about a third of the time required to produce such reports²⁹.

Exhibit 12: Use of Donor Funds at UEM in 2002



Another reason for pooling donor efforts is that there is a large difference between used and available funds at UEM. In 2002, a total amount of USD 2,752,699 (41%) was not used by UEM although available to the university. The explanation given in the annual report is that the funds arrived late from the donors. A pooling effort would most certainly reduce this problem.

²⁷ See the Mozambique case study prepared for the OECD/DAD Task Force on Donor Practices: this is accessible at www.oecd.org/dataoecd/40/61/8093906.pdf, p. 11.

²⁸ For example, the World Bank's new aid programme for the university sets up its own seven-year USD 600,000 general open fund, which largely mirrors the Sida/SAREC fund focus and procedures. It requires parallel reports and financial administration for virtually the same activity, even though it could have been integrated into existing open-fund reporting systems with a little forethought.

²⁹ Alberts, Tom et al (2003) Evaluation of Sida's Support to UEM, p.6.

It has been recommended in a newly published evaluation that UEM, with Sida's support, set up a task force to explore the possibility of transforming the presently fragmented donor support for UEM into an effective and consistent support for the implementation of UEM's Strategic Plan. In the evaluation report it was recommended that: the cooperation agreements be extended from 3-year to 5-year periods; that UEM be empowered to use Sida funds in a way that is more flexible temporally and between projects; and that UEM and Sida agree on the objectives of the cooperation and establish targets to be met with verifiable indicators and the setting in place of a monitoring system.

Recommendation:

- *It is recommended that local representatives of the major donor partners of UEM meet regularly with UEM and concerned government officers as a UEM Support Group, chaired and led by UEM. This could function as a sub-group to the existing Development Partners Group and its Sectoral Working Group on Education. The objectives of the UEM Support Group would be for donors to harmonise their modalities of aid so as to promote UEM ownership, to increase the delivery of aid commitments, to make aid funds more effective, and to minimise the transaction costs of aid.*

4.4 Other management systems

One of the main objectives defined by GoM for Higher Education is to raise the standard of the courses given. In addition the Strategic Plan of UEM underlines the importance of increased quality in research and education. The existing management systems are not adequate for a university of UEMs size and importance.

The basic reality is that in terms of the concerns of Sida/SAREC for insuring the quality of the product produced through their assistance to UEM, there is no truly effective management system in place. As noted above, different faculties take very different approaches to managing and monitoring the administration of Sida/SAREC funds. Where oversight is carried out in terms of actual project performance, the same is true. More significantly, however, with the exception of occasional attention given by various faculty directors, there really are no effective systems in place to ensure the quality of the product being obtained through the use of Sida/SAREC funds.

Internal Peer Review Systems are often not operational at UEM. Furthermore, UEM has not used external Peer Review. Clearly, there is a need to implement, at a minimum, internal Peer Review Systems for the award of, and possibly for the assessment of, projects funded by Sida/SAREC.

While it would be nice to be able to conclude that the reason that Sida/SAREC support for faculty research activities has not been even more productive is due to the absence of adequate management systems, such a conclusion misses a much more fundamental problem. While certainly it would be useful to establish some form of peer assessment of project results, the reality is that it is very difficult to monitor in any kind of really systematic way the quality of research carried on within the context of a University. Research that is often thought to be of great significance can often turn out to be inconsequential, just as the reverse is true.

However, there is one fundamental underlying factor that is very significant in terms of undermining the quality of the research carried out through the use of Sida/SAREC funds, and

that does need to be addressed. That, of course, is the problem of inadequate salaries for teaching and research staff. A very senior professor at the university may earn a salary of \$800 to \$900 a month. By all accounts, a salary of close to \$2,000 a month is necessary to live the kind of upper-middle class lifestyle to which a typical faculty member would aspire. The combination of the absence of adequate compensation from the University, and the fact that Sida/SAREC projects do not allow any form of faculty salary supplement, ensures that a large number of projects will either not be completed in an acceptable manner, or in some cases not even completed at all.

The reason for this is an obvious one that no amount of improved management will solve. Many faculty are preoccupied with finding second and third jobs that enable them to generate the level of income necessary to provide their families with an acceptable standard of living. In many cases this means teaching at one or two private universities, working part time at a non-governmental organization or working on consulting jobs.

As long as UEM is unable to pay administrative and teaching staff salaries at a level that will enable them to maintain a solid middle-class lifestyle, the priority of those involved in Sida/SAREC technical assistance is going to be on something other than the effectiveness with which these projects are implemented. Inevitably it will be upon how to draw what short term benefits can be obtained through participation in a Sida/SAREC project at the same time that one is holding down the additional jobs necessary to secure the money required for a middle-class lifestyle.

Recommendations:

- *Peer Review Systems for the awarding of Sida/SAREC projects must be established at all faculties and levels of UEM*
- *Sida should support introduction and implementation of a Performance Management System and fund training opportunities sufficient to retain skills in UEM*
- *Sida should support the introduction and implementation of a transparent incentives scheme for researchers and staff involved in its projects*
- *Incentives should be based on performance*
- *A project should be established, supported by Sida, on how the quality of research can be ensured*
- *A system of quality assurance should be introduced.*

4.5 Audit of Particular Funds

Following information from the Swedish Embassy in Maputo on misuse of funds and suspicion of corruption at UEM, Sida suspended the signing of the Core Support for 2003. It is important to note that Sida's funds for research projects and training programmes have not been affected by this decision, and the support continues normally.

An audit of the actual use of funds was necessary in some special cases. These cases were selected from the fact that their construction makes it particularly difficult to ensure their transparency or accountability. The following Sida-funded projects were subjected to such audit:

- Support to building of ICT infrastructure 2000 and 2001
- Support to the Library 2001 and 2002
- Support to the Open Research Funds 2001 and 2002
- Core Support 2000-2001

In addition to the audit of these projects, the following areas were also investigated:

- Discrepancy in exchange rates in connection with transfer of Sida funds during the agreement period 1998-2000.
- Discrepancy in UEM's account at Banco Internacional de Moçambique (BIM) related to Sida funds and UEM's actions taken in relation to the missing funds.

The audit included examining, on a test basis, evidence supporting the amounts disclosed in the financial statements. The percentage of expenditure verified ranged from 50% to 100% within the various funds reviewed. The samples verified were agreed to supporting documentation. This documentation was requested from the various people responsible for the accounting, and they often received ample time to gather all information related to the transactions selected.

Where documentation was lacking or incomplete in the majority of the sample, the conclusion was drawn that there was insufficient documentation to support the transaction.

Sufficient documentation related to expenditure includes, but is not limited to:

- an original invoice;
- an authorised payment requisition;
- a bank payment advice slip;
- and an original receipt.

In the case of the acquisition of goods, e.g. library books and computer and networking equipment, sufficient documentation would include all items listed above, as well as:

- an approved requisition for the purchase of goods
- three quotations in accordance with the procurement procedures;
- an authorised purchase order to the supplier;
- a delivery note signed by the receiver as proof of checking the delivery;
- a goods return note, where goods have been sent back to the supplier;
- a credit note, where credit has been received from the supplier;
- a delivery acceptance slip, where goods have been sent on to other faculties by the initial receiver;
- proof of acceptance of installation, where networking cables have been installed at the various faculties.

In many cases where the conclusion "insufficient documentation" was drawn, the problem was a lack of an original invoice or receipt. In addition to this, much of the documentation mentioned in the second list above was either incomplete or lacking in those cases where it would be applicable. However, the actual payment was in most cases duly authorised.

The lack of sufficient documentation should be taken as an indication of a weak internal control system. Instead of focusing on the individual transactions taken up as examples in the report, one should consider the greater problem these examples highlight.

Unless stated otherwise, the figures included in this section have been obtained either from documentation we have seen or documentation we have taken photocopies of. Where figures have been rounded off, the word "approximately" has been used before the figure.

4.5.1 Support to building of ICT infrastructure 2000 and 2001

Centre of Informatics--CIUEM

Sida supported UEM with SEK 90.05 million for the agreement period of 1998-2000. In 2000, Sida extended the contribution to an ICT project called Information and Communication Technology in Academic Development. It comprised an investment budget of SEK 6.5 million for 2000 and SEK 5 Million for 2001.

The first objective of this ICT project was to provide Internet connectivity to all institutions that had long-term Sida research support. In addition, it aimed to build technical and management capacity in IT through a sandwich model of MSc/PhD training.

It was not possible from the documentation provided to ensure that the use of funds, in the case of purchases of equipment, was in accordance with the first objective above. The team has only been able to verify that purchases of equipment related to information technology have been made.

The Director of the CIUEM was in Stockholm at the time of the audit, and the team met him there after the audit had been completed and was provided with additional information regarding the procedures of the CIUEM. The Director indicated that all purchases made were within the budget and in accordance with the overall strategic plan of the CIUEM. The basis of this strategic plan is a document about EMUNET (Eduardo Mondlane University Network), the five year plan for information technology development within UEM. The project team, headed by the Director of the CIUEM, is responsible for extracting the specifications of the equipment required from the EMUNET document; releasing the tender; completing the supplier bidding process, including writing a report on why a particular supplier was chosen; and ordering the equipment. Depending on the size of the expenditure, up to nine tenders can be received from various suppliers. Once one is chosen, the quotation is sent to the finance department for payment. On receipt of the equipment, the project team is responsible for forwarding the delivery to the relevant faculty. The faculty has to sign a so-called "delivery guide", or if there has been an installation of network cables then they sign an acceptance agreement. The finance department of the CIUEM has nothing to do with the process before and after payment, nor do they keep the other relevant documentation with the payment vouchers. The team was not provided with all the documentation necessary to be able to confirm that the process as described by the Director of CIUEM was indeed functioning satisfactorily. Not all cases tested were satisfactorily supported by bidding and acceptance process documentation.

Expenditure is generally not supported by adequate documentation. Photocopies and not original documents have supported at times payments, and at other times payments were made against pro-forma invoices. The use of photocopies increases the risk of expenditure being paid and accounted for more than once. Due to the decentralized nature of the finance function of the UEM, and due to the manual and non-uniform system in place, this type of fraud would be very difficult to detect. Pro-forma invoices do not provide any evidence of goods or services having been purchased. The UEM argues that pro-forma invoices and quotations in combination with receipts are acceptable and sufficient supporting documentation. In these cases, we have agreed that this is persuasive evidence. Payments examined have generally been properly authorized.

There are no fixed assets register maintained at the ICT, despite the large number of purchases of equipment of high value. According to the Director of the CIUEM, the reason is

that these assets are bought on behalf of the individual faculties, and it is therefore the faculties' responsibility to enter these assets into their fixed assets registers, if they have one. The CIUEM's responsibility is "configuration management", i.e. they have details of all the equipment specifications and serial numbers, but not the value. The equipment purchased is not insured, the argument being that a large force of security guards is employed. Possibly the lack of up-to-date records makes the assets uninsurable, though the Assets Director indicates that a lack of funds from the government is the reason for lack of insurance.

Loans and other disbursements to individuals and other departments amounting to USD 25,924 during 2002 were not accounted for to Sida, even though they had not been paid back at the time of submitting the financial reports. The reason given is that these lent funds were not a direct expense of the ICT project. This amount includes a loan of USD 3,724 to another project funded by the Netherlands.

Included in the expenditure during May 2000 to August 2001 is a total of SEK 300,000 that is not supported by any documentation at all. Of this SEK 50,000 was accounted for as "co-ordination costs paid to CIUEM"; SEK 50,000 was accounted for as "consultancy for building network designs and tender documents"; the other SEK 200,000 was simply accounted for as "unforeseen".

The "Unutilized compared to budget agreement period" column on the financial report for Jan-June 2003 was completely incorrect and misleading. The balance showed an amount of USD 463,497, while the actual situation was USD -179. The explanation given was that there was an error in the formulae.

The team was forced to pull out from the audit of the ICT funds because not all supporting documentation was available and there was no logical flow of transactions from year to year. After six days, the team returned to find that the financial reports for 2000, 2001 had been re-done, and that there was an additional financial report for 2002 on the SEK account. The financial report previously audited was the same as that sent to Sida and covered the period May 2000 to Aug 2001 with a total expenditure of SEK 6,102,879. This was replaced by a financial report covering the period May 2000 to Dec 2001 with a total expenditure of SEK 5,904,484. On comparing line item by line item, the team discovered that a total of SEK 734,225 had completely disappeared from the expenditure reported for the period May 2000 to Dec 2001. The net difference between these two reports is SEK 198,996. On being questioned as to the reason behind the changed accounting records the accountant said that in those cases where supporting documentation was missing he took away the expenditure. In some cases, bank charges had been omitted from the transaction value and so he added that in. In other cases, the difference had to do with loans to other projects being repaid. It is important to note that there are still a number of transactions (amounting to an expense of USD 16,938) that fall outside this financial reporting.

In the new financial report there was an amount of SEK 268,252 paid to the CIUEM department and signed for by the Assistant Head of Finance Dept at the ICT. ICT is included in the CIEUM department. The amount was deposited into the "Simposio De Informatica CIUEM" account. The invoice supporting this amount was for "recurrent and maintenance costs; local area networking building and maintenance; consultancy fees; and local coordination costs". The Financial Officer suggests that they may have performed consulting work for the project, instead of hiring external consultants. This amount was not included in the old financial reports as sent to Sida.

In conclusion, there are serious internal control issues within the ICT project finance function. It is difficult to trust the quality of the financial records when they can be changed so dramatically without any satisfactory explanation. There is insufficient documentation to support some of the expenditure accounted for in the ICT project, and some loans and expenses have not been accounted for at all. Moreover, documentation regarding quotations and delivery were not available in every case. Therefore, we cannot conclude whether the equipment purchased ended up at the faculty concerned.

Recommendations:

- *UEM should have full control over the IT investments, including internal control as well as a functioning accounting system*
- *the report format should be amended to show the bank account balance at the beginning and end of the period reported on (as well as budgeted and actual expenditure), and a copy of the bank statement confirming the balance held should be attached. This change would enable DF and Sida/SAREC to check that all funds are accounted for and that excessive idle balances are not accumulated*
- *purchasing officers need to be impressed with the need for proper procedure and documentation for each purchase (i.e. special training), and then they should be supervised and motivated*
- *a workshop should be organized for accounting staff that have the day to day responsibility of compiling the financial reports, to discuss the terms of the agreement in detail, e.g. the forbidding of loans to other projects.*
- *loans from Sida projects to other donor projects or units are strictly forbidden and should not be allowed*
- *only actual expenditure should be reported in the financial statement and labelled accordingly. The term “unforeseen” should not be used in connection with actual expenditure*

4.5.2 Support to the Library 2001 and 2002

The Directorate of Documentation Services (DSD) is the coordinator of the University Library Services, which include 17 libraries. The underlying factor behind this number of libraries is the dispersed physical infrastructure of UEM, which is spread over Maputo. One of DSD responsibilities is the procurement and purchase of library materials.

Sida/SAREC supports Libraries with two different funds. Within the framework of the Core Support there is a fund aimed for purchasing of books, journals and reviews for the university libraries, called ‘Library Support’. The other fund is part of the institutional research support under the name ‘Library Services’, of which the objective is to improve the management of the libraries.

Library Support (within Core Support)

The nature of the expenditure is such that the objective of purchasing books has been attained, but there are serious weaknesses in the system of internal control. The result is that statements cannot be said to be true and fair. The main issues are listed below:

1. The faculty requesting books does not provide the DSD with an authorized requisition form.
2. The DSD does not complete an order form which is authorized before being sent to the supplier.

3. Invoices are paid before checking on the delivery notes that all the books have been delivered.
4. In nine out of ten cases tested, there were differences between the invoice and the delivery notes, which were not followed up with the supplier. Each time the invoice value was higher than the delivery note value.
5. A list of credit amounts should be prepared for each invoice calculated as the difference between invoice and delivery note. This has not been consistently performed. There is no summary of all credits available for use.
6. No supplier account records are maintained and no reconciliations are performed.
7. When books are received by the faculties, they are supposed to sign a proof of receipt. Only a few of the books delivered could be checked to proof of receipts, as the documents are filed in another system altogether, in chronological order, and there is no logical link to the purchasing process.
8. Returns to the supplier are not documented or recorded in any way, neither is a credit note received.

In conclusion, the DSD is paying for significantly more books than are delivered and the faculties are receiving fewer books than the DSD has received, and the differences are not accounted for anywhere.

The expenditure in 2002 was not supported by adequate documentation. Proof of delivery, proof of returns and proof of credit available is lacking. It is therefore impossible to conclude whether funds were used as intended by Sida. Duplication of purchases is possible. The risk of fraud is very high in this area due to the complete lack of internal control. The payments have been properly authorised, but authorisation of the purchase by the faculty requesting the books is lacking.

Recommendation

- *The internal requisitioning, ordering, receiving, invoice examination and certification process should be made clear to all officers, then enforced*

Library Services

The library services expenditure for 2001 is in line with the project assessment, is supported by sufficient documentation and has been properly authorised. The nature of the library services expenditure for 2002 is in line with the project assessment and has been properly authorised. However, the value of the expenditure is not supported by sufficient documentation. This is due to the fact that much of the expenditure relates to per diem allowances and the majority of the people travelling on business do not account for their expenses on their return. In one case a delegate received 17 days of per diem allowance for a 6-days seminar, resulting in his receiving USD 5,386 instead of USD 1,840.

Recommendations

- *UEM policy is that at least 60% of the received funds must be justified. This policy should be enforced.*
- *Sida/SAREC's policy regarding per diem allowances should be clarified with UEM staff at all levels.*
- *Excess payment of per diem should be recovered.*

4.5.3 Support to the Open Research Funds 2001 and 2002

There are two types of open research funds at UEM: one based at a local faculty level and another centralized to the university as a whole. According to the project proposal, the open research fund is aimed at providing:

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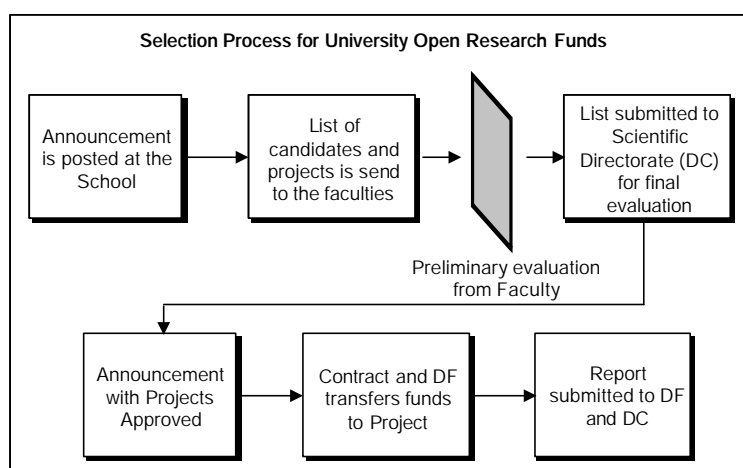
- Minor research grants for faculty staff with a research degree (PhD or MSc);
- Training in research methodology and small grants for junior staff;
- Research seminars and workshops for researchers and the public and private productive sector; and
- Promoting gender awareness.

The audit work was carried out on a sample of both types of open research funds, for 2001 and 2002. The following is a brief description of the selection process:

The centralized open research funds provide UEM with flexible financing primarily for research. The flexible financing makes it possible to fund specific small-scale research projects up to USD 15,000. The Scientific Council of the Faculty of Sciences manages these funds. This council performs, twice a year, an open bid process to fund projects lasting only one year. The application process is open to all UEM staff and also to technicians not studying at UEM.

The procedure to receive this funding is illustrated below.

Exhibit 13: Selection process for University Open Research Funds



The selection steps include:

- An announcement is posted at the School
- Faculty receives two copies of the project. A preliminary evaluation is performed and a list is passed to Scientific Directorate (DC)
- DC is responsible for final evaluation. The project has to be research or purchasing of equipment: seminars are not allowed.
- An announcement is made at the faculties revealing which projects were accepted.
- DF transfers the funds to the faculty and the researcher signs a contract
- Every six months a progress and financial report has to be submitted to DF and DC.

One of the open research fund's weak points is the delivery of the reports. Both the financial and the progress report have failed. The DF and DC are supposed to receive them every six months. However, only 20% of the researchers deliver the report on time.

One possible explanation is the fact that no actions have been taken to change this dilatory attitude. Despite delays, payments from Sida/SAREC and the faculties continue as

programmed. Similarly, there are no incentives to speed up research or to deliver reports on time. These projects are meant to take one year to finish but researchers normally exceed that limit.

Another weak point is that the university still has no system to evaluate research results. At the end of the project, a report is sent to the Directorate of Finance and to the Scientific Directorate. However, these offices do not have capacity to evaluate results. The area with such knowledge, the Faculty, does not play an important role in ensuring the quality of the research.

It is important to note that the faculties' charge research projects with 10% of the project budget for administrative expenses.

Substantive audit work on the Open Research Funds was performed on a few faculties. The results of this work are summarized below:

Faculty of Engineering

The expenditure during 2001 was not supported by sufficient documentation. Invoices and receipts in connection with trips abroad have either not been retained or have been lost. No authorized payment order was available for a transfer of USD 5,403. The team was unable to conclude whether the entire amount was spent in line with Sida/SAREC guidelines (see section 4.5.3), due to the lack of invoices and receipts.

During 2002, it was not possible to verify the amount of the expenditure due to the fact that most of the funds are transferred to a local MZM account which is shared by all donor funds, not just Sida's. An amount of USD 26,460 (MZM 614,997,799) was transferred to the MZM account during 2002. The calculated amount remaining after deducting MZM expenditure for the period should be MZM 434,586,110 (USD 18,698) (), this could not be verified against the bank statement as this MZM account contains other donor funds. Summary bank reconciliation of all donor funds related to this account was lacking. This increases the risk for misappropriation of donor funds through duplicate accounting of bank balances. The procurement procedure has been followed in all cases verified. However, payments have been made against quotations in some cases, and not original invoices.

Faculty of Medicine

From the information made available, the expenditure in 2001, has been in line with the guidelines set out above and is supported by adequate external documentation. The Faculty of Medicine seem to have a much more organized accounting system, and is meticulous in the documentation. This faculty also appears to have its own type of payment requisition, which once again highlights the need for uniformity throughout the UEM's departments.

A research grant of USD 13,200 awarded in 2002, has been sitting in a bank account completely unutilized for over a year. This means no other project has access to this money even if it is ready to start. The fact that no interest has been earned nor bank charges incurred on a balance of USD 13,200 during an entire year is considered highly unusual. According to Sida guidelines, open research funds must be utilised within one year. These funds have been unutilized for over a year.

Faculty of Science

From the information made available, the expenditure during 2001 has been in line with the guidelines set out above. Since individual principal investigators are in charge of accounting

for their own projects, there is a varying standard as to the amount of documentation available. In the first case verified it was not possible to say for what 25% of the expenditure had been used. In the second case examined most of the expenditure was supported by external documentation, except the per diem allowance which was not supported at all. The sending of bi-annual financial and progress reports is a routine that is seldom followed.

Faculty of Social Science

The accountant at the Social Sciences department could not provide any consistent expenditure report. Four different versions were obtained with four differing totals for expenditure for the year 2002. The amount extracted from the bank statement was USD 51,688; the amount as reported to Sida/SAREC was USD 49,194; the amount per the accountant's own financial report was USD 46,626; and finally the total of the accountant's monthly expenditure reports was USD 48,649. As it was impossible to figure out which one was correct, the amount per the bank statement was taken as being actual expenditure for the period.

There is generally insufficient documentation to support expenditure. A loan of USD 9,200 was given to the Dean of the Faculty of Linguistics in December 2002. This loan has not been repaid as yet. There are no terms attached to the loan.

Directorate of Finance

A research grant of USD 15,000 was given to an individual who is studying Business Administration in South Africa. No project proposal or any supporting documentation was on hand at the DF and it was only on the request of the team that the researcher sent an e-mail describing what he was doing and how far he had come.

According to his e-mail, he is comparing the actual situation in a business office in Mozambique to one in South Africa. He is currently in phase one of his project, gathering information. The money spent so far has been used for trips and accommodation while collecting information, as well as participating in a conference related to the study. There are no conclusions to be drawn yet: these will come in phase two of the study.

Recommendations

- *Faculties should be made responsible for the timely submission of reports by their researchers, and for the technical evaluation of their results, with penalties (such as reduction of future funding to the faculty) for failure to comply*
- *A uniform way of documenting research projects' financial reports should be devised in conjunction with all the faculties.*
- *Clarity is required regarding the restrictions on the use of funds. This should be communicated by Sida/SAREC directly to the UEM staff compiling these reports.*

4.5.4 Core Support 2000-2001

The resources given to this area are used to fund activities needed to support research such as library books, scholarships, training, laboratory support, UEM administration, email (only 2000), press office, and public relations office. The Director of the Public Relations Office manages these resources centrally.

Core Support represents 12.6% of the total budget (2001-2003) and is divided into seven areas, each with a different coordinator, payment location and budget (see further Exhibit 14). The payments of funds designated to Scholarships, Staff Training, Administration, and

Laboratory Support are all made by the DF. The remaining funds (Library service, Public Relations, and Press Office) are managed and supervised locally by the Director of each area.

Exhibit 14: Core Support expenditures and budget for the period 2000-2002

Core Support	2000	2001	2002
	USD	USD	USD
Expenditures for the year	783,715	269,582	547,123.
Expenditures for agreement period	1,501,385	269,582	816,705
Budget for the year	755,294	944,140	49,910
Budget for agreement period	2,265,882	944,140	994,051
Unutilised compared to the yearly budget	-28,421	674,559	-497,214
Unutilized compared to budget for agreement period	205,287	674,559	177,346

Exchange rate USD/SEK: 10.5919

The table above shows that Core Support exceeded its 2002 budget by almost USD 0.5 million, covering that difference with funds not utilized in 2001. [The 2000 figures are reported differently, according to the agreement period of 1998-2000, which makes a comparison not possible. Moreover, the amounts in 2000 were presented in SEK, which were transformed to USD, using the same currency as the other two years].

Another issue is that the exchange rate used by Sida is different from the one used by Core Support. The exchange rate (USD/SEK) used by Core Support is 10.59. All other funds use an agreed exchange rate of 10.55, which was the rate that applied to the first disbursement of Sida funds for the period 2001-2003. It was agreed between UEM and Sida that, during all the effectiveness of this agreement, the exchange rate to be used is the one used for the first instalment. Because UEM looks at SAREC and Core Support as separate funds, and in the quest to implement the agreed procedure, for SAREC funds the exchange rate being used is that used for the first instalment of this specific fund, and equally, for Core Support funds the rate being used is that used in the first instalment. Because the first instalment for SAREC was done in a different moment from that of Core Support's first instalment, different exchange rates are being used.

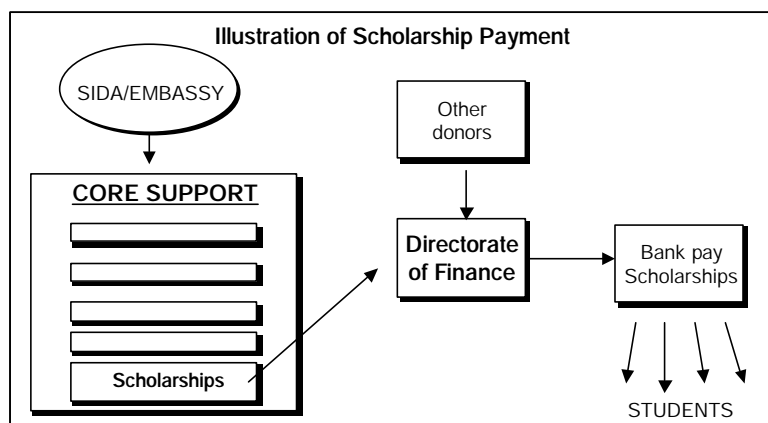
It is recommended that future agreements use the same exchange rate, based on the first disbursement in the period from either source.

Scholarship Fund

The proposal stated that the scholarships were meant to:

- Introduce merit-based scholarships for outstanding students
- Introduce female students into traditionally male courses
- Complement the current scholarships given to students
- Provide scholarships for poor families

The UEM Scholarship fund has the participation of several donors and Sida is just one of them, as illustrated below.

Exhibit 15: Scholarship payments

During 2000, these funds were used to complement the current scholarships given to students. The expenditure was supported by adequate documentation, and was properly authorised.

During 2001, the use of the funds did not completely follow these guidelines. 1,446 students out of 8,046 have received top-up scholarships from this fund. 39% of the expenditure was used in a more general manner, i.e. to subsidize food purchases in the three hostel cafeterias, which serve meals at MT 3,000. Apparently, only poor students want to eat there. The expenditure was supported by adequate documentation, and was properly authorised.

Scholarships and subsidised student residence are potential tools used so far to address inequalities at the tertiary level. Nonetheless, since the process of discriminating against less privileged children starts already at the basic level of the education system, no policies or measures that do not cut across all levels of the system will in any significant way enhance equitable access to higher education for talented children from poorer families.

Government scholarships are mainly for study at public institutions and some donor scholarships, such as those of USAID and AUSAID, are only for studying at public institutions. The private HEIs do not have their own scholarship schemes. The risk is that private institutions become exclusively for financially privileged students. Scholarships are allocated by different donors and there is a disparity between the amounts of the award. The government scholarships barely cover the student's costs, while those provided by USAID are higher than the teacher's salaries. The scholarship programme should therefore be managed by specific scholarship-granting institution and not by the universities themselves. The pooling of resources into a collective fund instead of separate donor funds would allow an equal and fairer distribution of scholarship awards. Another possibility considered by the GoM for financial assistance to students is through loans. The Ministry stated in its strategic plan that it will have to examine the feasibility of a student loan scheme.

Recommendations:

- *An attempt to achieve the objectives of introducing merit-based scholarships for outstanding students and to introduce female students into traditionally male courses should be made.*
- *Sida, UEM and MESCT should jointly study how to effectively run a collective fund for scholarships and/or a student loan program.*

- *Future agreements should use the same exchange rate, based on the first disbursement in the period from either source.*

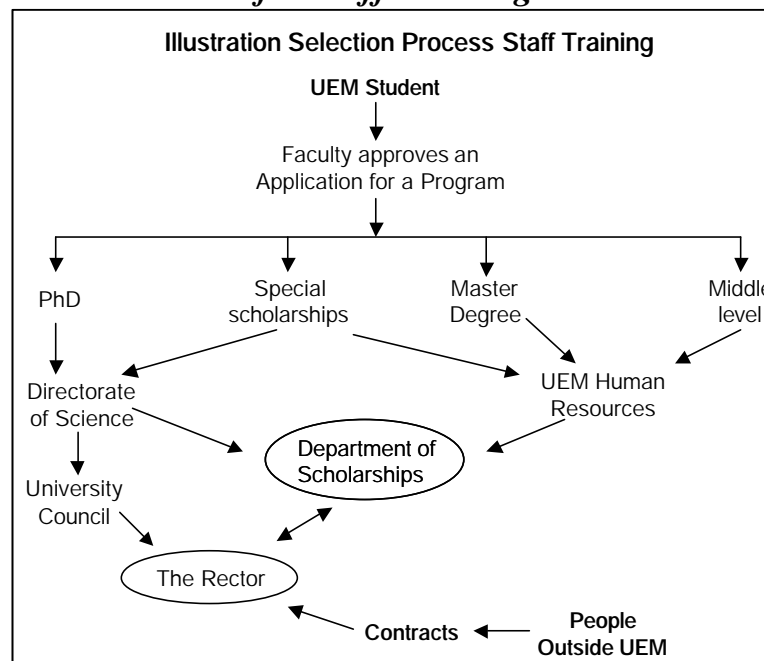
Training of Teaching and Administrative Staff

The Staff Training fund receives 20% of Core Support's funds. The objectives stated in the "proposal 2001-2003" regarding the staff training fund are as follows:

- To provide opportunity for graduate studies to a limited number of teaching staff per year.
- To enable professional training and graduate studies to a limited number of technical administrative staff.

According to the Program Officer (Staff Training) the selection process for Staff training scholarships has been disorganised and the chart below is part of UEM's efforts to structure the process.

Exhibit 16: Selection Process for Staff Training



The current handling of the funds has been exposed to serious critique by the Mozambican press (Media Fax) and by employees at UEM. The Rector is accused of nepotism due to an attempt to divert scholarships addressed to UEM's PhD students in August 2002. In the press (Media Fax 2003-03-19) he is accused of favouring 17 close friends not attached to UEM. These seventeen people included his daughter and the Director of Public Relations' two children³⁰. These candidates were taken in via the so-called "contracts route" (see Exhibit 16).

At a meeting with the Director of the Public Relations Office and the Program Officer (Staff Training) it was revealed that World Bank, via the supervision of the Minister of Higher Education, decided to exclude 18 students (equivalent to USD 1.2 million) from their scholarship program. After this negative response from the World Bank, 16 of these students were supported with Sida funds instead.

³⁰ The press has written 17. However, the WB excluded 18 students.

The following information was obtained at a meeting with the Human Resources Director:

- A total of 36 students are currently studying on scholarships awarded to them via the contracts route, i.e. they are not employees of the UEM, but have signed contracts binding them into employment at the UEM for periods equal to their study periods after completion of their studies.
- On return from their studies, candidates sign employment contracts with the UEM/GoM. Their salaries are negotiated within the framework of the government salary ranking. Six-monthly updates of the names of employees are sent to the MESCT by disk or CD-ROM.
- Scholarships to candidates who are not part of the UEM staff under the Staff Training Programme were started as a way of preparing for future strategic plans of the UEM. Generally these scholarships are awarded to candidates who want to study an area which is not covered by UEM. On their return, these candidates usually start up new schools within the relevant faculty, e.g. the School of Tourism and the School of Music within the Office of Sport & Art were both started up by candidates such as these, who had completed their studies. One of these candidates is the son of the former Dean of the Faculty of Medicine. A School of Dentistry under the Faculty of Medicine and a School of Communication & Art are planned for the future. There are currently candidates studying dentistry in Portugal; tourism in UK, Australia and Portugal; and communication and art in the UK.
- In addition to these plans, the UEM has sent a number of candidates to study to become business administrators, who can then be employed as faculty administrators on their return. This is meant to alleviate the burden on Deans of Faculty of their current administrative duties. There were 11 candidates studying in Canada and 2 in South Africa for this purpose.
- There is a preference towards staff when it comes to sending candidates abroad to study within areas already found at the UEM. Staff members are only allowed to study within the field they already work in. All academic staff has an undergraduate degree at least.
- Employees of the UEM who are awarded staff training scholarship also have to sign a contract which also binds them into employment at the UEM after completion of their studies. This contract includes details on the staff member's salary level during the period of study. Salaries are decreased by 25% during full-time studies and by 15% during part-time studies.
- Employees of UEM and candidates from the contract route returning from their studies usually have differing salaries even if they both end up with a Master's degree or a Ph.D. This is due to the work experience the former have.
- During the study period abroad, candidates are required to send in transcripts of their grades or reports of their progress every six months. If they do not do so the UEM may contact the institution the candidate is studying at and get the grades directly. They may also delay the payment of the next instalment of scholarship money to the candidate.
- Students who perform badly may have their scholarships revoked. Staff may have their studies interrupted if they are needed at the UEM or if their academic performance is not acceptable.
- Staff members who have completed their studies must return immediately and resume working for the UEM. If they wish to take a further course, they have to apply for an extension which must be authorised by the Academic Council and the Rector. This is

regardless of whether they have organized their own funding or if they wish to get another scholarship from the UEM.

- The study contracts contain a clause, which make the candidate liable to pay an amount of USD 5 000 for each six-month period, which exceeds their planned study period. Scholarships that are revoked have to be repaid by the candidate to the UEM.
- According to the HR Director, there are 5 or 6 cases where candidates have left Mozambique without signing the study contract. In these cases the candidates are being chased up, or their spouses are asked to sign on their behalf. Usually the candidates try to avoid signing the contracts in order to avoid a reduction of their salaries, but this reduction is done automatically once the candidate starts studying.
- There are two cases pending at the Tribunal where candidates recruited via the contract route have refused to work for the UEM, and now the UEM is demanding repayment of the funds spent.
- University staff's children have been sent abroad using scholarships from the Staff Training Fund. This perk is generally for long-serving or highly valued key members of staff, and is used as an incentive to them. The Rector's approval is necessary before any such scholarship can be awarded.

During 2000, the nature of the expenditure was in line with the above guidelines. The value of the expenditure was however not supported by sufficient external documentation as for example invoices for tuition fees. The payments were properly authorised.

During 2001, of the three cases investigated, two scholarships were awarded to children of UEM staff, via the so-called "contract route". Part of this fund has been used for the education of the Director of Public Relations' daughter. The total budget for her medical degree is USD 96 800. USD 10 800 was budgeted and paid out for the further education of the son of the former Dean of Medicine. He has previously received funds to cover a four-year undergraduate degree in Brazil. In both these cases there was insufficient documentation to support the value of the expenditure. There was no documentation of the selection process the applicants have gone through before being awarded the scholarships; neither did candidates have to account for expenses such as air tickets or the purchase of computer equipment. The UEM's policy is not to request invoices/receipts from students studying abroad, and the Agreed Minutes exempt subsistence allowances from being accounted for.

The third person was actually an employee of the UEM before embarking on his studies. Of the USD 24,363 paid out to/for him (including subsistence allowance), only tuition fees amounting to GBP 7,090 (USD 10,574) are supported by external documentation.

The total scholarships awarded to these three candidates amount to USD 195,000, of which USD 115,000 relates to subsistence grants and living allowances. The purchases of books, computers or travel expenses are budgeted at USD 45,950 for these three candidates. The computers purchased are to be used at the units the candidates will work at on their return.

The 2002 report shows that no resources were allocated to the Scholarship Fund in the budget. Nevertheless, expenditures in that year totalled USD 8,066.

Recommendations

- *Clarification is required from Sida regarding whether staff training funds can be used according to the "contract route"*

- *The World Bank approves the students being funded with their money. Sida should consider whether it can exercise a similar check by requiring submission of the selection process documentation*
- *The procedure should be made transparent and open to all, e.g. by promptly posting the names of those awarded scholarships on the UEM website and campus notice boards*
- *Sida should consider limiting the amount of scholarship awarded per candidate, so as to ensure that more staff have access to the funds*
- *Instead of long-term scholarships, Sida should consider providing funds for in-house training of technical staff, e.g. accountants and project administrators*
- *A formal review process involving staff from the relevant faculty should be established for the awarding of all scholarship funds.*

Laboratory Support

The aim of the Laboratory Support fund is to improve laboratory facilities.

During 2000, the expenditure was in accordance with this guideline. All purchases tested were planned and properly authorised. Payments were also properly authorised. Supporting documentation was in general satisfactory but pro-forma invoices, quotations and photocopies were used instead of original invoices to support the purchases. Quotations and pro-forma invoices provide no proof of goods and services having been purchased.

There was no expenditure during 2001.

Recommendation:

- *Only original invoices, and not quotations, pro-forma invoices, or photocopies, should be accepted by signatories authorizing payments.*

Administration of the UEM

The objectives of this project according to the proposal are:

- Payment of recurrent costs in the administration of the SAREC-Sida projects including overheads, stationery and equipment.
- Payment of external auditing firms, covering all the projects of the SAREC-Sida package.

During 2000, the expenditure was supported by adequate documentation, was properly authorised, and within the guidelines of this proposal.

During 2001, amounts of USD 10,153, being incentives to management were paid to the Director of Public Relations, the Director of Finance, Scientific Director, Programme Officer, two Financial Officers, and an administrative employee. The amounts ranged from USD 1,998 to USD 600 per person, and covered a six month period. The average payment was USD 1,450. This was authorised by the Director of Public Relations and the Rector in two letters dated 27 November 2001. Four payments were successfully checked for proper authorisation.

This is supposedly a bonus or extra salary paid to those involved in administering Sida funds. There was no corresponding expense in 2000. However, in 2002 each person got on average USD 1,692. The average increased due to the fact that the Programme Officer no longer got this bonus as she was being paid by the World Bank. The payment is based on a budget of USD 10,000 per term, apportioned among the individuals mentioned above. This budget is

said to have been included in the global administration fund budget as approved by SIDA. It was not possible to verify this, as the budget is presented as a lump sum with no supporting schedules.

The remainder of the administration expenditure for 2001 as accounted for in the financial reporting is supported by adequate documentation, is properly authorised, and is within the guidelines of the agreement with Sida.

Recommendation:

- *Payments for administering Sida funds should be agreed beforehand with Sida.*

E-mail

The aims of the E-mail project were not readily available, but an educated guess would be that one of this project's aims was to provide e-mail access for students and staff of the UEM.

Bearing this in mind, it can be concluded that four of the six transactions reviewed from 2000 were not supported by sufficient documentation, making it impossible to determine whether these funds had been used for the purposes for which they were intended.

A photocopy of a quotation was used as supporting documentation for one payment, and in this particular case funds were borrowed from a different project to pay for the expenditure. The use of photocopies introduces the risk that expenditure is paid and accounted for more than once. Due to the decentralized nature of the finance departments of the UEM, and due to the manual and non-uniform system in place, this type of fraud would be very difficult to detect. Quotations and pro-forma invoices should not be used as supporting documentation for payments, as these provide no evidence that goods or services have been purchased.

This project was discontinued in 2001. No recommendations are made, therefore.

Public Relations

This project started with the new agreement period 2001-2003. The objectives of this project according to the project proposal are:

- for staff members to attend courses on project management and evaluation;
- for staff to attend English courses;
- regional or international visits to similar offices to share experience on the management of the cooperation sector;
- organization of the Annual Consultative Meeting;
- organization of seminars on the implication of the SADC protocol on higher education in Mozambique;
- produce an annual journal and leaflets on the cooperation opportunities offered by external donors to UEM;
- update and maintain the database and the Internet Public Relations Office Home Page;
- purchase of equipment and a vehicle for the office.

The expenditure verified for 2001 was in accordance with the guidelines set out above. However, the purchase of the vehicle was not supported by written authorisation of the payment.

Recommendations:

- *All payments should be supported by a properly authorised payment requisition*

- *Signatories of the bank accounts should be educated as to which documents must be attached to a payment before they can authorize it.*

Press Office

This project started with the new agreement period 2001-2003. The objectives of this project according to the project proposal are to:

- produce the University newsletter, two institutional video documentaries, and the University newspaper;
- organize seminars on Freedom of the Press and on the training of journalists;
- develop media research and short-term courses on advanced journalism skills;
- attending courses on management and evaluation;
- organization of two meetings aiming to set-up an International Forum for University Journalists.

Also included in the project proposal is the strengthening of infrastructure by purchase of:

- digital video-camera
- digital video editing system
- 2 lap-tops
- vehicle

During 2001, only the infrastructure objectives were met, with the project acquiring a vehicle and 3 laptops. The third laptop was purchased based on an old project proposal, according to the Director of the Press Office. A quotation has been used as supporting documentation, instead of an original invoice (43% of total expenditure). Written authorisation is also lacking in this particular case.

Recommendations:

- *All payments should be supported by a properly authorised payment requisition.*
- *Only original invoices, and not quotations, pro-forma invoices, or photocopies should be accepted by signatories authorizing payments.*
- *Signatories of the bank accounts should be educated as to which documents must be attached to a payment before they can authorize it.*

4.5.5 Discrepancy in Exchange Rates

In accordance with the TOR we have tried to analyse the discrepancy in Exchange Rates in connection with transfer of Sida funds during the agreement periods 1998-2000.

Exhibit 17: Exchange rate discrepancies

Date	Amount Requested (SEK)	Amount Received (SEK)	Discrepancy
15.10.1999	7 282 505	7 079 472	203 033
08.03.2000	7 282 504	7 132 850	149 654
28.07.2000	7 635 005	7 556 211	78 794
xx.01.2000	6 500 000	6 309 224	190 776
Total	28 700 014	28 077 757	622 257

This issue concerns a total amount of SEK 622,257 that has been lost in four transfers due to the spread in the exchange rate taken by the banks when exchanging currency into USD or

GBP. The Sida funds arrived at BIM (Banco Internacional de Moçambique) in USD or GBP and were then changed again to SEK in order to enter UEM's SEK account. As a result of these exchanges, the amount mentioned above was lost.

In order to solve this issue a meeting was organized with the Mozambican bank involved (BIM³¹). According to Mr. Miguel Chaves from the BIM bank a normal transaction of sending SEK amounts to a SEK bank account at BIM does not involve any currency exchanges. In this case however a misunderstanding has occurred. Sida thought UEM had a dollar account thereby sending the money transfers in USD. UEM on the other hand thought that they had to have an SEK account implying that an exchange had to be made from the USD sent by Sida and the SEK account hold by UEM.

Based on that, the next action was to track step-by-step each of the Sida transfers in order to get a better understanding of the SEK 622,257 that has been lost due to exchanging the currency. In order to do so, SWIFT codes have been analysed as follows.

Exhibit 18: Exchange rate discrepancies

Date	Exchange rate				Difference ¹⁾		Discrepancy (SEK)
	Central Bank	Intermediary Bank	BIM Bank	Currency	USD/GBP	Per cent	
1999-11-30	8,510	8,535		USD	0,025	0,3%	
1999-12-02	8,570		8,297	USD	0,273	3,2%	203 033
2000-03-28	8,635	8,660		USD	0,025	0,3%	
2000-03-31	8,670		8,482	USD	0,188	2,2%	149 654
2000-09-19	13,795	13,823		GBP	0,027	0,2%	
2000-09-21	13,910		13,680	GBP	0,230	1,7%	78 794
2000-02-03	8,718	8,743		USD	0,025	0,3%	
2000-02-08	8,640		8,486	USD	0,154	1,8%	190 776

1) Exchange rate difference the spread between the central bank and the intermediary bank or the BIM bank.

Note: The bank of New York was used as an intermediary bank when exchanged into USD. The HSBC Bank in London for GBP.

Source: Swift codes provided by Sida and correspondents between UEM and Sida dated 2000-01-22, including bank confirmation from the BIM Bank

The table illustrates the four transactions described above summing up to SEK 622,257 in discrepancy. Two dates are presented for each transaction. The earlier date is when the first exchange occurred (from SEK to USD or GBP), the later when converted back to SEK. The intermediary's exchange rate is then compared to the exchange rate of the Swedish Central Bank Sida uses Postgirot for money transfers. However, the easy access of data made us choose the exchange rate from the Swedish Central Bank. In addition, the differences in exchange rate between Postgirot and the Swedish Central Bank are so small that it would not in any significant way change the calculation.

The table illustrates the higher spread used by the BIM bank compared to the Bank of New York or the HSBC Bank in London. For example, during the first transaction in 1999 the bank of New York had a spread of 0,025 while BIM had 0,273. This implies that the SEK 203,033 that was lost in the first transaction was mostly due to the spread of the BIM bank. One explanation for the higher spread is the probably the fact that the BIM Bank in Mozambique had to convert a large amount of USD into the smaller currency, SEK.

³¹ Interview with internal auditors (Eduardo A. Joao and Miguel Chaves) at the BIM office in Maputo 13/08-2003

The issue described concerns only SAREC funds. The Core support funds were sent by the Swedish Embassy through the Swedish central bank and were therefore sent directly in SEK. A total amount of SEK 31,561 was lost in four transactions most likely due to bank fees. The amount corresponds to 0,12% of the total amount which can be compared to 2,17% in the other case equivalent to a transaction cost that is 18 times higher. The problem of discrepancies continued until the 2nd instalment 2000 when UEM opened a USD account.

In summary, these foreign exchange losses are the result of differences in the exchange rates used by the banks each time the funds were translated from one currency to the other.

Recommendation:

- *The funds should be sent to the UEM in USD as the UEM now maintains a USD account.*

4.5.6 Discrepancies in UEM's account at Banco Internacional de Moçambique

In accordance with the TOR we have tried to analyze the discrepancies in UEM's account at Banco Internacional de Moçambique (BIM) related to Sida-funds and UEM's actions taken against this issue.

Since January 2001 there have been four discrepancy cases in UEM's account at BIM, which involved loss of funds from the main account due to transfers (2 cases) and cheques (2 cases). In one of these four cases the money has not returned to UEM.

The first case involved a transfer of approximately USD 76,000³² from the Core Support account on 10 January 2001. The error, false signatures, was detected by BIM's internal audit. After contacting UEM, the case was handled by the local authorities, who are still investigating it. Since BIM did not have indisputable evidence that the fault was not theirs, the funds were returned to UEM's account in 16 March 2001. The bank was not sure whether the police case had been finalized, nor were they sure whether this money had been lost by the bank. If the bank has lost the money and the police implicate the UEM as being responsible, then the bank will demand the repayment of these funds.

In January 2002 the Directorate of Finance discovered an unauthorised transfer of approximately USD 58,000³³ to the private account of Mr. Armando Tivane. The name is not known at UEM. Currently, this issue is under investigation by the local authorities. According to the BIM bank, there is no irregularity on BIM's side and, thus, the bank decided not to credit UEM until the end of the investigation.

The third and fourth cases involve two cheques discovered by the Directorate of Finance of respective amounts of USD 27,980.20 and USD 28,385.90. These cheques were cancelled by the BIM bank and returned to UEM on 14 June 2002, one week after being withdrawn. The Directorate of Finance say that one of the cheques was still blank at the office when the transaction was made. The other cheque had a serial number different from the one used at the UEM. Although BIM returned the amounts to UEM, BIM says that one of the cheques had exactly the same serial number³⁴ as the original (which was still at UEM according to DF) and

³² In the comments to our draft report UEM has changed this figure to USD 78,960.

³³ In the comments to our draft report UEM has changed this figure to USD 58,700.

³⁴ The serial number contains a last digit that is random and this information can only be found in the cheque itself (the bank employees do not have access to this last digit).

this information can not be found anywhere except from the cheque itself. In addition, BIM said that it is a simple process to make a cheque copy if the serial number is available.

Therefore, it is in only one case, the second one, which the money has not been returned to UEM, which represents a loss of approximately USD 58,000.

At a meeting with the Financial Officer he mentioned that the total amount of unresolved frauds/problems involving all donors' funds is approximately USD 480,000. Documentation supporting this statement was requested but was not made available to the team as it was regarded to be sensitive information for the other donors³⁵. Most problems seem to occur at the central accounts, before the funds are transferred to the project accounts. Some efforts have been made to resolve the issue concerning Sida funds. In May 2003 UEM started to use ABSA as its bank, which now handles UEM's centralized funds. The project accounts are still handled by the old bank (BIM). Another effort to counteract the fraud problem is the modification of the file labels at the DF. The bank account is no longer visible in the file's side cover. The Director of Finance has also changed her signature from time to time. Finally, the computers at the DF have been installed with passwords to avoid people getting access to account information.

We are unable to draw any conclusions regarding these cases, as they are still under police investigation.

However, it is apparent that the UEM has controls in place that allowed the UEM to quickly discover these discrepancies, and since these issues came to light the UEM has taken additional measures to mitigate the risk of fraud.

Recommendations:

- *The UEM should consider moving the remainder of their bank accounts to ABSA if they are not satisfied with BIM.*
- *Instead of the Director of Finance changing her signature from time to time, the bank should be asked to contact the signatories for confirmation before executing large payments and transfers.*

4.6 Linkages between the use of governmental funds and externally funded projects

According to the TOR the institutional assessment should examine any linkages between the use of governmental funds and externally funded projects:

"The irregularities discovered by the Ministry of Finance in its audit concern governmental funds only. However, these irregularities could affect the external funds in at least two ways. First, at a normative level, approaches to management of funds could be either general or differentiated in relation to the source of the money and the objectives linked to their use. The reviewer should identify the normative functions that safeguard differentiation. Secondly, at a practical level, mismanagement of funds at one end of the system affects the system in its whole. There could have been alternative uses of the misused funds that had made the difference between a successful or failed externally funded project. Another aim of the review is to make such linkages, normative or practical, visible".

No operational linkages between the use of governmental funds and externally funded projects were observed. The only linkage is in administration. State funding provides most of

³⁵ In the comments to our draft report UEM has changed this figure to USD 156,655.

the administrative structure by payment of salaries, office expenses and other overheads. However there are linkages of another nature as will be discussed in the following sub-sections.

4.6.1 Mission and vision

It is important for an organisation to be very clear both on what it stands for and what it is trying to achieve. It is also of great importance that all staff members within an organisation have shared values and commitments.

The vision of UEM is based on an ambition to maintain UEM as the nation's premier university and to provide access for all at UEM. In brief the Rector highlighted the following issues to be addressed:

- Consolidate the strengths of UEM, based on the positive aspects of what has already been achieved.
- The quality of teaching and research should be improved
- Increase institutional stability by training the staff and introducing incentives for those who perform better
- Improved social conditions for the students
- Strengthened cooperation on international level
- Establish links between UEM and the Private Sector
- Implement the strategic plan
- Increased number of female students and staff
- Create a network of distance learning
- More frequent use of ICT in the teaching process.

The mission and vision creates a strong link between different parts of the organisation. Donor harmonisation and a pooling effort may provide a better base for performance management.

4.6.2 Salaries and incentives

One problem, of course, is the significant lack of financial resources available to the University, which in turn limits the ability of the University to pay adequate salaries to both administrative and teaching staff.

In terms of at least modestly addressing this very profound problem, the Italian technical assistance approach is one that Sida/SAREC should consider as a mean of capacity building. All three of the major elements that distinguish the Italian technical assistance from that provided by Sida/SAREC represent important ways of providing some modest support that can help to minimize UEM's and the Country's lack of adequate financial resources to support the development of a comprehensive graduate and post-graduate research university. Moreover, the implementation of at least two of the three elements that differentiate the Italian programme from Sida/SAREC's programmes are in fact highly consistent with best practice in terms of technical assistance to promote effective research within the context of a highly developed university within a wealthy country, let alone an emerging public university in a transitional country.

It would be virtually unheard of for major research support to be carried out through programmes that denied the institution access to funds to support administrative overhead costs or to purchase the time of the faculty members engaged in the research. The only aspect

of the Italian assistance that is not highly consistent with normal practice at highly developed and well-financed institutions in affluent countries is the placing of a representative of the funding agency on the actual staff of the institution. However, in a situation of a developing institution in a transitional economy, one can certainly argue that such an approach makes very good sense as a part of a program of capacity building.

4.6.3 Norms and values

The norms and values that develop within an institution obviously have a profound effect upon its operations. In many instances they can have more influence upon how it operates than do formal rules and procedures. As many aspects of this report clearly suggest, that is the case with UEM. More often than not the concerns that have been raised about the utilisation of Sida/SAREC funds have less to do with the adequacy of policies and procedures and more to do with the manner in which they are enforced and implemented. As the IGF noted, frauds and irregularities are not likely to be confined to State funds (the area investigated at UEM recently), but extend to all funds. As he further notes, the regulations are generally adequate but need updating. The main problem is lack of compliance, due to lack of will to comply and, to some extent, lack of understanding and/or individual or organisational capacity.

A particular problem in this regard, and one which is found in many transitional countries, involves the reality that public employees hold positions which are formally considered to be fulltime positions but which in reality do not pay salaries anywhere near that which is necessary to live an acceptable middleclass, or even working-class, standard of living. Such a situation obviously results in public employees (in this case UEM staff) actually working only part-time at jobs for which in theory they receive salaries as fulltime employees. Such a situation helps to create an environment which devalues the observing of normal standards of integrity and responsibility.

Another unfortunate consequence of such situations is to lessen the concern for accountability on a part of those who are members of the institution, especially when almost all of the teaching and administrative staff find themselves in such circumstances. This lessened emphasis upon individual accountability can have multiple negative consequences for an institution like UEM. Various staff members did, during the course of interviews, comment on the fact that at times it appeared that decisions were being taken by senior administrators in ways that seemed neither transparent, responsive nor participative. Certainly when the majority of individuals within an institution like UEM find themselves forced by economic necessity to behave in a non-accountable manner in terms of their basic employment conditions, it is not hard to begin to behave that way in many other areas of activities.

Obviously in a few instances at UEM efforts have been made to overcome this problem through the initiation of various types of incentives arrangements for certain staff members. However, in at least some instances this has been done in a not very transparent manner, thus further affecting the norms and values that operate within the institution. In addition, such arrangements undermine the institution's capacity to have financial incentives linked to increased staff performance.

As part of the effort to lessen the impact of this situation, there is no question that Sida/SAREC can impose significantly tighter restrictions on the use of its funds. However, it should be remembered that tight controls in any one project (ring fencing) give an assurance which is illusory, since government funds are re-allocated away from that project to areas of

higher risk (fungibility). Resources are often described as fungible when they may be allocated freely to any purpose, i.e. they are not tied to particular uses.

Fungibility, however, goes further than that. All external aid is fungible, whether it is tied or untied, as aid to tie uses allows the recipient to reallocate its own resources away from those uses to its own preferred uses. For example, well-intentioned donors often earmark money for food aid, and the result too often is that they help governments to increase military spending. Nevertheless, external donors and their constituencies need that perceived assurance. At present, it does not appear that UEM qualifies for more (untied) budget support and that project aid will remain the dominant modality.

4.6.4 The level of co-operation

One of the MESCT's strategic goals is to promote and facilitate multilateral and international co-operation through establishing partnerships between HEIs and donors. Providing such information on external support to each HEI is a specific action that would do very much to facilitate partnerships and identify gaps. The external funding for HE is, like in many other countries, very dispersed and uncoordinated. Scholarships are provided on an individual or project basis by many organisations, including big US-based foundations, AusAID, USAID, and Mozambican NGOs. Many scholarships and training opportunities are provided within the framework of donor support to different sectors as part of staff development and capacity development components.

There is also much technical assistance and research support to various Faculties and Departments. The assistance tends to be ad hoc, with small projects that lack integration and collaboration between donors. Consequently, it is hard to get an overview on what is done even by one co-operating country alone. Sometimes donors themselves don't have an overall view of the support provided by their own organisation because of the numerous independent protocols between institutions in Mozambique (mostly UEM) and universities or institutes abroad that are difficult to keep track of.

One thing that becomes clear is that donor support to HE is lacking a holistic view of the education system. The support to HE is, for the most part, not articulated with the goals and strategies of the lower levels of the education system and the education system as a whole. For example the lack of adequate preparation of university candidates due to inadequacies of the primary and secondary schools has serious implications for HE: namely, low graduation rates and high drop-out rates from the HEIs and regional, economic, and gender imbalances in the university student population. The rector of UEM proposed that one way of bringing HE and basic education together would be through donor support that would necessitate connections between the two sub-systems.

Recommendations:

- *Sida should together with UEM and MESCT discuss the most effective level of co-operation*
- *It should be evaluated if Scholarship funds and Core Support should be at UEM and/or MESCT level*

4.7 Sida as donor

During the visits there was mentioned on several occasions various concerns regarding Sida as donor organisation. In the opinion of UEM there has been a major change in the attitude from Sida during the last years (*"Before Sida said: Here is the money. Use them! Now they*

expect results.”). It has been difficult to communicate this new attitude effectively within UEM.

There have also been some communication problems between the UEM and Sida, due to the following:

- changes of responsible programme officers at Sida
- sometimes lack of sufficient competence and/or experience of Sida programme officers
- different messages and interpretation of agreements between programme officers at Sida, the Swedish Embassy in Maputo and the UEM.

In some cases the objectives in the agreements between Sida and the UEM are too vague, this makes them impossible to measure or verify.

There have also been occasions when contributions have been paid, even when the stipulations in the agreements have not been met, e.g. financial reports or project status reports.

If objectives are vague, it might be too much of a temptation to make use of the possibilities and interpret them in a way that might not coincide with the intentions of Sida.

There are no clear rules or practical guidelines on how Sida expects the contributions to be handled. As one example it seemed to come as a surprise to the UEM management that they could not use the scholarships for their children or relatives.

There seem to be several identifiable areas for improvement for Sida in its relation to the UEM, e.g.:

- Clear measurable objectives, with relevant indicators
- Practical guidelines for the different funds
- Improved coordination between Sida and the Swedish Embassy as regards the UEM.

It is clear that the current situation under which the Sida/SAREC projects are administered out of Stockholm results in a situation in which there is not adequate contact between Sida/SAREC and UEM. Greater and more frequent contact would be very helpful in terms of providing greater clarity in project implementation and also in terms of improving communication between all parties. One way that this situation could be ameliorated is through following the Italian model of placing a representative of Sida/SAREC on site at UEM. Another, perhaps more viable, alternative would be to involve the Swedish embassy staff in Maputo in the administration and oversight of Sida/SAREC assistance to UEM. This would be useful both in terms of improving communication and providing more frequent oversight of the implementation of Sida/SAREC supported projects.

UEM's Rector has put forth one suggestion regarding modifying current Sida/SAREC policy that should be given very serious consideration. He has proposed that in addition to supporting the cost of graduate education for UEM teaching staff taking coursework in Sweden and/or South Africa, the time has now come to provide some support for UEM teaching staff seeking advanced degrees at UEM itself. Most recently, UEM has established Masters level education in the faculties of agronomy, law, and medicine. While, in general, priority should be given to encouraging graduate education for teaching staff at other institutions, for certain staff, particularly women, who in the Mozambique context often find

themselves more place-bound than their male counterparts, consideration should be given to allowing Sida/SAREC support to be used to cover the costs of books and tuition at UEM.

This proposed modification of current Sida/SAREC policy could be very beneficial in several ways. First, it could possibly help to address the significant gender equity issues which the University leadership acknowledges exists. Second, it will be quite useful in terms of providing a cadre of good students for current UEM graduate programs. Third, it could serve to very significantly strengthen the research capabilities in those faculties where UEM graduate programs currently exist. Finally, and perhaps most important, in helping the many administrative and teaching staff at UEM who have only completed BA or licenciatura degrees to complete MA degrees, one is strengthening the administrative and teaching infrastructure of the institution.

The modification of Sida/SAREC policy in such a manner as to allow UEM staff to pursue MA degrees at UEM will also represent one small action which can address another major shortcoming of current Sida/SAREC policy regarding the use of its funds, and that is the lack of support for the strengthening of administrative infrastructure at UEM. It is clear that the institution has a very real need to continue the already initiated process of attempting to strengthen its administrative infrastructure. Currently, Norwegian assistance to UEM provides that 4.1 % of the technical assistance funds received by UEM can be used for administrative overhead purposes. Likewise, the program supported by the Dutch government provides a modest amount of support for administrative overhead costs. An underfunded University inevitably will need just as much assistance in strengthening its administrative infrastructure, as it will need in strengthening its research capabilities. Absent, inadequate administrative infrastructure one cannot sustain a successful research operation.

Recommendations:

- *Sida should fund payment of fees to those administering Sida programme while this remains an additional burden on UEM*
- *Sida should negotiate its next Agreement with UEM in close cooperation with MESCT*
- *Sida should allow the use of funds for post-graduate training at UEM*

5. CONCLUSIONS AND RECOMMENDATIONS

In the past there have been problems in ensuring the successful completion of projects that have been financed with Sida/SAREC funding. These problems have involved both the actual completion of the projects that have been supported, as well as, in some cases, the quality of the work that has been done with the Sida/SAREC funding. There have also been concerns about whether there has been adequate input by teaching faculty regarding decisions about the award of Sida/SAREC funding.

While there are many administrative reforms, which have been noted above, that can be implemented in order to improve the way in which Sida/SAREC funds are both utilized and managed, they only partly address the most basic problem facing the University and its efforts to effectively implement this technical assistance.

Our detailed recommendations are to be found in the end of each sub-section. They are also summarized in the end of this chapter.

Our findings, conclusions and recommendations are in brief the following:

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- The assessment has revealed some weaknesses in procedures and widespread lack of enforcement of procedures. It also identified some unjustified expenses. The existing management systems are not adequate for a university of UEM's size and importance. Many initiatives have been undertaken in order to improve performance. However, the new systems have not been effectively implemented.
- The constitution (or charter) of UEM, last revised in 1998, like many such documents leaves many important issues unresolved. Among the most significant of these is what will be the relationship with the Ministry of Higher Education, Science and Technology (MESCT), which was established in 1999. This ambiguity also produces conflicting views on the exact roles of the University Council, the Academic Council and the Board of Directors. The position of Vice-Rector for Academic Affairs has been vacant for three years. In some faculties there is a strong faculty council and scientific council, whereas in other faculties those bodies are obviously dormant.
- The vision of UEM is based on an ambition to maintain UEM as the nation's premier university and to provide access for all at UEM. The mission and vision creates a strong link between different parts of the organisation. Donor harmonisation and a pooling effort may provide a better base for performance management.
- The strategic plan is a relatively comprehensive document which looks at all aspects of the University. Many of these recommendations, if implemented, would have a significant impact in improving the quantity and quality of the services delivered by the University, as well as its administration and management.
- There are, however, several reasons to be concerned about the extent to which the recommendations in the strategic plan will in fact be implemented. The most fundamental of these involves the issue of the adequacy of the resources available to the University – both financial and human. The reality is that not only are the Country's finances very limited, given current economic conditions, but so also is its human resource base. Nowhere is the evidence of the problems caused by limited resources more clearly seen than in the University's Planning office itself.
- There are significant weaknesses in UEM's capacity to implement programme activities, particularly from the Open Research Funds and the Core Support.
- The slow progress in resolution of fundamental issues reflects a general problem of lack of resources in the management of UEM and the management of Sida/SAREC-funded research. The issue is one of lack of time to devote to the scientific councils, or to complete research projects, because of low salaries and the consequent need to devote all available time to earning additional income through other teaching responsibilities or consulting activities.
- The present manual and spreadsheet-based accounting systems will be replaced by an integrated computerized and networked system that will link the faculties/units with the Directorate of Finance. The proposed system will be on an accrual basis, which will be a quantum increase in complexity compared with the existing cash-based system.
- The Finance Directorate has 26 staff members, but no professional accountants. It is estimated that with the new system seven good accountants would suffice for UEM's

10-12 faculties. A capacity building option is recommended in the case of the finance staff. UEM, with World Bank and Sida/SAREC support, should train finance/accounts staff internally on the new system and retain them by the availability of opportunities to further themselves professionally.

- Following a policy of decentralisation, UEM has made project coordinators in the faculties and units responsible, not only for budget management, but also for accounting and reporting on their projects. The result has been long delays in reports.
- The UEM budget is not structured into meaningful programmes, and projects are therefore not defined in support of particular programmes. It has been agreed that a programme approach to budgeting will be adopted for the next Sida agreement period and that Sida/SAREC will fund a workshop at UEM and find Swedish and regional experts for it.
- Internal audit has recently been expanded in terms of staff numbers, but the unit needs strengthening. At a future stage, internal audit may expand its focus to performance audit. At present, however, it should aim to extend the scope of its financial and compliance audit and make it more effective.
- External audit is provided by the Inspector General of Finance (IGF), the supreme audit institution in Mozambique (the Tribunal Administrativo) and, in respect to Sida funds, by a professional firm. They do not coordinate their audit programmes or share reports. The reports of the professional firm on Sida-supported projects are mainly qualified or unable to express an opinion.
- There is a major problem for Sida in getting audit reports in good time. No report was submitted for the year 2001. Audit reports, in particular the detailed report, are not expeditiously and transparently made available to Sida. It is recommended that external auditors and their Terms of Reference be pre-approved by Sida, and their reports be sent to Sida and UEM simultaneously. One reason for a late audit report is a late start in the audit process. Auditors should be required as a condition of contract that they plan the audit together with UEM so that their final report can be submitted by 30 June each year.
- In the opinion of the Inspector General of Finance, frauds and irregularities extend to funds from all sources and they are equally at risk. The regulations, he says, are generally adequate but need updating. The main problem is lack of compliance – both due to a lack of will to comply and, to some extent, a lack of understanding and/or individual or organisational capacity.
- As part of the effort to lessen the impact of this situation, there is no question that Sida/SAREC can impose significantly tighter restrictions on the use of its funds. However, it should be remembered that tight controls in any one project give an assurance, which is illusory, since government funds are re-allocated away from that project to areas of higher risk. Nevertheless external donors and their constituencies need that perceived assurance. At present, it does not appear that UEM qualifies for more untied budget support and that highly specified project aid should remain the dominant modality.

- The Sida/SAREC-funded projects varied in their accountability. However, it would be fair to say that official procedures were not complied with in the majority of cases sampled, particularly as regards the completion and filing of documentation. Records management, asset registration, for example, is very poor. The audit team found weaknesses in internal control. Furthermore, it was not always possible to conclude whether all projects objectives had been achieved. No cases of fraud or deliberate loss came to light, but no comfort can be taken from this, as the evidence was not sufficient to form an opinion. The problem is that laxity in administration leaves public funds (including external donations) wide open to abuse. The main recommendations to UEM, therefore, are to upgrade management capacity and staff competencies both through the training and supervision of relevant staff and through the improvement of salaries.
- Serious consideration should be given to the appointment of an assistant vice rector for research and post-graduate studies. The appointment of such an individual will not only help coordinate the technical assistance funded by Sida/SAREC but also provide much needed leadership as UEM moves forward in areas of activity that are increasingly going to be central to its future development.
- The recommendations to Sida/SAREC are equally important. There needs to be greater clarity and enforcement of the appropriate use of Sida/SAREC funds, especially the funds for open research, staff training, and payments to administrative staff. The recommendations also cover system changes, such as changes to the chart of accounts, to the main financial report format (which should include bank balances) and to a single rate of SEK/USD exchange for all Sida/SAREC reporting.
- The norms and values that develop within an institution obviously have a profound effect upon its operations. In many instances they can have more influence upon how it operates than do formal rules and procedures. As many aspects of this report clearly suggest, that is the case with UEM. More often than not the concerns that have been raised about the utilisation of Sida/SAREC funds have less to do with the adequacy of policies and procedures and more to do with the manner in which they are enforced and implemented.
- A detailed comparison was made of the reporting and other accountability requirements of the major donors to UEM – Sida/SAREC, Italy, Netherlands/Nuffic and the World Bank (see Appendix VII). All these donors favour harmonisation to reduce the transaction costs arising from the diversity of aid practices. It is recommended that local representatives of the major donor partners of UEM meet regularly with UEM and concerned government officers as a UEM Support Group, chaired and led by UEM.

Summarising, 15 major issues were identified by the team. They are listed in the table below (Exhibit 19), together with text references, their impacts on UEM and the achievement of its strategic plan, and recommendations. The latter have been addressed to both UEM and, in respect of Sida support, to Sida/SAREC.

Exhibit 19: Summary of recommendations

Sub-section	Issue	Impact	Recommendation to Sida	Recommendation to UEM
4.2.1 4.3	Lack of coordinated donor support to implementing UEM Strategic Plan	Administrative costs of servicing multiple donors	Support UEM initiative The capacity to implement and follow up the strategic plan should be developed Fund payment of fees to those administering Sida programme while this remains an additional burden on UEM	Take lead in establishing a UEM Support Group
4.1.1 4.1.2	Constitutional and organizational ambiguities	Inability of UEM to effectively implement the strategic plan	Together with other donors initiate a dialogue with UEM and MESCT on Constitution of UEM and the relationship between MESCT and UEM Together with other donors initiate a dialogue with UEM and MESCT on the Constitution of UEM Together with the other donors initiate a dialogue with UEM and MESCT on the issue of the process of appointing Rector, Vice-Rectors and Deans at HEI in general. Negotiate next Agreement with UEM in cooperation with MESCT	The reorganisation of UEM should be finalised and the staff well-informed on the division of responsibilities in the organisation A prerequisite for more Sida-funding should be the filling of the position of academic vice rector Serious consideration should be given to the appointment of an assistant vice rector for research and post-graduate studies Serious consideration should be given to having the directors/deans of faculties report to the vice rector for academic affairs in order to ensure that full time is devoted on a single individual to advancing the

				<p>academic side of UEM</p> <p>UEM should in the future use a strategy for continuously adjusting smaller parts of the organisation when deemed needed.</p> <p>The faculty councils and scientific councils at the faculty level should be strengthened</p> <p>The respective role of the University Council, the Academic Council, the Board of Directors and the Conselho de Reitoria should be clarified.</p> <p>The faculty councils and the scientific councils should be strengthened</p>
4.7	Lack of support for the strengthening of administrative infrastructure at UEM	Inability of UEM to effectively manage the Sida-funded projects	A certain percentage of the technical assistance funds received by UEM can be used for the administration of the projects	Strengthen the administrative infrastructure

4.1.4 4.1.5 4.2.2	Lack of accounting and FM skills	Inability of UEM to manage its future programmes	Coordinate with UEM and WB-PIU on design and implementation of training programme for accountants, internal auditors and non-financial managers Fund training opportunities sufficient to retain skills in UEM	Review training and retention strategies Run training programmes. Suggest to the responsible bodies within GoM to change the pay scales for qualified and medium-qualified accountants
4.2.2	Lack of internal control	Risk of fraud and error		Strengthened internal audit Preparation of an Internal Audit Manual Internal audit extended to all funds At a future stage expand the focus of internal audit to performance audit
4.2.1	Operational Plan and Budget do not define programmes and group projects into programmes	Lack of coherence and effectiveness in UEM plan and budget	Arrange workshop in consultation with Scientific Director and Finance Director	Define programmes and group projects into programmes
4.4	Lack of result orientation	Lack of progress in productivity and quality	Support introduction and implementation of Performance Management Fund training Opportunities sufficient to retain skills in UEM	Introduce and implement Performance Management The processes of reporting, monitoring and evaluation should be harmonised with the planning and monitoring cycle of

				MESCT
4.4	Lack of quality assurance	The quality of research and education put in question	Support a project on how the quality of research can be ensured Support the introduction of a system of quality assurance in education	A project on how the quality of research can be ensured A system of quality assurance in education should be introduced
4.4	Low salaries	Staff have several jobs	Support introduction of a transparent performance-based incentive scheme	A transparent incentives scheme introduced and implemented Incentives should be based on performance
4.1.6 4.5.3	Programme Co-ordinators administratively overloaded	Late (or no) reporting on projects		In the future consolidate all project bank accounts into one account in each faculty, supervised by Faculty Administrator and Accountant Dean to be responsible for progress and reporting on all Sida-funded projects
4.5.1	Reporting format does not account for unexpended donations, and does not account for unforeseen expenditure	Risk of misappropriation Risk of accumulation of unexpended donations	Revise financial reporting format to show opening and closing cash balances, require bank certificate to support closing balance (with reconciliation if necessary)	Distribute format and train all users
4.5.1 4.5.2 4.5.4 4.2.4 4.2.6 4.2.7	Incomplete documentation of purchases, payments, and assets held	Risk of fraud and error	Inform auditors of changes	Complete Asset Register for all assets held by UEM (irrespective of funding) Give special training

				and enforce guidelines on purchases and payments Sida's procurement guidelines should be used in Sida-funded projects
4.5.4	Charges of nepotism in UEM	Loss of reputation	Define policy on use of Sida funds for scholarships for non-UEM staff Resume Core Support	Address the charges (press release) Adopt transparent procedure for future awards
4.5.5 4.5.6	Multiple currencies and exchange rates	Losses on wire transfers and double conversion (SEK-USD-SEK) Administrative cost Loss of transparency in reports	Use a single conversion rate for all Sida/SAREC support in each agreement period	Assist Sida in clarification of differences on earlier transfers
4.2.2	Late external audit reports	Risk of fraud and error going undetected	Sida to make major input in audit process (TOR of audit firm to require report by 30 June, submission of reports direct to Sida, etc)	Management response on all audits and evaluations Sida provided with Management response when Sida funded projects involved