



THE REPUBLIC OF UGANDA

OFFICE OF THE AUDITOR GENERAL

**ANNUAL REPORT OF THE AUDITOR GENERAL FOR THE YEAR ENDED
30TH JUNE 2015**

PERFORMANCE REPORT

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LIST OF ACRONYMS

AC	Air Conditioner
ACCA	Association of Chartered Certified Accountants
ACPPP	Anti-Corruption Public Private Partnership
AFROSAI	African Organisation of Supreme Audit Institutions
AFROSAI-E	African Organisation of English Speaking Supreme Audit Institutions
AG	Auditor General
Bn	Billion
CISA	Certified Information Systems Auditor
COSASE	Committee on Commissions, Statutory Authorities and State Enterprises
CPAU	Certified Public Accountant of Uganda
CRS	Corporate Social Responsibility
EAAPAC	East African Association of Public Accounts Committee
FIDIC	Fédération Internationale Des Ingénieurs-Conseils
FIIT	Forensic Investigations and IT Audit
FINMAP	Financial Management and Accountability Programme
FY	Financial Year
GDP	Gross Domestic Product
GoU	Government of Uganda
IAAC	Independent Audit Advisory Committee
IAF	Inter Agency Forum
ICBF	Institutional Capacity Building Framework
ICGFM	International Consortium on Governmental Financial Management
ICT	Information Communications Technology
IDI	INTOSAI Development Initiative
IFAC	International Federation of Accountants
INTOSAI	International Organisational of Supreme Audit Institutions
ISA	International Standards on Auditing
ISACA	Information Systems Audit and Control Association
ISSAI	International Standards of Supreme Audit Institutions
IT	Information Technology
KCCA	Kampala Capital City Authority

LCV	Local Council Five Chairperson
LDC	Law Development Centre
LGPAC	Local Government Public Accounts Committee
MAAG	Multilateral Audit Advisory Group
MDA	Ministries, Departments and Agencies
Mn	Million
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender, Labour and Social Development
MoLG	Ministry of Local Government
MoU	Memorandum of Understanding
MoWE	Ministry of Water and Environment
MoWT	Ministry of Works and Transport
MSU	Management Support Unit
MTEF	Medium Term Expenditure Framework
MTIC	Ministry of Trade, Tourism and Industry
NAADs	National Agriculture Advisory Services
NACS	National Anti-Corruption Strategy
NAGRC	National Animal Genetic Resource Centre
NARO	National Agriculture Research Organisation
NEMA	National Environment Management Authority
NFA	National Forestry Authority
No.	Number
OAG	Office of the Auditor General
PAC	Public Accounts Committee
PAO	Professional Accountancy Organisation
PAYE	Pay as You Earn
PDU	Procurement and Disposal Unit
PEMCOM	Public Expenditure Management Committee
PPDA	Public Procurement and Disposal of Public Assets
PS/ST	Permanent Secretary/Secretary to the Treasury
PSC	Public Service Commission
RDC	Resident District Commissioner
SADCOPAC	South African Development Community of Public Accounts Committees

SAI	Supreme Audit Institution
SNAO	Swedish National Audit Office
UBC	Uganda Broadcasting Corporation
UCC	Uganda Communications Commission
UCF	Uganda Consolidated Fund
UGOGO	Uganda Good Governance
UGX	Shillings
UN	United Nations
UNRA	Uganda National Road Fund
URA	Uganda Revenue Authority
VAT	Value Added Tax
VFM	Value for Money
Vols.	Volumes
VoP	Variation of Price
WB	World Bank
WGEI	Working Group on Audit of Extractive Industries
WHT	Withholding Tax



Vision, Mission and Core Values

Vision

"To be an effective and efficient Supreme Audit Institution (SAI) in promoting effective public accountability"

Mission

"To audit and report to Parliament and thereby make an effective contribution to improving public accountability and value for money spent"

Core Values

The Auditor General and the staff of the Office of the Auditor General are committed to upholding the following as their core values:

- **Integrity:** Being upright and honest;
- **Objectivity:** Displaying impartiality and professional judgment;
- **Professional Competence:** Acting with diligence, proficiency and team spirit.

FOREWORD BY THE AUDITOR GENERAL



In accordance with my mandate as stipulated under Article 163 of the Constitution of the Republic of Uganda and as amplified by the National Audit Act, 2008, it is my pleasure to present to you the Annual Audit Report on the public accounts of Uganda, for the Financial Year ended 30th June 2015. The first volume of the report covers the general performance of the office, for the Audit Reporting period ended 31st December 2015.

The other three volumes present cross cutting issues and high risk detailed findings on audits for the Financial Year ended 30th June 2015. The executive summary which follows this foreword outlines the content of the annual report.

The office prepared and submitted to Parliament for approval a total budget of UGX.77.591Bn, including a funding gap of UGX.30.772Bn for the Financial Year 2015/16, of which UGX.46.819Bn including taxes, was approved. As at 31st December 2015, a total of UGX25.981Bn representing 55.5% for six months of the approved budget had been released. The office was also allocated UGX.8.190Bn; UGX.2.503Bn for capacity building and 5.687Bn for strengthening physical and operational independence of OAG under FINMAP. By 31st December 2015, financial support amounting to UGX0.439Bn for capacity building had been spent representing 5.4% of the approved component budget estimates. The office also received Donor support from both GIZ, and the Government of Ireland. Technical support was received from the Norwegian and Swedish National Audit Offices. We express our gratitude.

Given the approved GoU budget of UGX 46.819Bn, the office planned to carry out a total of 2,228 audits which included; 2,212 financial audits, 10 value for money audits and 6 specialised audits. As at 31st December 2015, a total of 1533 audits including 1518 financial audits, 11 value for money audits and 4 specialised audits were completed and reported on, while 694 financial audits were still in progress and 2 PPP Audits were yet to commence.

Following the enactment of the Public Finance Management Act, 2015, the Auditor General's reporting period was reduced by 3 months from 31st March 2016 to 31st December 2015. This impacted on the operations and the performance of the Office. As a consequence of this, in the calendar year of 2015 the Office has produced two audit reports i.e. the report for Financial year ended June 2014 being produced in March 2015 and the report for Financial year ended June 2015 being produced in December 2015.

I would like to acknowledge the support, from the Parliament of the Republic of Uganda especially the Committee of Finance, Planning and Economic Development and the Accountability Committees, the Executive arm of Government, the Development Partners and

other stakeholders, who were instrumental in providing support to enable the Office continue to maintain its physical independence, strengthen staff capacity and successfully execute its statutory mandate, thereby making an effective contribution to improving public accountability and value for money spent. This support has enabled us to be able to produce the two annual reports in the calendar year 2015 which has been an incredible challenge and remarkable achievement on our part.

I have noted that as the mandate of the Office continues to expand and the reports generated multiply (both in quantity and size), the Parliamentary Accountability Committees have, despite their noble efforts, not been able to adequately respond timeously in discussing the reports and processing their reports. The backlog of undiscussed audit reports and unprocessed Accountability Committee reports has consequently been on the rise. We have therefore decided to take the first step in addressing this issue by reducing the size of our report. You will notice that in comparison to previous years, the current report is significantly reduced. Whereas the overall content of information generated this year has been the same, we have in this consolidated report reflected significant and fundamental crosscutting audit issues and those issues which are high risk. This will hopefully enable Parliament to focus its discussions. All the other less significant issues are still available to Parliament and have been reflected in the individual entity reports which have already been forwarded under separate cover to Parliament.

Finally, I would like to acknowledge the staff of the Office who worked tirelessly throughout the Christmas season to ensure the availability of this report. Some did not even have the benefit of a break on Christmas day and /or Boxing Day. It has been an incredible learning experience.

Thank you.

John F.S. Muwanga

AUDITOR GENERAL

31st December 2015

EXECUTIVE SUMMARY

Under Article 163 (3) of the Constitution of the Republic of Uganda and Section 13 of the National Audit Act, 2008, the Auditor General is mandated to audit and report to Parliament, on the public accounts of Uganda and of all public offices, including the courts, the central and local government administrations, universities and public institutions of like nature, and any public corporation or other bodies or organisations established by an Act of Parliament; and conduct financial and value for money audits in respect of any project involving public funds.

Article 163 (4) requires the Auditor General to submit to Parliament annually, a report of the accounts audited by him or her for the financial year immediately preceding.

It is in line with the above mandate and constitutional requirement that this report is herewith submitted in four volumes:

1. Annual Performance Report of the Office of the Auditor General
2. Annual Report on Central Government and Statutory Corporations
3. Annual Report on Local Government Authorities
4. Annual Report on Value for Money Audits

This Volume of the report is presented in 5 sections as follows;

Section 1, covers a brief history of OAG, mandate of the Auditor General, functions of the Auditor General, Corporate Plan implementation and recent developments.

Section 2, presents a summary of the performance of the audit function as defined under Article 163 of the Constitution of the Republic of Uganda and Section 13 of the National Audit Act, 2008.

Section 3, presents the performance of the Corporate Services function in the following areas: Human Resource Management and Development, Finance and Administration, Information Technology, Executive Support Services, Internal Audit and Risk Management, Communication and Public Relations, Legal Services and Procurement and Logistics, Parliamentary Liaison, Quality Assurance and Audit Development;

Section 4, provides details of the performance of the office in international relations and its obligations;

Section 5, explains the Auditor General's role in International Fora.

1.0 INTRODUCTION

This section covers a brief history, mandate and functions of the Office of the Auditor General, Corporate Plan implementation and recent developments.

1.1 Brief History

The External Audit function in Uganda dates back to the 1920s when Uganda was a protectorate and had its accounts audited by the Colonial Audit Office in London. Its first local office was established in Entebbe headed by an Auditor in 1929.

In 1952 the office was transferred to Treasury Building, Kampala and for the first time headed by a substantively appointed Auditor General.

Since then the office has had five Auditors General with the fifth and current Auditor General being Mr. John F.S. Muwanga.

In 1962, the office started expanding progressively by opening regional offices. To-date, the office has its own 13 storied headquarters in Kampala and nine (9) regional offices situated in Gulu, Arua, Mbale, Soroti, Jinja, Masaka, Mbarara, Fort Portal and Kampala.

1.2 Mandate and Functions of the Auditor General

The Auditor General's mandate under Article 163 (3) of the Constitution of the Republic

of Uganda and as amplified by Sections 13 (1) and 18 of the National Audit Act, 2008, is to audit and report to Parliament on the public accounts of Uganda and of all public offices including the courts, the central and local government administrations, universities and public institutions of like nature, and any public corporations or other bodies established by an Act of Parliament.

Article 163 (3) (b) requires the Auditor General to conduct financial and value for money audits in respect of any project involving public funds.

Following the enactment of the Public Finance Management Act 2015, the Auditor General is required to audit and report to Parliament 6 months after the end of the financial year. As a result, the Office of the Auditor General's operations for the Audit year was reduced from 12 months (April 2014-March 2015) to 9 months (April 2014-December 2015).

1.3 Corporate Plan Implementation

The period under review was the fourth year of implementing the five year Corporate Plan, for the period 2011-16. The Corporate Plan provides strategic direction in the planning and budgeting processes.

The strategic objectives of OAG as stated in the above Corporate Plan are:

- i) To improve the quality and impact of audit work so as to promote increased accountability, probity and transparency in the management of public funds;
- ii) To improve the efficiency and effectiveness of internal and external communications to raise the corporate image of the OAG among the key stakeholders;
- iii) To strengthen the financial and operational independence of the Office of the Auditor General;
- iv) To attain higher organisational performance.

The assessment of performance of the above objectives follows in this performance report.

1.4 Recent Developments

1.4.1 JOINT OAG, IG, PPDA & GIZ Project

The Federal Republic of Germany (through GIZ), in a bilateral cooperation agreement with the Government of Uganda, is providing a joint technical support to three oversight institutions namely; IGG, PPDA and OAG for promotion of Accountability and Transparency under the "*Promotion of Accountability and Transparency in Uganda (PoAT)*" project where the Office of the

Auditor General is the lead implementing partner and host of the project.

The project objectives are:

- i) Improvement of effectiveness of external audit;
- ii) Improvement of cooperation of external audit with the relevant stakeholders;
- iii) Strengthen human resource management of OAG;
- iv) Improvement on the quality and reporting of OAG audits;
- v) Strengthening cooperation between OAG, IG and PPDA;
- vi) Strengthen Corruption prevention function of IG.

During the year, the project supported the following activities;

- i) OAG-Corporate Services Division restructuring consultancy
- ii) Finalisation of stakeholder strategy
- iii) Directorate of Forensic Audit in formulating the Expert witness manual and associated training in use of the manual.
- iv) Human Resource in conducting the Training needs assessment and designing the Human resource strategy. The outputs were completed waiting for management approval.
- v) Establishing the Monitoring and Evaluation procedures and manuals.

- vi) Specialised audit unit (engineering) in audit planning of Public works audits and development of the infrastructure audit manual. The audits were concluded and audit manual is in progress.
- vii) Supported in conducting one Gender audit and development of Gender Audit manual
- viii) Capacity building activities for OAG staff in the following areas; one staff in Technical updates with AFROSAI-E, two staff in mastering the training needs analysis, staff in Extractive Industries training in Germany.
- ix) Printing OAG policies namely; the financial management, accounting and operations, the record and archives management policy and the internal audit manual. The project also supported printing of the extracts of audit key findings for the annual report of the audit General for the year ended 30th June 2014 for stakeholder engagement during the anti-corruption week.
- x) OAG, PPDA and IG Joint meeting and knowledge sharing workshop on risk profiling and follow up committees on Rules of integrity and risk profiling.

1.4.2 Implementation of International Standards of Supreme Audit Institutions (ISSAI's)

The year under review was the second year of rolling out the implementation of ISSAIs which will replace ISAs in the audit of all Ministries, Departments and Agencies, as well as Districts, Municipalities and Town Councils. ISSAI implementation has been rolled out to the audit of Statutory Enterprises in the reporting period. Assessment of ISSAI implementation is done every year to ascertain the level of compliance.

1.4.3 Attainment of Physical Independence at both the Headquarters and Regional Offices

With support from Financial Management and Accountability Program (FINMAP), the office was able to complete and occupy the Audit House in December 2014 and Mbarara Regional Office in the March 2015.

In December 2015, the defects liability period for Audit House partially ended, and the office took over its maintenance.

In addition, during the year under review, the Financial Management and Accountability Program III (FINMAP) initiated the procurement for the design, supervision and construction of two

additional regional offices in Moroto and Hoima Districts intended to enhance Audit service delivery to the entities in the respective regions.

By the time of reporting, the design and construction consultancy contracts had been approved by Solicitor General and signed, construction is expected to begin in 2016.

2.0 PERFORMANCE OF THE AUDIT FUNCTION

2.1 Grants of Credit Issued

Article 154 (3) of the Constitution of the Republic of Uganda requires the Auditor General, to approve withdrawals of all monies from the consolidated fund. Accordingly, during the Financial Year 2014/15, the Auditor General authorized withdrawals from the consolidated fund amounting to UGX.16,947,912,714,509. The details are in the Table 1 below:

Table 1: Value of Grants of Credits Issued During the FY 2014/15

Expenditure	No. of Warrants Issued	Amount (UGX)
Recurrent	55	6,441,733,886,567
Development	28	7,296,672,265,095
Statutory	12	3,209,506,562,847
Total	95	16,947,912,714,509

2.2 Major Audit Focus during the year

In determining the major focus for the FY 2014/15 audits, the office based its approach on the following:

- i) The National Budget Estimates for the FY 2014/15;
- ii) Accountability Sector Priorities for the FY 2014/15;
- iii) Major findings in the Audit Report for the FY 2013/14;
- iv) The OAG Corporate Plan 2011-16;
- v) The Operational Plan for the Audit Year 2014/15;
- vi) The Risk Matrix;
- vii) Stakeholders expectations;
- viii) Government investment priorities.

The major focus areas of the Accountability Sector to which OAG belongs were: strengthening the adherence to compliance policies; adhering to service delivery standards and regulations; promotion of the culture of public demand for accountability and value for money, as well as intensifying the fight against corruption. Hence, the major focus in the Audits of the FY2014/15 was as summarized in Table 2 below:

Table 2: Major Areas of Focus in the Audit of FY ended 30th June 2015

Audits	Major focus
Financial Audits	<ul style="list-style-type: none"> • Budget implementation • Roads management • Final accounts • Procurement services • Payroll Management • Unspent balances • Assessment of IT controls in MDA's • Service delivery
Value For Money and Specialised Audits	<ul style="list-style-type: none"> • Public Debt Management follow-up • Technical Vocation and Educational Training (TVET) Efficiency study • Promotion of Rice Development Project • Gender and Equity Budgeting • Regulation of the Mining industry • Environmental Impact Assessments • Infrastructure (Regulation of the Construction Industry, Roads under UNRA, Uganda Support to Municipal Infrastructure Development (USMID), and Uganda Health Systems Strengthening Project (UHSSP) infrastructure component) • Water Management projects under Ministry of Water and Environment (District Water and Conditional Grant Management, Abstractions and discharge of water)

2.3 **STATUS OF AUDITS PERFORMANCE AS AT 31ST DECEMBER 2015 AND KEY FINDINGS**

In the audit period, the office planned to conduct a total of 2,212 financial audits, 10 value for money audits and 6 specialised audits. As at 31st December 2015, the office completed a total of 1518 financial audits,

11 value for money audits and 4 specialised audits. The 1,517 financial audits included a backlog of 571 audits that were in progress as at 30th June 2014. The details are provided in the Table 3 below.

Table 3: Status of Audit Performance for the FY 2014/15

Audit Entities	Planned Audits	Revised Audits Planned	Completed Audits	Percentage	Audits in Progress
Financial Audits					
MDAs	105	109	109	100%	-
Statutory Authorities	69	89	83	93.23%	6
Local Authorities	1007	1786	1168	65.4%	618
Projects	195	162	119	73.5%	43
Forensic Investigations, IT and Special Audits	60	66	39	59.1%	27
Sub-Total	1436	2212	1518	68.63%	694
Value for Money and Specialised Audits					
Value for Money Audits	10	10	11	110%	-
Specialised Audits	6	6	4	66.7%	2
Sub-Total	16	16	15	93.8%	-
Grand Total	1452	2228	1533	68.81%	696

2.3.1 Forensic Investigations and Information Technology (FIIT)

The Directorate of Forensic Investigations and IT Audits (FIIT) is mandated to undertake Forensic investigations, Special Audits, Information Systems Audits and financial audits in selected government entities. In addition, the Directorate provides support to other OAG directorates in regard to IT system controls reviews and data analysis.

In the period under review, the Directorate planned to conduct a total 8 financial audits, 36 forensic investigations and 4 IT audits. By December, 2015, the Directorate had completed and reported on 12 financial audits, 4 IT audits and 35 forensic investigations and special audits. A total of 26 special audits and investigations were on on-going by the end of December 2015. The audits have been reported on under the Annual Report on Central Governments and Statutory Corporations and the Annual Report on Local Governments for the year ended 30th June 2015.

KEY FINDINGS:

2.3.2 CENTRAL GOVERNMENT

Government has undertaken various Public Finance Management (PFM) reforms which have led to improvements in public financial management notably the management of the payroll and the Treasury Single Account among others. However, Government continues to have challenges which require attention. The key findings below indicate selected areas of concern which require Government intervention.

2.3.2.1 Nugatory Expenditure

Government paid UGX.26.1bn during the period under review as delayed settlements of obligations arising from contracts for

construction services, Court awards, and contributions to international organizations etc. This expenditure is considered wasteful as the expenditure could have been avoided had these been settled in time.

I noted that the payments are to continue in the near future as a number of the obligations have not been fully settled and there are no concrete plans to clear these obligations.

There is a need to have a central database where Accounting Officers submit the status of these obligations for better planning in terms of prioritizing settlement

and monitoring the causes of avoidable expenditure.

2.3.2.2 Unsustainable Pension Liability

The Ministry of Public Service recorded an outstanding pension and gratuity liability of UGX.199,255,907,539 as at 30/6/2015 (up from UGX.108,681,159,047 as at 30/6/2014). It was noted that the gratuity and pension arrears continue to accumulate uncontrollably, a fact which the Accounting Officer has attributed to inadequate budgetary provisions over the years. I noted that the Ministry of Public Service does not have a comprehensive stock of past employees as well as a forecast of how the current Government employees will retire and therefore plan for their terminal benefits accordingly. It only relies on claims submitted by the retired staff or by their benefactors, in case of death of the retired employees.

I have accordingly advised the Accounting Officer to devise a comprehensive strategy for the management of gratuity and pension for the entire public service.

2.3.2.3 Irregular payments to pensioners

I noted that UGX.11bn was paid to pensioners who had exceeded their pensionable period of 15 years, yet no life

certificates were availed as proof of their continued existence. Absence of evidence of continued existence of pensioners in form of life certificates to support pension payments implies payments to non-existent pensioners could arise.

In addition, I observed multiple payments amounting to UGX.1,161,382,909 to various pensioners. I noted that monthly pension payments were made to accounts of pensioners who had already received their monthly remittances for the particular months.

The above two scenarios present a risk of falsification of pension data/files as well as double payment of a particular category of pensioners.

I advised the Accounting Officer to institute an investigation into this matter and if confirmed, recovery measures of the amounts irregularly paid out should be initiated.

2.3.2.4 Escalating Contingent Liabilities for court awards and compensations

UGX.4,330,041,624,839 was recorded as contingent liabilities in court cases against Government as at 30th June 2015. The contingencies increased by UGX.34,737,542,214 from last year's

position of UGX.4,295,304,082,625. Given their magnitude, the contingency liabilities create additional burden on public resources.

As indicated in my previous report, there is need for Government to examine the issue further, with a view of establishing the likely causes to facilitate Government to arrive at a sustainable solution.

2.3.2.5 Outstanding court awards and compensations and other liabilities - UGX.479.26bn

It was noted that the outstanding amount in Court awards, compensations and other liabilities had accumulated to UGX.479.3bn by 30th June 2015. The bulk of this figure comprised of unsettled court awards and compensations which amounted to UGX 477.7bn, while the other liabilities amounted to UGX.1.52bn. The liabilities figure has been accumulating over the last four financial years. The delayed payments led to penalties in interest and other related charges. There is need for deliberate action to settle this amount by Government.

2.3.2.6 Outstanding International obligations

I noted that a number of Government entities are indebted to International Organizations such as PTA Bank, ADB, EADB, WTO, UNIDO, COMESA and Shelter

Afrique. A sample of five entities revealed indebtedness of UGX.77,724,089,603, US\$.4,968,950.

Unpaid annual subscriptions limit participation of the country in international activities. For the sample of the affected organizations, this has led to denial of benefits accruing from the organizations, withdrawal of shareholding, interest charges for delayed payments and suspension of membership. This was attributed to underfunding on this budget line.

I advised the Ministry of Finance, Planning and Economic Development to prioritize this area to ensure effective Government participation in International organization activities.

2.3.2.7 Inadequate Planning for the excess electricity generation

Over the years Government has invested a lot of funds in expansion of electricity generation capacity, which has grown by 8.45% since 2009/10, with the current generation estimated at approximately 685 MW. I however noted that this capacity has not yet been matched by the anticipated demand. Current peak demand is approximately 550MW creating a current excess capacity of 135MW. This challenge has been mainly attributed to low demand

and limited distribution and transmission networks.

In addition, some power plants are not generating electricity at full capacity, yet this idle capacity (also known as deemed energy) is paid for through tariffs and Government subsidies. For the last two years, Government has on average paid UGX.11.57bn annually for deemed energy purchases.

I also further noted that for the two thermal plants, Government continues to pay capacity charges amounting to approximately UGX.68bn annually, through UETCL, yet they are not contributing any power to the grid.

Committing Government into investment projects without adequate analysis of demand limitations may lead to Government failure to pay off the loans (through the tariff) hence the possibility of increase in subsidies further draining the Government meagre resource.

In light of the new anticipated investments in the cheaper hydroelectric power, Government could review the licensing policy of costly thermal plants and revert to them only when there is enough demand to accommodate the produced energy.

2.3.2.8 Procurement of contractors for Isimba and Karuma projects

Government of Uganda is undertaking the construction of two mega hydro power projects; Karuma Hydro Power Dam (600MW) and Isimba HPP (183.2 MW) at a cost of USD.1.65bn and USD.570m respectively. I noted that both Engineering, Procurement and Construction (EPC) contracts were directly procured contrary to provisions of the PPDA Act, 2003 which require international bidding for such contracts. In the circumstances the fairness of the cost and quality of the works may not be guaranteed.

Government needs to ensure transparent procurement processes are followed in order to avoid possible costly and substandard projects.

2.3.2.9 Under stocking of the Government Petroleum Strategic Reserves

In 2012, the Government of Uganda and a private petroleum company entered into a concessional agreement to refurbish, restock, maintain and manage the petroleum strategic reserve facility at Jinja. Despite the concession requiring the operator to ensure that 40% (12million litres) of the storage capacity of the products is available at all times, I noted

during inspection in September 2015, there was only 274,000 litres of petrol and 331,000 litres of diesel in stock compared to the required stock levels of 20,000,000 and 10,000,000 litres respectively.

My assessment is that the stock build up is not being achieved and consequently the national petroleum reserves are not serving the purpose for which they were established.

I advised that the matter be taken up with the operator to improve on the strategic reserves as envisaged.

2.3.2.10 Construction OF Kampala-Entebbe Express way

In order to establish the fairness of the project costs, a comparison of the costs of Kampala-Entebbe Expressway with a similar project also constructed by the same contractor from 2010 to 2014 was undertaken.

An analysis was done and adjustments for the different features of the two expressways were made. It was observed that the unit cost for the Kampala-Entebbe expressway was US\$ 2.315 million per lane kilometre while the similar expressway is US\$ 1.204 million per lane kilometre.

Furthermore, a cost comparison was made using experience in the East African region

where costs for constructing a 2 lane highway with similar pavement structure range between US\$.800,000 to 900,000 per km. Adjustments to this figure to take into account the four lanes and other infrastructure would amount to US\$.4.140 million per km. This is less than half of the cost of Kampala-Entebbe Expressway which is US\$.9.261 million per Km. The project costs could have been much lower if UNRA had procured the contractor through competitive bidding.

2.3.2.11 Duplication OF Consultancy Services for Kampala-Entebbe Express way

The supervision for Kampala-Entebbe Expressway was awarded to a private firm which was also referred to as the employer's representative on site. However, another international firm in association with local consulting engineers was assigned by UNRA to provide Project Management services in July 2013. The reasons for engaging the international firm to provide Project Management Services was said to be 'The Procuring and Disposing Entity has insufficient capacity to provide full-time Project Management Services under the Kampala – Entebbe Highway Project as the project is complex and requires regular presence of Employer's representative on site.

However, a review of the services provided by the consultant's revealed duplication of activities as the originally recruited private firm serves the same purpose as the international firm.

There is need to review the international firm's contract and take action that will address the shortfall and save unnecessary costs.

2.3.2.12 Mismanagement of Funds under the Ministry OF Local Government (MOLG)

There was mismanagement of funds noted at the Ministry of Local Government. Out of UGX.30,557,016,181 released; UGX.12,086,792,676 (40%) was spent on activities that had not been budgeted for under such line items. Notably, UGX.5,525,974,783 released for procurement of vehicles for the districts were diverted to fund allowances and other operational activities. There was no authority obtained from the Permanent Secretary/Secretary to the Treasury for reallocation of funds contrary to section 22 of the PFMA 2015.

Further review of the diverted funds revealed that UGX.3,827,011,454 remained unaccounted for and UGX.635,621,910 was questioned due to inappropriate accountabilities.

This matter was brought to the attention of the IGG and it is currently under investigation. There is need for Government to enhance internal controls and closely monitor and supervise implementation of Government programmes.

2.3.2.13 Delayed Contracts

It was observed that a number of Government contracts/projects totalling to UGX.87.5bn that had been on-going or started during the financial year lagged behind schedule or demonstrated signs of failure. It was also noted that a number of these contracts/projects had exceeded their completion dates while others had been abandoned.

These delays ranged between two months to six years. The delays in contract execution were attributed to insufficient funding and inadequate supervision of contract implementation by the responsible entities.

In the absence of a mitigation measures, it may result into further losses to Government and failure to achieve the intended objectives of the procurements/contracts.

There is need for closer supervision of these projects to ensure timely service delivery.

2.3.2.14 Unsustainable payment of Mandamus

Government payments made under mandamus orders increased from UGX.88 billion in the previous year to UGX.114 billion in 2014/2015 being an increment of 30%. These increasing unplanned payments may not be sustainable without impacting on other Government programmes. I advised Government to explore strategies that would reduce mandamus payments.

2.3.2.15 Case backlogs

I noted in the previous audit report, the Judicial Service Commission has been slow in handling cases brought against judicial officers. At the closure of the previous year the figure for case backlog stood at 749. According to the Commission's annual report, 2014/2015, during the year under review, the Commission registered 137 cases, bringing the total number of cases to 886 of which only 106 cases were cleared. The un-cleared cases at the closure of the year stood at 780.

The Accounting Officer attributed this to the operations of the Commission which involves non-permanent commissioners and as such regular sittings for case settlement are not possible. It was further noted that the Commission has no formulated policy on prioritizing the cases to be handled. In the

circumstance, some cases have remained unattended to over the years.

2.3.2.16 Accumulation of labour disputes at the Industrial Court

The Industrial court was established under the Labour Disputes (Arbitration and Settlement) Act, 2006 to arbitrate labour disputes, adjudicate questions of law arising from references to it by any other law and to dispose of the labour disputes without undue delay. However, the cases before the court by the end of October 2015 had accumulated to; 322 claims, 273 references, 26 appeals, 23 mediations and 36 miscellaneous applications. The accumulation of the cases was attributed to understaffing and underfunding of the Court. Delays in adjudication of labour disputes may result into industrial unrest.

MoGLSD should liaise with MoPS and PSC to have the staffing gaps resolved.

2.3.2.17 Land matters

I noted that Uganda Land Commission (ULC) had land management issues that included irregular land leases, lack of an up dated land register, insufficient data on land leases, failure to establish un-surveyed land, un-titled land, land with unknown current usage, among others. This was partly attributed to lack of a law spelling out the mandate of ULC in regard to lease and

managing Government land. Notably was the 99 year lease for a flower company for land measuring 360ha which contained irregularities in the process of award. Although, this lease was cancelled the flower company has taken the matter to courts of law.

There is need for Government to streamline the operations of the Uganda Land Commission with a view to improving custody and allocation of Government land through enactment of a law clearly spelling out the roles of parties concerned.

2.3.2.18 Lack of follow-up on bilateral agreements/protocols

The protocol agreement between Government of Uganda (GoU) and Democratic People's Republic of China (DPRC) was signed on the 27th June 2008. It involved establishment of a demonstration centre under the National Agricultural Organisation. However, it was observed that after hand-over of the site by Ministry of Agriculture, Animal Industry and Fisheries to the DPRC, there was no proper follow up by Government on the project as such it was difficult to establish whether the anticipated funding of RMB YUAN 50,000,000 equivalent to UGX.26 bn was received and how it was applied to the project.

Further, Government as part of the protocol provisions was required to prepare operational guidelines and contracts to enable proper implementation of the project but this was not done. My inspection revealed that this project had been completed but there has been no hand-over.

There is need for vigilance on the part of Accounting Officer to closely monitor such projects so that value for money is obtained.

2.3.2.19 Fixed budget allocation for essential medicines and health supplies

I noted that the annual budget allocation of UGX.218bn for essential medicines and health supplies to all health facilities across the country has remained constant since 2011/2012 despite the remarkable increase in the number of patients. For example in Mulago National Referral Hospital the number of patients has increased from 1,356,870 in 2011/2012 to 1,641,390 in 2014/15. Similarly, in China Uganda Friendship Hospital, Naguru, the number of patients increased from 360,951 in 2012/2013 to 704,947 in 2014/2015. As a result, the health facilities continuously experienced shortages of drugs which affect service delivery.

I advised the respective hospital Accounting Officers to liaise with the Ministries of Health

and Finance to ensure that the funding for essential medicines matches the increase in the number of patients as a way of providing minimum health care.

2.3.2.20 Budgeting for Workman's compensation

Section 18 of the Worker's Compensation Act 2000 requires every employer to insure and keep workers insured in respect of any liability which workers may incur. Section 2 of the same Act provides that insurance shall apply to all employment within Uganda except for active members of the armed forces in Uganda. The current practice regarding workers compensation is that both the responsible Permanent Secretary (MOGLSD) and Commissioner Labour have been responsible for compensation matters. Individual Ministries have not been budgeting for workers compensation. As a result, I noted that compensation of Government workers amounting to UGX.3.2bn had not been settled. In the circumstances, the entitled persons were denied their rightful claims and this may result into litigation.

I advised that the Permanent Secretary, Ministry of Gender, Labour and Social Development to liaises with the Ministry of Finance, Planning and Economic Development to devise means of securing

adequate resources for the workers compensation.

2.3.2.21 Regional Coordination and Monitoring Framework for Northern Corridor Integration Projects

Government signed fourteen (14) protocols under the Northern Corridor Integration Projects where substantial amounts of funds have been invested and implementation is on-going. For example amounts totalling to UGX4.2bn was disbursed to fund the power interconnection and the Hoima-Lokichar-Lamu oil pipeline. However, the protocols do not provide for regional coordination and monitoring as well as the audit framework to provide an independent assurance on the utilization of joint funds. This renders it difficult to track the progress of the projects and follow up the accountability for the funds disbursed.

2.3.2.22 Non alignment of Mission Charters with budgets

A mission charter outlines the key result areas for each of the missions abroad, designed to guide activities aimed at achieving the objectives of the national foreign policy. I observed that although the Ministry of Foreign Affairs issued charters to the missions abroad, they were not aligned to the annual mission budgets, in various cases the expected outputs were not

quantified, quarterly reports not prepared and charters are not time bound.

In addition, budgets are inadequate and are mostly applied to fixed costs such as Foreign Service allowances, wages and salaries, rent and utilities.

In the circumstances, the charters do not adequately serve the intended purpose as the assessment of their implementation is difficult.

I advised the Ministries responsible for foreign affairs, finance and individual missions; to closely liaise, align budgets, and release funds to finance charter activities. Clear annual outputs should also be defined, and prescribed regular reporting be enforced.

2.3.2.23 Lack of an Investment Policy and a Legal Instrument guiding Government Long-term investments

Government does not have an investment policy to clearly guide the processes of identification and evaluation of possible investment projects. This exposes Government to a risk of entering into less profitable investments which may result into losses. The lack of an investment policy may lead to non-alignment of Government investment priorities with the National Development Plan.

I further noted that there is no legal instrument in place which authorizes the Government to make long term investments. The Public Finance and Accountability Act, 2003, only provided for investments with a bank at call or subject to notice not exceeding twelve months.

I advised Government to establish a clear investment policy to guide and direct the Government investments in the areas identified in the NDP, in addition to compilation of an enabling law to guide all its long term investments.

2.3.2.24 Compensations of Project Affected Persons (PAPS)

Review of the compensations for the Project Affected Persons (PAPs) on the two projects of Mukono-Kyetume-Katosi road and LPC Busega revealed inconsistencies in the names of the PAPs appearing in the Chief Government Valuers report and those compensated. The land and properties surveyed did not specify block and plot numbers, compensation was made to unknown title holders, payments were made to individuals other than those whose land had been valued, and payments were made without land titles and sale agreements.

A sum of UGX.1.3 bn paid without resolving the inconsistencies was questionable.

There is need to streamline the process of compensation of PAPs to ensure transparency and accountability in the process.

2.3.3 STATUTORY CORPORATIONS

A summary of the key audit findings arising from audit of statutory agencies and state enterprises is highlighted below;

2.3.3.1 Compensation of Project

Affected Persons (PAPs)

The government is currently in the process of undertaking various projects which include: Transmission Lines (UETC), Distribution lines (UEDCL, REA, ERT) Power Dams (Karuma & Isimba) and the Refinery (Ministry of Energy), and these require compensation of land owners. Analysis of the current compensation arrangements revealed the following matters;

2.3.3.2 Delays in land acquisition

There are frequent delays in acquisition of land for the projects and this was attributed to; Inadequate release of funds, delays between feasibility and actual compensation creating speculation and ultimately price hikes, diversion of Compensation funds, rejection of valuation rates approved by the Chief Government Valuer and land disputes amongst PAP claimants. As a result colossal

amounts are still outstanding. For example Rural Electrification Agency: 13.54bn, Mbarara Nkenda line 1.85bn and Karuma and Isimba projects: 1.34bn.

In the circumstances the progress of the projects was behind schedule and this impact on the timely attainment of the projects' objectives. In addition there is a likelihood of resource overruns.

2.3.3.3 Investment in Integrated Intelligent Computer System (IICS) Project

Government through UNCST has invested a sum of UGX.4.1bn since 2010/11 towards the design and implementation of an Integrated Intelligent Computer System (IICS) to capture and update patients data in real time and provide a platform for facilitation data sharing among Health Centres and Hospitals.

During inspection of Mulago National Referral Hospital, it was observed that there has been resistance by medical administrators' to have this project take off. The objectives of placing, processing and management of orders for supplies internally were not evident. Stores management of pharmaceuticals and medical supplies to

reduce over ordering and or identify expired drugs was not manifested.

Currently, government has committed to fund this project and a sum of Shs.30bn is yet to be budgeted to rollout the system within the public sector from 2016/2017 after training over 67 Hospital and Health Centres. If government does not compel the Hospital administrators to use the system, the funds so far spent would have been wasted.

2.3.3.4 Lack of Standards and Guidelines on Radiation Management

The National Environment Act (1995) requires the National Environment Management Authority to establish criteria and procedures for the measurement of ionizing and other radiation; standards for the minimization of radiation; protective measures to be taken against radiation; the control of the effects of the radiation and safe practices to protect persons involved in activities prone to radiation exposure. The Authority is also required, in consultation with the Uganda Revenue Authority, to maintain a register of all radioactive substances imported into Uganda in such form and manner, and containing such information as may be prescribed.

Contrary to the above, the radiation standards and guidelines have not been

developed to help in the minimization of ionizing and other radiation in the environment. The register of all radioactive substances imported into the country is also not being maintained.

Lack of standards and guidelines expose persons involved in radiation activities and the Country at large to risks like cancers and other health related diseases.

I advised the Accounting Officer to expedite the consultations on establishment of Standards and guidelines, as this will guide national responses to risk associated with radiation.

2.3.3.5 Performance of Rift Valley Railways Uganda on Concession fees

According to the performance review conducted in 2014, it was noted that the sharing ratio of 60:40 between Kenya and Uganda as provided in the concession agreement was irregularly altered to 80:20 respectively which disadvantaged URC and led to a significant drop of revenue by 50%. In the year ending December 2014, Uganda should have earned UGX 5.6bn as concession fees but only earned UGX2.8bn. This poses a grave concern.

I advised that RVR reverts to the original concession.

2.3.3.6 Inadequate Monitoring, Follow up and recovery of loans written off

I noted weaknesses in monitoring, follow up and recovery of delinquent loans under the Microfinance Support Centre. The company wrote-off loan accounts to a tune of UGX.6.198 billion and UGX.8.091 billion in the years 2012/2013 and 2014/2015 respectively. This is a loss to government. There is urgent need to revisit the procedures and processes of lending out the government funds.

2.3.3.7 Mandate of the Uganda National Bureau of Standards

Uganda National Bureau of standards (UNBS) is currently not able to effectively enforce its mandate of enforcement of National Standards due to inadequate funding, lack of core staff and old fleet of field vehicles. As a consequence of inadequate funding;

- UNBS can only deploy limited staff in 18 out of 54 entry points in the country;
- of the required 400 national standards, only 150 can be developed;
- of the more than 3000 locally made products, only 500 can be certified during the year;
- only 800 market outlets can be inspected out of over 5,000;

- of an estimated 1,000,000 weighing scales and other measuring instruments, UNBS can only verify 500,000.
- Only 800 out of over 20,000 product samples can be tested for compliance in the UNBS laboratories.
- Only 50,000 imported consignments out of 100,000 can be inspected.

There is a risk of counterfeit and substandard products entering the market and consumers not being able to obtain value due to them. I advised Government to improve funding of the Bureau to enable it execute its mandate.

2.3.4 LOCAL AUTHORITIES

A summary of the key findings arising from the audit of Local Governments is highlighted below:-

2.3.4.1 Lack of consolidated Local Governments Annual accounts

Section 52 (1) (b) of the Public Finance Management Act, 2015, requires the Accountant General within three months after the end of the financial year to submit consolidated annual accounts of the Local Governments.

However, contrary to the above provision, the Accountant General did not submit the

consolidated annual account of the Local Governments for audit.

Lack of a consolidated Local Government account denies the stakeholders financial information for comparative analysis and decision making.

The Accountant General explained that it was not possible to consolidate the accounts due to limited time for developing the templates, guidelines and sensitization of the various Local Government staff that are necessary to implement the change required under the new legislation.

I advised the Accountant General to initiate measures for the consolidation of Local Government account to comply with the law.

2.3.4.2 Overpayment of salary

Section (B-a) (7) of the General rules on Payment of Salaries in Public Service Standing Orders, 2010 requires salaries to be paid correctly, promptly and as a lump sum in accordance with the approved salary structure for the Public Service.

However, Payroll analysis carried out revealed that a sum of UGX.6,567,322,457 was paid in excess of the approved salary scales to various staff.

The Accounting Officers attributed overpayments to challenges encountered during decentralization of salary payments

on the Integrated Financial Management System (IFMS) and Integrated Personnel and Payroll System (IPPS) and outright errors during the salary payment process. Many of the Accounting Officers explained that they had initiated the process of recovering the overpaid amounts. I await for evidence to that effect.

2.3.4.3 Procurement anomalies

33 Local Governments procured items worth UGX.11,493,666,328 without following Public Procurement Regulations and Guidelines. The amount is comprised of UGX.310,619,509 which lacked procurement files, UGX.9,937,360,405 where there was breach of procurement procedures, UGX.1,029,688,268 involving inadequate contract management and UGX.215,998,1468 of unauthorized contract variations.

As a result, I was unable to ascertain whether value for money was achieved. The shortcomings were attributed to lack of technical capacity, understaffing and deliberate flouting of PPDA regulations.

There is need for the Accounting Officers in liaison with Public Procurement and Disposal of Assets Authority to develop capacity and engage the Ministry of Public Service to address the understaffing problem.

In addition, Accounting Officers are encouraged to invoke the relevant sections of the Law for noncompliance.

2.3.4.4 Funds unaccounted for

Expenditure amounting to UGX.5,524,074,947 was unaccounted for. Consequently, I could not confirm that the funds were utilized for the intended purposes. The delayed submission of accountability may also lead to falsification of documents resulting into loss of funds. This was caused by failure by Accounting Officers to enforce accountability controls and lack of advances ledger to monitor advances. There is need for Accounting Officers to enforce controls relating to financial management and accountability.

2.3.4.5 Under-collection of local revenue

Regulation 32 of the Local Governments Financial and Accounting Regulations, 2007 requires Councils to ensure collection of all budgeted revenue in an approved manner. Review of revenue performance revealed significant under collection of Local revenue in 59 Councils amounting to UGX, 23,974,340,977.

The shortfall in revenue collection was attributed to failure to carry out revenue enumeration and assessments, non-

enforcement of contracts with private revenue collectors, understaffing and incomplete revenue records. There seems to be little effort in ensuring effective collection of local revenue.

I advised the Accounting Officers to sensitize tax payers on the relevant taxes and to develop strategies and enforce lawful measures to enhance revenue collections.

2.3.4.6 Irregular levy of developmental tax

There were instances of irregular imposition of development tax totalling UGX.409,672,340 on contracts by some Local Governments in a bid to enhance local revenue collections without the approval of the Minister for Local Government contrary to the regulations. There is a risk that such charges could compromise on quality of works and increased costs of service delivery. The Accounting Officers explained that this was an attempt by Councils to raise local revenue for service delivery.

There is need for the Accounting Officers to seek for the appropriate authority prior to levying of the tax.

2.3.4.7 Understaffing

The audit revealed that the high level of vacant posts in Local Government has not

significantly improved. The levels ranged from 14 % in Bududa District Local Government to 87% in Luuka Town Council. Understaffing overstretches the available staff beyond their capacity, creates job-related stress to the fewer staff and negatively affects the level of public service delivery to the community.

This was attributed to limited wage bill and a ban on recruitment by the Ministry of Public Service. The Accounting Officers are advised to continue engaging the Ministry of Public Service, the Ministry of Local Government and the Ministry of Finance Planning and Economic Development to address the challenge. Meanwhile government is advised to address this phenomenon to ensure improvements in service delivery.

Assets Management

2.3.4.8 Lack of land titles

Out of 307 Local Governments, 118 entities representing 39% of the Local governments lacked land titles for the land where council properties are located. There is a risk that council land is exposed to encroachment and disputes which later leads to litigation in courts of law arising from land disputes between the Councils and Communities.

The Accounting Officers attributed this to lack of funds to process land titles and absence of District Land Boards. There is urgent need for the Accounting Officers to prioritize and allocate funds and ensure that the land titles are secured. The District Councils are also advised to ensure that the District Land Boards are constituted.

2.3.4.9 Lack of Information and Communications Technology Policy

Local Governments are making considerable investments in the Information Technology equipment and related software without the necessary human resource and proper procedures to manage the IT resources.

I have raised this issue continuously over the last three years. There is a risk of loss of equipment and data maintained therein. Although the regulations require the Accounting Officers to designate an Officer to manage the information and communication technology resources, the Accounting Officers are experiencing difficulties in identifying the Officers with the required competencies. It is recommended that the Ministry of Public Service should review the organization structure of local governments to include information technology personnel.

Financial Reporting

2.3.4.10 Financial statements for Lower Local Governments

In my previous year report, I noted that there was still a problem with presentation of financial statements in the Lower Local Governments. In the financial year under review, the shortcomings were still persistent. The anomalies include;

- Non-adherence to presentation and disclosure requirements as per Local Government Financial and accounting Manual 2007, for example, lack of cash flow statements, schedule of commitments, and others.
- Misstatement of account balances.
- Non- preparation of primary books of account such as Ledgers, cash books, and vote books.
- Lack of Board of survey reports
- Lack of Bank reconciliation statements and certificates of Bank balance.
- Unbalanced Budgets
- Lack of other statements, schedules and Notes to the accounts.
- Missing budget figures in income and expenditure accounts.
- Non-disclosure of losses.

Preparation of financial statements is a stewardship role in which accountability for application of resources entrusted to

Accounting Officers is reported to the stakeholders.

Failure to present financial statements properly impairs interpretation and analysis of entity performances. This is attributed to understaffing, lack of training, Low levels of practical experience by clerks and non-adherence to the guidance provided in the Local Governments' Financial and Accounting Manual 2007 and other accounting standards.

Accounting Officers should liaise with responsible authorities to ensure the staffing gaps are addressed and the necessary training undertaken.

2.3.4.11 Lack of standard financial reporting framework for schools

It was observed that there was no standard financial reporting framework for secondary schools. This was attributed to lack of financial and accounting manual. As a result, there was no uniform classification and coding of account balances, format and presentation of financial statements. Section 29 (2) (b) of Education (Board of Governors) regulations require the board to prepare within three months financial statements in the form approved by the Minister or district secretary for Education.

There is need for the Minister or District Secretary for Education to prescribe the form of the financial statements for the Secondary Schools in consultation with the Accountant General.

2.3.4.12 Underutilised Capacity Building Infrastructural Development funds under USMID project

It was observed that 14 Municipal Councils under the Uganda Support to Municipal Infrastructure Development (USMID) project had not fully utilized funds released to them amounting to UGX.63,141,565,615 comprising of capacity building funds UGX.6,079,544,830 and infrastructure development funds UGX.57,062,020,785.

Failure to utilize the released funds reflects lack of effective implementation of project

programs disadvantaging the community who are intended to benefit from the program.

Management attributed the low absorption of the capacity Building funds to the failure of the Municipal Councils to procure key retooling equipment for surveying, engineering and environment among others due to lack of technical capacity to procure such specialized equipment. In addition, the delay to utilise the infrastructure development funds was attributed to failure to attract responsive bidders for the jobs.

There is need to enhance the absorption capacity to ensure full utilization of the funds released.

2.3.5 Value for Money and Specialized Audits

Value For Money (VFM) audits examine the economy, efficiency, effectiveness and environmental effects of government projects and operations. The audits endeavour to evaluate if activities, programs or projects involving public funds in audited organisations have been managed and conducted with due regard to economy, efficiency and effectiveness.

During the FY 2015/2016, the office planned to carry out 10 VFM audits and 6 specialised audits. The specialised audits included 4 engineering audits (under Uganda National Roads Authority; Uganda Support to Municipal Infrastructure Development program; Farm Income Enhancement and Forestry Conservation Project by Ministry of Water and Environment; Public works audits in selected districts) and 2 Private Public Partnership (PPP) audits. As at 31st December 2015, a total of 11 VFM audits and 4 engineering audits had been completed.

The detailed reports on the 4 specialized engineering audits are incorporated in the Annual Report on Central Governments and Statutory Corporations and the Annual Report on Local Governments for the year ended 30th June 2015. Below is an outline of the 11 VFM audits and 4 specialised audits.

2.3.5.1 Value for Money Audits

- The Regulation of the Construction Sector by Ministry of Works and Transport.
- The Utilisation of the District Water and Sanitation Conditional Grants by District Local Governments.
- The Regulation, Monitoring and Promotion of Mining Sector by Ministry of Energy and Mineral Development.
- The Regulation and Monitoring of Environmental Impact Assessments in the Petroleum Sector by the National Environment Management Authority.
- Mainstreaming Gender and Equity in the Formulation and Implementation of the National Budget by Ministry of Finance, Planning and Economic Development.
- The Efficiency of the Operations of Technical and Vocational Institutions in Uganda.
- The Renovation and Construction of Selected Health Facilities under the Uganda Health Services Strengthening Project.
- The Regulation of Abstraction and Discharge of Water by Ministry of water and Environment.
- The Implementation of the Promotion of Rice Development Project under Ministry of Agriculture, Animal Industry and Fisheries.
- The Utilisation of External Public Debt by Ministry of Finance, Planning and Economic Development (Follow up Audit).
- The Construction of the Jinja Central Market under the Markets and Agricultural Trade Improvement Programme (MATIP) - (Follow up Audit).

2.3.5.2 Specialised Audits

Uganda National Roads Authority (UNRA)

<ul style="list-style-type: none">• Upgrading of Kamwenge- Fort Portal Road (66.2km) from gravel to paved (bitumen) standard by M/s China Railway Seventh Group Ltd.
<ul style="list-style-type: none">• Emergency replacement of Ntungwe and Mitaano bridges in Rukungiri/Kanungu Districts by M/s M/s Armpass Technical Services - FETL JV in association with JM Kariuki Consultants Ltd• Upgrading of Kamwenge- Fort Portal Road (66.2km) from gravel to paved (bitumen) standard by M/s China Railway Seventh Group Ltd.
<ul style="list-style-type: none">• Construction of the Kampala – Entebbe Expressway (51.4km) through design and build civil works contract by M/s China Communications Construction Company Ltd (CCCC).
<p>Uganda Support To Municipal Infrastructure Development (USMID) Program</p> <ul style="list-style-type: none">• Consolidated audit report on USMID projects for 2013/2014 and 2014/2015• Individual audit reports for USMID projects for 2013/2014 and 2014/2015 for USMID implementing districts of Arua, Gulu, Lira, Jinja, Soroti, Tororo, Mbale, Moroto, Hoima, Masaka, Mbarara, Hoima, Entebbe and Kabale. <p>Final Accounts audit of Farm Income Enhancement and Forestry Conservation Project by Ministry of Water and Environment</p> <ul style="list-style-type: none">• Reconstruction and rehabilitation of Mubuku irrigation scheme.• Reconstruction and rehabilitation of Agoro irrigation scheme.• Reconstruction and rehabilitation of Doho irrigation scheme. <p>Engineering audit of public works in selected districts</p> <ul style="list-style-type: none">• Construction of teachers' block at Hakitengya Bundibugyo District.• Construction of Water Born Toilet in Mbale Municipality.• Construction of facilities at Nakalama S.S. Iganga District.• Construction of 5 PAF roads at Saza, Katwe, Mufumba, Budumbuli and Kisenyi in Jinja Municipality.• Construction of boys' dormitory at Northern Uganda Youth Development Centre (NUYDC) in Gulu Municipality.• Construction of a 2-classroom block at Adyang annex SFG school in Kole District.• Renovation of Abim Hospital in Abim District.• Construction of composting platform and fencing of Aler waste composting plant in Lira Municipality.• Construction of Akurion borehole, Lomerai cattle dip, Katapodin school and Achorchori health centre II in Amudat district.• Drilling of Alemreng borehole and rehabilitation of Namalu-Nabilatuk road in Nakapiripirit.

Summary of Major Findings

A summary of the key findings arising from each Value for Money Audit is highlighted below:-

2.3.5.3 THE REGULATION OF THE CONSTRUCTION SECTOR BY MINISTRY OF WORKS AND TRANSPORT

Government has made efforts to streamline the construction sector through formulation of the National Construction policy and reform of the roads sector. In spite of these achievements, the audit identified areas of improvement to ensure proper oversight of the sector by the Ministry of Works and Transport.

In spite of its mandate to formulate policy and provide oversight over the Construction Sector, the Ministry has continued to get involved in the implementation of various road construction projects in the country. This has negatively impacted on the effective provision of oversight in the Sector.

In addition, the Ministry has not yet enacted a law to regulate the construction industry. Delays were also noted in the review of the existing roads manuals, standards and guidelines. No support has been provided to the Regulatory and professional bodies to facilitate review of the statutes, professional ethics and codes of conduct and in such circumstances; the legal/regulatory framework in its current state is not robust

enough to enable the Ministry to provide effective oversight in the Construction Industry.

Whereas the Ministry budgets for the dissemination of the developed policies standards and guidelines, the funds received in this regard are not utilised for the purpose. The Ministry does not undertake research as envisaged in the policy statements because of diversion of funding earmarked for the purpose. This hinders the adoption of new and improved technologies in the construction sector.

Minimal technical compliance monitoring was undertaken during the period under review. In addition, construction activities of major players in the industry like Uganda National Roads Authority, Kampala Capital City Authority and Ministry of Local Government were not being monitored. This hinders the quality of construction works. Additionally, lack of a follow-up mechanism renders monitoring ineffective.

The Ministry has not put in place a coordination mechanism to harmonize the different stakeholder activities aimed at achieving of common goals in the Construction Sector. This results in duplication of activities and roles leading to resource wastage.

2.3.5.4 THE UTILISATION OF THE DISTRICT WATER AND SANITATION CONDITIONAL GRANTS BY DISTRICT LOCAL GOVERNMENTS

The District Water and Sanitation Conditional Grant (DWSCG) has to a large extent supported the implementation of water and sanitation services and infrastructure in the rural areas. However, there is need to address the challenges noted during the study in order to ensure rational and sustainable utilisation of water resources for social and economic development of the country.

There were notable delays by the districts in the procurement of service providers to implement planned activities. These delays were mainly a result of delays in approval of procurement methods, delays in approval of bidding documents, evaluation teams and evaluation of bids.

The water was observed to be brown and had a foul smell in a number of boreholes which resulted in abandonment of the boreholes by the communities. This was caused by the poor quality of pipes that were used to sink the boreholes which are prone to rust. In other areas the water was reported to be high in mineral content especially iron content and therefore may not be fit for human consumption.

It was established that although designs for water facilities are developed and approved, they are never followed during construction of the facilities. This was very common in districts that constructed protected springs, and valley tanks. This in turn resulted into design flaws that may compromise the capacity of these facilities to serve the communities as planned.

Although the Grant guidelines require every water facility to have a functional water user committee to manage the facility, most of the facilities visited did not have functional water user committees. This affects the management of the water sources and in the long run the sustainability of the grant.

Although grant guidelines require that communities are required to contribute towards operation and maintenance of water sources the communities were hesitant to pay these fees. This is because people perceive that fees to be so high while others expect all costs to be met by government. This has negatively impacted on efforts to ensure sustainability of the grant.

Grant funds totaling to UGX.733,242,010 was used for activities which do not qualify as grant activities by some local governments. The funds were mostly used to settle court costs arising from court cases in which the local governments were involved.

2.3.5.5 THE REGULATION, MONITORING AND PROMOTION OF MINING SECTOR BY MINISTRY OF ENERGY AND MINERAL DEVELOPMENT

Government of Uganda put in place the Mining Policy in 2001 and subsequently the enabling legislation in 2003 to guide the Directorate of Geological Surveys and Mines (DGSM) under the Ministry of Energy and Mineral Development (MEMD) in overseeing the mineral sector.

The DGSM did not regulate the mining of sand, clay, murram and stone quarrying used for commercial purposes contrary to the Mining Act and as a result could not levy royalties on these activities. Failure to levy royalties on these commercialised building materials was due to DGSM's interpretation of the exclusion of building materials in the Mining Act without making an assessment as to whether they were mined by the individual for their respective domestic use or used for commercial purposes.

Whereas the mineral policy provided for formalizing and regularizing mining operations of Artisan and Small scale Miners (ASM) activities, the MEMD did not implement and enforce it. It was established that artisan and small scale miners use rudimentary and labour intensive mining methods like heating up iron ore using firewood. Miners were found using mercury to recover fine gold from the crashed rock. Although Uganda signed the Minamata Convention on Mercury in 2013 to curb use of mercury in mining operations, Uganda had not operationalised its provisions.

As government embarks on the process of the review of the legal framework, it is important that the existing gaps in the regulatory and operational framework are addressed.

The mines department of DGSM did not conduct adequate inspection and monitoring and thus could not track the performance of all the mineral licenses issued and enforce compliance of mining regulatory framework.

Non-Tax Revenue (NTR) outstanding as at 30th September 2015 totaled to UGX 4.4 billion for the period July 2011 to September 2015.

Although the Mining Act, 2003, provided for a penalty to be charged on unpaid royalties and the Commissioner was to prohibit any mineral right holders with unpaid royalties from disposing of minerals exploited from the sites for which they have a license, there was no evidence for enforcement of these provisions.

The national mineral laboratory capacity in Entebbe only addresses a few tests and analyses as it is not yet accredited by ISO. Mining companies operating in Uganda were compelled to export samples abroad for complex mineral tests and analyses. There were no measures to track the results of tests conducted abroad.

2.3.5.6 THE REGULATION AND MONITORING OF ENVIRONMENTAL IMPACT ASSESSMENTS (EIAs) IN THE PETROLEUM SECTOR BY THE NATIONAL ENVIRONMENT MANAGEMENT AUTHORITY (NEMA)

NEMA has made good strides in regulation and monitoring of EIAs in the Petroleum sector; specifically in the upstream resulting in improvements in the quality of EIAs and the compliance of upstream developers with reporting requirements.

However, NEMA does not give timely feedback to developers on areas of improvement after monitoring. In the upstream, practitioners also face a challenge of not easily accessing baseline data and other information for use in the EIA process.

In the downstream because of lack of coordination between NEMA and the Lead Agencies, some projects commence without EIA approval, while the approved projects are not regularly monitored as required. There are also delays by NEMA to complete review and approval of EIAs due to internal staffing challenges and failure by districts to budget and fund EIA review and monitoring activities.

Quality being a critical issue in the EIA process, it is important that NEMA strengthens its oversight role to ensure improvement in the quality of work produced by the Environmental Practitioners.

2.3.5.7 MAINSTREAMING GENDER AND EQUITY IN THE FORMULATION AND IMPLEMENTATION OF THE NATIONAL BUDGET BY MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

Whereas MOFPED built the capacity of a number of senior officers and middle level managers of Ministries, Departments and Agencies (MDAs) in gender and equity budgeting and sent out budget call circulars with gender and equity guidelines requiring all Government institutions to mainstream gender and equity, these officers did not apply the skills acquired to engender the budget formulation and implementation process and did not comply with the requirements of the budget call circular. None of the staff in all the 8 districts visited had received this training and thus could not effectively undertake gender and equity budgeting.

MoFPED through Uganda Bureau of Statistics (UBOS) collects and disseminates gender disaggregated data but there was no evidence that the MDAs and LGs used gender disaggregated data obtained from UBOS in their plans.

It was noted that Ministry of Education, Science, Technology and Sports (MoESTS) and Ministry of Health (MoH) had managed to collect, document and disseminate gender disaggregated data and information which facilitated planning, monitoring and evaluation of ongoing programmes.

However, the data collected by MoH was only disaggregated by sex and did not capture other special groups. Non-disaggregation of data affects planning, and development of gender-responsive budgets.

MoFPED did not carry out gender assessments annually in all the sixteen (16) sectors of the economy as required. Assessments were undertaken in only six (6) (Agriculture, Health, Education, Roads and Works, Water and Environment and Justice, Law and Order) sectors. Gender assessments are not undertaken at the LG level, denying them the opportunity to get feedback on implementation of gender and equity budgeting.

Although MDAs had made policy/budget statements on addressing gender and equity, it was noted that resources had not been allocated to implement these statements. Gender and equity budgeting was arbitrarily undertaken in the LGs.

It was noted that the reports of MoFPED on budget monitoring had not integrated gender and equity aspects. Whereas the MDAs and LGs were supposed to monitor the implementation of gender and equity issues in their activities, there was no evidence that this was done.

MoFPED, MoGLSD and LGs have no systematic mechanism on how to coordinate activities of gender and equity budgeting.

2.3.5.8 THE EFFICIENCY OF THE OPERATIONS OF TECHNICAL AND VOCATIONAL INSTITUTIONS IN UGANDA

The results of the efficiency study of the operations of Technical, Vocational and Education Training (TVET) Institutions in Uganda using the Data Envelopment Analysis (DEA) technique showed that the average inefficiency scores for the 40 TVET institutions decreased to 28%, 24% and 14% for financial years 2012/13, 2013/14 and 2014/15, respectively which showed a general improvement in efficiency over the three years under review.

An average inefficient score of 28% means that the inefficient institutions in general had the potential to increase their outputs (that is pass rates and the number of graduates) by 28% while maintaining the same level of inputs. The results further indicated that the number of efficient institutions increased from 11 in 2013/14 to 19 in 2014/15. It was noted that most Technical institutions are not generating revenues despite the huge potential to do so, many of the products made by the students (such as: chairs, pottery products, welded windows and doors) were found kept in stores rather than being sold to the public.

In addition, various institutions were spending money on activities such as plumbing works, electrical repairs, motor vehicle repairs, repair of furniture and others which could be done by the instructors and students; total of UGX 399,897,980 was spent by 7 institutions on such services over the 3 years under review.

Most TVET institutions still lacked the necessary equipment to provide practical skills and mainly relied on the 3 month industrial training and field visits at industries only to train students. Some institutes had workshop equipment not being utilised due to lack of: power, operational space operational manuals and training in use of the machines.

It was also noted that tracer studies had not been undertaken to follow up on the graduates from the TVET institutions and the achievement of the desired TVET outcomes.

Institutions stand to benefit more by tapping into the potential identified areas as, improved use of practical training to enhance the skills of trainees, and thus reduce student drop-outs, maximisation of revenue generated from training outputs, improved use of the institutions' equipment and the use of tracer studies to determine the achievement of desired TVET outcomes.

With improved efficiency, institutions stand to reap significant gains in their production and thus enhance their ability to impart relevant skills in order to raise productivity and incomes.

2.3.5.9 RENOVATION AND CONSTRUCTION OF SELECTED HEALTH FACILITIES UNDER THE UGANDA HEALTH SERVICES STRENGTHENING PROJECT

Ministry of Health has undertaken specific interventions to increase the availability and functionality of health facilities by renovation and construction of the nine health facilities at Entebbe, Iganga, Nakaseke, Mityana, Kiryandongo, Anaka, Nebbi, Moyo General Hospitals and Moroto Regional Referral Hospital.

However, not all the user needs were ascertained and incorporated in the architectural and engineering design process resulting in various design changes and variation orders during the construction of the works. Inadequate planning and needs assessment resulted in design changes which necessitated contract variations leading to project delays throughout the contract implementation period.

As a result, a sum of USD 1,234,850.15 was incurred as variations during project implementation as at 30th October 2015; underestimation of costs for the works at project appraisal led to a reduction in the scope of works as the project could not undertake the anticipated works in all the target sites of forty six (46) health facilities.

It was further noted that the procurement process for works contracts commenced late which delayed the commencement of renovation and construction of works at the health facilities which resulted in non-utilization of donor committed funds that have attracted a non-utilization penalty of USD 256,517.49. Although works were still ongoing in 6 of the 9 health facilities, it was noted that their contract periods had elapsed.

A review of the needs assessment reports revealed that for all the nine health facilities, there was need to increase staffing, staff housing, bed capacity and operational budgets, among other things if the health facilities were to be effectively maintained and cater for delivery of the required health services.

2.3.5.10 THE REGULATION OF ABSTRACTION AND DISCHARGE OF WATER BY MINISTRY OF WATER AND ENVIRONMENT

The Ministry of Water and Environment has made positive efforts in ensuring that all abstraction of water and discharge of wastewater activities across the country are regulated through the issuance of permits and subsequent monitoring of permit holders. However, oversight of all stakeholders and players in the industry has been inadequate.

Despite the enactment of the Water Act in 1998, there are still challenges arising in the regulation of the abstraction and discharge water and waste water to ensure optimal use of water resources; DWRM levies waste discharge fees based on only the water quality parameter of Biochemical Oxygen Demand (BOD) as a result, the fees charged do not take into consideration the other characteristics and components of the wastewater such as heavy metals, oil effluent and other chemicals which are toxic and equally expensive to treat.

Thus, the fees charged do not deter pollution of the water resources by the permit holders.

DWRM also takes longer than the timelines stipulated in the MoWE clients' charter to assess applications and issue permits for abstraction and discharge of water which results in unauthorized abstraction/discharge of water. Laboratories have not been designated by DWRM from where testing of samples for water quality by permit holders can be undertaken. It was also observed that the DWRM National Laboratory at Entebbe has not yet achieved international accreditation which impacts on international credibility of test results undertaken. Some permit holders do not adhere to the permit conditions such as installing facilities for measuring and recording of water levels and water abstraction volumes and submission of data on water abstracted; DWRM did not have documented monitoring manuals/guidelines and a proper system for tracking and following up of monitoring activities.

The actions to be taken for non-compliance are not very stringent in the current legal framework so as to deter water pollution by permit holders.

DWRM should undertake deliberate efforts in expediting the review of the legal framework, improve the water testing and monitoring activities in order to enhance its regulatory role and thus ensure that the risks to water pollution are mitigated.

2.3.5.11 IMPLEMENTATION OF THE PROMOTION OF RICE DEVELOPMENT PROJECT (PRiDe) UNDER MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES (MAAIF)

MAIIF has made significant progress in the implementation of the activities set out by PRiDe project. To a large extent, the PRiDe project is on course to achieving the project outputs.

As the project comes to an end, it is important that the development of a proper rice information system be prioritized and all the players, including, the farmers are trained in the collection and management of rice data. This will facilitate access to rice data and also enable proper evaluation of project performance.

In addition, the other critical activities, such as, testing of rice samples should be undertaken, as further delays may not allow corrective interventions to be undertaken in time during the life of the project.

2.3.5.12 UTILISATION OF EXTERNAL PUBLIC DEBT BY MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT (FOLLOW UP AUDIT)

Whereas MoFPED indicated that it had undertaken measures to remedy the causes of low loan absorption as advised in the Auditor General's VfM report of FY 2009/10, the challenge of low absorption of external debt still persisted. The national debt portfolio was still underperforming with absorption levels below 50%.

The measures devised by MOFPED to address the identified barriers to timely utilization of debt are yet to have a significant impact as some of the interventions undertaken by the Ministry were recently introduced while others lacked an effective follow-up mechanism to ensure their implementation.

Low absorption of external debt and delay in loan effectiveness denies the intended beneficiaries anticipated benefits of the projects and economic benefits to the nation as a whole.

Therefore, it is imperative that the proposed actions and interventions are followed up to ensure proper utilization of public debt.

2.3.5.13 CONSTRUCTION AND UTILISATION OF THE JINJA CENTRAL MARKET UNDER THE MARKET INFRASTRUCTURE COMPONENT OF MARKETS AND AGRICULTURAL TRADE IMPROVEMENT PROGRAMME (MATIP) - (FOLLOW UP AUDIT)

In 2014, the Auditor General undertook a Value for money audit on the implementation of the market infrastructure component of the Markets and Agricultural Trade Improvement Programme (MATIP); the overall audit objective was to evaluate the implementation of the infrastructure development component of the Project.

At the time of that audit, the progress of works for Jinja market was at 60% and technical audit could therefore not be comprehensively undertaken. Jinja Central Market is one of several markets being constructed under the project built to serve as a regional market for the districts of Buikwe, Mukono, Kayunga, Iganga, Kamuli, Buyende, Pallisa, Kibuku, Budaka and Mbale districts.

Following the completion of the market and subsequent occupation by the vendors, there were public complaints about its construction in respect of drainage, improper electrical wiring and insulation,

defects as cracks on the floor off the market. It was established that there was a delay in completion of works.

Verification of works undertaken revealed that some defects that were identified and captured in the snag list had not been rectified yet the defects liability period had expired.

Additionally, test results obtained from destructive testing of a sample of cores showed results which were below the design concrete strength which needs investigation and monitoring.

There were works being carried out by a private developer adjacent to the Jinja Central Market which have affected the operations of the market, the access road to the garbage skip of the market has been blocked and the garbage skip has been filled with scaffolding and building materials; as a result, the solid waste pipe, storm water line and clear water line for the market structure were damaged.

This has affected the solid waste management in the market. This ongoing construction may weaken the substructure of the main market if safeguards are not enforced and adhered to.

It was however established that because the original design of Jinja Central Market was meant to accommodate four floors, due to funding constraints, only three floors were constructed. The available space in the market cannot accommodate all the 4,889 registered vendors implying the constructed market facility is still short of the planned requirements given the increasing demand for the facilities.

It is important that the ministry addresses the existing capacity gap in the market and also ensure that the facilities are properly maintained to prevent faster deterioration.

The outstanding quality defects also need to be followed up with the responsible parties.

3 PERFORMANCE OF THE CORPORATE SERVICES FUNCTION

The Corporate Services Function supports the external audit function by providing financial and administration services, human resources, quality assurance, legal services, communication and stakeholder engagements, Parliamentary liaison and general office operations.

This is done through the following departments and units: Finance and Administration, Human Resource Management and Development, Information Technology, Quality Assurance and Audit Development, Parliamentary Liaison, Executive Support, Internal Audit and Risk Management, Legal Unit, Communication and Public Relations and Procurement.

The subsequent sections highlight the achievements during the year.

3.1 Finance and Administration

Finance and Administration function supports the Audit Function through; provision of financial management and administration services, planning and budgeting, guiding the accounting processes, asset management and

availability, preparation of periodic financial, monitoring and performance reports.

For the audit year ended 31st December 2015, the planned outputs were; approval and dissemination of the Financial Management Accounting and Operations Manual, production of FY 2016/17 Budget Framework Paper, FY 2016/17 Budget Estimates, FY 2015/16 Policy Statement, FY 2015/16 Vote Performance Contract and the Annual Operational Plan, Financial Statements for FY ended 30th June 2015, (both GOU and Donor), Annual Board of Survey Report for the FY ended 30th June 2015, Annual Government Performance Report for the FY 2014/15, 3 Quarterly Progress Reports and the Semi-Annual Government Performance Report for the FY 2015/16.

The subsequent sections provide a summary of the achievements of the function at the time of reporting.

3.1.1 Budget Performance

GOU Funding

In accordance with Sections 28 and 29 of the National Audit Act, 2008, the office of the Auditor General is funded by Government of Uganda through appropriations made by Parliament, grants and donations. Over the years, the GoU budget for the office has generally increased but on a declining trend for the last two years as shown below

Table 4: OAG Budget FY 2011/12 – FY 2015/16

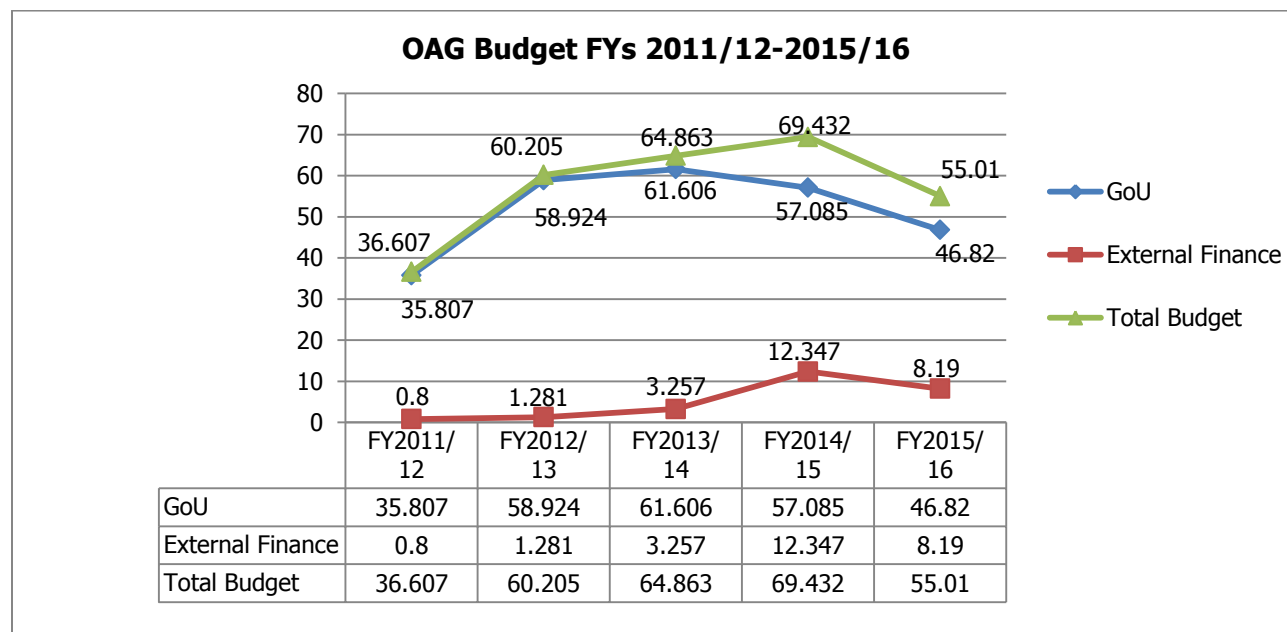
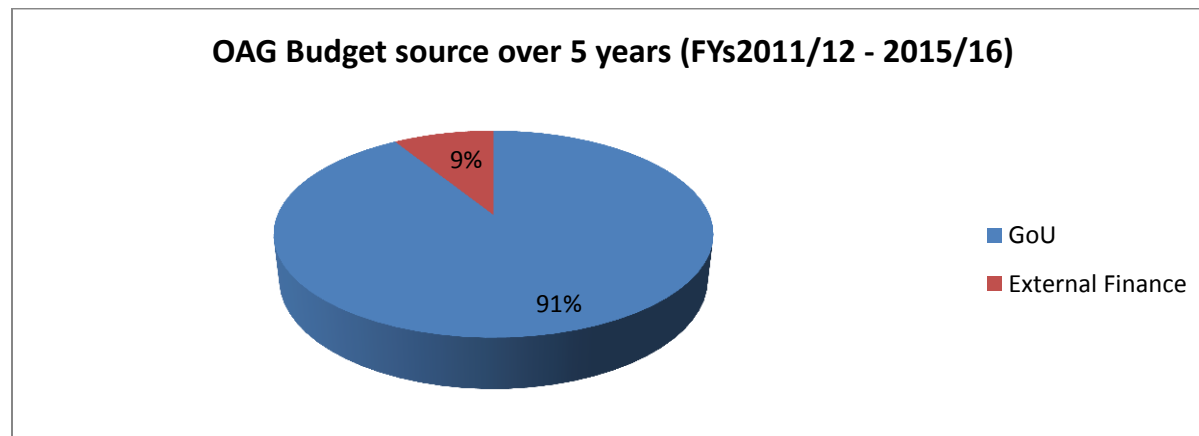


Figure 1: Pie chart showing OAG Budget source over the past 5 years



In the FY 2015/16 the office prepared and submitted for approval to Parliament, a total budget of UGX.77.591Bn including a funding gap of UGX.30.772Bn. Parliament subsequently approved a total budget of UGX.46.819Bn including taxes. This comprises UGX.19.587Bn for wage, UGX.22.292Bn for non-wage and UGX.4.826Bn for development including taxes of UGX.0.115Bn.

By 31st December 2015, a total of UGX 25.98Bn representing 55.5% of the approved GOU budget of UGX 57.098Bn was released.

Support from Development Partners

During the period under review, the office received financial support from two Development Partners namely: FINMAP and IRISH AID. In addition to financial support, the office received technical support from GIZ. The support received from each Development Partner as at 31st December 2015 is as follows:

FINMAP

The office benefited from the Government of Uganda's six year public financial management reform strategy under FINMAP. This contributed to capacity development and achievement of

operational independence of the office. Under FINMAP the office was allocated UGX. 8.190Bn (USD. 2.636Mn) for the financial year 2015/16. By 31st December 2015, a total of UGX. 0.439Bn representing 5.4% of the budget had been spent.

IRISH AID

The office also benefited from support by the Government of Ireland amounting to UGX 1.202bn for the FY 2014/15 to FY 2015/16, aimed at improving on the quality of audits through technical capacity building and retooling in the Directorate of Value for Money and Specialised Audits (VFM&SA), Forensic Investigations and IT Audit (FIIT) and Other Directorates performing financial audits.

With this support a total of 166 staff were provided with training in the specialised areas of regularity audits, teammate champions training, URA Asycuda tax system, Value For Money three module course, advanced Value For Money course, audit of networks, SQL database & security audit and Linux audits.

GIZ

The office is also a beneficiary of the German cooperation (GIZ) grant whose overall goal is to promote accountability and

transparency in Uganda. Under GIZ, the office obtained technical support geared at promoting the effectiveness of external audit

through; human resource development, development of audit manuals and audit tools.

Table 5 below presents the OAG funding budget, releases and expenditure for the FY 2015/16.

Table 5: Approved Budget, Releases and Expenditure for the FY 2015/16 (Bn) as at 31st December 2015

Budget Type	Approved Budget Allocation	Released	% of Budget Released	Expenditure	% of Releases Spent
GOU - Recurrent - Wage	19.587	9.793	50%	9.179	93.73%
GOU - Recurrent -Non - Wage	22.292	16.054	72.02%	12.792	79.68%
GOU – Development + Taxes	4.941	0.134	2.71%	0.019	14.18%
Subtotal - GOU	46.819	25.981	55.49%	21.99	84.64%
FINMAP	8.190	0.439	5.4%	0.439	100%
IRISH AID	-	0.903*	-	0.113	-
Total-Donor	8.190	1.342	5.4%	0.552	41.13%
Vote Total	55.009	27.323	48.03%**	22.542	82.50%

Note:

* Irish Aid funds were balances brought forward as a result of MoU extension

** Total Percentage of Budget released for the vote was computed exclusive of the Irish Aid release since it was not part of the vote budget.

3.1.2 Financial and Operational Independence

Objective 3 and 4 of the Corporate Plan 2011/16 aims at strengthening financial and operational independence of the Office of the Auditor General and attaining higher organisational performance of the OAG, respectively. To achieve these objectives, the Financial Management, Accounting and Operations Manual was reviewed and approved by Top Management. This has enhanced operational independence through adopting independent sound accounting systems and procedures hence effective financial management.

However, the office has several unfunded priorities such as; filling staff structure, wage enhancement for office staff, Pension payment, Court award clearance subject to appeal ruling, ICT infrastructure Development, staff capacity building, clearing Audit backlog (lower local governments and schools), expansion of Audit Coverage such as, public infrastructure civil works audit and replacing aging OAG Vehicle fleet,

3.1.3 Compliance with Government Financial Regulations

The office complied with Government financial policies by submitting the following

to the relevant authorities: Annual Financial Statements for the FY 2014/15, Annual Government Performance Report for the FY 2014/15, Budget Framework Paper and Preliminary Budget Estimates for the FY 2016/17. The office also updated the Assets Register as at 30th June 2015. In accordance with the AFROSAI-E planning guidelines for Supreme Audit Institutions, the office prepared an Annual Operational Plan for the FY 2015/16. All relevant quarterly progress reports for the GoU budget were produced and submitted in time.

The office has already embarked on planning for the FY 2016/17. To ensure effective participation of key stakeholders in the planning process, a budget conference was held with guidance from the Auditor General.

Under the Financial Management and Accountability Programme III (FINMAP), the Component Work Plan and Budget Estimates for the FY 2015/16 and three quarterly progress reports were prepared and submitted to Management Support Unit (MSU). In addition, the office participated in all FINMAP III planning activities and was fully represented in the Public Expenditure Management Committee (PEMCOM) meetings. FINMAP supports the Government in strengthening and consolidating reforms

in public financial management while PEMCOM assists Government in monitoring the status of public financial management.

3.1.4 Support to Office of the Auditor General project

This is a GoU funded Development project. Under this project, the office was supported to procure 3 motor vehicles, pave Masaka regional office compound, install Air Conditioning system in Gulu regional office and pay retention in respect of the Audit House Project. At the time of reporting, a total of UGX 0.019Bn (0.4%) had been released, adverts for procurement of 2 motor vehicles had been made and bids were still being received while plans for paving of Masaka regional office were underway.

With FINMAP support, the office planned to develop designs for the proposed Hoima and Moroto Regional Offices. By 31st December 2015, Design and construction consultancy contracts had been approved by Solicitor General and signed. Construction work is expected to commence in 2016.

3.1.5 Construction of Audit House and Mbarara Regional Office

Construction of the Audit House and Mbarara regional office was completed and commissioned in November 2014 and March

2015 respectively. This has strengthened the physical independence of the Office. The defects liability period for Audit House partially ended on 10th December 2015 with a few pending works on; the lifts, Main door, Air conditioning system and the firefighting equipment whose defects liability period will be extended as advised by the consultant, whereas the defects liability for Mbarara regional office will end in January 2016.

3.2 Human Resource Management and Development

Under objective 4 of the Corporate Plan 2011-16; "To attain higher organisational performance", the Human Resource Department: organised staff training and continuous professional development activities; managed staff performance appraisal process; reviewed the structure of Corporate Services and managed staff welfare issues. The following present a summary of the plans and achievements in the year:

3.2.1 Staff Training and Development

The office has 481 established positions of which 478 are filled reflecting 99% operational capacity. The office undertook staff capacity development with the support of GoU, Irish Aid, FINMAP III and GIZ to

enhance skills, career and professional development.

During the reporting period, staff skills were enhanced in various general and specialised courses both locally and abroad which include;

Financial Audits

The office continues to enhance audit skills of its staff in line with its Corporate Plan objective of improving the quality of audits. During the period under review, skills enhancement in financial audits was done as follows; 65 staff were trained in data analysis, 159 were trained in the use of Teammate libraries for Local Government projects and these include 50 champions refresher, 40 staff trained in IDEA/CAATS, Navision & IFMS Refresher, 114 staff sponsored for various finance, auditing and accounting professional courses, (73 – ACCA, 40 – CPA, 1 – CISA), 227 staff trained in Audit of Financial Statements and 88 staff in Audit of Public Works.

Value for Money and specialised audits

During the period under review, staff skills were enhanced in performance audits such as; one FIDIC engineering procedures (1 staff), Advanced performance audit (4 staff), Methods for economic research (3 staff), VFM 3-Module Course (1 staff), VFM 2-

Module Course (7 staff), Gender audits (2 staff), Public Private Partnership (4 staff), Environmental Audit training on forests (2 staff) and Value for Money Audits under AFROSAI-E (8 staff).

Forensic investigations and IT audits

The office created a directorate for FIIT to undertake special audits and investigations in response to corruption scandals in the country. In essence, the directorate is two years old and needs various specialised skills to perform its mandate. During the period under review, skills enhancements were done as follows; 12 staff skills enhanced in IT Audit (networks, SQL database and security audit, Linux), 12 trained in audit of URA Asycuda system and all staff in the directorate acquired skills as forensic investigations expert witnesses.

Corporate Services Support

In order to support the audit division appropriately, staff in Corporate Division enhanced their skills in; organisational knowledge management, office productivity tools, advanced risk management, building high performance supply chain, human resources and social security, performance management, public administration, office management and secretarial studies, training in audit of fraud and corruption,

accounting and finance, risk management, information systems and audit, human resource information systems, use of outsourcing policy, Training Needs Evaluation, Evaluation of Training and Human Resource Information systems and auditing in extractive industry.

It is important to note that the skills acquired under different training programmes are also essential in all audit disciplines.

The office continued, with skills enhancement and management

development programs in formal institutions and attachment to relevant organisations and SAIs abroad, as well as workshops and seminars.

Professional Training

During the period under review, staff undertook professional courses in ACCA, CPAU, CISA and CFE. At the time of reporting, 6 staff had completed (ACCA - 2, CPAU-2, CFE-1 and CISA-1), while, 31 staff were continuing students.

The number of professionally qualified employees in the office has since FY 2013/14 increased at an average rate of 6 as indicated in Table 6 below:-

Table 6: Number of Professional Accountants

Audit Year	Number at the beginning of the year	Net Increment	Number at end of year
2013/2014	102	4	106
2014/2015	106	10	116
2015 (9 months)	116	5	121

Figure 2: Number of Professional Accountants

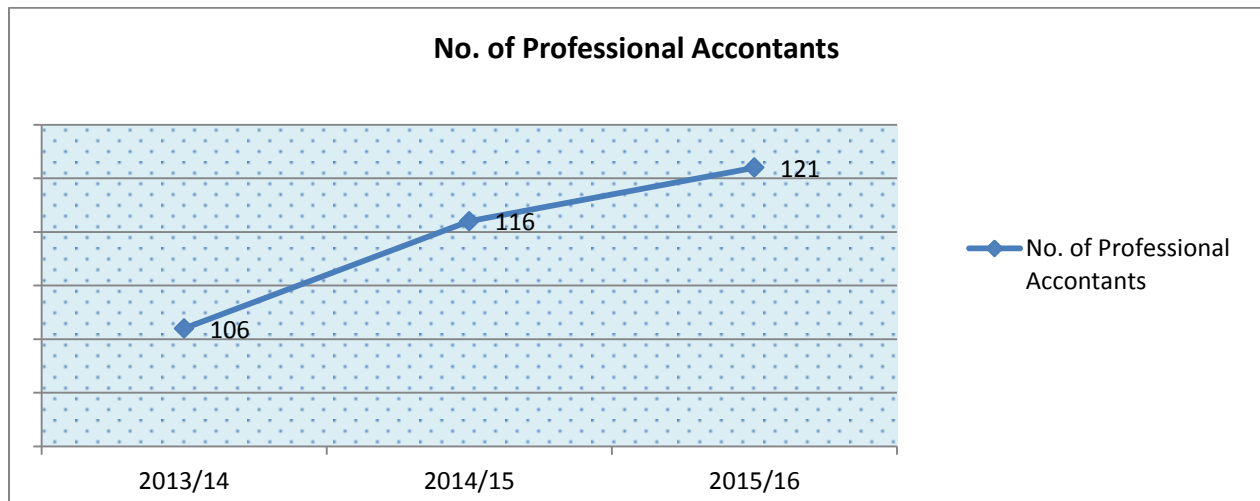
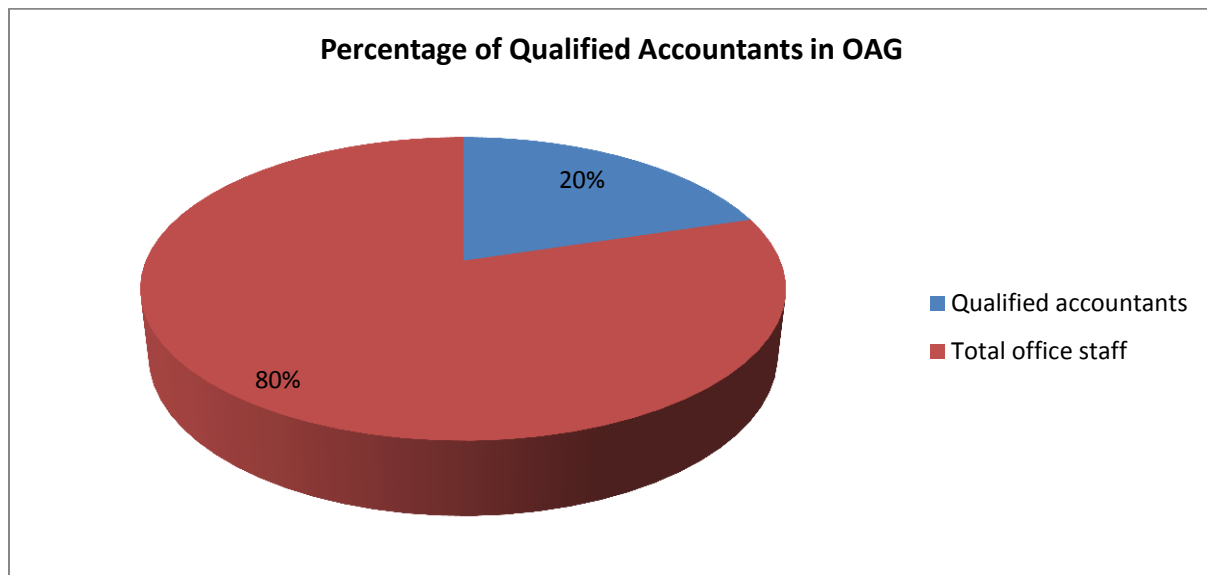


Figure 3: Percentage of qualified accountants in OAG



Career Development

The office sponsored 10 staff for career development courses (5 for Masters Degrees, 2 for Ordinary Diplomas and 3 for Bachelor's Degrees). At the time of reporting, all 10 sponsored staff were still pursuing their respective courses.

3.2.2 Staff Performance Appraisal

As part of the overall performance management, the Office through its Human Resource function carries out staff performance appraisal using a tool as approved in the HR Manual 2013; this is in

line with strategic objective 4, “to attain higher organisational performance”.

3.2.3 Staff Recruitment, Confirmation, Promotion, Transfer and Turnover

The office has been filling its approved structure in phases, due to wage bill constraints. In the period of reporting, 8 staff were recruited, which included 4 Auditors, a Pool Stenographer, a Planner, an Internal Auditor and a Public Relations Officer. 2 examiners of Accounts were promoted to Auditor and a Pool stenographer promoted to Executive Assistant while two staff exited the office through mandatory retirement and transfer of service to main stream public service respectively. In addition, one staff joined the office on transfer from Ministry of Health to support the Planning unit And 2 staff were recruited on contract by FINMAP to support the Estates Unit.

3.2.4 Human Resource Strategy and Policy

The department of HRMD has drafted a Human Resource Strategy and conducted a Training Needs Analysis with support of GIZ, pending approval by Top Management. In an endeavour to uphold ethics and integrity in the Office, Staff code of Conduct

handbooks and OAG Human Resource Manual 2013 were distributed to all staff.

3.2.5 Staff Welfare

The Office of the Auditor General provides medical healthcare through a medical insurance company to her staff. This scheme covers all employees, their spouses and a maximum of three other dependants. The scheme also covers all staff members living with HIV/AIDS, as well as those with life threatening illnesses.

In compliance with the Workman’s Compensation Act (2000), the Office provides Group Life Assurance to all staff. This covers death and funeral expenses, critical illnesses, total and permanent disability.

3.3 Information Technology

Information and Communication Technology (ICT) development is considered a critical requirement for the OAG in attaining higher organizational performance and improving on the efficiency and effectiveness of internal and external communications.

During the year, the office planned among others to acquire 100 laptops, maintain internet and data service subscription, carry

out regular maintenance of ICT equipment at both headquarters and regional offices and procure 380 Closed User Group (CUG) handsets.

The office upgraded its main Audit Software from TeamMate version 8 to TeamMate version 10. The new version improved the efficiency of the Audits with its additional functionality for centralized storage and supervision of audits being carried out in real-time. Training was conducted for IT Staff, TeamMate 10 champions and Audit Staff. New and improved audit libraries were created. The TeamMate licensing for 200 licenses was renewed and there will be an upgrade to 400 licensed in FY 2016-17.

The office procured 100 laptops through FINMAP to replace ageing stock of laptops and damaged laptops. The office also procured 380 handsets for the OAG Closed User Group with the aim of improving internal communication amongst staff. 60 modems were procured and issued to field staff to enable them to connect directly to the Head Office Network and update TeamMate files in real time for review. 50 solar laptop chargers were also procured and are to be issued to field staff.

The evaluation for additional 100 laptops was concluded and these are to be issued to replace ageing laptops. Evaluation for upgrading of networking equipment and equipment towards creation of a Disaster Recovery site was concluded. This procurement is expected to be complete and commissioned by March 2016.

The office plans to automate its business processes by acquiring an Integrated Management Information System. During the reporting period, FINMAP III had commenced on the procurement process.

3.4 Technical Support to Audit Services

This function supports the audit process by conducting quality reviews, developing guidelines and procedures to implement audit standards, promoting audit knowledge transfer, facilitating knowledge sharing among OAG staff to improve efficiency of audit and development of instructional memory, ensuring timely processing and dissemination of audit reports as well as effective engagement of stakeholders to improve impact of audit. The function also supports operations of Senior Management Team and Committees.

To achieve objective 1 of the OAG corporate plan of improving the quality and impact of

audit work, to promote increased accountability, probity and transparency in the management of public funds, the office is focused on enhancing quality of audits, reporting and report utilisation by stakeholders. The key achievements under the respective departments during the period under review include:

3.4.1 Quality Assurance and Audit Development (QAAD)

The Quality Assurance and Audit Development department undertakes quality assurance reviews, to ensure that audits are carried out in compliance with the relevant auditing standards, as well as undertake audit development, which involves development of audit manuals, guidelines and training of staff in audit related areas.

In the FY 2015/16, the Department planned to; provide technical support to staff implementing Regulatory Audit Manual (RAM), develop the advanced Microsoft Excel guide for data analysis, evaluate the financial reporting framework, develop standardised guide to quality report writing and finalise the Quality Control Manual. In order to ensure quality audit reports, the department planned to carry out 30 reviews (10 reviews during the audit and 20 post-audit reviews) and facilitate peer reviews. In line with the office's policy of rolling out

computerised audit tools, the department planned to develop Teammate Libraries for small entities and parastatals.

By the end of December 2015, the department had facilitated training of all staff responsible for review in Regularity Audit in line with the risk based methodology, as well as offered technical support to all staff during the implementation of this new methodology. In addition, the department facilitated training of all staff in the audit of financial statements and produced a draft guide on use of Microsoft excel tool for data analysis.

The department trained all staff in the use of the upgraded audit teammate software 10.4 used in audit documentation. The software was used during the audit of 2014/15 financial year.

The department also developed a tool to assess regularity and performance audit compliance level with ISSAIs. During the 9 months, the department prepared and reported on 13 quality assurance pre-issuance reviews on regularity audits.

3.4.2 Parliamentary Liaison

This function supports the audit process in accordance with the requirement that OAG should maintain a strong relationship with the relevant Parliamentary committees in

compliance with ISSAI 20, Principle 7 which demands SAIs to report publicly on the results of their audits and on their conclusions regarding the overall government activities. This support enables the Committees to comprehend the audit reports and the conclusions well, in order to take appropriate action.

In accordance with Article 153 of the Constitution, Parliament through its oversight Committees, performs the oversight function over public funds and requires the Executive to account for the public resources entrusted to them for provision of public goods and services. The oversight Committees include: the Public Accounts Committee (PAC) for Central Government, the Local Government Public Accounts Committee (LGPAC) for Local Governments and the Committee on Commissions, Statutory Authorities and State Enterprises (COSASE) for Government parastatals and Commissions.

Accordingly, the Department of Parliamentary Liaison was established to enhance coordination, offer technical guidance, follow up and document issues that arise during all Oversight Committee sessions. The department therefore seeks to proactively provide support in enhancing the skills of the Parliamentary Committees to comprehend and make effective use of the

Auditor General's reports. The achievements of the Department during the year are indicated as below.

3.4.2.1 Support to Oversight Committees of Parliament

Public Accounts Committee (PAC)

In the FY 2015/16, the department planned to; sensitise oversight committees of Parliament on findings in the annual report of the Auditor General for the year ended 30th June 2014, update a database on status of PAC Reports, prepare briefs and provide technical support to accountability committees during meetings, prepare minutes for all audit reports discussed and carry out verification as recommended by the oversight committees.

During the reporting period, the sensitization of the committees on key audit findings was done, the department also provided technical support to Public Accounts Committee in designing a strategy by which audit reports were profiled basing on audit opinions, namely; Disclaimer, Adverse, Qualified and Unqualified opinions. The committee planned to discuss 54 financial audit reports and 8 value for money audit reports by the end of November 2015. By the time of reporting, the committee had held 50 sessions and discussed 36 of the financial audit reports, out of 54 planned

and 5 value for money audit reports out of 8. The committee also discussed the Special Audit Report on Pension Scam in the Ministry of Public service where UGX 165 billion was lost.

Parliamentary Liason further provided support to PAC in discussing 12 reports for Foreign Missions in Africa and Europe. The Foreign Mission reports for Africa included Addis ababa, Khartoum, Nairobi, Pretoria, Kigali and Kinshasha and covered Finacial Year 2012/13 while the ones for Europe included London, Paris, Geneva, Brussels, Germany and Ankara covered the FY 2012/13.

The committee has finalised report writing for these entities and are pending presentation to Parliament.

Committee On Commissions, Statutory Authorities and State Enterprises(COSASE)

The Parliamentary Liaison also offered technical support to the COSASE. Fifty six (56) sessions from April to October 2015 were held, in which 40% of the reports, (29 out of 72) ranging from Financial Years 2010/11 to 2012/13 were discussed. These reports have been finalised and are pending presentation for adoption by Parliament.

Local Government Public Accounts Committee (LGPAC)

Technical support was also offered to LGPAC from April to October 2015, where 42 out of 304 entity financial reports representing 13.8% of the reports for FYs 2008/09, 2009/10 and 2010/11 and 2 value for money audit reports were discussed. The reports await finalization by the committee for presentation.

The committee further inherited the following reports which had been discussed and concluded by the previous committees. These reports are yet to be presented for consideration and adoption by Parliament;

- a) Report of the Local Government Accounts Committee on the Special Audit Report of the Auditor General on the Public Accounts of Kawempe Division for the FY ended 30th June 2006 and 2007.
- b) Report of the Local Government Accounts Committee on the Special Audit report of the Auditor General on the Public accounts of Kampala District for the Finacial Years 2000/2001 -2006/2007.
- c) Report of the Local Government Accounts Committee on the Report of the Auditor General on the Public Accounts of Districts and Municipal Councils for the Financial Years 2005/06.

d) Report of the Local Government Accounts Committee on the reports of the Auditor General on the Public accounts Committee of Districts and Municipal Councils for the Financial Year 2006/07.

e) Report of the Local Government Accounts Committee on the Reports of the Auditor general on the Public Accounts of Districts and Municipal Councils for Financial Year 2007/08.

The discussions by accountability committees were affected due to electioneering as some months were designated for primary elections for some of the Political Parties.

However, the backlog of undiscussed and unprocessed audit reports has been on the rise. It is in the interest of stakeholders and that of strengthening the accountability process, that Parliament devises means of expediting the discussion and processing of reports.

3.4.2.2 East African Association of Public Accounts Committee (EAAPAC)

The department also attended the 9th EAAPAC and Annual General Meeting in Khartoum, Sudan that brought sixteen Countries and Supreme Audit Institutions (SAIs) together where presentations were

made and experience shared. At the end of the annual conference a number of resolutions were made and adopted among which include;

Public Accounts Committees to; scrutinise every institution handling public resources to enforce accountability, strengthen their relationships with Office of the Auditor General, Act on audit Reports, streamline access of information and discussion of classified expenditure audit reports through legislation, establish structured mechanisms for follow-up on PAC recommendations/resolutions, engage Executive to ensure that MoUs are signed with development partners appropriately to preserve the jurisdiction of the Auditor General in auditing expenditure of all debts, loans and grants, review Public Finance Management Laws to ensure that all loans and grants (domestic and external) received have appropriate Memorandum of understanding with detailed statement on funds involved and how they will be audited, ensure the inclusion of favourable loan agreements that among others safeguard the public purse from exorbitant interest rates and charges. Parliament should empower PACs to be able to transcend the routine consideration of the Auditor General's reports to pre-empt risks to public resources in a timely manner.

In addition to the above, SAIs should transcend traditional conventional (financial and performance) audits to include audit of lifestyles of public officials, develop frameworks for carrying out gender audits in order to appraise the gender dimensions in the implementation of development interventions.

3.4.3 Executive Support and Stakeholder Engagement

This function supports the audit process by strengthening stakeholder engagement through; timely dissemination of audit reports, enhanced interaction and maintenance of linkages and coordination with stakeholders aimed at improving impact of audit reports and modernisation of records and Knowledge management within the office.

In the FY 2015/16, the department planned to process and disseminate the Annual Report of the Auditor General for the financial year ended 30th June 2015, participate in regional entry meetings and undertake follow up on streamlining of the records function at regional offices, hold 15 stakeholder engagement workshops, print and disseminate OAG policies and procure Mobile archives & Library shelves.

3.4.3.1 Dissemination of Audit Reports

During the reporting period, with funding support from FINMAP III, a total of 18,231 copies (3,840 reports for higher Local Governments, 2,871 reports for Central Government, 1,176 secondary schools reports relating to 2012/2013 financial year and 10,344 audit reports for Lower Local Governments) were produced and disseminated to stakeholders; in a manner that engaged key local government stakeholders.

2,880 copies of extracts of Key audit findings for the financial year 2013/2014 (1430 copies) and 2012/2013 (450) were prepared and disseminated to stakeholders. The user-friendly approach has increased readability and demand for more abridged audit report extracts, hence enhanced stakeholder management.

To widen public accessibility of the Auditor General's audit reports at an optimum cost, the office reduced production of hard copies of audit reports and increased dissemination of audit reports through uploading audit reports onto the OAG website and through the use of compact disks (CD) to stakeholders. During the period under review, the office printed 1000 CDs and of which approximately 950 were distributed to external stakeholders.

Records and Archival management Policy was approved and disseminated to staff at Audit house. Copies for the regional staff will be distributed in the remaining period of the financial year to facilitate effective and transparent management of OAG records.

3.4.3.2 Participation in Accountability Fora

The Office participated in Accountability forums in Soroti and Gulu Districts organised by the Accountability Sector Secretariat, whose objective was to follow up accountability at grassroots. It involved tour visits on selected sites where the citizens had complaints on service delivery, barazas discussions with the local communities and radio talk shows in the evenings. Presentations and guidance in discussions of audit reports were made during the meetings.

3.4.3.3 Participation in the Inter Agency Forum Activities

The office participated in follow up activities in implementation of the National Strategy for fighting Corruption and rebuilding of ethics in Uganda (NACS) 2013-2018, organised by Inter Agency Forum, coordinated by Office of the President in the Directorate of Ethics and Integrity.

This office also participated in all the quarterly Inter Agency Forum (IAF) meetings.

The office was effectively represented in the bi-monthly Anti-corruption public private partnership (ACPPP) meetings.

It also participated in organisation of the anti-corruption activities that started from October with boardroom sessions and concluded on 9th December 2015, with a theme "fight syndicate corruption for service delivery" under the sponsorship of GIZ-PoAT project. The activities involved getting feedback from the selected audited entities, media dialogue on their roles towards fighting syndicate corruption, Public exhibition, a walk to commemorate the Anti-Corruption day led by 1st Deputy Prime Minister Hon. Kirunda Kivejinja and the Open public day dialogue.

The office continues to strengthen collaboration with Inspectorate of Government (IG), Public Procurement and Disposal Authority (PPDA), Justice, Law and Order Sector Secretariat and other Agencies to strengthen accountability and transparency in the use of public funds. Through the collaboration with IG and PPDA with support of GIZ- PoAT, the project set

up joint committees to study best practices on rules of integrity and develop risk profiling procedures for Ministries, Local Governments, departments and Departments.

3.5 Internal Audit and Risk Management

The function supports the audit process by providing independent, objective assurance and consulting function that strengthens OAG's operations. This is through a systematic evaluation aimed at improving the effectiveness of risk management, control and governance processes.

In an effort to promote a proactive approach in identifying, evaluating, reporting and managing risks associated with the attainment of the objectives of the Corporate Plan, the Enterprise-wide Risk Management Framework manual was prepared and approved.

Internal Audit Function Charter was approved by management and signed off by the Auditor General. The unit produced two (2) quarterly internal audit reports (April 2015 to September 2015) and production of the October-December quarterly report is in progress. In addition, ten (10) internal

investigation reports were produced of which three (3) reports were completed and submitted for management action. The unit also undertook proactive preventive checks, assurance engagements and verifications of monthly payroll and deliveries to stores.

3.6 Legal Services

The primary role of the Legal Unit is to provide timely legal advice and guidance to the Auditor General and staff in Office of the Auditor General, in respect of matters involving the Auditor General's constitutional and statutory mandates. The unit is further vested with the authority to avert legal risks in the operations of the OAG by emphasising compliance to the existing legal framework.

In the FY 2015/16, the unit planned to draft and review all contracts for the audit processes arising from outsourced audits, capacity building arrangements with Development Partners and administration functions arising from service procurements, restock the legal mini-library with up-to-date legislation, represent AG and OAG in courts of law and other legal forum, prepare legal briefs and opinions for AG and OAG, provide technical support during PAC meetings and in the governance subcommittee of Finance, Planning and Economic Development (Parliament). In addition, the unit planned

to renew the certificate for approval of chambers and attend to continuous legal education trainings.

During the year the unit, in consultation with external counsel, handled five (5) civil court cases filed against the Auditor General arising from the Audit Reports namely;

a) Civil Suit No. 16/ 2009; Ocip Moses & Ors Vs. Attorney General & Auditor General; In his ruling, the Honourable Judge ruled against the Auditor General on grounds that he exceeded his Constitutional Mandate by auditing the process that led to a court award arising from a Consent Judgement between the claimants and the Attorney General. The Judge noted that judicial decisions are *resjudicata* and should be respected by all authorities until set aside in accordance with the law.

b) Miscellaneous Application No. 60/2013; Ocip Moses. Odongo Emmy Joe Vs. Auditor General

This is an Appeal filed by the Auditor General against the taxed Bill of Costs amounting to UGX. 6,846,942,230 that was awarded to the claimants in the above suit.

c) Miscellaneous Application No. 015/2015; Auditor General Vs. Ocip Moses & Ors

(Arising from Auditor General's Annual Report for the year ended 30th June 2012 and Special Audit Report, DCG 86/355/01/12)

The Auditor General filed an Application in Court for Stay of Execution of the taxed bill costs award UGX. 6,846,942,230. An interim injunction was successfully granted in favour of the Auditor General to stay payment of the taxed bill of costs pending the hearing of the main Appeal.

d) Constitutional Petition No.7/2014; Justice Murangira Vs Attorney General;

(Arising from the Auditor General's Report for the year ended 30th June 2012)

The Petitioner contends that the Public Accounts Committee acted ultra vires in an attempt to usurp the powers of the Judiciary and finality of Court Judgments.

In the Attorney General's response to the Petition, he agrees with the Petitioner and further contends that the powers of the Auditor General as well in relation to the Courts is only limited to audit of their performance in the use of public funds and does not in any way extend to investigating court judgments and proceedings. Suffice to note the Auditor General is not a party to this Petition. The Petition is pending hearing before the Justices of Appeal.

e) Constitutional Petition No. 15/2015; Magulu & Anor. Vs Attorney General, URA & Allen Kagina.

The Petitioners contend that the Government of Uganda through the Ministry of Finance and the Auditor General failed to supervise the Uganda Revenue Authority and Mrs. Allen Kagina in respect of tax exemptions to local companies contrary to the East African Community Customs Management Act of 2004, Legal Notice No. EAC/10/2007; Customs Procedure Code 450. In his response by Affidavit the Auditor General contends that his mandate is to audit and not supervise public officers. The matter awaits hearing from the Justices of Appeal.

In the same vein the unit offered guidance on Anti-Corruption Court cases filed by the state on recommendations arising from the Auditor General's Special Audits and Forensic Investigation Reports namely;

a) Forensic Investigations into the Irregular Budgeting and Expenditure in lieu of Social Security Contributions by Ministry of Public Service (MoPS) FY 2010/11 and 2011/12.

b) Special Investigations on the Allegations of Impropriety of Pension Funds in MoPS in the year ended 30th June 2012.

These Reports are a subject of Court proceedings currently on going at the Anti-Corruption Court.

The unit is representative and has successfully offered guidance in operational governance committees and subcommittees of the OAG that initiate and deliberate on policy and strategy for efficient and effective management of the office, by offering legal guidance to the following, Top Management Committee, Quality Assurance Committee, Outsourcing Committee, Contracts Committee, Human Resource Advisory Committee, the Infrastructure Committee and any ad hoc committee as assigned by the Auditor General. These committees and sub-committees assist the Auditor General in the performance of his administrative function, control and supervision.

The unit was inspected and approved for operation as a legal chamber by the Law Council for the year ending 2015 and has a staffing level of two (2) practicing advocates of Courts of Judicature.

3.7 Communication and Public Relations

Objective 2 of the OAG Corporate Plan 2011 – 2016 is "To improve the efficiency and

effectiveness of internal and external communication to raise the corporate image of the OAG among the stakeholders”.

The Communications Function therefore seeks to promote effective internal and external communication. In this regard, the function supports the office by ensuring that stakeholders’ information flow is effectively maintained, as required for any effective Supreme Audit Institution (SAI) based on **International Standards of Supreme Audit Institutions** (ISSAI 12) which states that “**the extent to which a SAI is able to make a difference to the lives of citizens depends on the SAI Principle of Communicating effectively with stakeholders**”.

In the FY 2015/16 the Communication and Public Relations Unit planned to finalise with the OAG Corporate Social Responsibility Policy, sensitise OAG Staff on the OAG Communication Policy, procure and disseminate assorted OAG corporate image promotional materials (1,000 Calendars, 700 Shirts, 1,000 Diaries, and 1,000 Christmas cards) to internal and external stakeholders.

The Unit also planned to produce six Bi-Monthly information flyers and the OAG Bulletin, hold a press conference on the Annual Report of the Auditor General for the

year ended 30th June 2015 and participate in one corporate social responsibility event. For the reporting period, the Communications function achieved the following;

3.7.1 External Communication

In order to ensure effective external communication, the Unit with support from the Swedish National Audit Office trained Top Management and branch office heads in media Management in June 2015.

A documentary was also produced by the unit, featuring the Auditor General giving highlights of the key audit findings and was subsequently uploaded on the OAG website (www.oag.go.ug).

The Communications Unit participated in various exhibitions namely; the Accountability Sector Secretariat Exhibition at Soroti Municipality playground on 17th-18th August 2015; Anti-Corruption week exhibitions 2nd and 3rd December 2015 at CHOGM grounds and Oasis Mall; at Anti-Corruption division of High Court on 4th December, to engage stakeholders for feedback to strengthen operations and become more effective.

In addition the Unit actively participated in the anti-corruption activities and facilitated

participation of the Top Management in all media activities during the week. The Unit further developed content for anti-corruption supplements, brochures and speeches.

In order to further enhance the OAG brand, the Unit designed and procured souvenirs for OAG visitors, pull-up stands, tear drops and brochures for the WGEI conference held in Norway. As one of the strategies to create and establish a significant and differentiated presence, the unit is in the process of procuring services to produce a documentary for the office. Two scripts have been prepared and submitted to the

Procurement and Disposal Unit to commence procurement of documentary production services. The unit continues to cover external events in the office and disseminate information to staff through the internal newsletter. It remains a focal integral component in redesigning and maintaining of the OAG Website. Corporate Social Responsibility activities were also facilitated in 10 primary schools of; Nakibuugulya, Nakyaka in Jinja, Bubirabi, Lwangoli in Mbale, Atiira, Apokor in Soroti, Pakwelo, Awach, Lakwatomer in Gulu and Amokoge in Lira.



The chairperson OAG Women's Forum Alice Kembabazi and Principal Auditor Mbale branch Norman Mwebaze handing over sanitary towels to girls at Bubirabi Primary School.

3.7.2 Internal Communication

During the reporting period, the unit disseminated the Communication Policy to all Officers, and continued to improve the Corporate Social responsibility Strategy which is currently awaiting Top Management approval. It also conducted regional visits to ascertain image and communication gaps that informed the work plan for the next year. A communications strategy to streamline both internal and external communication was prepared and submitted for approval.

3.8 Procurement and Disposal Function

This function supports audit services, by providing efficient and effective procurement of needed services. Together with the Contracts Committee, the Procurement and Disposal Unit (PDU) is entrusted with managing the procurement and disposal function.

During the FY 2015/16 the Procurement and Disposal Unit planned to prepare and submit to PPDA and MFPED a consolidated Procurement Plan, 12 Monthly Plans and Progress Reports and the Prequalified list of service providers for the FY 2015/16. It also planned to hold 30 Evaluation and 24 Contract Committee meetings and produce 30 Evaluation Committee Reports and 24

Sets of Contract Committee Minutes. A board of survey for the year ended 30th June 2015 was also planned to be carried out and a report produced. In addition, 8 procurement advertisements will be placed in the media.

During the FY 2015/16 the Procurement and Disposal Unit achieved the following;

In compliance with procurement policies, the Unit prepared and submitted a Consolidated Procurement Plan for the FY 2015/16 to MFPED and PPDA, and nine (9) PPDA monthly reports within the stipulated time frame. The observance of the statutory deadlines has improved the corporate image as far as compliance with procurement laws is concerned.

During the reporting period, 65 contracts were awarded by holding 18 Contracts' Committee and 33 Evaluation Committee meetings respectively. The Contracts Committee considered user departments' submissions and evaluation reports generated by the evaluation committee.

The unit carried out prequalification exercise and the firms/ providers for the provision of goods, services and works for the period covering FYs 2015/2016, 2016/2017 and 2017/2018 were shortlisted. The PDU in

consultation with the Legal Unit, reviewed and renewed framework contracts for repetitive items especially assorted stationery, tonners and cartridges as well as tyres and batteries. This reduced time and resources spent on procurement, lead time for delivering supplies as well as obtaining benefits of scale without incurring the costs of holding stock or paying for a large volume of supplies or Services up-front.

Additionally, the framework contracts have been extended to supply and delivery of office flowers, bottled drinking water and provision of hotel and conference facilities.

In a bid to measure performance, the unit entered data on the PPMS (Procurement Performance Measurement System) which is a data recording system which facilitates assessment of the effectiveness, efficiency and transparency of public procurement system.

Training of PDU staff was undertaken in the areas of Continuous Professional Development and leading Procurement strategy for the head of the Unit and the procurement officer respectively.

4.0 INTERNATIONAL RELATIONS

The OAG has obligation to support and participate in international initiatives, in line with the commitment under INTOSAI. In fulfilment of the commitment, the Office of the Auditor General strengthened its relations with a number of International Organisations and other SAIs through knowledge and experience sharing. Staff from the office (OAG) participated in international conferences and undertook international studies, including visits to relevant organisations and other SAIs to learn and share experiences.

4.1 INTOSAI and IDI

INTOSAI is an organisation of Supreme Audit Institutions (SAIs) for countries who are members of the United Nations. SAI Uganda is a member and participated in a number of INTOSAI/IDI activities. During the year, IDI certified two staff as INTOSAI Compliance audit trainers and one staff was facilitated to participate in training of SAI Somalia as a subject matter expert.

In 2013, SAI Uganda was appointed to Chair the INTOSAI Working Group on Audit of Extractive Industries (WGEI) by INCOSAI XXI 2013 in Beijing China. The main objective of WGEI as a working group is to promote the audit of extractive industries

within the INTOSAI community in order to promote good governance and sustainable development for the UN post 2015 agenda. Under this responsibility, the chair is required to:

- Initiate, plan and coordinate the Working group activities and projects on Extractive Industries
- Facilitate the exchange of information, both internally and externally, by means of modern communication technology. This involves developing and hosting the Website in accordance with the INTOSAI Website and the INTOSAI Communications Policy and in close cooperation with the INTOSAI General Secretariat.
- Coordinate work with other INTOSAI bodies, so as to avoid overlap of activities on matters of common interest.

The Working group membership have grown from 32 to 35 Supreme Audit Institutions and 3 more have expressed interest to join working group.

During the year, the WGEI organised its 2nd international conference in partnership with the National Audit office of Norway in Oslo, Norway between 21st and 23rd September 2015. The following key issues were discussed;

- a) Report on WGEI activities since last meeting
- b) Global update I on the subject of illicit financial flows and international efforts to avoid non-taxation and profit shifting in the Extractive Industries
- c) SAI's value addition - how to conduct a multi-national EI audit
- d) Surveying Extractive Industry risks and potential audits
- e) NORAD Oil for Development Programme.
- f) Sector risk assessment and audit along the value chain
- g) Panel debate - How to ensure, and audit, local content in Extractive Industries' operations
- h) Status of WGEI Community of Practice, available audit tools and resources
- i) The impact of poor governance systems – a comparison of various governance and tax models
- j) Sovereign fund management; legal framework and alternative models
- k) Environmental impact assessments: what are they and how do you audit them?
- l) Production Sharing Agreements (PSA): to publish or not to publish? An introduction to production sharing agreements, examples of how they are used and an analysis of the transparency issue

surrounding them to publish or not to publish.

m) Decommissioning: what are the risks? The Norwegian and South African examples

n) Extractive industries transparency initiative (EITI): what roles can SAIs play in a country's EITI process? Global examples

The conference attracted 33(thirty three) member SAIs from all over the world and 5 (five) observers.



A group photo of the 2nd WGEI meeting in Oslo Norway. 3rd from left Mr John F S Muwanga, the Auditor General SAI Uganda seated next to Mr Per Kristian Foss Auditor General Norway on his left.

The office also participated in 5 related meetings namely: INTOSAI governing board meeting in Abu Dhabi, United Arabs Emirates; Steering Committee of INTOSAI committee on Knowledge sharing and services at USA Gov't Accountability Office; INTOSAI governing board Meeting in Vienna

Austria; INTOSAI Capacity building committee in Lima, Peru; steering committee of INTOSAI committee on knowledge sharing and knowledge services in Cairo, Egypt.

4.2 AFROSAI AND AFROSAI-E

AFROSAI is a continent-wide organisation of Supreme Audit Institutions (SAIs) of Africa and a Regional African continental member of the INTOSAI. Through participating in the programs and events of AFROSAI-E, member SAIs share knowledge, information and experiences on public sector audit issues. The Office of the Auditor General subscribes to and is a member of AFROSAI-E.

A staff from Human Resource Department was accredited by AFROSAI-E to be a regional facilitator of Human Resource Capacity building initiatives and two staff were accredited as INTOSAI (International Organisation of Supreme Audit Integrity) self-assessment model facilitators aimed at corruption prevention within Supreme Audit Institutions. In addition, one staff participated as an AFROSAI-E external reviewer for SAI-Ethiopia aimed at boosting professional audits in the region.

Other staff from the office participated in workshops organised by AFROSAI-E in the following areas; performance audit, audit of extractive industries, quality assurance, technical updates, human resource management and development,

communications, e-learning training and development of training materials, environment audit development workshop and other technical development workshops and meetings.

As required by AFROSAI-E, in order to monitor the progress of compliance with international standards, the office carried out the annual ICBF self-assessment for the year 2014 and the report was submitted to AFROSAI-E on time.

The Office hosted one week audit of extractive industries workshop for six countries in the region financed by GIZ.

4.3 Secondment of staff to support International responsibilities

The office seconded one staff through the Ministry of Public Service (IGAD intervention), to support the National Audit Chamber of the Republic of Southern Sudan. The office also extended secondment of another staff to AFROSAI-E to provide support in Performance Audit Capacity building for a period of two years. These secondments present an opportunity for International exposure (a form of on-job-training) and the experience acquired later benefits OAG when the seconded staff return after their two year term. This is also recognition, on the part of International

community, of SAI Uganda's potential to provide it with quality Manpower.

4.4 International Delegations

SAI Uganda is part of the International SAI Community and greatly participates and benefits from knowledge sharing with other

SAIs. This is done either through participation in International meetings, workshops, seminars, conventions or study visits. During the period, SAI Uganda hosted a delegation of Southern Sudan Parliamentarians for knowledge sharing.



The Auditor General, Mr. John F.S Muwanga with a delegation from the Republic of South Sudan Parliament

4.5 Collaborations with Other SAIs

4.5.1 SAI Norway

The office renewed the Memorandum of Understanding (MoU) with SAI-Norway for the next three years ending 2018 and continued its support on audit of extractive industries and environmental audit. During the reporting period, the office and SAI Norway collaborated in the following areas:

- a) Joint performance audit follow up audit on implementation of public debt
- b) Joint performance audit on petroleum sector implementation of EIAs (Environment Impact Assessments) in the Petroleum Sector
- c) The Production Sharing Agreement (PSA) audits were planned; detailed procedures were developed and incorporated in the overall audit strategy.
- d) Joint PSA desk audits were undertaken, data was reviewed and analysed, and anomalies identified with particular attention to transfer pricing.
- e) A draft PSA audit manual was produced with finalisation scheduled for the coming year.



The Director Central Government 2 and Senior Energy Audit Team with counterparts from Norwegian Audit Office during the collaboration visits at Audit House Kampala

4.5.2 SAI Sweden

The office continued to implement the Memorandum of Understanding with the Swedish National Audit Office (SNAO) to support the Communication Unit, Quality assurance department Records Management, Value for Money Audit (VFM) and Specialised audits. During the reporting period, SNAO supported;

- Value for money audits quality reviews and conducted two week training in efficiency studies at Audit House.
- Two staff to benchmark with SNAO on Capacity building and knowledge exchange in communication and media management.
- The Public relations unit to build capacity of Top Management, branch heads in media Management.



Communication delegation from Sweden Audit Office with the Auditor General and his staff during their Communication training visit

4.5.3 SAI USA

The office has a running fellowship arrangement with SAI of United States of America (USA), which sees SAI Uganda sending staff to Government Audit Office of USA (GAO) for six month-attachments yearly. Since then, seven staff have benefited from this arrangement and 2 staff are scheduled to attend early next year.

4.5.4 SAI India

The office has another fellowship arrangement with the SAI of India, which provides SAI Uganda opportunity to send staff annually to SAI India training institutions, in areas of; environmental audit, information technology audit and performance audit.

During the reporting period, one staff was trained in the audit of Information Technology environment and another in performance audit.

5.0 AUDITOR GENERAL'S ROLE IN THE INTERNATIONAL FORA

5.1 Membership on International Audit Boards

SAI Uganda is a member of the African Union Board of external Auditors together with a team of five SAIs; South Africa, Algeria, Equatorial Guinea and Cape Verde, to audit all African Union activities and projects.

Additionally, SAI Uganda is a member on the Board of External Auditors of East African Community, together with SAI Kenya, Tanzania, Rwanda and Burundi which audit all East African Community activities and projects.

5.2 INTOSAI Working Group on Audit of Extractive Industries

SAI Uganda chairs the Working Group on Audit of Extractive Industries (WGEI) of the International Organisation of Supreme Audit Institutions (INTOSAI). The group was established to coordinate activities of its members both within and outside Uganda.

The aim of the group is to share experience in audit of oil, gas and solid minerals. Other

objectives of the group include coordinating research in extractives, organising international knowledge sharing conferences, producing periodic publications on salient issues within the industry and maintaining the Working Groups' website.

During the reporting period, the National Audit Office of Norway seconded a staff to work as Coordinator Community of Practice to assist and build capacity in WGEI secretariat based in SAI Uganda.

SAI Uganda also participates as a member of INTOSAI Working Group on Environmental Audit and Capacity Building Committee (CBC) of INTOSAI.

5.3 United Nations Independent Audit Advisory Committee (UN-IAAC)

The Auditor General was the Vice Chairperson of the United Nations Independent Audit Advisory Committee (UN-IAAC) until 31st December 2014.

The UN-IAAC is a subsidiary body of the General Assembly of the United Nations (UN) established to serve in an expert advisory capacity to assist the General Assembly of the UN in fulfilling its oversight responsibilities.

During the reporting period, the office attended a workshop on implementation review group of UN Convention against corruption (UNCAC) in Vienna Austria

APPENDICES

Appendix 1: Unaudited financial statements for the Office of the Auditor General for the Financial year ended 30th June 2015.