THE REPUBLIC OF UGANDA

OFFICE OF THE AUDITOR GENERAL

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

CENTRAL GOVERNMENT AND STATUTORY CORPORATIONS

Table Of Contents

LIST OF ACRONYMS AND ABBREVIATIONS

AC	Assistant Commissioner
ACCA	Association of Chartered Certified Accountants
AEC	Atomic Energy Council
AG	Accountant General
AGM	Annual General Meeting
AHPC	Allied Health Professionals Council
AIDS	Acquired Immune Deficiency Syndrome
APLO	Assistant Procurement and Logistics Officer
ART	Anti-Retroviral Therapy
ASYCUDA	Automated System for Customs Data Analysis
ATM	Automated Teller Machine
B.Com	Bachelor of Commerce
BBA	Bachelor of Business Administration
BEL	Bujagali Energy ltd
BFP	Budget Framework Paper
BoQ	Bills of Quantities
BoU	Bank of Uganda
BTC	Belgium Technical Cooperation
BTVET	Business, Technical and Vocational Education Training
CA	Continuous Assessment
CAA	Civil Aviation Authority
CAES	College of Agriculture and Environment Sciences
CAO	Chief Administrative Officer
Cap	Chapter
CBC	Customs Business Centre
CCTV	Close-Circuit Television
CDC	Center for Disease Control
CDO	Cotton Development Organization
CDS	Central Depository System
CEDAT	College of Engineering Design Art and Technology
CEES	College of Education and External Studies
CEMAS	Computerized Education Management and Accounting System

CEO	Chief Executive Officer
CESS	Export Levy
CGV	Chief Government Valuer
CHOGM	Commonwealth Heads of Governments Meeting
CHS	College of Health Sciences
CHUSS	College of Humanities and Social Sciences
CIF	Cost Insurance and Freight
CIID	Criminal Investigation and Intelligence Directorate
CMA	Markets Authority Capital
CME	Chief Mechanical Engineer
COBAMS	College of Business and Management Sciences
COCIS	College of Computing and Information Sciences
COCTU	Coordinating Office for Control Of Trypanosomiasis In Uganda
COHRE	Clinical Operational and Health Services Research
COMESA	Common Market for Eastern & Southern Africa
CONAS	College of Natural Sciences
COSASE	Committee on Commissions, Statutory Authorities and State Enterprises
COSO	Committee of Sponsoring Organisations
COVAB	College of Veterinary Medicine and BioSecurity
CSD	Central Securities Depository
CUFH	China Uganda Friendship Hospital
DADIs	District Assistant Drug Inspectors
DBICs	District Business Information Centres
DCL	Dairy corporation limited
DDA	Dairy Development Authority
DFCU	Development Finance Company Uganda
DHO	District Health Officer
DNs	Delivery Notes
DPP	Directorate of Public Prosecution
DRIC	Divestiture and Reform Implementation Committee
DSCs	District Service Commissions
DT	Domestic Taxes
DTA	Double Taxation Agreement

EAC	East African Community
EACC	East African Community Customs
EACCMA	East African Community Customs Management Act
EALA	East African Legislative Assembly
EARC	East Africa Railways Corporation
EATTFP	East African Trade and Transport Facilitation Project
ED	Executive Director
EFT	Electronic Funds Transfer
EGI	E-Government Infrastructure
EIA	Environmental Impact Assessment
EMS	Express Mail Services
ERA	Electricity Regulatory Authority
ERT	Energy for Rural Transformation
ESAAG	East and Southern African Association of Accountant Generals
ESC	Education Service Commission
ETP	Entrepreneurship Training Program
FAR	Fixed Asset Register
FAR	Financial and Accounting Regulations
FERM-PC	Foreign Exchange Reserve Management –Policy Committee
FIEFOC	Farm Income Enhancement and Forest Conservation
FINMAP	Financial Management and Accountability Programme
FK	Fredkorpset
FOC	Faculty of Commerce
FUFA	Federation of Uganda Football Association
FY	Financial Year
GoU	Government of Uganda
GRN	Goods Received Note
HC	Health Centre
HIO	Health Insurance Organization
HIV	Human Immunodeficiency Virus
HMO	Health Membership Organization
Hon.	Honourable
HR	Human Resource
HSC	Health Service Commission

HTTI	Hotel & Tourism Training Institute
IAC	Internal Audit and Compliance
IAS	International Accounting Standards
ICGR	International Conference for Great Lakes Region
ICT	Information and Communications Technology
IDA	International Development Agency
IFMS	Integrated Financial Management System
IFRS	International Financial Reporting Standards
IICSP	Integrated Intelligent Computer System Project
ILO	International Labour Organization.
IPO	Initial Public Offer
IPSAS	International Public Sector Accounting Standards
IRA	Insurance Regulatory Authority
ISP	Internet Service Provider
IT	Information Technology
ITFC	Institute of Tropical Forest Conservation
ITMCo	Iran Tractor Manufacturing Company
ITSC	Interim Technical Supervisory Committee
IXP	Internet Exchange Point
JBIC	Japan Bank for International Cooperation
JCRC	Joint Clinical Research Center
JLOS	Justice, Law and Order Sector
JMS	Joint Medical stores
KCC	Kampala City Council
KCCA	Kampala Capital City Authority
KCCL	Kasese Cobalt Company Limited
KIBP	Kampala Industrial Business Park
KIU	Kampala International University
KM	Kilometers
KML	Kilembe Mines Limited
KYC	Know your client
KYU	Kyambogo University
L.T.C ward	Lymphoma Treatment Centre
LAA	Administering the Lease and Assignment Agreement

LANs	Local Area Networks
LC	Letter of Credit
LCs	Local Councils
LDC	Law Development Centre
LIST	Lira Service Territory
LPO	Local Purchase Order
LST	Local Service Tax
LSTM	Liverpool School of Tropical Medicine
LTO	Large Tax Payer
M&E/MIS	Monitoring & Evaluation/Management Information System
MAA	Memorandum & Articles of Associations
MAAIF	Ministry of Agriculture Animal Industry and Fisheries.
MALG	Ministries, Agencies and Local Governments
MCCs	Milk Collection Centres
MCP	Managing Compliance Program
MDAs	Ministries, Departments and Agencies
MEACA	Ministry of East African Community Affairs
MEMD	Ministry of Energy and Mineral Development
MI	Micro Insurance
MICT	Ministry of Information and Communications Technology
MKCCAP	Mulago Kampala Capital City Authority Project
MNRH	Mulago National Referral Hospital
MNSL	Mandela National Stadium Limited
MoD	Ministry of Defence
MoES	Ministry of Education and Sports
MoFA	Ministry of Foreign Affairs
MoFPED	Ministry of Finance, Planning and Economic Development
MoGLSD	Ministry of Gender Labour and Social Development
MoGLSD	Ministry of Gender, Labour & Social Development
MoH	Ministry of Health
MoJAC	Ministry of Justice and Constitutional Affairs
MoLG	Ministry of Local Government
MoLHUD	Ministry of Lands, Housing and Urban Development
MoPS	Ministry of Public Service

MoTWA	Ministry of Tourism Wildlife and Antiquities
MoU	Memorandum of Understanding
MoWT	Ministry of Works and Transport
MSC	Micro Finance support Centre
MSI	Millennium Science Initiative
MTAC	Management Training Advisory Committee
MTEF	Medium Term Expenditure Framework
MTIC	Ministry of Trade, Industry and Cooperatives
MTWA	Ministry of Tourism ,Wildlife and Antiquities
MUBS	Makerere University Business School
MUECCA (A)	Makerere University Establishment of Constituent College Order Amended
MUK	Makerere University
MUST	Mbarara University of Science and Technology
MW	Mega Watts
MWE	Ministry of Water and Environment
NACOTHA	National Council of Traditional Healers and Herbalists Association
NAGRC & DB	National Animal Genetic Resources Centre and Databank.
NARC	National Aids Research Committee
NBC	National Bio-safety Committee
NBI	National Backbone Infrastructure
NCAA	Ngorongoro Conservation Area Authority
NCBS	National College of Business Studies
NCC	National Council for Children
NCD	National Council for Disability
NCDC	National Curriculum Development Centre
NCHE	National Council for Higher Education
NCS	National Council of Sports
NCSFVF	New Connections Survey & Field Verification Form
NDA	National Drug Authority
NEC	National Enterprise Corporation
NELSAP	Interconnection of Electrical Grids of Nile Equatorial Lakes Countries
NFA	National Forestry Authority

NGO	Non – Government Organization
NHCCL	National Housing and Construction Company Limited
NHIL	Nile Hotel Institute Limited
NHIS	National Health Insurance Scheme
NIC	National Insurance Corporation
NIP	Nakawa In-Land Port
NISF	National Information Security Framework
NITA-U	National Information Technology Authority Uganda
NLU	National Library of Uganda
NMC	Nurses and Midwives Council
NMS	National Medical Stores
NPL	Non- Performing Loans
NRWL	Nalukolongo Railway Workshop Limited
NSSF	National Social Security Fund
NTC	National Teachers College
NTR	Non Tax Revenue
NWC	National Women's Council
NWSC	National Water and Sewerage Corporation
OAG	Office of the Auditor General
OPD	Out Patients Departments
PAC	Public Accounts Committee
PAYE	Pay As You Earn
PFAA	Public Finance and Accountability Act
PFAR	Public Finance and Accountability Regulation
PIC	Planning Investment Committee
PPDA	Public Procurement & Disposal of Assets
PPS	Private Patients Services
PS	Permanent Secretary
PS/ST	Permanent Secretary/Secretary to the treasury
PSC	Public Service Commission
PSU	Pharmaceutical Society of Uganda
PWD	People With Disability
S.T.C ward	Solid Tumor Centre ward
TAI	Treasury Accounting Instruction

UAC	Uganda AIDS Commission
UBTS	Uganda Blood Transfusion Services
UCI	Uganda Cancer Institute
UGX	Uganda Shillings
UHI	Uganda Heart Institute
ULC	Uganda Land Commission
UNHRO	Uganda National Health Research Organisation
UNICEF	United Nations International Children's Emergency Fund
URA	Uganda Revenue Authority
USD	United States Dollar
WAN	Wide Area Network
WRS	Warehouse Receipt System

SECTION ONE

1.0 INTRODUCTION

I am required by Article 163(3) of the Constitution of the Republic of Uganda and Section 13 and 19 of the National Audit Act 2008 to audit and report 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.

Under Article 163 (4) of the Constitution, I am also required to submit to Parliament by 31st March annually a Report of the Accounts audited by me for the year immediately preceding. I am therefore, issuing this report in accordance with the above provisions.

This is Volume two of my Annual Report to Parliament and it covers financial audits carried out on Central Government Ministries, Departments, Agencies, Universities and Uganda Missions abroad.

In this introduction, I give an overview of the financial audit work carried out, status of completion of the audits, summary of the audit opinions issued on the financial statements of the entities audited and a summary of the key audit findings arising from the audit.

Section 2 presents my findings and audit opinion on Government of Uganda Consolidated Financial Statements including major observations.

Section 3 contains the detailed audit findings on each entity audited.

2.0 STATUS OF COMPLETION OF AUDITS

A total of 109 entities comprising of Ministries, Agencies, Commissions, Departments, Uganda Missions abroad, Public Universities, Referral Hospitals and the Consolidated Government of Uganda Financial Statements, were audited during the year ended 30th June 2015. Accordingly, separate audit reports were issued for each of them.

Out of the 109 entities audited, 85 entities had unqualified opinions, 23 had qualified and 1 had adverse opinion. The basis used to arrive at the audit opinion is described in the separate reports issued on individual entities. The table below summarises the types of audit opinions issued on each of the entities audited:-

No	Entity	Category	Sector	Opinion 2014/15	Opinion 2013/14
1	Education Service Commission	Commission	Education	Unqualified	Unqualified
2	Makerere University Business School	MDA	Education	Unqualified	Unqualified
3	Busitema University	MDA	Education	Unqualified	Unqualified
4	Uganda Management Institute	MDA	Education	Unqualified	Unqualified
5	Makerere University	MDA	Education	Unqualified	Qualified
6	Uganda Prisons	MDA	JLOS	Unqualified	Qualified
7	Uganda Police Force	MDA	JLOS	Unqualified	Unqualified
8	Directorate of Public Prosecutions	MDA	JLOS	Unqualified	Qualified
9	Ministry of Trade Industry and Cooperatives	MDA	Trade and Tourism	Unqualified	Qualified
10	Directorate of Ethics and Integrity	MDA	Accountability	Unqualified	Qualified
11	Gulu University	MDA	Education	Unqualified	Qualified
12	Parliament	MDA	PSM	Unqualified	Unqualified
13	Ministry of Information and Communication Technology	MDA	ICT	Unqualified	Qualified
14	Office Of The President	MDA	Security	Unqualified	Unqualified
15	State House	MDA	Security	Unqualified	Unqualified
16	Ministry Of Defence	MDA	Security	Unqualified	Unqualified
17	Judiciary	MDA	JLOS	Unqualified	Unqualified
18	Uganda Human Rights Commission	Commission	JLOS	Unqualified	Unqualified
19	Uganda Law reform Commission	Commission	JLOS	Unqualified	Unqualified
20	Ministry of Justice and	MDA	JLOS	Unqualified	Qualified

No	Entity	Category	Sector	Opinion 2014/15	Opinion 2013/14
	Constitution Affairs				
21	Judicial Service Commission	Commission	JLOS	Unqualified	Unqualified
22	Ministry of Water and Environment	MDA	Water and Environment	Unqualified	Qualified
23	Atomic Energy Council	MDA	Energy	Unqualified	Unqualified
24	Ministry of Agriculture Animal Industry and Fisheries (MAAIF)	MDA	Agriculture	Unqualified	Unqualified
25	Uganda Road Fund (URF)	MDA	Works	Unqualified	Unqualified
26	Ministry of Works and Transport (MoWT)	MDA	Works	Unqualified	Unqualified
27	Uganda Land Commission (ULC)	Commission	Lands and Housing	Unqualified	Unqualified
28	Ministry of East African Affairs	MDA	Public Sector Admin	Unqualified	Unqualified
29	Ministry of Foreign Affairs	MDA	Public Sector Admin	Unqualified	Qualified
30	Ministry of Energy and Mineral Development	MDA	Energy	Unqualified	Qualified
31	The Electoral Commission	Commission	Public Sector Admin	Unqualified	Qualified
32	The Ministry of Tourism,Wildlife and Antiquities	MDA	Trade and Tourism	Unqualified	Unqualified
33	Ugandan Mission in Bujumbura	MDA	Public Sector Admin	Unqualified	Unqualified
34	Ugandan Mission in Geneva	MDA	Public Sector Admin	Unqualified	Unqualified
35	Ugandan Mission in Juba	MDA	Public Sector Admin	Unqualified	Unqualified
36	Ugandan Mission in Tripoli	MDA	Public Sector Admin	Unqualified	Unqualified
37	Ugandan Mission in Riyadh	MDA	Public Sector Admin	Unqualified	Unqualified
38	Ugandan Mission in Mogadishu	MDA	Public Sector Admin	Unqualified	Unqualified
39	Ugandan Mission in Kinshasha	MDA	Public Sector Admin	Unqualified	Unqualified
40	Ugandan Mission in Abu Dhabi	MDA	Public Sector Admin	Unqualified	Unqualified

No	Entity	Category	Sector	Opinion 2014/15	Opinion 2013/14
41	Ugandan Mission in Beijing	MDA	Public Sector Admin	Unqualified	Unqualified
42	Ugandan Mission in Guanzou	MDA	Public Sector Admin	Unqualified	Unqualified
43	Ugandan Embassy in Tehran	MDA	Public Sector Admin	Unqualified	Unqualified
44	Ugandan Mission in Khartoum	MDA	Public Sector Admin	Unqualified	Qualified
45	Uganda Blood Transfusion Service	MDA	Health	Unqualified	Unqualified
46	Uganda Cancer Institute (UCI)	MDA	Health	Unqualified	Qualified
47	Uganda AIDS Commission (UAC)	Commission	Health	Unqualified	Unqualified
48	Health service commission	Commission	Health	Unqualified	Unqualified
49	Equal Opportunities Commission	SA/SE	Accountability	Unqualified	Unqualified
50	MUNI	MDA	Education	Unqualified	
51	Ministry of Gender, Labour and Social Development	MDA	Social Development	Unqualified	Unqualified
52	Energy Fund	MDA	Energy	Unqualified	
53	Petroleum Fund	MDA	Energy	Unqualified	
54	Kabale Regional Referral Hospital	MDA	Health	Unqualified	Unqualified
55	Mbarara Regional Referral Hospital	MDA	Health	Unqualified	Unqualified
56	Jinja Regional Referral Hospital	MDA	Health	Unqualified	Unqualified
57	Soroti Regional Referral Hospital	MDA	Health	Unqualified	Unqualified
58	Masaka Regional Referral Hospital	MDA	Health	Unqualified	Unqualified
59	Mubende Regional Referral Hospital	MDA	Health	Unqualified	Unqualified
60	Moroto Regional Referral Hospital	MDA	Health	Unqualified	Unqualified
61	Hoima Regional Referral Hospital	MDA	Health	Unqualified	Unqualified
62	Mbarara University of Science and Technology	MDA	Education	Unqualified	Unqualified
63	Uganda High	MDA	Public Sector	Unqualified	Unqualified

No	Entity	Category	Sector	Opinion 2014/15	Opinion 2013/14
	Commission-Abuja		Admin		
64	Uganda Embassy- Addis Ababa	MDA	Public Sector Admin	Unqualified	Unqualified
65	Uganda Embassy- Berlin	MDA	Public Sector Admin	Unqualified	Unqualified
66	Uganda Embassy-Brussels	MDA	Public Sector Admin	Unqualified	Unqualified
67	Uganda Embassy- Cairo	MDA	Public Sector Admin	Unqualified	Unqualified
68	Uganda High Commission-Canberra	MDA	Public Sector Admin	Unqualified	Unqualified
69	Uganda Embassy-Copenhagen	MDA	Public Sector Admin	Unqualified	Unqualified
70	Uganda Embassy-Washington	MDA	Public Sector Admin	Unqualified	Unqualified
71	Uganda Embassy Dar-es-Salaam	MDA	Public Sector Admin	Unqualified	Unqualified
72	Permanent Mission of the Republic of Uganda to UN (New York)	MDA	Public Sector Admin	Unqualified	Unqualified
73	Uganda High Commission Kigali	MDA	Public Sector Admin	Unqualified	Unqualified
74	Uganda High Commission-London	MDA	Public Sector Admin	Unqualified	Unqualified
75	Uganda High Commission-Nairobi	MDA	Public Sector Admin	Unqualified	Unqualified
76	Uganda High Commission-Ottawa	MDA	Public Sector Admin	Unqualified	Unqualified
77	Uganda Embassy- Paris	MDA	Public Sector Admin	Unqualified	Unqualified
78	Uganda High Commission-Pretoria	MDA	Public Sector Admin	Unqualified	Unqualified
79	Uganda Embassy- Rome	MDA	Public Sector Admin	Unqualified	Unqualified
80	Uganda Embassy- Tokyo	MDA	Public Sector Admin	Unqualified	Unqualified
81	Uganda Embassy-Moscow	MDA	Public Sector Admin	Unqualified	Unqualified

No	Entity	Category	Sector	Opinion 2014/15	Opinion 2013/14
82	Uganda Embassy- Ankara	MDA	Public Sector Admin	Unqualified	Unqualified
83	Uganda Embassy- New Delhi	MDA	Public Sector Admin	Unqualified	Unqualified
84	Uganda Registration Service Bureau	MDA	JLOS	Unqualified	Unqualified
85	Kampala Capital City Authority	MDA	PSM	Unqualified	Unqualified
86	Office of the Prime Minister	MDA	PSM	Qualified	Qualified
87	Directorate of Citizenship and Immigration Control	MDA	JLOS	Unqualified	Qualified
88	Ministry of Internal Affairs	MDA	JLOS	Qualified	Qualified
89	Ministry of Finance Planning and Economic Development	MDA	Accountability	Qualified	Unqualified
90	Kyambogo University	MDA	Education	Qualified	Qualified
91	Ministry of Education and Sports	MDA	Education	Qualified	Qualified
92	Local Government Finance Commission	Commission	PSM	Qualified	Qualified
93	Public Service Commission	Commission	PSM	Qualified	Qualified
94	Uganda Heart Institute	MDA	Health	Qualified	Unqualified
95	Mulago NRH	MDA	Health	Qualified	Unqualified
96	Ministry of health	MDA	Health	Qualified	Qualified
97	Butabika NMRH	MDA	Health	Qualified	Unqualified
98	China – Uganda Friendship Hospital – Naguru	MDA	Health	Qualified	Qualified
99	Uganda Management institute	MDA	Education	Qualified	Unqualified
100	Ministry of Lands Housing and Urban Development (MoLHUD)	MDA	Lands and Housing	Qualified	Qualified

No	Entity	Category	Sector	Opinion 2014/15	Opinion 2013/14
101	Mbale Regional Referral Hospital	MDA	Health	Qualified	Unqualified
102	Fort Portal Regional Referral Hospital	MDA	Health	Qualified	Unqualified
103	Consolidated Fund	MDA	Accountability	Qualified	Qualified
104	Treasury Operations	MDA	Accountability	Qualified	Qualified
105	Uganda National Roads Authority	MDA	Works	Qualified	Qualified
106	Uganda Embassy-Kualalumpur	MDA	Public Sector Admin	Qualified	Qualified
107	Ministry of Public Service	MDA	PSM	Qualified	Qualified
108	National Agricultural Advisory Services	MDA	Agriculutre	Qualified	Qualified
109	Ministry of Local Government	MDA	PSM	Adverse	Qualified

The table and graphs below provide a breakdown of the types of opinions issued:-

	2010	2011	2012	2013	2014	2015
Unqualified	40%	59%	45%	58%	70%	79%
Qualified	57%	40%	47%	38%	30%	20%
Disclaimer	3%	1%	7%	4%	0%	0%
Adverse	0%	0%	1%	0%	0%	1%

Figure showing the types of opinions issued for 2014/2015:-

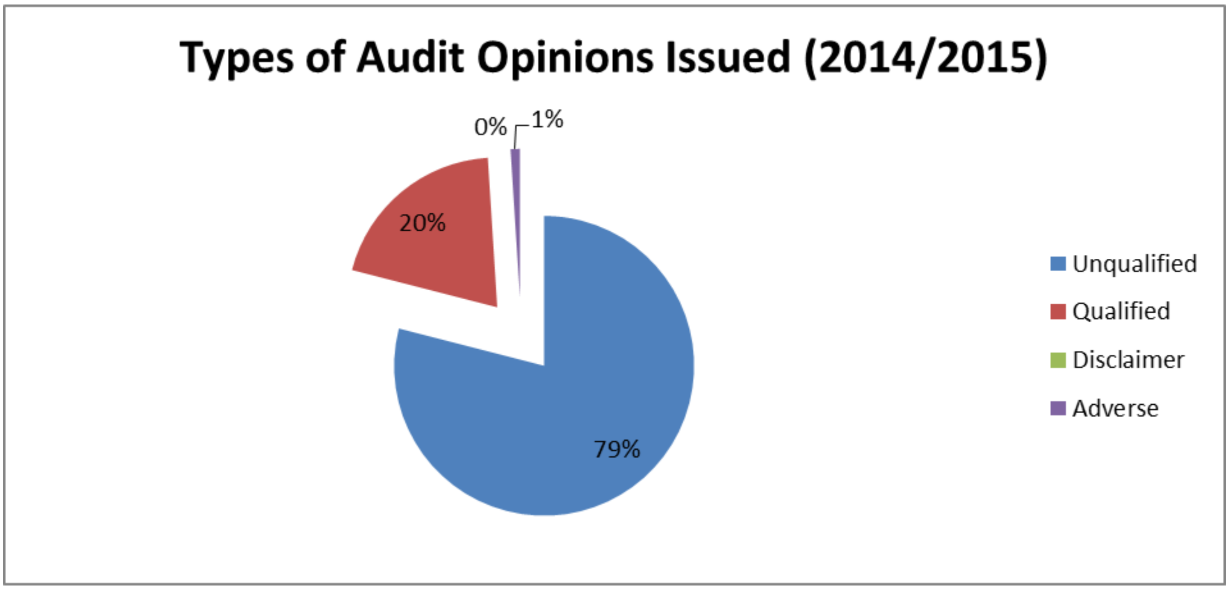


Figure showing Trends of Types of Opinions Issued since 30th June 2010:-

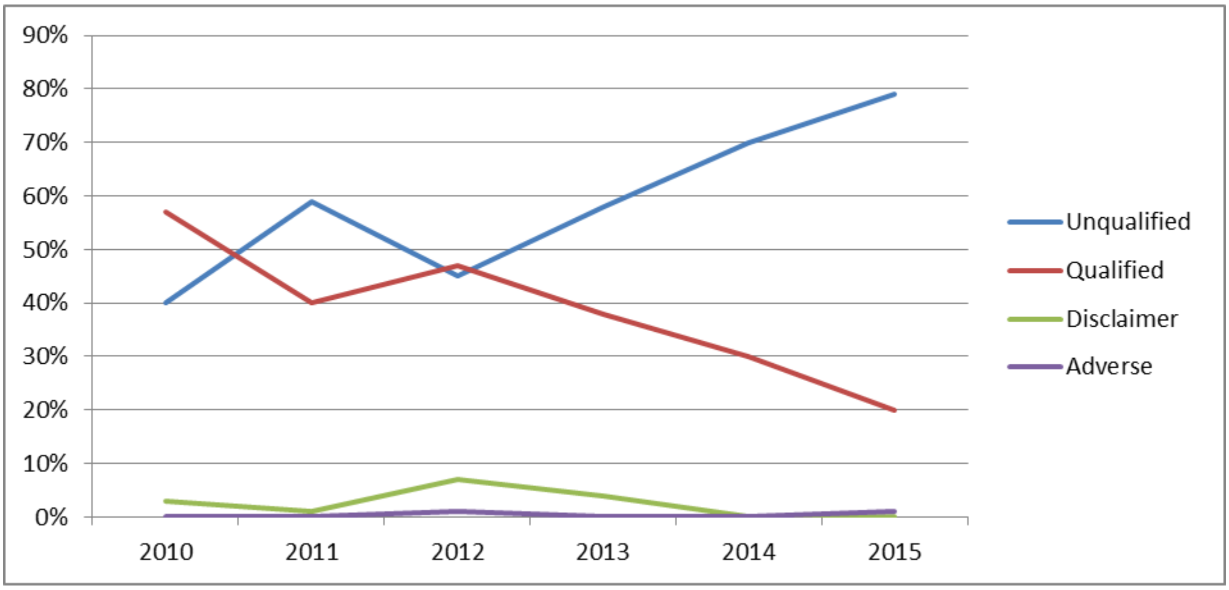
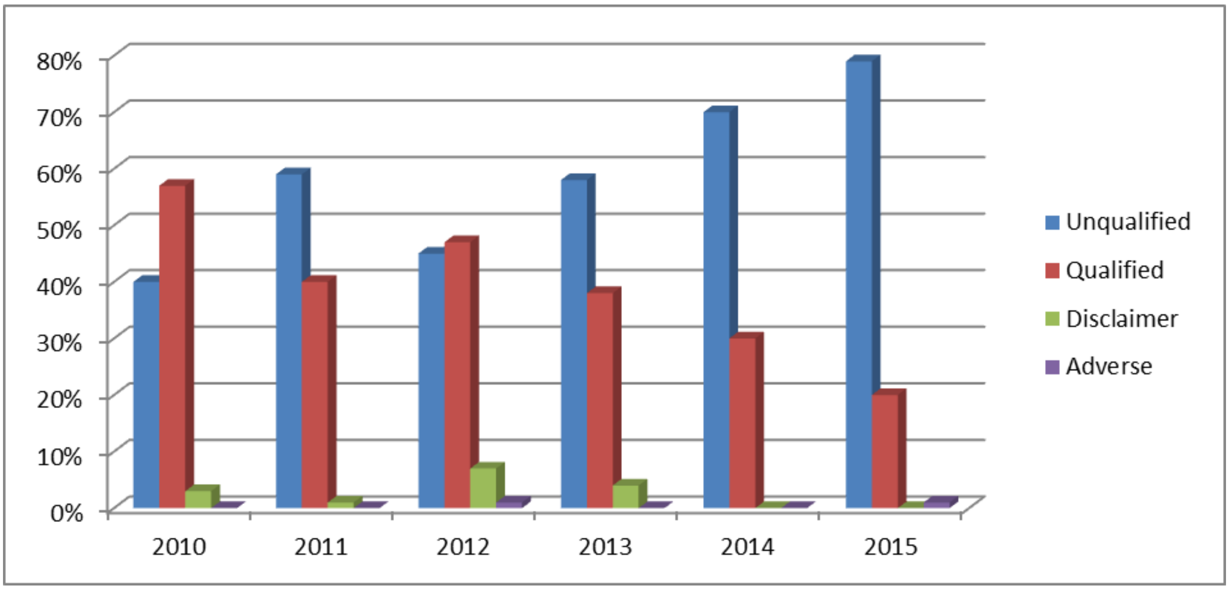


Figure showing comparision of types of opinions issued since 30th June 2010:-



2.1 RISK PROFILING OF AUDIT OBSERVATIONS

For the previous years the Office of the Auditor General has been producing three (3) Volumes on financial audits i.e. Central Government, Statutory Corporations and Local Government. These volumes contained all the findings in the various entities of government and as such were bulky. This had a drawback in terms of time taken to discuss the issues contained therein and also prioritizing on which issues Parliament should take time to discuss with the various Accounting Officers.

In order to the address the above drawbacks, the OAG developed a risk profiling guidelines that enabled selection of only issues of high significance to be included on the OAG report and accordingly discussed by the Accountability Committees of Parliament.

At the highest level, the table below shows the selection criteria for issues which have been forwarded to Parliament.

No	Category	Description
1	High significance	*a significant / material impact, has a high likelihood of reoccurrence, and in the opinion of the Auditor General, it requires urgent remedial action. It is a matter of high risk or high stakeholder interest.*
2	Moderate significance	*a moderate impact, has a likelihood of reoccurrence, and in the*

		opinion of the Auditor General, it requires remedial action. It is a matter of medium risk or moderate stakeholder interest.
3	Low significance	*a low impact, has a remote likelihood of reoccurrence, and in the opinion of the Auditor General, may not require much attention, though its remediation may add value to the entity. It is a matter of low risk or low stakeholder interest.*

From the table above, issues that fell in the category of high significance are those that are contained in my report to Parliament this year. However, all the findings including the moderate and low have been included in the individual entity reports.

2.2 KEY FINDINGS CENTRAL GOVERNMENT

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.

A.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 the avoidable expenditure.

A.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, 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.

A.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. Lack 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. These include 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.

A.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.

A.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 time. The delayed payments led to penalties in interest and other related charges. There is need for deliberate action to settle this amount by Government.

A.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 and 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 prioritizes this area to ensure effective Government participation in International organization activities.

A.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 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, with a capacity of 118 MW, government continues to pay capacity charges amounting to approximately UGX.68bn annually for the last two financial years, through UETCL, yet they are only contributing 7 MW power to the grid. One of the thermal plants is supposed to be taken over by government on expiry of the contract.

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 resources.

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.

A.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.

A.9 Understocking 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.

A.10 Construction of Kampala-Entebbe expressway

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 was 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.

A.11 Duplication of consultancy services for Kampala-Entebbe expressway

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.

A.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.

A.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.

A.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.

A.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.

A.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.

A.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.

A.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.

A.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.

A.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.

A.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.

A.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.

A.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.

A.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.

B. GENERAL FINDINGS

B.1 Delayed Contracts

It was observed that a number of Governments contracts/projects totalling to UGX. 87,451,449,288 that had been ongoing or were started during the financial year lagged behind schedule or demonstrated signs of failure. A number of these contracts/projects had exceeded their completion dates while others had been abandoned. The delays were between 2 months and 6 years. The delays in contract execution were attributed to insufficient funding and inadequate supervision of contract implementation by the responsible entities. This may have resulted increased contract costs to Government and failure to achieve the intended objectives of the procurements/contracts. Table 1 below refers.

Table 2: Delayed contracts

Name of Entity	Name of Contractor	Particulars of project / Contract	Contract Amount (UGX)	Start Date	Completion date
Office Of the Prime Minister	Aswangah Construction Services Limited	Nalutuntu Health Centre 1V- Mubende	681,900,266	09/03/2014	03/02/2015
Office Of the Prime Minister	Africon Construction (U) Ltd	Construction of Provisional Relief Stores in Namanve.	745,296,585	08/01/2014	31/12/2014
Office Of the Prime Minister	YOVEL Logistics Limited.	Construction of Education Infrastructure in Karamoja	546,422,188	09/10/2014	09/09/2015
Office Of the Prime Minister	PEKASA Enterprises ltd.	Construction of Butaleja Warehouse	697,091,416	20/01/2015	10/07/2015
NUSAF II		Construction of staff house at Nabuyoga P/S	73,206,055	05/01/2014	01/12/2014
NUSAF II		Construction of staff house at Kiyeyi Primary School	74,206,055	01/06/2014	01/12/2014
NUSAF II		Construction of staff house at Aputiri Primary School	67,790,184	20/2/2013	20/12/2013
Office Of The President	MEGGER TECHINICAL SERVICES LTD	Construction of the RDC's office in Abim District	661,828,731	02/01/2012	30/12/2012
Office Of The President	Pearl shelter promoters Co.Ltd	Construction of the RDC's office in Otuke District	605,221,056	21/3/ 2012	30/12/2013

Office Of The President	DELUX ALMINIUM SYSTEMS	Construction of the RDC's office in Butalejja District	638,791,601	02/01/2013	30/12/2014
Ministry Of Defence		Construction of a maintenance workshop at Moi Brigade headquarters, Nakasongola	1,507,894,518	02/01/2013	30/12/2014
Ministry Of Defence	M/S Roester Construction Corporation Ltd	Construction of priority works at SOFAAD training school	5,981,499,609	03/01/2013	30/12/2014
Ministry Of Defence		Operationalization of Water Bottling Plant at Kakiri	560,756,632	04/01/2013	30/12/2014
Directorate of Citizenship and Immigration Control	Nabco Enterprises (U) Ltd	Construction of Eregu/ Atiak Border post at Atiak along Uganda-Sudan border.	93,124,504	29/10/2008	23/1/2009.
Ministry of Internal Affairs	M/s Nabco Enterprises (U) Ltd	Construction of a Regional Laboratory in Gulu.	436,445,468	28/1/2008	30/6/2008
Ministry Of Defence		Construction of a maintenance workshop at Moi Brigade headquarters, Nakasongola	1,507,894,518	02/01/2014	30/6/2014
Ministry Of Defence	M/S Roester Construction Corporation Ltd	Construction of priority works at SOFAAD training school	5,981,499,609	02/01/2014	30/6/2014
Ministry Of Defence		Operationalization of Water Bottling Plant at Kakiri	560,756,632	02/01/2014	30/6/2014
Ministry of Local Government/CAIIP II	Saahib Enterprises Ltd Contract	Gulu District. Hima-Pida Pageya. Sub-county: Lakwana Contractor:	443,667,315	20/09/2012	20/03/2013
Ministry of Local Government/CAIIP II	Agro General Builders & Carpentry (U) Ltd	Jinja District. Budondo Sub-county, Wagoina-Namizi west (4.4 km)	126,427,035	06/06/2015	06/03/2015
Ministry of Local Government/CAIIP II	Nambale Enterprises Ltd	Bukedea District. Kolir Sub-county. Kolir HC III-Kagolot-Acomai-Kamutur (11.7 km)	353,517,150	07/05/2015	07/11/2015
Ministry of Local Government/CAIIP II	Wao (U) Ltd	Kumi District. Ongino sub county. Ongino Oseera (10.0 km)	290,403,225	02/05/2015	02/11/2015
Ministry of Local Government/CAIIP II	Spider Contractors Ltd	Katakwi District. Ngariam Subcounty. Ocwiin-Akore-Security (17.0 km)	400,226,883	20/01/2015	20/05/2015

Ministry of Local Government/CAIIP II	Emmaus General Workshop	Amuria District. Kapelebyong sub county. Kapelebyong-Okungur (14.4 km)	287,856,870	20/01/2015	20/05/2015
Ministry of Local Government/CAIIP II	Lina Construction Ltd	Gulu District. LujorAwinyi-Atyang (10.0 km). Lakwana sub county	409,502,823	19/05/2015	19/11/2015
Ministry of Local Government/CAIIP II	Pehan Construction Ltd	Kitgum District. Lagoro sub county. Lalano Central-Aloto PS (10.0 km)	224,440,650	19/05/2015	19/11/2015
Ministry of Local Government/CAIIP II	Kol Services Ltd	Kitgum District. Orom sub county. Akilok-Lucom (14.8 km)	832,512,420	20/01/2015	20/05/2015
Ministry of Local Government/CAIIP II	Kol Services Ltd	Kitgum District. Orom sub county. Kona Pire-Lucomo P/s	244,917,407	19/05/2015	19/11/2015
Ministry of Local Government/CAIIP II	RMK Uganda Ltd	Lamwo District. Padibe east Sub-county. Katum Central-Katum West (6.5 km)	501,225,200	25/04/2015	25/10/2015
Ministry of Local Government/CAIIP II	RMK Uganda Ltd	Lamwo District. Paloga Subcounty. Lamojong-Larobi (11.0 km)	631,058,575	25/04/2015	25/10/2015
Ministry of Local Government/CAIIP III	Nippon Parts (U) Ltd	Ntoroko District Lot 52- Bweramule Sub county – Rwamabale – Bweramule Road 18.3 Km. ADB funded	3,993,285,513	28/1/15	28/7/15
Ministry of Local Government/CAIIP III	Nippon Parts (U) Ltd	Kasese District. Lot 42- Kilembe Sub county- Mbuga-NyakazingaKalongo H/C- Kalongo T/C road – 18.5 Km. ADB funded	2,286,555,075	01/03/2015	07/03/2015
Ministry of Local Government/CAIIP III	Semeo Enterprises Ltd	Kabarole District. Lot 48- Kisomoro Sub county	987,562,625	21/5/14	21/11/14
Ministry of Local Government/CAIIP III	Pekasa Enterprises Ltd	Kabarole District. Lot 46:	564,420,150	22/5/2015	22/11/2014
Ministry of Local Government/CAIIP III	M/S Networld (U) Ltd	Mitooma District. Lot 15, Katenga Sub county.	1,227,983,591	20/1/2015	20/7/2015
Ministry of Local Government/CAIIP III	M/S Networld (U) Ltd	Mitooma District. Lot 16 Mayanga	1,522,300,678	20/1/2015	20/7/2015

Ministry of Local Government/CAIIP III	Ms Lina Constructions Ltd	Mitooma District – IDB. Lot 14	622,642,197	20/1/2015	20/7/2015
Ministry of Local Government/CAIIP III	Ambitious Construction Co.	Bundibugyo District. Lot 51.	1,544,314,249	01/02/2015	2/7/2015
Ministry of Education and Sports ADB IV	Various contractors	Construction of 12 new seed secondary schools, expansion of 15 secondary schools, rehabilitation of 42 centres of excellence and 2 BTVET Institutions	45,774,270,621	09/01/2013	30/9/2014
Ministry of Education and Sports		Expansion of Dining Hall	239,601,642	12/01/2014	30/6/2015
KCCA		Reconstruction of Mbogo Road	2,521,131,767	25/5/2013	29/11/2013
GRAND TOTAL			**87,451,449,288**		

B.2 Mischarged Expenditure

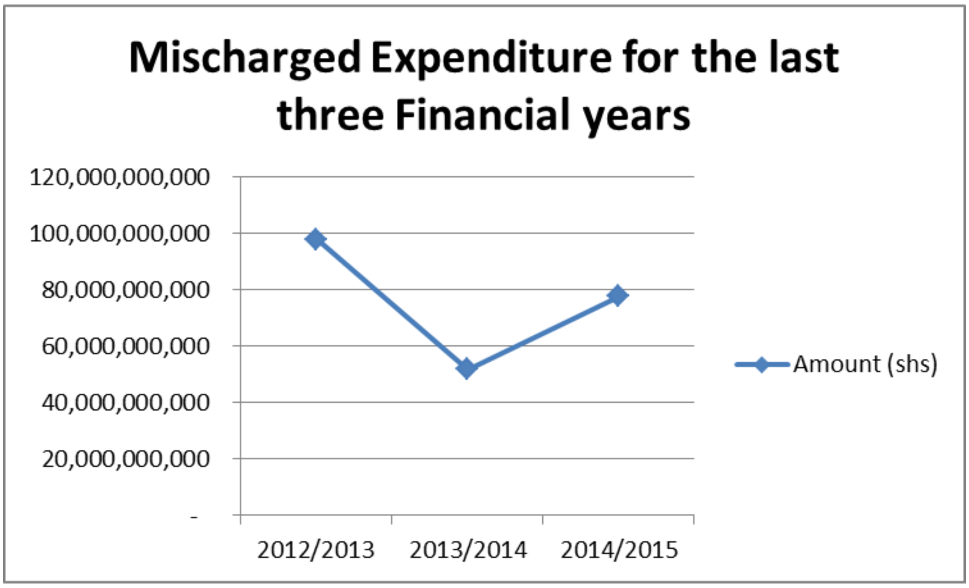
Expenditures from various entities totaling to UGX. 83,528,574,008 were charged on item codes which do not reflect the nature of the expenditure. Such a practice impacts on the credibility of the financial statements, since the figures reported therein do not reflect true amounts expended on the affected expenditure items. I noted an increase in mischarge from last year's figure of UGX. 51,728,901,102 in 2013/2014 to UGX. 83,528,574,008 in 2014/15. There is need for Accounting Officers to enforce strict adherence to the provisions regarding reallocation of funds. Tables 2 and 3 below refer.

Table 2: Mischarged Expenditure

Entity	Mischarged Expenditure 2014/2015
Ministry of Local Government	12,086,792,676
Parliamentary Commission	5,920,736,510
Office of the Prime Minister	4,611,211,067
Local Government Finance Commission (LGFC)	256,125,970
Ministry of Information and Communication Technology	125,916,873
Public Service Commission	689,678,544
Judicial Service Commission	34,227,104
Uganda Prison Services	66,000,000
Uganda Police Force	148,058,104
Directorate of Public Prosecutions	235,645,707

Ministry of Public Service	14,657,510,377
Ministry of Internal Affairs	398,070,732
Directorate of Citizenship and Immigration Control	1,273,346,799
Uganda Cancer Institute	54,829,686
Ministry of Health	231,429,274
Mulago NRH	570,405,506
Butabika NMRH	114,382,051
Ministry of Agriculture Animal Industry and Fisheries	379,633,600
Ministry of Lands, Housing and Urban Development	319,793,166
Ministry of Works And Transport	157,861,512
Uganda Land Commission	193,235,549
Ministry of Finance Planning and Economic Development	515,586,527
Directorate of Ethics and Integrity	67,769,200
Kyambogo University	146,286,272
Ministry of Education and Sports	3,399,286,780
Makerere University Kampala	115,883,144
Ministry of Minerals and Energy Development	787,474,716
Electoral Commission	515,440,000
Uganda National Roads Authority	29,542,978,953
National Agricultural Advisory Services	5,912,977,609
TOTAL	**83,528,574,008**

Graph1: Trend of Mischarge



B.3 Unaccounted for Funds

A total of UGX. 80,336,491,207 inform of advances to staff, payments to service providers, cash withdrawals, imprest, remittances to Districts, borrowings for carrying out activities in various entities remained unaccounted for by the end of the financial year contrary to the Public Finance Management Act 2015. **Table 3 below refers.** Delays in accounting for funds may encourage falsification of documents.

Table 3: Unaccounted for Funds

Entity	Outstanding administrative Advances	Incompletely vouched expenditure	Total
Ministry of Local Government	3,827,011,454	602,901,365	4,429,912,819
Parliamentary Commission	0	27,401,000	27,401,000
Local Government Finance Commission	0	168,333,000	0
Uganda Lands Commission	9,996,125	61,162,892	71,159,017
Makerere University Business School	19,423,976	0	19,423,976
Busitema University	65,066,577	0	65,066,577
Muni University	19,579,075	0	19,579,075
Makerere University Kampala	511,171,395	0	511,171,395
Ministry of Energy Minerals and Development	0	188,239,500	188,239,500
Northern Uganda Social Action Fund 2	5,174,100,305	0	5,174,100,305
District Commercial Officers Services Support Project	458,400,000	0	458,400,000
APL I – Ministry of Education and Sports	5,552,114,659	0	5,552,114,659
Uganda Sanitation Fund Project	274,961,905	0	274,961,905
Kampala Capital City Authority	20,226,786	0	20,226,786
Uganda National Roads Authority	47,738,040,619	167,803,625	47,905,844,244
National Agricultral Advisory Services	3,803,688,639	11,815,201,310	15,618,889,949
TOTAL	**67,473,781,515**	**13,031,042,692**	**80,336,491,207**

B.4 Non-Compliance with Income Tax Act

During the year under review, seventeen MDAs did not comply with The Income Tax Act 1997 (as amended) in respect to taxes amounting to UGX.9,503,156,971 and USD. 1,358,070. The non-compliance was due to non-deduction of taxes worth UGX.2,193,568,652 and non-remittance of tax worth UGX 7,021,037,238 and USD 1,358,070. **Table 4 refers.**

The failure to deduct and remit taxes directly impacts on collections by the Uganda Revenue Authority. I advised Accounting Officers to comply with the tax law.

Table 4: Non-deduction and Non-remittance of Taxes

S/N	Entity	Non Deduction of Taxes	Non Remittance of Taxes (UGX)	Non Remittance of Taxes (USD)
1	Ministry of Local Government	121,521,220	-	
2	Ministry of Local Government-CAIIP 1	75,562,770		
3	Ministry of Local Government-CAIIP 1I	1,425,446,994		
4	Ministry of Local Government-CAIIP 1II	3,779,479		
5	Ministry of Local Government-DLSP		1,402,225,167	
6	Office of the Prime Minister	326,988,820	-	
7	Local Government Finance Commission	31,861,439	-	
8	Ministry of Information and Communication Technology	15,657,469	-	
9	Public Service Commission		29,372,544	
10	Office Of The President		494,720,625	
11	Directorate of Public Prosecution	103,910,812	-	
12	Ministry of Water	79,896,660		
13	Water and Sanitation Development Facility-Central (WSDF-C)		112,407,541	
14	Water and Sanitation Development Facility-Central (WSDF-C)		62,589,580	
15	Water and Sanitation Development Facility-South West (WSDF-SW)		2,887,064,477	

16	African Development Bank V		209,335,501	
17	Nyabyeya Forestry College		9,398,240	
18	China – Uganda Friendship Hospital – Naguru		43,611,027	
19	Uganda Management Institute	4,280,465	1,185,688,797	
20	Directorate of Ethics and Integrity	4,662,524		
21	Makerere University Business School		384,984,600	
22	Ministry of Education and Sports(UBTEB)		199,639,139	
23	PU - Operations	-	249,660,071	
24	District Commercial Officers Services Support Services Project	-	1,376,010	
25	Improvement of health service delivery in Mulago hospital in the city of Kampala project (MKCCA)			1,358,070
26	Atomic Energy Council	37,515,000		
	TOTAL	**2,231,083,652**	**7,272,073,319**	**1,358,070**

B.5 Outstanding Commitments

It was noted that a number of government entities have continued to enter into commitments beyond the available funds. This is contrary to the commitment control system which requires the accounting officer to commit Government within the provided funds.

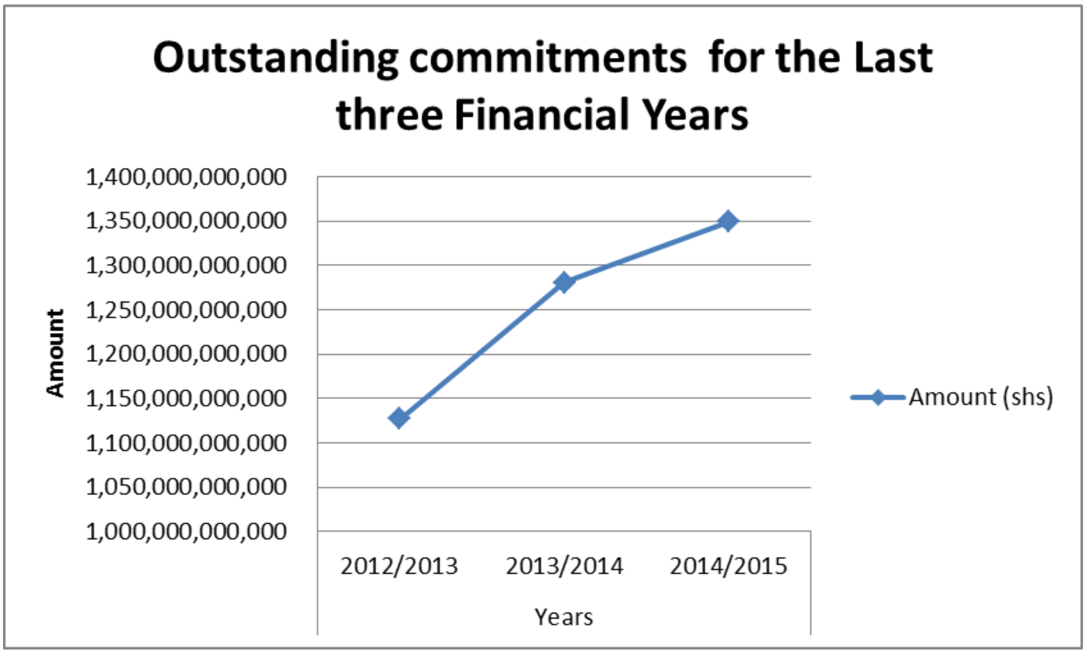
The total amount of domestic arrears increased during the year from UGX.1,280,336,143,330 in 2013/2014 to UGX.1,349,261,370,583 in 2014/2015 as illustrated in the table 7 and graph below:-

Table 5: Domestic arrears for the last three years

S.NO	ENTITY	AMOUNT (UGX)
1	Ministry of Local Government	26,711,424
2	Office of the Prime Minister	86,484,721
3	Ministry of Information and Communication Technology	2,004,957,760
4	Public Service Commission	53,870,300

5	Office of The President	25,941,711,653
6	State House	1,934,490,635
7	Ministry of Defence	55,267,501,370
8	Judiciary	11,078,077,354
9	Uganda Law reform Commission	320,733,433
10	Ministry of Justice and Constitution Affairs	479,261,494,066
11	Uganda Prisons	35,242,239,339
12	Uganda Police Force	16,454,307,782
13	Ministry of Internal Affairs	1,525,960,626
14	Directorate of Citizenship and Immigration	79,856,210,631
15	Amnesty Commission	263,848,289
16	Nyabyeya Forestry College	50,186,001
17	Ministry of health	10,760,867,661
18	Uganda Virus research institute	4,141,674,611
19	Butabika NMRH	37,048,529
20	Busitema	3,305,042,690
21	Ministry of Gender, Labour and Social Development	3,726,312,583
22	Min of Lands	10,037,471,151
23	Uganda Road Fund	1,124,563,846
24	Uganda Land Commission	7,162,227,073
25	Gulu University	1,862,359,408
26	Busitema University	3,305,042,690
27	Kyambogo University	13,633,166,260
28	Uganda Management Institute	4,308,336,790
29	Makerere University	51,704,481,942
30	Ministry of Energy and Mineral Development	840,898,286
31	Office of The President	808,879,395
32	Ministry of Water	28,359,188,713
33	Water and Sanitation Development Facility-South Western	1,454,000,000
34	Ministry of Public service	200,252,608,998
35	Uganda Registration Service Bureau	17,526,195,243
36	Kampala Capital City Authority	36,070,594,330
37	Uganda National Roads Authority	239,445,625,000
38	Atomic Energy Council	26,000,000
	TOTAL	**1,349,261,370,583**

Graph 2: Outstanding Commitments



B.6 Budget performance-Budget shortfall

I noted that 21 entities budgeted to receive UGX. 2,272,017,747,273, out of which UGX. 1,481,698,945,173 was received translating into a 65% out-turn for the financial year. This left a funding gap of UGX. 790,318,802,100 (35%). Details are in the table 8 below: Failure to release the budgeted funds to the Entities affected implementation of the planned activities which affects fulfillment of their mandates in the long run.

I advised Accounting Officers to take up this matter with the relevant authorities to ensure all the budgeted funds are released so as to accomplish planned activities.

Table 8 Budget shortfall

No.	Entity	Revised Budget	Actual Releases	Variance/ Shortfall	Percentage
1	Ministry of Energy and Mineral development	1,299,640,260,812	646,389,594,855	653,250,665,957	50%
2	NUSAF 2	74,300,497,590	39,119,771,855	35,180,725,735	47%
3	JLOS/SWAP PROJECT	52,699,149,068	35,570,796,258	17,128,352,810	33%
4	BMAU	1,125,000,000	826,020,101	298,979,899	27%

5	Ministry of Information Communication and Technology	10,456,309,000	7,912,518,675	2,543,790,325	24%
6	Ministry of Lands, Housing And Urban Development	22,965,187,374	18,049,538,096	4,915,649,278	21%
7	China – Uganda Friendship Hospital – Naguru	5,413,628,891	4,528,632,262	884,996,629	16%
8	Ministry of health	55,017,135,368	46,747,991,915	8,269,143,453	15%
9	Uganda Land Commission	38,288,811,000	33,938,575,314	4,350,235,686	11%
10	Ministry Of Local Government	34,434,116,987	30,557,445,781	3,876,671,206	11%
11	CAIIP 2	47,905,083,921	45,210,034,803	2,695,049,118	6%
12	CAIIP 3	66,990,234,473	51,810,082,041	15,180,152,432	23%
13	Ministry of Water & Environment	185,587,393,942	169,233,787,522	16,353,606,420	9%
14	Health service commission	4,782,323,971	4,369,799,540	412,524,431	9%
15	Ministry of Trade	23,599,148,987	21,583,785,104	2,015,363,883	9%
16	Ministry of Works And Transport	103,193,294,972	95,229,558,460	7,963,736,512	8%
17	Uganda Heart Institute	12,092,930,264	11,240,114,286	852,815,978	7%
18	Amnesty Commission	2,482,734,000	2,308,589,848	174,144,152	7%
19	Public Service Commission	6,086,163,181	5,694,834,170	391,329,011	6%
20	Ministry of Education and Sports	209,589,967,912	197,019,268,485	12,570,699,427	6%
21	Uganda Registration Service Bureau	15,368,375,560	14,358,205,802	1,010,169,758	7%
	GRAND TOTAL	**2,272,017,747,273**	**1,481,698,945,173**	**790,318,802,100**	**35%**

B.7 Wasteful/ Nugatory Expenditure

Good practice requires Accounting Officers to reduce cases of apparent waste, extravagant administration or failure to achieve value for money due to management's laxity in the conduct of operations. However, I noted wasteful expenditure to the tune of UGX 26,115,088,043. These arose as a result of interest on late payments, parking fees for grounded vehicles, breach of contracts, litigation costs among others. Table 9 below refers. This affected the implementation of activities in the entities and on the overall service delivery.

I advised management to adhere to the contract arrangements with a view of avoiding such expenses.

Table 9 Wasteful/Nugatory Expenditure

S/N	ENTITY	Particulars	Amount (UGX)
1	Ministry of Local Government	Parking fees	41,435,800
2	Office of The President	Out of the Forty (40) Accounting Officers scheduled to attend a retreat only 23 attended resulting in 12 Accounting Officers who did not attend to cause an un-utilised and not refunded amount of UGX.10,258,920.	10,258,920
3	Ministry of Defence	A contract to extract and distribute water to the barracks at Mburamaizi from River Kiruruma was not accomplished as the water project is not in operation'	326,948,553
4	Ministry Of Defence	Bwera Water Supply Contract.The contractor had stopped the works because the contract had been cancelled.	202,250,000
5	Ministry of Water & Environment	Breach of Contract on Bwizibwera Town Water Supply Systems	1,420,396,559
6	Ministry of Water & Environment	Compensation to KOL-CMIC Joint Venture as costs of stoppage on works at Nabweya Gravity Flow Scheme	513,086,540
7	Ministry of Water & Environment	Delays in payment to the contractor on construction of Lirima Gravity Flow Scheme	93,466,737

S/N	ENTITY	Particulars	Amount (UGX)
8	Ministry of Agriculture Animal Industry and Fisheries	Interest Paid to a Construction Company on the outstanding balance for rehabilitating the following dams; Rwenjubu, Makukulu, Lyantonde and Dyangoma dams.	12,607,509,024
9	Uganda Land Commission	Legal fees paid to legal representatives to unblock the garnishee which was placed on the Commission bank account.	50,000,000
10	Uganda National Roads Authority	Unwarranted arbitration awards arising from poor management of the contract, interest on delayed payments, unwarranted legal fees and unwarranted expenditure for due diligence.	8,044,936,050
11	Ministry of Agriculture, Animal Industry And Fisheries	Interest payment to a construction company for works on Atar and Wangwoko dams. USD 367,039.49	1,284,638,215
12	Ministry of Agriculture, Animal Industry And Fisheries	Failure to charge liquidated damages on construction of a fish landing facility at Kiyindi and Lwampanga landing sites.	1,200,042,088
13	Ministry of Finance, Planning And Economic Development	Interest payment on outstanding VAT obligations for BIDCO.	168,747,557
14	Kampala Capital City Authority	Cancellation of contract due to lack of funds	151,372,000
	TOTAL		**26,115,088,043**

B.8 Advances to Staff Personal Accounts

A number of Accounting Officers advanced a total sum of UGX.12,740,444,720 to their staff, through their individual personal accounts. **Table 10 below refers**. I noted an increase of 6% as compared to the previous year amount of UGX.12,014,225,502. Out of these funds, a sum of UGX. 4,057,059,804 remained unaccounted for.

I advised the Accounting Officers to avoid the practice as it is contrary to regulations, highly risky and exposes government funds to loss since accounting officers have no control over individual's bank accounts. Management was advised to adhere to the regulations.

Table 10 Advances to Staff Personal Accounts

No.	Entity	Amount advanced (UGX)	Amount accounted for (UGX)	Amount unaccounted for
1	Ministry of Local Government	10,460,426,784	6,633,415,330	3,827,011,454
2	Directorate of Public Prosecution	403,708,657	403,708,657	0
3	Mulago National Referral Hospital	1,100,300,050	870,251,700	230,048,350
4	Makerere University	776,009,229	776,009,229	0
	GRAND TOTAL	**12,740,444,720**	**8,683,384,916**	**4,057,059,804**

B.9 Irregularities in Procurements

I noted that a number of entities conducted procurements worth UGX. 197,634,523,585 and US$.3,504,698 in violation of the provisions of the procurement law and its regulations. **Table 11 below refers**. The violations were mainly in form of delays, un-planned procurements, use of non-prequalified suppliers, un-accomplished procurements, un-authorized direct procurements, non-delivery and insufficient procurement records.

I advised Accounting Officers to always adhere to the provisions of the procurement laws and regulations.

Table 11 Procurement Irregularity

S/N	Entity	Lack of procurement files & records (UGX)	Breach of procurement procedures (UGX) (Non-compliance with PPDA procedures)	Contract management weakness (UGX), eg No contract manager, no implementation plans, no supervision or progress reports, etc	Unauthorized variation (UGX) (ie Single or cumulative variation)
1	Ministry of Local Government	1,416,000,000	922,845,962	-	-
2	Office of the Prime Minister		35,000,000		

S/N	Entity	Lack of procurement files & records (UGX)	Breach of procurement procedures (UGX) (Non-compliance with PPDA procedures)	Contract management weakness (UGX), eg No contract manager, no implementation plans, no supervision or progress reports, etc	Unauthorized variation (UGX) (ie Single or cumulative variation)
3	Office of the President		132,000,000		
4	Ministry of Defence		6,202,211,939		
5	Uganda Prisons service		61,365,436,633		246,373,000
6	Nyabyeya Forestry College		49,302,558		
7	Uganda Cancer Institute (UCI)		382,452,461		
8	Uganda aids commission		129,250,440		
9	China – Uganda Friendship Hospital – Naguru		112, 663,163	453,849,200	29,191,225
10	Health service commission		115,871,999		
11	Uganda Road Fund		520,000,000		
12	Ministry of Works		2,848,433,727	9,549,001,898	
13	UNRA		962,160,722 and USD 978,757	1,370,308,253	
14	Makerere University Business School	USD 7,977			
15	Kyambogo University			2,046,967,147	
16	Ministry Of Education and Sports			21,551,360,306	

S/N	Entity	Lack of procurement files & records (UGX)	Breach of procurement procedures (UGX) (Non-compliance with PPDA procedures)	Contract management weakness (UGX), eg No contract manager, no implementation plans, no supervision or progress reports, etc	Unauthorized variation (UGX) (ie Single or cumulative variation)
17	Ministry Of Education and Sports			USD 2,517,964	
18	Makerere University Kampala			36,041,465,758	
19	Ministry of Agriculture Animal Industry and Fisheries			51,252,918,000	
20	Equal Opportunities Commission		12,122,357		
	TOTAL (UGX)	**1,416,000,000**	**73,677,088,798**	**122,265,870,562**	**275,564,225**
	TOTAL (USD)	**7,977**	**978,757**	**2,517,964**	

B.10 Outstanding Receivables

During the review, it was noted that receivables worth UGX. 155,608,264,685 were not collected by the various Ministries, Departments and Agencies and were therefore still outstanding as at 30th June 2015 as summarized in **table 12 below**: There is a risk that the activities for which these receivables were appropriated were not carried out and this could have affected the implementation of planned activities.

I advised the Accounting Officers to ensure timely collection of receivables.

Table 12 Outstanding Receivables

NO	ENTITY	Amount (UGX)
1	Judiciary	322,997,771
2	Uganda Human Rights Commission	112,350,458

3	Uganda Prisons	449,846,952
4	Uganda Police Force	3,750,014,453
5	Ministry of Internal Affairs	27,470,035
6	State House	590,200,000
7	Busitema	65,066,577
8	MUNI	19,579,075
9	Uganda Management institute	7,522,871,142
10	Uganda Land Commission	12,913,100
11	Ministry Of Works And Transport	614,837,134
12	Uganda Registration Service Bureau-Gou	2,998,910
13	Uganda Registration Service Bureau-liquidation	8,052,490,354
14	Kampala Capital Markets Authority	77,007,788,342
15	Uganda National Roads Authority	55,679,844,000
16	Atomic Energy Council	51,933,000
17	Uganda Road Fund (URF)	1,325,063,382
	GRAND TOTAL	**155,608,264,685**

B.11 Staff Shortages

A review of the approved staffing structures of various entities revealed a total of 34,910 vacant posts. These included key staffing posts like Professors and Associate Professors at universities, consultants in various medical facilities and directors in various institutions. **The Table 13 below refers.** Inadequate staffing affects the timely implementation of entity activities. It may adversely impact on the entities in the achievement of its strategic objectives.

I advised Accounting Officers to make concerted efforts in liaising with all stakeholders to ensure that vacant posts are filled to enable the entities adequately deliver on their mandate.

Table 12: Staff shortages

S/N	ENTITY	Established posts	Filled posts	Vacant posts	percentage	Key Posts
1	Amnesty Commission	38	36	2	5	Commissioners

S/N	ENTITY	Established posts	Filled posts	Vacant posts	percentage	Key Posts
2	Busitema University	2,316	384	1,932	83	Professors, Associate Professors, Senior Lecturers, Directors and Heads of Departments.
3	China – Uganda Friendship Hospital – Naguru	347	277	70	20	Consultants (ENT), consultant (Psychiatry), Consultant (pediatrics)
4	Gulu University	918	365	553	60	34 Professors and 37 Associate Professors
5	Health service commission	64	51	13	20	Senior Human resource officers , System Administrator
6	Judicial Service Commission	57	49	8	14	
7	Judiciary	1,889	1,510	379	20	
8	Kyambogo University	1,556	837	719	46	Professors, Associate Professors, Senior Lecturers
9	Local Government Finance Commission	52	36	16	31	
10	Makerere University	2,774	1,333	1,441	52	Professors, Associate Professors, Senior Lecturers
11	Ministry of agriculture , animal industry and Fisheries (MAAIF)	432	108	324	75	
12	ministry of agriculture animal industry and fisheries, (Bukalasa College)	163	49	114	70	

S/N	ENTITY	Established posts	Filled posts	Vacant posts	percentage	Key Posts
13	Ministry of East African Affairs	75	59	16	21	Commissioner Production, Commissioner Legal Affairs, Assistant Commissioner EA Affairs. POI.
14	Ministry of Education and Sports (UBTEB)	433	317	116	27	
15	Ministry of Gender, Labour and Social Development	742	273	469	63	
16	Ministry of health	594	507	87	15	
17	Ministry of Information and Communication Technology	110	99	11	10	
18	Ministry of Justice and Constitution Affairs	298	274	24	8	
19	Ministry of works	586	485	101	17	Commissioners, Principal Planners and principal engineers
20	Makerere University Business School	1,152	913	239	21	lecturers
21	Mulago National Referral Hospital	2,661	2,181	480	18	
22	Muni University	113	72	41	36	lecturers
23	Office Of The President	664	451	213	32	
24	Parliamentary Commission	485	411	74	15	
25	Public Service Commission	90	69	21	23	
26	The Uganda Wildlife Education Center	67	44	23	34	

S/N	ENTITY	Established posts	Filled posts	Vacant posts	percentage	Key Posts
27	Uganda AIDS Commission (UAC)	82	55	27	33	Departments of Communications and Records & Information.
28	Uganda Cancer Institute (UCI)	272	153	119	44	Departments include; Nursing, oncology, diagnostics, imaging and radiology
29	Uganda Heart Institute	192	112	80	42	
30	Uganda Law reform Commission	69	60	9	13	
31	Uganda Management institute	264	192	72	27	7 Professors, 7 Associate Professors and 19 senior Consultants.
32	Uganda Police Force	67,460	41,838	25,622	38	Senior commissioners of police, Commissioners of Police, Senior superintendents of police
33	Uganda Prisons	9,260	7,781	1,479	16	
34	Ugandan Mission in Bujumbura	3	2	1	33	Deputy Head of Mission
35	Ugandan Mission in Tripoli	3	2	1	33	Deputy Head of Mission
36	Uganda Registration Service Bureau	155	141	14	9	Deputy registrar General, Manager Liquidation
	TOTAL	**96,436**	**61,526**	**34,910**	36	

B.12 Letters of Credit

Three (3) Entities had Letters of Credit worth UGX. 9,772,302,943 of which UGX 6,863,986,532 was unutilized at the end of the year. Outstanding letters of credit are an indication that the objectives for which the LC's were opened were not achieved yet money was committed. Unperformed Letters of Credit attract interest which further commits

Government. I advised that closer supervision in respect of activities under Letters of Credit be undertaken.

Table 15 below refers.

Entity	Bank	LCS b/f (UGX) 2013/2014	Entered into during year	LC Performance in 2014/15	LCs at end of 2014/2015
Parliamentary Commission	Bank of Uganda	-	1,939,527,324	-	1,939,527,324
Ministry of Water	Bank of Uganda	-	1,174,444,755	-	1,174,444,755
Uganda Police Force	Bank of Uganda	3,759,853,523	2,898,477,341	2,908,316,411	3,750,014,453
TOTAL		**3,759,853,523**	**6,012,449,420**	**2,908,316,411**	**6,863,986,532**

B.13 Untitled Land/ encroached land/ other land matters

Land matters have again remained an issue featuring in my current year audit report. A number of instances have been noted where Government entities have continued to lose out on land to encroachers because the land is not fenced, surveyed and titled. These entities Include; Uganda Police, Uganda Prisons and National Agricultural Research Organization.

Further, I noted that the Uganda Land Commission which is mandated to hold Government Land in trust does not have an updated register of all the land it holds in trust for Government. There is a need to address land issues in Government Institutions. Table 15 refers;

S/N	ENTITY	NO OF PLOTS/LAND NOT TITLED	NO OF PLOTS/LAND TITLED	TOTAL
1	Office of the President	42	0	42
2	Uganda Prisons	49	119	168
3	Uganda Police Force	102	313	415
4	Ministry of internal affairs	6	0	6
5	Ministry of Gender Labour and Social Development	1	0	1
6	Uganda land commission	117	2	119

S/N	ENTITY	NO OF PLOTS/LAND NOT TITLED	NO OF PLOTS/LAND TITLED	TOTAL
7	Ministry of agriculture, animal industry and fisheries9Bukalasa collage)	2	1	3
8	National Agricultural Research Organisation	21	0	21
	TOTAL	**340**	**435**	**775**

B.14 Expenditure on Rent

During the year, I noted that a sample of 8 entities budgeted to incur rental expenditure of UGX. 33,870,132,050. However actual expenditure was UGX. 27,588,855,510indicating a shortfall in rental releases of UGX. 6,403,825,624. **Table 16(i) refers**. By the end of the year, I further noted that some entities remained with unsettled rent amounting to UGX. 14,821,140,393. **Table 16(ii) refers**. This rental expenditure is a constraint on Government resources. There is need for Government to evaluate continued payment of rent as opposed to construction of its own premises.

Table 16(i) Budgeted Vs Actual Expenditure

No	Entity Name	Budgeted Rental Expenditure (UGX)	Actual Rental Expenditure (UGX)	Variance
1	Ministry Of Local Government	1,349,000,000	1,240,217,277	108,782,723
2	Parliament	2,395,923,000	2,339,116,750	56,806,250
3	Office of The Prime Minister	1,341,753,060	950,354,083	391,398,977
4	Local Government Finance Commission	197,553,000	405,565,056	(208,012,056)
5	Judiciary	22,605,594,990	15,134,007,973	7,471,587,017
6	Uganda Prisons	100,000,000	161,274,604	61,274,480
7	Uganda Police Force	1,600,308,000	3,148,169,000	(1,547,861,000)
8	Uganda Road Fund	960,000,000	1,080,531,767	(120,531,767)
9	Uganda National Road Agency (UNRA)	3,320,000,000	3,129,619,000	190,381,000
	Grand Total	**33,870,132,050**	**27,588,855,510**	**6,403,825,624**

Table 16(ii) Accumulated Outstanding Rent as at 30th June 2015

No	Entity Name	Arrears from 2013/2014	Rent accrued in 2014/2015	Paid in 2014/2015	Outstanding Rent obligations as at 30th June 2015
1	Ministry of Local Government	338,245,132	1,459,724,268	1,240,217,277	557,752,122
2	Office of the Prime Minister	117,874,181	1,193,987,769	950,354,083	361,507,867
3	State House	-	1,473,463,507	-	1,473,463,507
4	Ministry Of Defense	-	2,010,000,000	-	2,010,000,000
5	Judiciary	7,406,028,975	7,912,581,736	7,847,023,694	7,471,587,017
6	Uganda Prisons	-	161,274,604	99,999,124	61,275,480
7	Uganda Police Force	2,063,229,294	2,043,598,495	3,148,169,000	958,658,789
8	Directorate of Citizenship and Immigration Control	780,979,138	1,197,264,489	355,441,733	1,622,801,894
9	Amnesty Commission	200,127,100	198,729,700	215,294,850	183,561,950
10	Uganda Road Fund	783,276,959	1,080,531,767	1,743,276,959	120,531,767
	GRAND TOTAL	**11,689,760,779**	**18,731,156,335**	**15,599,776,720**	**14,821,140,393**

B.15 Outstanding International Obligations

I noted that a number of Government entities are indebted to International Organizations such as RESCA, PTA bank, ADB, EADB, Shelter Afrique, WTO, UNIDO, COMESA etc. A sample of five entities revealed indebtedness of UGX 77,724,089,603 and US$ 4,968,950 The table below refers:

No	Entity	Organization	Amount (UGX)	Amount (US$)
1	Ministry of Internal Affairs	Regional Centre for Small Arms (RESCA)	1,256,442,770	
2	Ministry of Finance, Planning and Economic Development	PTA Bank, ADB, EADB	63,093,097,768	

3	Ministry of Lands, housing and urban development	Shelter Afrique		4,968,950
4	Ministry of Tourism, World Life and Antiquities	Lusaka Agreement on Cooperative Enforcement Operations, United Nations for World Tourism Organizations	5,620,749,910	
5	Ministry of Trade, Industry and Cooperatives	South Centre Secretariat–Geneva, UNIDO, COMESA, WTO	7,753,799,155	
	TOTAL		**77,724,089,603**	**4,968,950**

Unpaid annual subscriptions limit participation of the country in international activities organized by the organizations and may lead to denial of benefits accruing from the organizations, withdrawal of shareholding, interest charges for delayed payments and suspension of membership. Management attributed the delayed subscriptions to underfunding of the Ministries.

I advised Accounting Officers to liaise with the Ministry of Finance, Planning and Economic Development to ensure that funds are set aside to settle the outstanding obligations. Prompt annual subscriptions would minimize accumulation of arrears.

REPORT AND OPINION OF THE AUDITOR GENERAL

ON THE GOVERNMENT OF UGANDA CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2015

THE RT. HON. SPEAKER OF PARLIAMENT

I have audited the accompanying consolidated financial statements of Government of Uganda for the year ended 30th June 2015. These financial statements comprise of the Statement of Financial Position as at 30th June 2015, Statement of Financial Performance, Statement of Changes in Equity, Cash flow Statement together with other accompanying statements, notes and accounting policies.

Management's Responsibility for the Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda (as amended) and Section 45 of the Public Finance Management Act, 2015, the Accounting Officers are accountable to Parliament for the funds and resources of the Votes/Entities under their control. The Accountant General is also responsible for the preparation of Consolidated Financial Statements in accordance with the requirements of the Public Finance Management Act 2015, and the Financial Reporting Guide, 2008, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

My responsibility as required by Article 163 of the Constitution of the Republic of Uganda,1995 (as amended), and Sections 13 and 19 of the National Audit Act, 2008 is to audit and express an opinion on these statements based on my audit. I conducted the audit in accordance with International Standards on Auditing (ISA). Those standards require that I comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing audit procedures to obtain evidence about the amounts and disclosures in the financial statements as well as evidence supporting compliance with relevant laws and regulations. The procedures selected depend on the Auditor's judgment including the assessment of risks of material misstatement of financial statements whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of financial statements in order to design audit procedures that are appropriate in the circumstances but not for purposes of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Part "A" of this report sets out my qualified opinion on the financial statements. Part "B" which forms an integral part of this report presents in detail all the significant audit findings made during the audit which have been brought to the attention of management and will form part of my annual report to Parliament.

PART "A"

Basis for Qualified Opinion

- **Mischarge of Expenditure – UGX.73,776,161,890**

  A review of the expenditures revealed that various entities charged wrong expenditure codes to the tune of UGX.73,776,161,890. This practice undermines the budgeting process and the intentions of the appropriating authority as funds are not fully utilised for the intended purposes. The practice also leads to financial misreporting.
- **Unaccounted for Advances – UGX.52,515,160,697**

  A total of UGX.52,515,160,697, advanced to staff to carry out activities in various entities remained un-accounted for by the time of audit, contrary to the Public Finance and Accounting Regulations. Delays in accounting for funds may encourage misappropriation.

Qualified Opinion

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of Governement of Uganda for the year ended 30th June 2015 are prepared, in all material respects, in accordance with the the Public Finance Management Act, 2015 and Financial Reporting Guide, 2008 of the Laws of Uganda.

Emphasis of Matter

Without qualifying my opinion further, attention is drawn to the following additional matters which have been disclosed in the financial statements and are also included in part B of this report and my annual report to Parliament.

- **Contingent Liabilities – UGX.4,892,599,283,368**

  As disclosed in the statement of contingent liabilities, Government contingent liabilities are reported at UGX.4,892,599,283,368 up from UGX.4,784,569,306,022 the previous year. The trend appears unsustainable in the event that a significant percentage crystallizes into liabilities.

- **Classified Expenditure**

  As disclosed in note 7, a total of UGX.465,981,782,064 relates to classified expenditure. In compliance with Section 24 of the Public Finance Management Act, 2015 (Classified Expenditure), this expenditure is to be audited separately and a separate audit report issued.

Other matter

Without qualifying my opinion further, I draw your attention to the following matter other than what has been disclosed in the financial statements, which is also in part B of my report;

- **Transfer of Funds to Staff Personal Accounts - UGX.23,129,945,049**

  An analysis of payments made during the year revealed that several entities transferred a sum of UGX.23,129,945,049 to personal accounts for undertaking various activities contrary to the requirements under Sections 227, 228 and 229, of the Treasury Accounting Instruction (TAI), which stipulate that all payments should be made by the Accounting Officer directly to the beneficiaries.

John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

24th December, 2015

PART "B"

DETAILED REPORT OF THE AUDITOR GENERAL FOR THE FINANCIAL YEAR ENDED 30TH JUNE 2015

This Section outlines the detailed audit findings, management responses and my recommendations in respect thereof.

1.0. INTRODUCTION

Article 163 (3) of the Constitution of the Republic of Uganda, 1995 (as amended) requires me to audit and report on the public accounts of Uganda and all public offices including the courts, the central and local government administrations, universities, and public institutions of the like nature and any public corporation or other bodies or organizations established by an Act of Parliament. Accordingly, I carried out the audit of the Consolidated Government of Uganda Financial Statements for the year ended 30th June 2015 to enable me report to Parliament.

2.0. BACKGROUND INFORMATION

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (as amended) and Section 45 of the Public Finance Management Act, 2015, an Accounting Officer shall be responsible and personally accountable to Parliament for the activities of a vote.

The Accountant General is appointed as the Accounting Officer and Receiver of Revenue for the Consolidated Fund. He is responsible for establishing and maintaining a system of Internal Controls designed to provide reasonable assurance that the transactions recorded are within the authority and properly record the use of all public funds by the Government of the Republic of Uganda.

Accordingly, the Accountant General is responsible for the preparation and fair presentation of Consolidated Financial Statements in accordance with the requirements of the Public Finance Management Act, 2015, and the modified cash basis of accounting.

The accompanying Government of Uganda Consolidated Financial Statements provide a record of the Governments' financial performance for the year 2014/15 and the financial position of the consolidated fund as at 30th June 2015, in accordance with the Public Finance Management Act, 2015.

3.0. AUDIT SCOPE

The audit was carried out in accordance with International Standards on Auditing and accordingly included a review of the accounting records and agreed procedures as was considered necessary. In conducting my reviews, special attention was paid to establish whether;

a. The consolidated financial statements have been prepared in accordance with consistently applied Accounting Policies and fairly present the revenues and expenditures of government for the year and of the consolidated financial position of the Consolidated Fund as at the end of the year.

b. All funds were utilized with due attention to economy and efficiency and only for the purposes for which the funds were provided.

c. Management was in compliance with the Government of Uganda financial regulations.

d. To evaluate and obtain a sufficient understanding of the internal control structures of government, assess control risk and identify reportable conditions, including material internal control weaknesses.

e. All necessary supporting documents, records and accounts have been kept in respect of all activities, and are in agreement with the consolidated financial statements presented.

4.0. AUDIT PROCEDURES PERFORMED

The following audit procedures were undertaken;

a. Revenue and Expenditure

- Performed analytical procedures to confirm the accuracy of consolidation of both revenue and expenditure.

- I reconciled the NTR reported by all the consolidated entities with what was transferred to the UCF.

- Reviewed investments to establish any dividends owed to the GoU

- Reviewed direct grants/project support to the MDAs to give assurance on the amount of external assistance reported and the actual amount received in GoU entities.

b. Public Debt

- Reviewed the new debts obtained in the period to ensure that the necessary approvals were obtained

- Reviewed all the payments for principal, commission fees and interest were in line with the loan agreements

- Reviewed disbursements to confirm that all debt disbursements were made as required by GoU.

c. Internal Control System

- I reviewed the consolidation process with reference to the PFMA, 2015.

- I reviewed the internal control system and its operations to establish whether sound controls were applied throughout the consolidation process including the involvement of the internal audit function.

d. Consolidated Financial Statements

- For a sample MDAs, I agreed the line balances into the consolidation schedules and followed through the consolidated line-by-line items; I further compared this with the audited financial statements for the MDAs as well as evaluating the overall financial statement presentation.

5.0. BUDGET PERFORMANCE

During the year under review, government realised domestic revenue amounting to UGX.10,269,548,892,748 out of the projected amount of UGX.10,884,200,000,000, representing a 94.35% performance. I noted that Government also received UGX.525,460,480,190 from grants and UGX.40,158,729,399 from HIPC relief making total revenue of UGX.10,835,168,102,337.

I further noted that although a total of UGX.14,734,144,214,554 was appropriated, a sum of UGX.12,155,244,904,408 was released to MDAs. This represents 82.50% of the approved budget as summarized in the table below;

Table showing Budget Performance by Classification

Summary	Approved estimates – UGX	Actual released – UGX	Performance
Ministries	4,393,869,232,578	3,607,589,262,991	82.11%
Agencies	7,674,533,743,582	6,121,729,144,921	79.77%
Referral Hospitals	141,324,242,393	123,545,017,095	87.42%
Embassies/Missions Abroad	103,116,156,541	103,030,318,828	99.92%
District Councils	2,201,344,625,306	2,049,514,663,402	93.10%
Urban/municipal Councils	219,956,214,154	149,836,497,171	68.12%
	14,734,144,214,554	**12,155,244,904,408**	**82.50%**

6.0. FINDINGS

6.1. Categorization of findings

The following system of profiling of the audit findings has been adopted to better prioritise the implementation of audit recommendations;

No	Category	Description
1	High significance	Has a significant / material impact, has a high likelihood of reoccurrence, and in the opinion of the Auditor General, it requires urgent remedial action. It is a matter of high risk or high stakeholder interest.
2	Moderate significance	Has a moderate impact, has a likelihood of reoccurrence, and in the opinion of the Auditor General, it requires remedial action. It is a matter of medium risk or moderate stakeholder interest.
3	Low significance	Has a low impact, has a remote likelihood of reoccurrence, and in the opinion of the Auditor General, may not require much attention, though its remediation may add value to the entity. It is a matter of low risk or low stakeholder interest.

Accordingly, the table below contains a categorized summary of the findings that follow in the subsequent paragraphs of the report;

Table showing categorized summary of the findings

No	Finding	Significance
6.2	Operationalization of the Contingencies Fund	High
6.3	Consolidation of Local Government Accounts	High
6.4	Losses of Public Moneys and Stores Reported	High
6.5	Un-authorized External Assistance - Project Support	Moderate
6.6	Government Contingent Liabilities	low
6.7	Government Outstanding Commitments/Payables	High
6.8	Implementation of the audit recommendations contained in the audit report on the government payroll	High

No	Finding	Significance
6.9	Decentralized Payroll System	High
6.10	Mischarge of Expenditure by MDAs	Moderate
6.11.a	Advances to Staff Through Personal Bank Accounts	High
6.11.b	Unaccounted for Funds	High

6.2. Operationalization of the Contingencies Fund

Section 10(1)-(3) of the PFAA 2003 established a Contingencies fund into which funds were to be appropriated by Parliament to cater for expenditure that could not be postponed without detriment to public interest. Section 26 (1) of the PFMA, 2015 (as amended), also requires that there shall be established a Contingencies Fund which shall, every financial year, be replenished with an amount equivalent to 0.5% of the appropriated annual budget of Government of the previous financial year.

I noted however, that the contingencies fund was not operationalized during the period. Failure to operationalize the Contingencies Fund undermines the purpose for which it had been created. Management acknowledged the observation and explained that the Consolidated Fund was not operationalized due to lack of detailed provisions for its implementation as laid out under Article 157 of the Constitution which requires a detailed legislation rather than regulations.
It further clarified that the PFMA 2015 has since been amended for better operation of the Contingencies Fund.

I have advised management, to ensure that the Fund is operationalized without further delay, in line with the requirements under the Law.

6.3. Consolidation of Local Government Accounts

Section 52(1)(b) of the Public Finance Management Act, 2015, states that the Accountant General shall within three months after the end of each financial year prepare and submit to the Minister and the Auditor General, Consolidated annual Accounts for the Local Governments. I noted however, that in the year under review, the Accountant General did not submit, consolidated annual Accounts for the Local Governments for audit.

The Accountant General explained that the nature of operations and accounting policies of Local Governments are such that Urban Local governments use accrual basis of accounting yet the Districts use the cash basis of accounting. Since the PFMA was enacted three months to close of the financial year, there was not enough time to develop templates, and guidelines to enable government to consolidate them on a line by line basis. Therefore for the purpose of FY 2014/2015 transfers to these entities from the central government were included in the Consolidated Financial statement of the Central Government.

He further explained that templates and guidelines are being developed and will be used in the Preparation of the FY 2015/2016 Financial Statements.

I await this action.

6.4. Losses of Public Moneys and Stores Reported

I observed that the total losses being reported by the various Ministries, Agencies, Referral Hospitals and Missions abroad, has been increasing annually in some of the entities. The total losses increased from UGX.1.3 billion in 2009 to UGX.4.89 billion in the current year under review, as per the table below;

Table showing reported losses for the period 2009-2014

Entity	Total Losses at 30 June 2009	Total Losses at 30 June 2010	Total Losses at 30 June 2011	Total Losses at 30 June 2012	Total Losses at 30 June 2013	Total Losses at 30 June 2014	Total Losses at 30 June 2015
Ministries	831,753,249	1,271,874,095	1,271,874,095	2,635,532,992	2,635,532,992	2,635,532,992	2,635,532,992
Agencies	422,381,650	431,593,650	1,069,707,536	1,783,816,267	1,783,816,267	1,915,914,327	1,915,914,327
Referral Hospitals	8,035,416	8,035,416	3,300,000	220,308,183	220,308,183	220,308,183	220,308,183
Missions Abroad	42,238,091	45,586,316	0	118,627,824	118,627,824	122,627,824	122,627,824
TOTAL	1,304,408,406	1,757,089,477	2,344,881,631	4,758,285,266	4,758,285,266	4,894,383,326	4,894,383,326

The Treasury Accounting Instructions (TAI) provides that any loss, fraud, theft or irregularity affecting cash, revenue stamps or counterfoil forms must be reported immediately through the Head of Department of the officer-in-charge of the cash or forms to the Secretary to the Treasury. The TAI also provides that in cases of loss, fraud or theft, the police must be informed immediately, and if proceedings are subsequently taken, it must be ensured that an application is made to the court for an order for restitution of the money lost.

However the following observations were noted;

- There appears to be no system in place by the Accountant General to manage and monitor the proper reporting and reconciliation of losses. I was not availed with records of the loss reports by the ministries, agencies and embassies where such losses were reported. There was also no evidence that steps have been taken to follow up on the losses.
- I also observed that there are no mechanisms for the recovery of the cash lost. The TAI provides for an opening up of an account in the names of an Accounting Officer for purposes of recovery of the funds. There was no evidence that such accounts were set up.
- The Accounting Officer is expected to identify the person suspected to have caused this loss and the recommended disciplinary action to be taken against the said individual. I noted that whereas the TAI details how the perpetrators of loss of government money and stores should be handled, there is no clear evidence that the perpetrators of such losses are being handled accordingly. This has resulted in the growth of losses to the government in both cash and stores.

In light of the above, the unchecked loss of Government cash and stores is a possible avenue for abuse of public funds which must be carefully managed to avoid possible fraud.

Management acknowledged the observation and explained that there is a deficiency in the way stores are managed across government and that there is need for serious reform. I have advised management to strengthen the existing mechanisms to safeguard government resources. In addition, long overdue losses should be written off in accordance with the provisions under the TAIs.

6.5. Un-authorized External Assistance - Project Support

Section 43(1) of the PFMA, 2015 requires that all expenditure to be incurred by Government on projects which are externally financed, in a financial year shall be appropriated by Parliament, section 18(1) (g) of the PFM Act, 2015 further states that the Minister shall by the end of February and October of each financial year, make a report to parliament on donations made to a vote if any.

However, a review of the consolidated accounts for the year ending 30th June, 2015 reveals that several entities especially Public Universities did not disclose such projects. Government does not appear to have put in place a mechanism to monitor and report on direct project support to the specific Votes as per the requirements of the PFMA 2015 in order to monitor the total public resources available in the financial year.

Under the circumstances, there is a risk that such funds may be solicited on behalf of government without the involvement of the Minister responsible for Finance. This may further create risks ranging from double financing by both GoU and donors; abuse of funds by recipients; uninformed allocation of GoU funds and using GoU achievements to account for donor funds, and generally undermining the intensions of appropriation by Parliament.

Management acknowledged the observation and explained that previously there was no obligation to declare grants to the ministry but with the enactment of the PFMA, entities have started seeking authority for receiving/disclosing such grants and that with further sensitization entities will comply.

I have advised the Accounting Officer to develop a mechanism to monitor all MDAs and ensure that they adhere to the established procedure of obtaining grants from the development partners and reporting on them, in accordance with the provisions in the law.

6.6. <u>Government Contingent Liabilities</u>

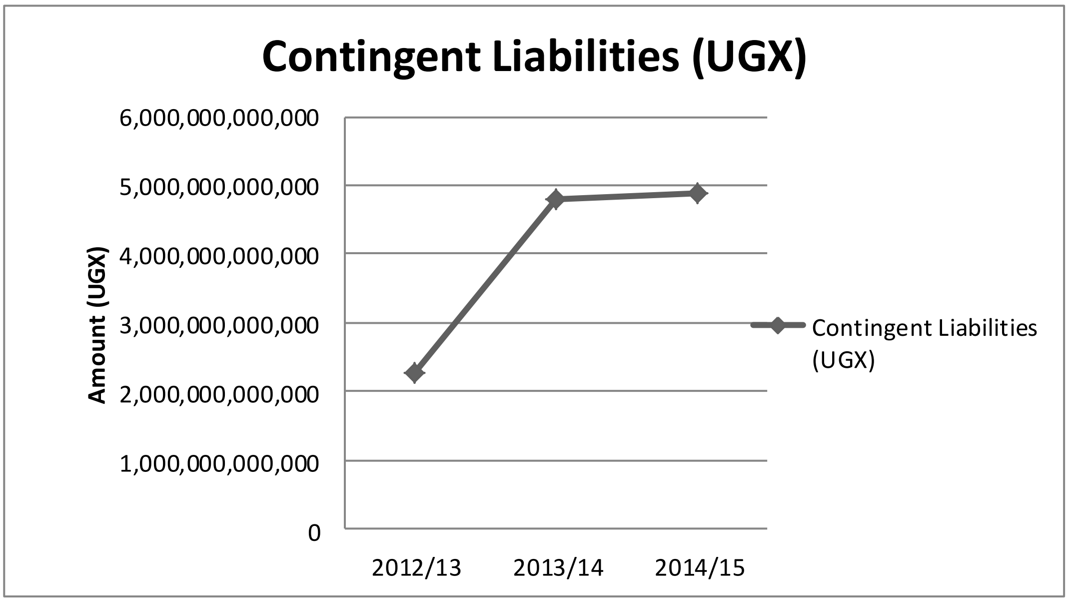
A contingent liability is a possible future cash outflow whose occurrence is dependent on an event which is not in the control by an organization. Including any amounts in contingent liabilities implies that management's assessment shows a possibility of a cash outflow in future.

A trend analysis of accumulation of government contingent liabilities over the period of 3 years indicated an upward increment as indicated in the table and graph below;

Table showing amounts included in the accounts for contingent liabilities

Financial Year	Amount (UGX)	Increment (UGX)
2012/13	2,275,442,213,858	-
2013/14	4,784,569,306,022	2,509,127,092,164
2014/15	4,872,945,285,484	88,375,979,462

Graph showing increments of contingent liabilities over a 3-year period



Further analysis of this liability indicated that majority of the amounts are as a result of the legal proceedings lodged against government. The analysis in the table below refers;

Table showing proportion of liabilities attributable to legal suits

Financial Year	Amount (UGX)	Legal Proceedings (UGX)	Percentage (%)
2012/13	2,275,442,213,858	541,568,503,100	24%
2013/14	4,784,569,306,022	4,385,151,257,436	93%
2014/15	4,872,945,285,484	4,311,582,460,047	89%

Although I pointed out this matter in my previous report, the contingent liabilities have continued to rise, which if left unchecked, may get to unsustainable levels. In the event that all these liabilities crystalize, Government will continue spending substantial amounts which is likely to adversely affect the implementation of other government programmes.

Management acknowledged the observation and explained that these constitute majorly guarantees (PPP guarantees that are recognized when contracts are signed) and Court cases likely to be lost by the Government. With decentralization of court awards it is likely to reduce the incentive of accumulation of contingent liabilities.

It was further explained that Section 39 of the PFMA, 2015 introduced a criteria and stringent conditions for Government to guarantee a loan, which contributes to contingent liabilities. This will check the further accumulation of contingent liabilities.

I await the outcome of these actions by government.

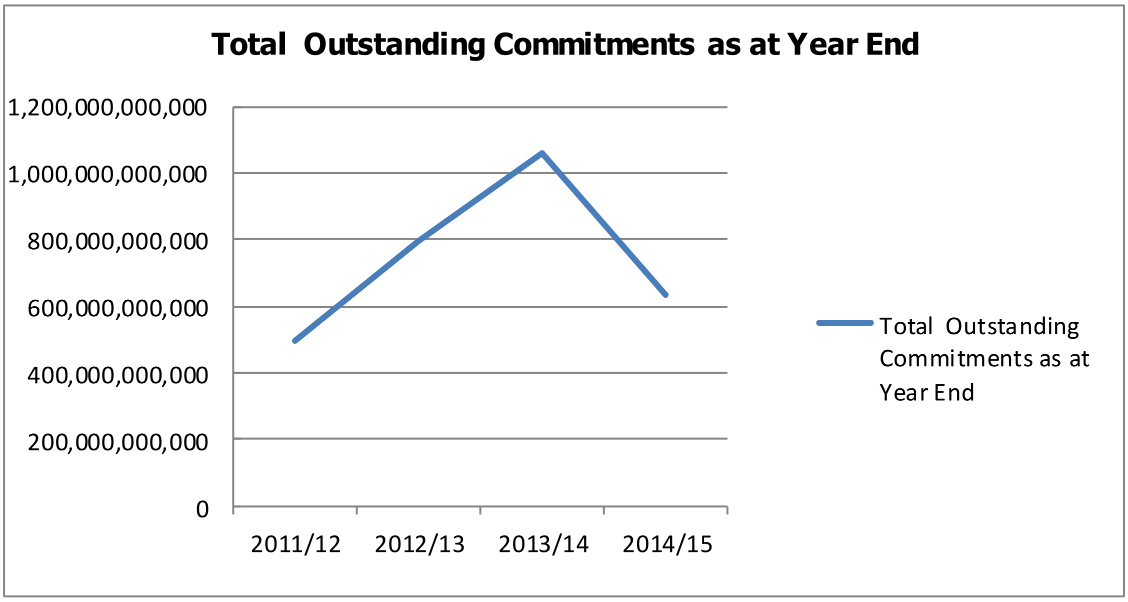
6.7. Government Outstanding Commitments/Payables

According to the commitment control system procedures, an accounting Officer is supposed to commit Government only to the extent of Available funds. During the audit, I reviewed the trend of government outstanding commitments/domestic arrears for the past four (4) financial years since 2011/12 and noted the amounts have drastically been reduced by the end of 2014/15 as seen in the table and graph below, which is a positive development;

Table summarising government commitments

Financial Year	Total Outstanding Commitments as at Year End - UGX
2011/12	497,380,733,527
2012/13	797,383,242,259
2013/14	1,059,708,336,030
2014/15	633,097,487,332

Graph illustrating trend in commitments



Management explained that strict observance of the commitment control system has yielded a decline and halted further accumulation of arrears. This is in addition to the introduction of prepaid meters for water and electricity. However, some arrears arising out of contributions to International Organizations and court wards which still remain a challenge.

I advised that government should continue reviewing the current policy measures with a view of enhancing their effectiveness so as to continue the decline with an aim of eventual elimination.

6.8. Implementation of the audit recommendations contained in the audit report on the government payroll

In March 2015, I issued an audit report on the comprehensive audit of the government payroll. This was as a result of a request from the Hon. Minister for Finance to undertake a comprehensive audit of the government payroll. In that report, critical recommendations were made and aimed at further enhancing the management of the government payroll. However, to date, there appears to be no evidence to show that the recommendations there in, have been implemented. Most critical, was the validation exercise that was undertaken on government employees, which was envisaged, to act as a basis for starting up a clean payroll, upon completion of validation by the Ministry of Public Service for the genuine employees who had missed the exercise. The communication from the Ministry of Public Service to PS/ST, dated 23rd November, 2015, referenced COM 96/282/01 confirmed the fact that nothing has been implemented ever since the report was issued.

This implies that the government payroll continues to be exposed to a risk of existence of ghost employees which ultimately continues to lead to loss of government funds. The inability to make use of the validated government employees and to address the weaknesses identified on the Intergrated Personnel Payroll System (IPPS) also imply that the system cannot be relied upon for maintenance of a clean payroll.

Management explained that the Ministry of Public Service (MOPS) has not been cooperative in the implementation of the payroll reforms, and that this has slowed their progress. However, NITA-U has been engaged to help and work with MOPS to secure an integrated system that works with IFMS.

I have advised management to make concrete steps aimed at addressing the payroll issues and also ensure that the recommendations contained in the report are addressed.

6.9. Decentralized Payroll System

I pointed out in my previous audit report the benefits the decentralized payroll system had brought to payroll management, especially in the areas of timely salary payment, exclusion of ghosts, prompt inclusion on the payroll of newly appointed staff and fully assigning payroll responsibility to Accounting Officers.

I however pointed out several weaknesses in the system that needed to be addressed by management. Specifically, I pointed out the need to implement a "Human-less" interface, which enables the movement of encrypted payment related data from the payroll system to the financial system. I noted that during the year under review, this matter had not yet been addressed.

Accordingly, in my separate review of the decentralised payroll payment system, it was established that some entities, have been able to fraudulently effect changes on the payrolls released from the IPPS before payment through the IFMS. Accordingly, a total of UGX.4,194,520,514 was paid out irregularly. This practice therefore, continues to lead to loss of public funds.

Management explained that under the Decentralised system, any changes to payment files after upload into the IFMS is a responsibility of the Accounting Officer and where these changes result into fraud, such cases should be forwarded to the Ministry for action. I have advised management to consider undertaking further review of the decentralized salary payment system, with an aim of further enhancing its effectiveness and addressing the weaknesses that have led to the fraudulent practices by some MDAs.

6.10. Mischarge of Expenditure by MDAs – UGX.73,776,161,890

The Government Chart of Accounts defines the nature of expenditures for each item code. The intention is to facilitate better and consistent classification of financial transactions and also track budget performance per item. Audit noted that during the year under review, several entities continued the practice of having money charged on items which do not reflect the nature of the expenditure i.e. mischarged, to the tune of UGX.73,776,161,890. This despite the fact that it has been pointed out in my previous audit reports.

Mischarge of expenditure impacts on the credibility of the financial statements since the figures reported therein do not reflect true amounts expended on the respective items. It further impacts appropriateness of the future budgets since the reported actual figures are misleading.

Management explained that a number of controls have been instituted to minimize mischarges which include among others, enhancement of system controls to protect the wage and pension items which are now tied to their respective pay-groups. I have advised that there is need to further streamline the budgeting processes and to enforce strict adherence to the provisions regarding reallocation of funds, in order to have this practice contained.

Table showing mischarged expenditure by entity

	Entity	**Mischarged expenditure - UGX**
1	Uganda Cancer Institute	54,829,686
2	Ministry of Local Government	12,086,792,676
3	Parliamentary Commission	5,920,736,510
4	Office of the Prime Minister	4,611,211,067
5	Ministry Education, Science, Technology and Sports	3,399,286,780
6	Directorate of Citizenship and Immigration Control	1,273,346,799
7	Ministry of Energy and Mineral Development	787,474,716
8	Public service Commission	689,678,544
9	Mulago National Referral Hospital	570,405,506
10	Ministry of Finance Planning and Economic development	515,586,527
11	Ministry of Internal Affairs	398,070,732
12	Ministry of Agriculture Animal Industry and Fisheries	379,633,600
13	Ministry of Lands, Housing and Urban Development	319,793,166
14	Local Government Finance Commission	256,125,970
15	Directorate of Public Prosecutions	235,645,707
16	Ministry of Health	231,429,274
17	Uganda Lands Commission	193,235,549

	Entity	Mischarged expenditure - UGX
18	Ministry of Works and Transport	157,861,512
19	Uganda Police Force	148,058,104
20	Ministry of Information Technology	125,916,873
21	Butabika National Mental Referral Hospital	114,382,051
22	Directorate of Ethics and integrity	67,769,200
23	Uganda Prisons Service	66,000,000
24	Judicial Service Commission	34,227,104
25	National Information Technology Authority Uganda	64,137,745
26	National Agriculture Research Organisation	66,500,000
27	Uganda National Roads Authority	29,542,978,953
28	Electoral Commission	515,440,000
29	Uganda Industrial Research Inst	2,374,824,057
30	Uganda National Bureau of Standards	599,569,111
31	Uganda Bureau of Statistics	7,975,214,371
	Total	**73,776,161,890**

6.11. Management of Advances

a. Advances to Staff Through Personal Bank Accounts

Sections 227, 228 and 229 of the Treasury Accounting Instructions, state that all payments should be made by the Accounting officer directly to the beneficiaries. Where this is not convenient an Imprest holder should be appointed by the Accounting Officer with the approval of the Accountant General.

It was however noted that during the year under review, various entities continued to advance large sums of money onto personal bank accounts. Accounting Officers sanctioned field activities for which facilitation was made by making advances to personal bank accounts for officers implementing the activities. This was contrary to the accounting regulations specified above.

Such a practice exposes government funds to a risk of loss since staff are more tempted to divert such funds to personal gain, given that the entities do not have any control over such funds deposited on personal bank accounts.

Management explained that this is still a challenge and where identified the culpable accounting officers are tasked to explain. However this comes much later after transactions have happened. The Ministry intends to leverage on the mobile money platforms to implement e-cash solutions which will greatly reduce the risks associated with cash and will also provide clear audit trail. The concept is still under internal discussion.

I await this action.

Table showing entities with advances through personal bank accounts

No.	Entity	Amount advanced (UGX)
1	MOLG	10,460,426,784
2	Directorate of Public Prosecution	403,708,657
3	Mulago NRH	1,100,300,050
4	Makerere University	776,009,229
5	UBOS	10,389,500,329
		23,129,945,049

b. Unaccounted for Funds UGX.52,515,160,697

A sum of UGX.52,515,160,697, remained unaccounted for at the end of the year. This comprised of funds advanced to staff to carry out various activities in various Ministries, Departments and Agencies. This is contrary to the Public Finance and Accountability Regulations which require all such advances to be accounted for within 60 days on completion of the related activity. Delayed accountability for funds may lead to falsification of accountability documents.

I advised the Accounting Officers to adhere to Regulations by ensuring that before another amount is advanced, a previous one ought to be fully accounted for.

Table showing entities with advances unaccounted for

Entity	OUTSTANDING AMOUNT - UGX
Ministry of Local Government	3,827,011,454
Uganda Lands Commission	9,996,125
Makerere University Business School	19,423,976
Busitema University	65,066,577
Muni University	19,579,075
Makerere University	291,772,085
Kampala Capital City Authority	20,226,786
Mbarara University of Science and Technology	52,281,500
Uganda National Roads Authority	47,738,040,619
Ministry of Energy and Mineral Development	188,239,500
National Environment Management Authority (NEMA)	264,082,000

Uganda Industrial Research Institute	19,441,000
Total	**52,515,160,697**

ACCOUNTABILITY SECTOR

7.0 TREASURY OPERATIONS

a) Non collection of Government Dividends

According to the Summary Statement of Financial Performance of Public Corporations and State Enterprises for the financial year ended 30th June 2015; Housing Finance Bank Limited made a dividend declaration of UGX.2,554,043,092 implying that GoU's share was UGX.1,256,589,201.26. However, this amount was not received by GoU and was not recognized in the receivables balance for both the TOP and Consolidated Financial statements.

The failure to remit dividends deprives the government of revenue on investments which is a violation of its rights as a shareholder in the company. In the circumstances, it is highly likely that GoU is losing revenues through un-collected dividends and that the receivables balance is under stated by UGX.1,256,589,201.26 and any other uncollected receivables.

Management acknowledged the observation and appreciated the need for enhanced monitoring to compliment the efforts of PMU. It was further explained that the Accountant General has accordingly established mechanisms for timely remittance of Dividends once declared and that communication has already been sent to Housing Finance to confirm and remit any dividends declared.

I have advised the Accounting Officer to expedite the mechanism of ensuring that Government dividends once declared are collected and properly accounted for. In addition, all those companies with outstanding dividends should immediately be contacted for recovery.

b) Payments in Respect of Mandamus

During the period under review, I noted that UGX.114,037,786,253 was paid out from Treasury Operations to various beneficiaries in respect of court awards and compensations. However the following matters were noted;

(i) <u>Accounting treatment of Mandamus payments</u>

A review of the consolidated financial statements indicated that only payments made in the year were captured in the accounts. However, I noted that these court orders have been enforced on government over a period of time, and were not recognized as payables at the time, yet there had been evidence that government had a future obligation to settle.

Under the circumstances, the amount of outstanding payables in this regard may be much more than what has been disclosed as there is no clear system to record and manage such payments.

Management acknowledged the observation and explained that there is need to establish a procedure to record these cases, as disclosure could have implications to Government.

I have advised the Accounting Officer to expedite this action to enable a proper system of recording and managing all mandamus payments.

(ii) <u>Payments categorized as Mandamus without evidence</u>

I observed that payments totalling to UGX.53,381,086,654 made by the ministry as mandamus were not supported by a writ of mandamus served on the PS/ST.

A review of the documentation availed indicated that the claims upon which the payments were made, were supported by other documents other than writ of mandamus. Accordingly, these payments could have been paid from the Ministry of Justice and Constitutional Affairs where they were budgeted for as per their mandate, since they do not constitute a direct charge to the Consolidated Fund.

In his response, the PS/ST explained that he had obtained a legal opinion from the Hon. Attorney General indicating that it was lawful for the Secretary to Treasury to make such payments from Treasury Operations.

I have again advised government to ensure that in order to avoid distortions within the established payment frameworks, there is need to regularise this matter accordingly.

(iii) Unsustainable Payment of Mandamus

I also noted that payments in respect of mandamus increased from UGX.88 billion in the previous year to UGX.114 billion currently. This increment of about 30% may not be sustainable without negatively impacting on other government programmes. For instance, the annual payments are more than the budget estimates of majority of government entities.

Management acknowledged the observation and explained that the Ministry is aware of the unsustainability of mandamus payments and is making efforts aimed at having this matter contained, through;

- Increasing the budget of MoJCA particularly facilitation of State Attorneys. In FY 2015/16, a provision of Ushs.10bn has been provided aimed at improving representation in courts of law.
- In the Budget Call Circular for FY 2016/17 dated 9th September 2015, all Court Awards & Compensation payments are to be decentralized to ensure that all Accounting Officers are fully accountable for their Actions.

I await the outcome of these efforts by government.

(iv) Absence of Reconciliation of Amounts paid by MOFPED and MOJCA

The Ministry of Justice and Constitutional Affairs (MOJCA) has the responsibility to represent government in cases before any courts of law and other legal bodies. The Ministry is also responsible for the payment of claimants who have succeeded against government in courts of law and where issues of compensation arise.
During the current audit, a review of the schedule of liabilities maintained by MOJCA and the one availed to audit, revealed that the balances maintained by the two ministries are at variance as indicated in the table below;

Table showing Inconsistent balances between MOJCA and MoFPED

File Name	File No.	Judgment Amount - UGX	Balance MOJCA - UGX	Balance at MOFPED - UGX
A.K P.M Lutaaya	MA 294/011	489,400,000	293,481,780	394,541,096
Bakeine Amos	1022/01	21,294,000,000	12,805,814,800	10,555,263,988

Bwambale Yovan & 913 others	MA 187/2013	39,150,673,250	33,692,766,920	29,857,596,640
Capt. Samuel Nsubuga	CS/547/07	534,828,204	566,728,204	1,500,000,000
Finishing Touches	CS 144/2010	634,179,000	1,150,757,653	1,061,145,403
Intex Construction Ltd	MA 632/2011	19,603,119,194	45,643,512,713	35,430,170,271
Kasozi Lawrence & 4 0thers	CS 669/2002	1,664,096,608	2,752,926,085	2,554,733,174
Margaret Kasujja	CS 106/2002	9,222,000,000	10,951,162,500	10,096,740,360
Okello Remizo	CS 31/2014	7,566,350,000	7,566,350,000	8,096,350,000
Vambeco Enterprises Ltd	CS 492/2012	1,445,473,262	2,887,332,841	2,800,000,000
TOTAL		101,604,119,518	118,310,833,496	102,346,540,932

I have however, not obtained a clear explanation as to why the two balances are not reconciling considering that they arise from the same awards of court. Further still, there was no evidence of reconciliation of the liability schedule from the two institutions.

In the absence of reconciled amounts, there is a risk of over payment of claimants by either institution. For example, some claims are shown as outstanding at MOJCA yet they are fully paid at MoFPED. There was also an instance of overpayment at MOJCA not shown at MoFPED. The table below illustrates the above scenarios;

Table Showing amounts pending in the MOJCA schedule of liabilities which have been extinguished through full payment by MOFPED

File Name	File No.	Judgement Amount - UGX	Total payments to date - UGX	Balance - UGX
Kakyomya Farm and Tea Estate	MA 0017/2012	2,133,944,150	1,069,114,430	1,064,829,720
Rwanyarare James	95/01	2,959,561,000	3,264,954,125	(1,748,898,375)

In their response, management explained that MoFPED regularly holds meetings with MOJCA and updates on mandamus payments made. Management further explained that MoFPED has already raised the issue of discrepancy in numbers to the Solicitor General and is still waiting for a response.

I have advised the accounting officer to ensure that the system of managing payments between the two institutions is streamlined.

8.0 MINISTRY OF FINANCE, PLANNING AND ECONOMIC DEVELOPMENT

a) Budgeted for Expenditure for PU

The Ministry of Finance remitted UGX.1,060,100,000 to the Privatization Unit account to cater for its operational activities. It was noted that PU operations were expected to be financed through divestiture proceeds as provided for in sections 23(4) and 26 of the PERD Act CAP. This implies that PU activities have always been financed from the divestiture proceeds and not from the UCF. However, the Ministry did not budget for this expenditure during the year under review. There is a risk that funds were diverted from other planned activities to finance the PU operations.

Management explained that divesture activities have ceased thus no source of funding was expected for PU operations. PU is in the process of winding up and has been downsized.

I await the outcome of the process of winding up PU.

b) Payment of avoidable interest on VAT

It was noted that as of November, 2014, the outstanding VAT obligations for BIDCO stood at UGX.744,420,170, included in this figure was late payment interest charge of UGX.168,747,557. Accordingly, a sum of UGX.700,000,000 was paid to URA towards settlement of the tax arrears.

It was further observed that this interest was not budgeted for and appropriated by Parliament as required.

Management explained that delays in paying the tax obligation was as a result of inadequate funds and that payment of this interest did not affect other planned activities.

I urged the Accounting Officer to ensure timely payment of tax obligations to avoid unnecessary penalties.

c) <u>Delays in implementation of agreed terms</u>

The Government of Uganda entered into an agreement with BIDCO for the development of the Oil Palm Industry in Uganda on the 4th April, 2003. Under Article 5(7) of the agreement, Government agreed to pay all VAT obligations on behalf of BIDCO for oil products for period of eleven (11) years from the date of agreement. After the eleven (11) years, BIDCO would start paying VAT directly on its own and from the 12th year start refunding to Government the VAT plus 5% interest for the first eleven (11) years in (8) equal installments over a period of (8) years. This condition was subject to fulfillment of article 4(3) of the agreement which requires Government to have handed fully to BIDCO all the agreed 26,500 hectares of land.

However, the above provisions have not been achieved due to delays in implementation of the agreed terms. For instance, Government obligations to pay VAT on behalf of BIDCO for eleven (11) years was supposed to end on 4th April, 2014. From 5th April, 2015, BIDCO was supposed to start meeting its own VAT obligations and by 4th April, 2015, the first refund instalment would be due to Government. Government has continued to pay all BIDCO VAT obligations and BIDCO is exercising their right under article 5(7) to delay the refunds to Government.

Management explained that the delay was due to unsuitable land offers from prospective sellers; otherwise Government is committed to acquiring the balance of 10,000 hectares of land as per the agreement.

I await the results of the Government commitment.

d) <u>Payment of annual subscriptions to International Organizations</u>

(i) <u>Outstanding Capital Subscription to PTA Bank - USD.2,135,779</u>

The Government of Uganda subscribes to the PTA bank and as such was required to contribute a total of USD.8,160,120 in five instalments of USD.1,632,024 starting 1st January, 2009 to 1st January, 2013. Although Uganda was expected to have completed its contributions by January, 2013, only a sum of UDS.930,000 had been paid as of 2013. In return Ugandan economy is reported to have benefited through credit facilities extended by the bank to various sectors to the tune of USD.191.1 million distributed to various sectors.

- During the year, a total of USD.3,187,444 was paid. The outstanding balance at the year-end stood at USD.2,135,779 inclusive of interest of USD.1,309,359.
- Included in that payment was USD 1,173,460 in respect of interest charges on late payments of subscription that could have been avoided.

Accumulation of interest poses the risk of increased interest charges. It may affect the bank's ability to grant credit facilities to Ugandan businesses.

Management explained that delays in capitalizing PTA Bank were a result of insufficient funding. The outstanding balance is anticipated to be settled in the financial year 2016/17.

I advised the Accounting Officer to ensure timely payment of subscriptions to avoid accumulation of interest.

(ii) <u>Payment of the fourth instalment under ADB Subscription</u>

In August, 2010, the Governing Council of the African Development Bank (AfDB) under the sixth general capital increase of the bank allocated Uganda shares worth USD.19,759,798 payable over a 12 years period in annual instalments of USD.1,646,649.

It was noted that the payment of Uganda's 4th instalment of UDS.1,293,299 which became due on 16th March, 2015 had not been made. As a result, the callable shares related to the missed instalment had been suspended in line with the Board of Governors resolution on the sixth general capital increase of the bank meeting.

Delays in settlement of agreed annual subscriptions poses a risk of withdrawal of Uganda's shareholding in the bank which may negatively affect our economy and international relations with member states.

I advised the Accounting Officer to ensure timely payment of agreed annual subscription instalments to avoid possible suspension.

(iii) Payment of avoidable interest on arrears of EADB - USD.1,173,460

A review of the capital subscription statement for the EADB dated 2nd May, 2014 revealed that Government of Uganda has 1,800 shares @USD22,667 per share amounting to US$.40,800,600 and 20% was payable in five instalments worth US$.8,160,120 (i.e. US$.1,632,024 per year).

It was noted that there was a delay in settlement of due subscriptions especially for the period 2009-2012 leading to accumulation of interest of USD.1,173,460 which was eventually paid together with other arrears. Payment of the interest on such obligations is regarded as nugatory expenditure.

Management explained that the delay in subscribing to EADB Bank was as a result of insufficient funding.

I urged the Accounting Officer to ensure timely payment of annual subscriptions as they fall due to avoid accumulation of avoidable interest.

(iv) Forex loss due to delays in settlement of Subscriptions to International Organization

Uganda has obligations to make on agreed upon annual subscription to a number of international organisations. There have been delays in settlement of such international obligations with arrears accumulating to the tune of UGX.63,093,097,768 at the year-end.

As a result of the delays in settlement of these obligations, forex losses were incurred while undertaking payments during the year. For instance, USD.3,187,444 and USD.1,000,000 respectively were paid to PTA and EADB respectively in July, 2014 at a rate of UGX.2,670 per US Dollar, the equivalent of UGX.11,180,475,480. However, higher exchange rates were used to make subsequent payments due to forex fluctuations. For instance, a sum of USD.1,600,000 was paid to the EADB at a higher rate of UGX.2,900 per US Dollar in January, 2015, equivalent to UGX.4,640,101,150.

From the above analysis it is noted that the forex loss amounted to UGX.367,000,000 in the case of EADB alone. There is a risk that all subsequent forex payments were made at a loss caused by delays to make payments as they fall due.

I urged the Accounting Officer to ensure timely settlement of agreed upon annual subscriptions to avoid forex losses occasioned by unfavourable fluctuations due to delayed payments.

(v) Inadequate budget provision for Subscriptions to International Organization

According to the ministry approved estimates for the FY 2014/15, a provision of UGX.35.8bn was made for contributions to autonomous institutions, an amount lower than that of the prior year provision of UGX.52.86bn. Despite the reduction in the budget provision for the year under review, only UGX.31.2bn was released and utilized in meeting both arrears and current obligations.

As a result of inadequate budgeting, the arrears for contributions to international organizations remained at UGX.63,093,097,768 for the last two years. There is a risk that the arrears may increase beyond manageable levels with additional accrued interest.

Management explained that the Ministry has always been in arrears for subscription for International Organizations due to limited MTEF allocation.

I advised the Accounting Officer to liaise with the PS/ST to ensure adequate budgets for payments to international organizations to cater for both outstanding arrears as well as current bills that fall due.

(vi) Recognition of tax arrears inclusive of interest for Quality Chemical Industries

The ministry recognised in its financial statements outstanding obligation to pay taxes worth UGX.7,060,137,353 on behalf of Quality Chemical Industries Limited as tax incentive. The taxes were in respect of corporation tax (tax on profits) for the years 2014 and six months provision tax for 2015.

It was noted that this figure includes interest on late payment of UGX.604,620,309. Recognition of tax liability inclusive of interest implies the ministry has committed to pay the interest component as well. On payment, the interest component becomes nugatory expenditure since it would have been avoided had timely payments been made.

The Accounting Officer explained that Government undertook to pay for Quality Chemicals corporation tax and other incentives. Any charges resulting from delayed payment are automatically the responsibility of Government.

I advised the Accounting Officer to re-consider the financial implications of accumulation and recognition of tax interest among the arrears; otherwise timely payments should be made.

(vii) <u>Un-registered gaming and pooling companies</u>

The Lottery Board under the MoFPED mandated to issue licenses for the players in the Casinos, Pool and betting business. In the process URA collects these fees on behalf of the Lottery Board.

A comparison of the MoFPED list of licensed pooling companies as published in the New Vision Tuesday, 30th June 2015 with those registered with URA for the period 2014/15; revealed that a number of companies were registered and are subsequently remitting taxes to URA. However, 45 companies transacted business during the year under review without a licence. As a result, the expected NTR from license fees were not fully realized.

Management explained that Lotteries and Gaming Act, 2015, was recently passed and is expected to establish a fully-fledged organization to monitor and regulate the gaming industry.

I await the outcome of the Accounting Officer's commitment.

8.1 PRESIDENTIAL INITIATIVE ON BANANA INDUSTRIAL DEVELOPMENT (PIBID)

(i) The Project Legal Status/Attachment to Line Ministry

The Presidential Initiative on Banana Industrial Development (PIBID) and its Board and Management Committee (BMC) was established by Executive Instrument in 2005 and its term renewed for another (5) years in 2011 which also expired in October, 2015. Following the expiry of the executive instrument the Minister of Finance wrote to the Attorney General in his communication referenced EDP141/278/01 of 16th March, 2015 seeking opinion on the legal status of PIBID and its Board and Management Committee.

Accordingly, the Attorney General in his reply referenced FPC/33/62/01 of 10th September, 2015 advised as follows:

- Under issue (10) that in his opinion, the legality of the Executive Instruments establishing PIBID and its Board and Management Committee are open to challenge.
- In issue (15) he proposed that PIBID and its Board and Management Committee are established as a Public Agricultural Research Institute under the National Agricultural Research Act, 2005. He argued that an institute established under this Act is in many respects similar in nature and form to PIBID and its Board and Management Committee.
- Issue (16) further explains that the primary function of a public agricultural research institute is similar to the primary function of PIBID and its Board and Management Committee.

Following the above facts and legal advice it's clear that the legal status of PIBID and its Board and Management Committee remains questionable.

It was therefore noted that by the time of writing this report, no evidence was available from PIBID management to show that the issue of the legal status had been or is being resolved. There is a risk that the project is currently operating without any authority and mandate in place.

I advised the Accounting Officer to liaise with relevant authorities to ensure that the legal status of PIBID is properly established as per the Attorney General's opinion.

(ii) Lack of an Approved Strategic Plan

A strategic plan is an important tool in steering any organization towards achieving its vision, mission and its overall mandate. It is from this plan that annual activities of an organization are usually derived. It was noted that the PIBID project has been operating without an approved strategic plan. The strategic plan is supposed to guide the budgeting process by creating integrated link with the annual work plans which feed into the budget to ensure effective service delivery and achievement of set project objectives.

Management explained that PIBID operations have been guided by the project document 2005-2015 and the next (5) year strategy has been formulated awaiting approval.

I advised the Accounting Officer to prepare a strategic plan and have it approved by the board.

(iii) Lack of an Approved Business Plan

A business plan is an essential document which describes the roadmap for business success and generally projects 3-5 years ahead and outlines the route a project intends to take to grow returns. It covers objectives, strategies, sales, marketing and financial forecasts. It also helps clarify the business idea, justify the heavy investment in research, identify potential problems, set out project goals and measure progress among others.

It was noted that the PIBID project has been operating without an approved business plan despite the banana research developing into a fully-fledged production level and expected to go into commercialization of the product. There is a risk that the project transition into full commercial production may not be justified.

Management explained that the pilot project phase did not envisage commercial operations necessitating a business plan, though PIBID has operated basing on annual work plans and budgets.

I advised the Accounting Officer to develop a project business plan justifying the need for its commercialization that should be in line with the overall strategic objectives.

(iv) Disclosure and Accounting for Domestic arrears

According to available communication dated 7th July, 2015, from the ED (PIBID) addressed to the PS/ST, it was indicated that the project had accumulated arrears of UGX.8,399,202,215 arising from release of only Vote on account for the year under review and decline by Parliament to appropriate the full budget. See details in the table below;

Item Particulars	Amounts (UGX)
Service Providers & Allowances	
Service Providers	653,230,851
Activity Funds	57,598,600
Per-Diems & Allowances	263,516,998
Sub-Total	**974,346,449**
Contractual Works/Certificates	
Water Works Pending Certificate	361,661,674
BEC Pending Certificate	50,015,925
Additional Works Pending Certificates	2,020,000,000
Arc Pending Certificate	12,383,815
Sub-Total	**2,444,061,414**
Dott Services (Variation on Prices)	3,565,794,352
Estimated Tax Liabilities on Imports	1,415,000,000
Grand Total	**8,399,202,215**

However, there was no evidence that these arrears had been verified, approved and included on the database maintained by the Accountant General. Besides, these arrears were not disclosed in the financial statements. Furthermore, the justification for accumulations of prices variations up to the tune of UGX.3,565,794,352 was not provided. The tax liability was a mere estimate without supporting documentation. The supporting schedules for the other arrears were also not provided. I could not confirm that the above arrears have been properly accounted for and disclosed.

I advised the Accounting Officer to ensure that the arrears are approved, and the Accountant General disclosed this in the financial statements.

(v) Un-Resolved Status of the PIBID Patents

Section 119(3) of the Constitution of the Republic of Uganda provides guidance that; the Attorney General shall be the principal legal adviser of Government. Sub-section 4(a) further guides that the Attorney General shall give legal advice and legal services to the Government on any subject.

The PIBID project has been running on five patents which have been researched and developed through Government funding since the financial year 2004/2005. However, it was noted that patent rights were registered as intellectual property under the names of an individual. It appears these patents were registered without guidance from the Attorney General and therefore it is difficult to know whether government's stake in the patents was taken care of following the huge investment of over 50bn in the project through MFPOED.

It was further noted that only (3) out of the five patents were registered in Uganda while the (2) were register with the African Regional Intellectual Property Organisation (ARIPO). See details in table below;

S/N	Patent Entitle	Patent Application No.	Date
1	Extraction of low Amylose Matooke (Banana) starch from a triploid acuminate East Africa highland varieties and its application for industrial use.	UG/P/2004/00012	27/12/2004
2	Process for preparation of raw matooke (Banana) flour.	AP/P/2005/003308	25/04/2005
3	Processing for extracting banana wool and sponge	AP/P/2008/004542	03/05/2007
4	Preparation of pre-cooked instant banana flour	UG/P/04/00010	22/07/2010
5	Extrusion cooking process of matooke/non-cooking banana flour into extrudents which serve as raw materials for a highly soluble extruded banana flour.	UG/P/2004/00011	27/12,2010

There is a risk that government interests in the patent may be forfeited or lost when the project is commercialised unless a follow up and legal advice is sought on this matter.

Accounting Officer explained that the State Minister for Finance had sought the legal opinion of the Attorney General, and no position regarding the Government interests in the patents had been communicated by the time of writing this report.

I advised the Accounting Officer make a follow-up with the Attorney General and resolve the status of the patents.

(vi) Status of the Land Located in Bushenyi

The banana project owns land in Bushenyi together with other movable properties. However, it was noted that the land title is still in the names of the project without the legal mandate to continue owning this land of behalf on government unless the expired legal status is resolved following the legal opinion of the Attorney General to transfer the project under Agriculture sector.

There is a risk that Government may lose this land especially when the project is fully commercialized through a Private Sector arrangement under a PPP. Government has heavily invested in land, constructions, production equipment, transport facilities and banana plantations as a source of raw materials through this arrangement.

I advised the Accounting Officer to properly secure all Government land and other moveable assets under this project prior to its privatization.

(vii) Unfunded project planned activities - UGX.6,682,145,000

During the financial year 2014/2015, the PIBID project had a budget provision of UGX.9bn out of which only UGX.2.7bn was released as vote on account and as a result, activities worth UGX.6,682,145,000 were not under taken. The affected activities include: purchase and installation of machinery and equipment (UGX.2.5bn), Construction materials (UGX.1.457bn.), marketing of the tooke products (UGX.777,665,000) and procurement of transport equipment (UGX.780,000000). The practice of not funding the respective project work plan activities undermines the achievement of the project mandate and objectives relating to its establishment.

Management explained that efforts are underway to obtain additional funding to fully implement project activities.
I await the outcome.

(viii) Advances to Personal Accounts

It was observed that a sum of UGX.192,664,939 was paid to personal accounts for purposes of payment for services rendered to PIBID contrary to TAIs part 1 (227-229). The payments included fuel, water bills, police allowances, staff meals, PIBID launch and allowance to participants. I could not confirm whether the funds were eventually received by the service providers for the services rendered to PIBID and how they were eventually accounted for.

Management explained that the payments were made adhoc due to the emergency nature during the time cash transactions were suspended.

I advised the Accounting Officer to have the amounts accounted for and ensure that all service providers are paid directly through their bank accounts in compliance with regulations.

8.2 FINANCIAL MANAGEMENT AND ACCOUNTABILITY PROGRAMME (FINMAPII)

(a) Compliance with Programme Financing Agreement and GoU financial Regulations

The Programme complied with the covenants of the Programme agreement and Government Financial Regulations except for the following matters;

(i) Expenditure re-allocation

During the review of the financial statements, I observed that the following expenditure re-allocations were made by project management without prior approval from the development partners. Expenditure re-allocations render the budgetary control ineffective. Examples included the following:

Date	Voucher	Description	Amount	Classified to

	number		UGX	
29/5/15	2641	Facilitation for FINMAP asset verification exercise	11,914,400	Workshops and seminars
18/6/15	2766	Furniture for IFMS regional centers	48,679,940	,,
27/5/15	2609	Facilitation for FINMAP asset verification Lira/Kitgum	8,656,813	,,
27/5/15	2613	Facilitation for FINMAP asset verification Kampala	4,147,860	,,
14/4/2015	1904	Airtime for MSU,IPPS, Data Center, PFM etc.	7,084,400	Inland Travel
15/12/14	636	Airtime for MSU,IPPS, Data Center, PFM etc.	6,620,800	,,

It was noted that the funds in question were spent but charged to the wrong expenditure account codes.

Management promised that all future transactions will be charged to the appropriate budget lines and ensure that all adjustments are appropriately approved.

I await the Accounting Officer's action on the matter.

8.3 BUDGET MONITORING AND ACCOUNTABILITY UNIT

(a) Compliance with the Financing Agreement and Government of Uganda Provisions

A review was carried out on the project compliance with the Grant agreement provisions and GOU financial regulations and it was noted that the project complied in all material respects with the provisions in the agreement and applied GOU regulations.

General Standard of Accounting and Internal Control

A review of the project financial management system was carried out and it was noted that management had instituted adequate controls to manage project resources except for the following matters;

(i) Excess expenditure

A comparison was made between budgeted amounts and the actual expenditures incurred during the year to confirm compliance with budget limits. However, it was noted that two expenditure items were overspent by a sum of UGX.133,983,801 as per details in the table below.

Particulars	Budget (UGX)	Actual (UGX)	Variance (UGX)	%
Office Equipment	13,600,000	17,154,581	3,554,581	26%
Workshops & Seminars	81,200,000	211,629,220	130,429,220	160.63%
Total			**133,983,801**	

Excess expenditure results into diversions hence affecting performance of other budget lines.

Management explained that the excess expenditure on workshops resulted into an activity involving training the Finance and Gender Committees of Parliament. The original budget had been planned for only PAC members. Regarding Office Equipment, the budget line was overspent due to the need to procure a high end/resolution photographic camera and an LCD projector (originally not budgeted for) which were necessary for the performance of the newly recruited Communication Officer.

I advised management to always stick to the planned procurements. Should there be need to adjust the budget, authority should be sought from the development partners.

(b) Non Implementation of Research Topics

According to Annex 1 of the Project Document 2014-2015, 4 research topics were proposed to be implemented during the period. These were;

- Evaluate the effectiveness of IFMS and OBT.

- Evaluate the effectiveness/performance of development related grants to local governments.
- Assessment of the effectiveness of the Road Fund and
- Evaluation of effectiveness of collection and use of non-tax revenue by government parastatals.

However, it was noted that only one research topic ie. evaluating the effectiveness of IFMS and OBT was implemented and the rest were not. Non implementation of planned activities on a timely basis may result into unnecessary project extensions.

Management explained that the study on assessment of effectiveness of the Road Fund will be conducted in January, 2016, while the other proposal awaits the steering committee for approval.

I advised management to ensure implementation of the research topics as planned.

8.4 COMPETITIVENESS AND ENTERPRISE DEVELOPMENT PROJECT (CEDP) COMPONENT 2-5

(a) Compliance with the Financing Agreement and Government of Uganda Provisions

A review was carried out on the project compliance with the Grant agreement provisions and GOU financial regulations and it was noted that the project complied in all material respects.

Compliance with the Financing Agreement and GoU Financial Regulations

It was observed that management had complied in all material aspects with the financing agreement and GoU financial regulations except for the following matters;

(i) Delays in the recruitment of key project staff

According to the financing agreement, the project implementing entity shall, not later than three (3) months after the effective date (6th June 2014) appoint, in accordance with the provisions of section III of schedule 2 to the agreement, a civil engineer, a monitoring and evaluation specialist, a financial management specialist, an environmental and social management specialist, a matching grants specialist and a tourism and hotel development specialist. However, it was noted that the environmental and social management specialist and tourism and hotel development specialist had not been recruited by the time of audit in September 2015.

There is a risk that the project might not be implemented effectively within the time agreed as per financing agreement.

Management explained that the recruitment of tourism and hotel development specialist was unsuccessful because it ended with no eligible candidate being identified. The procurement of the environment and social safeguards specialist is in advanced stages.

I advised the project management to ensure that the key staff are recruited to avoid delay in implementation of project activities.

(ii) Discrepancies between PAYE as Per Payroll and PAYE as Per URA return

I noted discrepancies disclosed as PAYE as per payroll and PAYE submitted as per URA return forms in the months of December 2014 and May 2015 as indicated below;

Months	Amount as per CEDP payroll UGX	Amount paid to Uganda Revenue Authority as per payment voucher and bank statement UGX	Amount as per URA Return UGX	Discrepancies UGX
December 2014	20,487,162	20,487,162	18,302,381	2,184,781
May 2015	45,214,104	45,214,104	44,022,104	1,192,000

The project is exposed to fines and penalties for submitting inconsistent returns to URA.

Management explained that there were challenges with URA system which could not accommodate PAYE deductions on arrears. However, URA has guided that submission can be done exclusive of the TIN for the arrears.

I advised the project management to ensure that a URA PAYE return with total amount deducted is filed with the tax authority accordingly.

8.5 MICROFINANCE SUPPORT CENTRE (MSC)

(a) Non-compliance with the company's loan write-off policy and impairment losses

As per section 5.8 of the Operations Manual, a loan shall be written off the books of the institution after six months of being identified as a loss i.e. after the loan is past 270 days. Write off will be done at the end of the financial year with the approval of the Board of Directors. I however noted that loans worth Shs.7.5 billion above 270 days in delinquency had not been written off as at 30 June 2014. Included was accrued interest of Shs.977 million. Management did not comply with the company policy.

In addition, I noted that the company impairment losses increased from Shs.8 billion as at 30 June 2013 to Shs.10 billion as at 30 June 2014. High credit losses give an indication of increased credit risk in the company's portfolio.
Management explained that the process of identifying the loans for write off in FY 2014/15 has started and thereafter the report will be presented to board for approval.

I advised management to always comply with the company's Operations Manual. Any loans written off should be consistently monitored and recoverability enforced. Management should also perform a comprehensive review of its loan portfolio to ensure all credit risks have been identified and accounted for. The company's credit granting policies should be revisited to ensure the credit risk is minimized.

(b) Weaknesses in processing of loans

The credit policy manual requires loans ranging between zero to Shs.100 Million to be processed within twenty eight days, twenty nine days (29) for those within Shs.100 Million to Shs.400 Million and thirty nine days (39) for those above Shs.400 Million. I noted lead time delays of up to 492 days between the date of application and the date of contract on seven (7) of the loan applications. Prolonged lead time increases the credit risk hence affecting the operations of the entity.

Management explained that most of the clients take too long to submit all the necessary requirements for loans. However they have taken bold steps to improve lead time to the days stipulated in the operations manual.

I urged management to ensure compliance with the credit procedures.

(c) Lack of review of income on fixed deposit investments

From my re-computation of interest income on fixed deposits, a number of variances resulting from the amount credited onto the company's bank accounts and what should have been credited as per the fixed deposit certificates issued at the start of the fixed deposit were noted. A review of the communication from a local bank of indicated that certificate of deposit TD510100000618 issued on 17th January, 2014 for 3 months was erroneously paid less by Shs.7,235,693. Similarly, another certificate of deposit TD510100000579 issued on 21st October, 2013 for 3 months was wrongly quoted at 14.25% per annum yet the correct rate should have been 13% per annum.

Failure to closely monitor and check whether the banks are correctly computing the interest income results into loss of funds by the company.

Management explained that it has put in place a system for monitoring short term investments. I urged management to always ensure that the interest income from fixed deposits is checked for accuracy.

9.0 DEPARTMENT OF ETHICS AND INTEGRITY

9.1 Mischarged Expenditure - UGX.67,769,200

The Parliament of Uganda appropriates funds in accordance with the needs of the country and this appropriation is implemented through the budget in which funds are tagged to particular activities and outputs using account codes and MTEF codes. A review of the Directorate's expenditure revealed that the entity charged wrong expenditure codes to a tune of UGX.67,769,200. The practice is contrary to the intentions of the appropriating authority and leads to incorrect financial reporting.

The Accounting Officer attributed this to inadequate budget on some codes and yet work had to proceed. Management also attributed the problem to the de-linkage between IFMS and output budgeting.

I advised the Accounting Officer to undertake realistic budgeting and whenever necessary request for reallocations or virements, as provided for under the TAI. With regard to the de-linkage between IFMS and output budgeting, I advised the Accounting Officer to bring the matter to the attention of the Accountant General.

9.2 Vacant Positions

A review of the Directorate's approved structure/establishment indicated that whereas 60 posts were approved, only 46 had been filled by the year-end leaving 14 vacant. The most critical positions affected include that of a Commissioner Legal Services, Assistant Commissioner Ethics, Senior Ethics Officer and Senior Policy Analyst among others. Lack of such essential staff may negatively impact on the entity's service delivery.

The Accounting Officer explained that the delay in recruitments was a result of non-existence of the Public Service Commission at the time but a request has now been submitted to the commission for action.

I advised the Accounting Officer to continue liaising with the responsible authorities and ensure that the key vacant posts are filled.

9.3 Outstanding Un-Approved Policies/Manuals

It was noted that a number of Directorate policies/manuals have remained in draft form due to delays in having the approvals. I appreciate management efforts in development of the policies for the efficient functioning of the entity business. However, it was noted that these documents cannot be put to use without approval. These include; the training Manual on Anti-corruption, Leadership Code and the Principles of Crime Act and the Bill. The status of these policies, manuals and bills are indicated below;

Policy/Manual	Status
Training manual on Anti-	Due to the need for wide consultations and pre-test

corruption	of the Training manual on Anti-corruption, it was not possible to have the manual approved for printing. The comments from consultations and pre-test have been incorporated and await approval by TMT-DEI.
Reviewed leadership Code	At its meeting held on 1st July 2015, Cabinet under Minute 237 (2015) approved the Leadership Code (Amendment) Bill, 2015 subject to some amendments. Currently the first Parliamentary Counsel is incorporating the comments of Cabinet. It will soon be published in the Gazette and tabled before Parliament for enactment.
Developed Principles of the Proceeds of Crime Act and the Bill	The legal taskforce developed Legal Drafting Principles for the proposed law which seeks to provide for both conviction-based and non-conviction based recovery of proceeds of crime (civil asset recovery). Recommendations were made to have the proposed provisions of the law incorporated in the Anti-Money Laundering Bill and Anti-Corruption (Amendment) Bill which were already before Parliament. Unfortunately, the Committee of Parliament on Legal and Parliamentary Affairs only took up the proposals on conviction-based asset recovery and these are limited to offences committed under the Anti-Money Laundering Act, 2013. Further, the Sectorial Committee on Legal and parliamentary Affairs on the Anti-Corruption (Amendment) Bill, 2013, has recommended, inter alia, that the Minister for Ethics & Integrity in consultation with other relevant stakeholders should come up with a comprehensive law to deal with confiscation of assets acquired through crimes and not just limited to corruption. Currently the taskforce is conducting country benchmark on Statute books, processes, successes, best practices and practical challenges and pitfalls in the implementation of Mauritius' Asset Recovery Act, 2011 and Ireland's Proceeds of Crime Act,

	2002.

The Accounting Officer explained that they are in the process of consultation with responsible entities and have the policies/manuals approved. I await the Accounting Officer's action on the matter.

9.4 Failure to With-hold Tax for Service Provider

It was noted that withholding tax amounting to UGX.4,662,524 due to URA was not withheld from seven (7) service providers and as such, funds were not remitted. Failure to withhold tax exposes the entity to a risk of penalties and interest charges by URA which may lead to nugatory expenditure.

Management explained that the funds were not with-held because of specific supplier set up issues within the IFMS. Some of the suppliers were erroneously not activated for with-holding tax and as a result it was difficult to with-hold the tax. These cases were, however, reported to Accountant General who promised to resolve the issue on a case by case basis.

I await the Accounting Officer's action on the matter.

WORKS AND TRANSPORT SECTOR

10.0 MINISTRY OF WORKS AND TRANSPORT

a) Procurement anomalies

(i) Procurement planning and initiation - Delays in the procurement process

Delays at various stages of the procurement process were noted during the review of documentation and PPDA reports at the Ministry as indicated below:

- For the construction of a toilet block, remodelling and renovation of Mbarara Regional Mechanical Workshop building worth UGX.464,951,474, whereas approval to procure was made on 12th August 2013, the Accounting Officer confirmed funds on 9th September 2013 which was close to a month.

- For the construction of stone pitched masonry drains along the estates road in Nali – Kyankwanzi worth UGX.247,065,000, the availability of funds was confirmed on 13th December 2012, but an advertisement was run on 4th April 2013 which was a delay for a period of 4 months. The bids were opened on 10th May 2013 and evaluation took place on 25th June 2013 (One and half months later). Whereas the Contracts Committee approved the decision on the contract on 23rd August 2013, the notice of the best evaluated bidder was not displayed until 16th September 2013 and notification of award issued on the 18th of November 2013. The procurement lasted a whole year.

- The procurement of IT equipment for Local Government Ducar Data Centre (Project No. P092837 IDA Credit No. IDA46790) had a 7 month delay period between Contracts Committee approval to procure on 30th April 2014 and the publishing of the bid notice in the New Vision on 20th November 2014. At the time of the audit by PPDA, the procurement was at the evaluation stage.

- For the procurement of printed materials (1000 copies of Ministerial Policy Statement) worth UGX 97,822,000, whereas the contract was cleared by the

Solicitor General on 6th June 2014, the Ministry did not inform the best evaluated bidder (BEB) until 4th July 2014 (One month of delay).

- For the procurement for commercial private management of MV Kalangala worth UGX 2,800,433,727, whereas approval to procure was done on 31st July 2013, the Accounting Officer did not confirm availability of funds until 20th September 2013, almost two months later.

Unnecessary delays in the procurement process indicate inefficiencies in the procurement process and affect implementation of the procurement plan and service delivery.

Management acknowledged the anomaly indicating they would put in place internal control systems to address the delays by holding monthly procurement meetings to track the progress of procurements. Management also explained that the PDU developed a worksheet to track all the procurements and ensure these are processed in the required timeframes.

I advised the Accounting Officer to continue improving on the processes and ensure that the delays are minimised.

(ii) <u>Lack of contract management plans</u>

It was noted that eleven (11) procurements valued at UGX.16,715,461,998 lacked Contract Implementation Plans on their respective procurement action files as per details below:

No.	Subject of Procurement	Contract Value (UGX)
1	Construction of a Toilet block, remodelling and renovation of Mbarara Regional Mechanical Workshop building	464,951,474
2	Procurement of services for the provision of media and public relations services for the promotion of non – motorised transport	97,173,000
3	Provision of non-consultancy services for the rapporteur during the 2013 JTSR Conference	41,836,900
4	Supply of four (4) number I drums 200 Litre capacity motorized bitumen	77,348,304

	sprayer	
5	Procurement of Printed materials (1000 copies of Ministerial Policy Statement)	97,822,000
6	Supply of Spare parts of MV Kalangala	25,551,720
7	Supply of specialized Equipment for survey section	145,590,000
8	Procurement of construction materials for the application of second bitumen surfacing of Sika-Mudaali – Bwanda Convent road (2.5km) in Villa Maria.	229,663,500
9	Rehabilitation of selected community access roads	8,074,000,000
10	Supply and delivery of Bitumen 80/100 and Primer mc 30, road lime and stone dust and crushed stone aggregates for additional estate roads in Kyankwanzi.	331,931,400
11	Construction of fourteen (14) small bridges in the North and North Eastern Uganda – Lot 2	7,129,593,700
	Total	**16,715,461,998**

This gap could lead to poor contract management and failure to obtain Value for Money.

Management explained that at the time of audit the listed procurement files lacked contract management plans but indicated that for the subsequent procurements, users/contract managers will forward contract management plans to the Procurement and Disposal Unit as required by the PPDA Law.

I await the outcome of the Accounting Officer’s commitment on this matter.

(iii) <u>Procurement Executed without a contract</u>

I noted that management used the services of a local company to print Ministry materials at a cost of UGX.48,000,000 without following procurement guidelines. There was no procurement process followed and the payment was based on the suppliers pro-forma invoice.

I explained to management that engaging firms without allowing competition could lead to compliance in competitive pricing.

In response, management explained that the Ministry received instructions that the company was already identified to produce a special magazine and therefore, there was no time to look for other competitive alternatives.

I advised the Accounting Officer to always ensure adherence to the procurement guidelines even in cases of emergencies like this.

b) **Mischarge of Expenditure**

Parliament appropriates funds in accordance with the needs of the country and this appropriation is implemented through the budget in which funds are tagged to particular activities and outputs using account codes. I noted that expenditure totalling to UGX.157,861,512 was inappropriately charged on budget lines to fund activities that were not planned for without authority. I explained to management that mischarge of expenditure translates into misrepresentation of expenditure balances in the financial statements.

In response, management explained that challenges exist in matching GOU budgeting principles and Public Finance Management Act, 2015.

I advised the Accounting Officer to streamline the budget process to ensure sufficient funds are allocated to significant account areas and should there be need for reallocation, authority for the virement should be sought before any reallocations are made.

c) **Audit inspection of MT. Elgon labour – Based Training Centre (MELTC), Mbale**

(i) **Budget Performance – Funding from Central Government**

During the year, MELTC budgeted to receive UGX.4,200,000,000 from GOU through the MOWT however, analysis of receipts and expenditure for the financial year under review showed that UGX.3,128,994,158 was received leaving a funding gap of UGX.1,071,005,842 (25.5%). The funding gap affects implementation of planned activities in the long run which affects service delivery.

In response; management explained that MELTC received inadequate funds and this affected the training programs.

I advised the Accounting Officer to always liaise with MOFPED and have all the budgeted funds released to the centre to effect the planned activities.

(ii) <u>Unbudgeted Revenue</u>

I noted that Management did not disclose the other sources of revenue to the Centre totalling to UGX.8,320,156,603 from other revenue sources other than GOU as listed in the schedule below. Out of this, a total of UGX 4,287,445,770 comprising of balance brought forward, other income and fees which should have been budgeted for.

No.	Source	Amount
1.	Balance c/f from FY 2013/14	3,828,166,384
2.	Other Income	327,229,386
3.	Fees Income	132,050,000
	Sub-total (Should have been budgeted for)	4,287,445,770
4.	DRRU East Funds (Force Account)	431,270,400
5.	Low Cost Sealing funding from Cross-Roads	1,870,000,000
6.	Lake Bisina Ferry Landing sites	472,446,275
	Sub-total (Funds for designated activities)	2,773,716,675
	Grand total	**7,061,162,445**

I explained to management that failure to budget and disclose all revenue sources to the centre, understates operational income which does not reflect a fair state of affairs of the Centre. I noted that the volume of activities carried out is not commensurate with the only GOU disclosed source of funding. Utilization of un-budgeted for revenue could lead to haphazard spending on non – priority activities.

In response, management acknowledged the shortcoming and explained that MELTC only budgets for the receipts expected from GOU during any given financial year which is reflected in the Ministerial Policy Statement of any given financial year. The rest of the funds are for specific project activities.

I advised the Accounting Officer to improve on the budgeting process and ensure procedures and responsibilities applicable to the Centre are applied in consultations with Accountant General for appropriate guidelines. Besides, management should always disclose the other sources of funds clearly showing the related activities.

(iii) Unauthorized Excess Expenditure

Analysis of expenditure and budget for the year showed that UGX.2,185,440,580 was spent over and above the approved amount without authority as summarised below;

Codes	Activities	Approved budget (UGX)	Actual Expenditure (UGX)	Over spent Amount (UGX)
211103	Allowances	62,000,000	110,836,400	48,832,400
221001	Advertising and public relations	60,000,000	246,764,640	186,764,640
221005	Hire of venue (chairs, projector and others)	-	2,775,000	2,775,000
221008	Computer supplies and IT services	26,000,000	31,761,633	5,761,633
221009	Welfare and entertainment	15,000,000	22,836,700	7,836,700
221014	Bank charges & other bank related costs	1,023,000	3,735,300	1,735,300
226002	Licenses	-	2,160,155	2,160,155
227004	Fuel, lubricants and oils	116,000,000	192,221,733	76,221,738
228001	Maintenance – civil	40,000,000	59,700,347	19,700,347
228002	Maintenance – vehicles	120,000,000	213,242,265	93,242,265
228003	Maintenance. machinery, equipment & furniture	10,000,000	29,316,736	19,316,736
228004	Maintenance	-	375,000	375,000

	other			
231003	Roads and bridges	1,994,000,000	3,624,254,258	1,630,254,258
281504	Monitoring, supervision and appraisal	216,000,000	303,864,408	87,864,408
231006	Furniture and fixtures		2,600,000	2,600,000
	Total over spent			**2,185,440,580**

Failure to disclose all the sources of income at the budgeting stage could have accelerated excess spending during the year. There is a risk that some funds could have been spent on non-priority activities.

Management acknowledged the anomaly and explained that the excess was caused by the activities that transcend financial years, yet the reporting system compares the annual expenditure against the respective annual budget earlier prepared. Besides, there were expenses such as the funds earmarked for DRRU-East, Lake Bisina and Cross-Roads that were not included in the annual budget. Management explained that all revenues will in the next financial years be budgeted for and included in the work plan before expenditure is effected.

I advised the Accounting Officer to spend within the limits of the approved estimates. Where expenditure needs beyond the approved budget are observed quarterly for virements, reallocations or supplementary budgets should be sought.

(iv) <u>Unspent Balances</u>

At the close of the financial year, the centre had unspent balances totalling to UGX.4,187,196,289. I explained to management that a big portion of unspent balances on the account imply that the centre management did not have priorities under which funds could be utilized which translates into underperformance. I noted that the funds should have been disclosed for appropriation.

In response, management explained that this was caused by UGX3,367,986,442 that was held on the Stanbic Bank Collection account as the funds were earmarked to replace worn out equipment and plant and MELTC, yet management does not spend these funds at source; and UGX.819,209,847 mainly consisted of funds earmarked for Lake Bisina Ferry landing sites and DRRU. MELTC will be required to return all the unspent operational funds when the Rural Transport Infrastructure (RTI)/U-growth project ends on 30th June 2016.

I advised the Accounting Officer to plan adequately and ensure all the funds are utilized for effective service delivery.

(v) Unpaid compensation to UTC- Elgon

On the 3rd of April 2014, the MOWT on behalf of MELTC signed a Memorandum of Understanding with the Ministry of Education and Sports on behalf of Uganda Technical College (UTC) - Elgon for grant of possession of the Orion building and the enclosed area of about 1.835 acres that comprised of the newly renovated old building (Orion Block), the new wash rooms, dining, and kitchen, a computer laboratory used by district Engineers, a double storeyed hostel block for senior trainees with recreational facilities, laundry room and the gravity water scheme that supplies MELTC with water.

I noted that the compensation price agreed was UGX.3,307,000,000 payable over two financial years of 2013/2014 and 2014/2015 at a 50% split. However; during the financial year 2013/2014, UGX.1,153,500,000 was released by the Ministry to UTC - Elgon as the 50% first split. By the close of the financial year under review; UGX.1,153,500,000 (34.8%) only had been released to the college and UGX.2,153,500,000 (65%) remained outstanding.

I explained to management that failure to compensate the college in time violated the agreed terms as specified in the memorandum of understanding. There is a possibility that the Centre could face legal action for not honouring its obligations.

In response, the Accounting Officer explained that the matter was brought to the attention of the Ministry and action is awaited.

d) **Funding Gaps at Regional Mechanical Workshops - UGX.5,141,152,540**

During the review of the operations of the regional mechanical workshops of Mbarara, and Bugembe; I noted that the operations were hampered because of underfunding as analysed below;

Mechanical Workshop	Approved budget	Amount received (UGX)	Funding Gap (UGX)
Mbarara Regional Mechanical Workshop	8,890,000,000	6,234,401,016 (70.1%)	2,655,598,984 (29.9%)
Bugembe Regional Mechanical Workshop	7,347,632,048	4,862,078,492 (66.1%)	2,485,553,556 (33.9%).
Total			**5,141,152,540**

As a result; some long overdue road equipment repairs were not carried out at the workshops as listed below;

Mbarara Mechanical Workshop				
S/N	Road equipment	Registration Number	Local Government	Date brought in
1.	LG 0016-053	Motor Grader	Kiruhura	14/12/2014
2.	LG 1543-1543W	Faw Dump Truck	DRRU – West	20/02/2015
3.	UG 1545W	Dump Truck	DRRU – West	24/02/2014
4.	UG 1576W	Motor Grader	DRRU – West	18/11/2014
5.	UG 1480W	Vibro Roller	Pool Workshop	24/02/2015
6.	UG 1557 W	Dump Truck	Pool Workshop	24/11/2014
7.	UG 0843 W	Dozer Cat 05H	Pool Workshop	Dec. 2014
8.	LG 0080-50	Wheel Loader	Kyenjojo	02/11/2013
9.	LG 0146-31	Vibro Roller	Mbarara District	04/03/2013
10.	UG 0848 W	Water Bowser	Pool Workshop	07/03/2013
11.	LG 0019-31	Motor Grader	Mbarara District	24/05/2015

Bugembe Mechanical Workshop				
S/N	Road equipment	Registration Number	Local Government	Date brought in
1.	FIAT KOBELCO M/Grader	LG 0013 - 54	Sironko	22/09/2014
2.	KTSU M/Grader	GL 0003 - 37	Nakasongola	10/10/2013
3.	KTSU M/Grader	LG 0014 - 16	Kamuli	17/06/2011

4.	FIAT HITACHI M/Grader	LG 0084 - 24	Kumi	07/03/2014
6.	CAT 953C	UR 2299	Kiboga	27/03/2008
7.	KTSU M/Grader	LG 0028 - 19	Kibaale	27/01/2014
8.	KTSU M/Grader	LG 0063 - 12	Jinja	22/09/2014

I noted that road equipment due for repair stays in the garages for long and hence its purpose of road works cannot be effectively carried out. In response; management explained that this was because of the funding gaps that have been experienced.

I advised the Accounting Officer to follow the matter with the MOFPED and ensure adequate funding is provided.

e) <u>Gulu Regional Mechanical Workshop</u>

Audit inspection of Gulu Regional Mechanical Workshop revealed the following anomalies;

(i) <u>Lack of Service bay and Working Yard</u>

I noted that the Regional workshop was originally designed to handle all districts' road equipment in Northern Uganda that were previously few at the time however; the workshop currently handles on average thirty one (31) districts. During the financial year 2013/2014, the Ministry established the Northern Uganda Force Account which rehabilitates selected district roads. I noted that this Force Account has road equipment whose repairs are also handled by the Regional Workshop. Inspection of the workshop revealed that the dilapidated working yard and service bay. I further noted that most of the repairs are carried out in an open dusty compound. See the pictorial description below;

The dilapidated Working Yard	The dilapidated service bay
	
Open and dusty Compound currently being used as Workshop for repairs of Motor vehicles and Road equipment.	Open and dusty compound currently being used as Workshop for repairs of Motor vehicles and Road equipment.

I explained to management that lack of an organized service bay and a modern work shop could lead to failure to repair modern road equipment that has just been acquired by the districts.

In response; the Accounting Officer explained that Government is planning to rehabilitate the workshops and project profiles have been forwarded to MOFPED.

I await the outcome of the Accounting Officer's commitment.

(ii) <u>Old Grounded Crane -UG 0298W and Self Loader</u>

The Work shop's core activity is to repair and maintain district road equipment in the Northern region of Uganda. Currently the workshop repairs and maintains road equipment of thirty (31) districts. Repairs and maintenance of road equipment is done at the Regional Workshop working yard and not at the respective districts that require the services. During the review, I noted the following anomalies;

- The work shop had only one self-loader which is used to carry the faulty road equipment from districts to the working yard. At the time of inspection (October 2015) the seemingly old self-loader was grounded implying that no equipment could be brought for repairs at the Zonal office, further affecting service delivery.

Old and grounded Self Loader

- I further noted that the work shop had only one old crane that is used to lift the faulty road equipment engines when repairs are being carried out at the workshop. This crane was also grounded. Interview with management revealed that ever since the crane got grounded, lifting and carrying of Road equipment engines has become difficult. See the pictorial description of the state of the crane below;

The old and grounded Crane at Gulu workshop.

I noted that lack of sound and essential equipment in a stable working condition hinders repair works of the regional workshop. In response; management explained that at the time of audit the crane and self-loader were under repair.

I advised the Accounting Officer to plan and procure new special purpose equipment to ease repairs at the workshop.

(iii) Renovated Board room without furniture

I noted that the newly renovated office blocks were not operational due to lack of chairs and tables while others had very old chairs and tables. See the pictorial description of the board room without essential furniture to make it operational.

Board room without furniture

A review of the work plan for the year revealed that management did not plan to procure furniture for the rehabilitated offices. I explained to management that without essential furniture for the office; the operations of the mechanical workshop could be hampered. Failure to plan adequately could have accelerated the challenges affecting the operations of the workshop.

Management explained that the process of procuring furniture is on-going and the contracts committee decision has already been taken.

I await the outcome of the Accounting Officer's action.

(iv) Failure to implement planned activities on Force Account

The Ministry started implementation of the Northern Region Force Account operations in the month of December 2014. The basis of the Force Account is that the District Local Governments hand over some of the identified and agreed on Local Government Roads to the Regional Force Account so that they are maintained to the motorable condition and then the Regional Force Account hands them back to the Local Governments.

During the FYR 2013/2014, the Ministry approved Force Account work plans with the 3rd quarter work plan having an approved budget totalling to UGX.1,507,197,000 for the two identified and agreed on roads as indicated below;

S/No	Road Name	Length (Km)	Approved Cost Estimates
1	Cwero – Omel - Minja	42.1	1,090,893,644.2
2	Minakulu – Okwir - Koroba	10.5	416,303,355.8
	Total cost		1,507,197,000

I noted that the approved work plan was not implemented in the financial year 2013/2014 and consequently, the activity was rolled over to the financial year 2014/2015, however; the Ministry did not release the funds for the two roads. I explained to management that accepting to take over roads from the District Local Governments and eventually not maintaining them would further affect the inadequate state of the roads.

In response, management explained that the approved work plan was not implemented because there were no funds.

I advised the Accounting Officer to plan adequately and ensure effective implementation of maintenance of the roads. Meanwhile, the Accounting Officers should engage MoFPED for adequate funding in order to improve service delivery.

8.1 EAST AFRICA TRADE AND TRANSPORT FACILITATION PROJECT (EATTFP)

(a) Compliance With The Financing Agreement And Government Of Uganda Provisions

Project Management complied in all material respects with the provisions in the agreement and GoU regulations except in the following matter;

(i) Outstanding VAT Obligations

The project had an outstanding obligation in un-cleared VAT of UGX.3,171,023,449 as at the end of the financial year under review. I noted that there was a delay in clearing VAT on paid certificates. I explained to Management that accumulation of VAT arrears could cause interruptions in the construction works with the contractors. Besides, there is a possibility that the amount may become unmanageable.

I advised the Accounting Officer to ensure the outstanding VAT is cleared.

(ii) Unreleased budgeted funds (IDA and GOU)

Analysis of budget performance for the year showed that the Project expected funding from IDA and GOU totalling to UGX.30,405,740,000 (IDA-UGX.21,500,000,000 and GOU-UGX.8,905,740,000 respectively). However, UGX.26,102,702,295 (IDA- UGX.17,202,504,020 and GOU-UGX.8,895,653,224) was received translating into an overall performance of 86% performance for the year. UGX.4,307,582,756 (14%) of the total budget was not released to the project.
Non-release of all budgeted funds affects smooth implementation of the planned activities.

In response, management explained that the shortfall in funding was majorly from the slow disbursement from IDA as a result of delayed completion of Mukono Railway ICD and construction works for Katuna OSBP. In regard to Katuna OSBP, progress was affected by lack of funding by the European Union (EU) where the project was later split into two separate contracts due to insufficient balances on the IDA Credit. The two contracts include; building works contract financed by IDA and GOU and road, parking and swamp reclamation works contract funded by the EU.

I advised the Accounting Officer to improve on supervision and monitoring so as to have the works completed in the scheduled time lines.

(b) General Standard of Accounting And Internal Control

A review of the project financial management system was carried out and it was observed that management had instituted adequate controls to manage project resources.

(i) Project Implementation

Inspection of One Stop Border Posts (OSBP)

I inspected the OSBPs at Busia, Malaba, Mirama Hills, Katuna, Mutukula, and the in land Container Depot - Mukono in the month of October 2015 to establish the progress of construction works and listed below were some of the findings;

Busia OSBP

The construction of Busia OSBP was undertaken at a contract sum of UGX.15,898,641,294 for a period of 12 months that commenced on 29/08/2013 and was expected to be completed by 28/8/2014. The project completion date was further revised to 30th September 2015. During inspection; I noted the following issues;

- **Delayed Completion of Additional Works**

Inspection of the construction works indicated that the contractor completed work for the construction of the staff quarters, the administration block and the structures were handed over to URA on the 12th September 2015. However, I noted that additional works currently funded by Trade Mark East Africa (TMEA) at a cost of US$.0.8m were behind schedule. This activity had been omitted in the original contract and this includes installation of fire-fighting equipment, relocation of the National Fibre Optic Hub and extension of the parking yard. At the time of inspection (October 2015), work was estimated to be above 85% completion.

Delays in implementation of project activities could lead to extra administrative costs.

In response, the Accounting Officer acknowledged the delay on the additional works mainly the parking yard and also attributed the slow progress to heavy rains that occurred in the project area in the recent months, making it unfavourable for major works to be executed especially earthworks. The situation has also been compounded by the rocky conditions in some parts of the project area causing frequent breakdown of contractor`s equipment. Management had stepped up its supervision. The remaining works would be completed in time.

I await the outcome of management's commitment.

- **Lack of funding for construction of Access Road - UGX. 4.2bn**

I noted that there was a delay to construct the access road to Busia OSPB which has now been taken over by GOU who will undertake the funding. At the time of reporting (December 2015), the Ministry was in the process of procuring a contractor. The delay to construct an exit road has caused congestion of trucks and trailers at the border thereby interrupting operations of the Boarder post. Below is a pictorial description of the progress of works:

 Un operational concrete batching plant	 On-going works at the park yard, in the picture is the non-operational concrete batching machine
 On-going works, extension of the park yard that had been halted because of delayed shifting of the police Uni-ports.	 The un constructed access road at Busia OSBP
 The inside area of the administration block and customs offices already in use	 One item under the additional works, installation of fire fighting equipment
 In the picture is the borehole that is part of additional works that had been omitted	 Fibre optic cable to be relocated after construction of the yard.

There is uncertainty as to whether the road will be constructed within the time frame. At the time of reporting, there was no commitment by GOU towards resolving the issue. I explained to management that the continued delay in constructing the road will continue to interrupt operations of the Border post.

In response, management explained that the Ministry wrote to the Authority in charge of Roads in December 2013 to prioritise the construction of exit roads at

Malaba and Busia OSBPs but this was not done due to lack of funding and consequently, the Ministry of works was advised to implement. MOWT with support from World Bank and Trade Mark - East Africa who are financing Malaba and Busia OSBPs respectively have since been following up on the issue of funding for Malaba/Busia exit roads with MOFPED until May 2015 when MOFPED advised the Ministry to raise the required funding from its MTEF. With guidance from the project Financiers and the Solicitor General, the Ministry re-started the procurement process for the contractor of Malaba and Busia exit roads. Evaluation process has been completed and the draft contract agreement has been submitted to Solicitor General for clearance. It is envisaged that contract signing will be by end of December 2015 while civil works are hoped to commence in early January 2016.

I await the outcome of the Accounting Officer's plan of action.

Malaba OSBP

The construction of Malaba OSBP was undertaken at a contract sum of UGX.15,707,641,294 for a period of 12 months that commenced on 29/08/2013 and expected to be completed by 28/8/2014. The Project Completion date was revised to 30th September 2015, and hand-over is expected in February 2016. The construction of an exit road had not been embarked on as noted below:

- **Delayed Construction of exit road**

At the time of reporting (December), the procurement process had started and was at evaluation stage. I noted that the delayed construction of the exit roads has affected the movement of trucks and trailers at the border as the exit gate is as well used for incoming trucks which cause a lot of congestion and delay of trucks to clear at the Boarder point. Below is a pictorial description of the constructed Malaba border post:

Inspection Photographs at Malaba One Stop Border Post	Completed and handed over customs structures of Malaba OSBP
	
Completed renovation of the former customs offices	

I explained to management that inadequate planning could lead to failure to achieve the project intended objectives.

I advised management to expedite the procurement process so that construction work can be started.

Inspection of Internal container Depot (ICD) - Mukono

The construction of the ICD at Mukono was undertaken by an international construction company for a contract sum of US$.8,688,112.11 for a period of 18 calendar months including 6 months of the defects liability period. I noted that the works were completed and the site handed over in July 2015. However; during the review, I noted the following issues;

- **Non-payment of UGX.490m to Mukono District Council**

Following a land dispute with Mukono District Council, the project management agreed to compensate UGX.490m as a lump sum payment to the Council. To date, Management has not yet honoured its commitment. I explained to management that delayed payment of compensation funds could attract interest and a possibility of litigation could not be ruled out.

In response, management explained that the long standing dispute between the Ministry and Mukono District affected the progress of the ICD project and an understanding had been reached between the two parties. However in December 2014, the Ministry sought legal advice from the Solicitor General on the pending compensation of UGX.490m to Mukono District and the Solicitor General advised that there was no justification for the compensation since the District could not prove that it owned the structures. Therefore the Ministry could not proceed with this expenditure. Fortunately, works on the ICD works were completed and the facility was handed over in July 2015 to URC and RVR for operations.

I await the outcome of the Accounting Officer's guided opinion on the matter.

- **Poor workmanship on installation of pavers**

I noted that the paving works were not properly done as the pavers looked to be of low quality with rough finishing and gaps were identified in between. I explained to management that the poor installation of pavers may lead to high maintenance costs.

Management explained that the contract is still under Defects Liability Period (DLP) during which the contractor will address this shortcoming. The operator company has been advised to adhere to the ICD operational requirements.

I advised the Accounting Officer to enforce supervision for enhanced benefits.

- <u>**Poor Handles for all Emergency Doors**</u>

It was noted that all the handles for the emergency doors were broken as they were made of plastic and not steel as provided for in the initial designs. Other defects included the lower point in the compound as evidenced by the stagnant rain water in the park yard. This problem could be attributed to inadequately casted levels constructed before the construction of rails. Below is a pictorial description of the status of the completed project works (ICD Mukono):

 The completed administration block already in use by URA/RVR	 Completed ware house after renovation.
 The completed weigh bridge with dent on extreme left by a truck which was larger than the provided area for exit. It was explained it is to be fixed.	 The Mechanical servicing wing
 Poorly constructed pavers with gaps in between	 In the picture is stagnant water due to casting problems that may need to be attended to urgently

I advised the Accounting Officer to correct the above defects early enough so that assets do not deteriorate quickly and or create unnecessary repair costs.

In response, Management explained that the above issues are included in the snag list (defects list) that the contractor is supposed to address during the DLP and has been reminded of his obligation to correct all defects as provided for in the contract. Management will ensure that all defects are corrected before the expiry of the DLP.

I advised management to ensure the contactor puts right all the defects prior to the expiry of the defects liability period.

Inspection of Mutukula OSBP

The construction of Mutukula OSBP was undertaken at contracted sum of UGX.18,793,900,206 and commenced on the 5th September 2013. The completion date was set for 5th September 2014, which was later extended to 30th September 2015. Work was completed and handed over to URA on the 25th August 2015. However, inspection of the border post showed the following issues;

- **Delayed demolition of the Police Station Structures**

The Police Station that is so close to the verification shed has not been demolished as required. One of the conditions for demolition was relocation and re-construction of another Police Station which management has not yet implemented. Delayed demolition of the Police Station has hindered the completion of construction part of the verification shed, wet cargo and the loading area at the dry cargo. This hinders the operations of the border post.

In response, Management explained that the works for the new police post are on-going and will be completed at the end of December 2015. The community police is expected to relocate to its new office block in the first week of January 2016 to enable the contractor work on this area and complete the project.

I await the outcome of the Accounting Officer's commitment.

- **Delayed demolition of old URA building**

I noted that the old URA building has not been demolished and this has hindered completion of construction of the road to the exit gate and connection of the road to the scanner room, along gate number 1. I explained to management that this continues to affect the operations of the border post. Below is a pictorial description of the Mutukula Border post:

 Completed Administration Block at OSBP Mutukula	
 Verification Office	 Completed staff quarters, there was no provision for paving or grading the compound in the bills of quantities
 Incomplete concrete work in this area due to un demolished police quarters	 Incomplete work on wet cargo house due to un demolished police station.

Further review showed that there was no provision for paving or grading of the staff quarters compound in the bills of quantities and at the time of inspection, grass had not been planted. I explained to management that mud and/or dust could make the environment unhealthy.

Management explained that the demolition of the old URA building could not be done unless the new facilities have been completed and staff relocated. This has been achieved and URA staff are expected to relocate to the new offices by end of December 2015. This will pave way for demolition of the old structure and completion of works around this area. Regarding the issue of staff quarters compound, the Ministry has already submitted a proposal to the financier (TMEA) which is being considered.

I await the outcome of the Accounting Officer's commitment.

Construction of OSBP at Mirama hills

The Construction of OSBP at Mirama Hills was undertaken at a contract sum of US$.7,817,703.32. The contract commencement date was 4th July 2013 and the revised completion date was 19th September 2014. The completion date was further revised to 30th September 2015 and the hand over expected on the 2nd July 2015. The on-going works at the time of inspection were construction of the bridge connecting to Uganda OSBP to Rwanda. Construction was progressing well and expected completion date is 30th December 2015. Interview with the supervising consultant showed that they were ahead of time and hoped to complete by 30th November 2015. Below is the pictorial description of the completed works at the border post:

 The Completed administration block	 The inside part of the customs area.
 Behind view of the administration block	 Un demolished structures bordering the fence, pending demolition when road works begin.
 Generator	 Construction of bridge works at the gate joining Rwandan border

In noted that the un-demolished structures bordering the fence of the border post could pause security threats to the border Post.

In response management explained that the construction of the bridge connecting Uganda to Rwanda is under a separate contract supervised by UNRA. Similarly, the un-demolished structures near the entrance gate and fence are being handled by UNRA under the on-going Ntungamo-Mirama Hills road upgrading project. The bridgeworks have been completed while progress on the Ntungamo-Mirama Hills road is about 45%. Management will continue to follow up the matter to ensure close supervision and timely completion of the construction works.

I await the outcome of management's plan of action.

Delayed Construction of Katuna OSBP and swamp reclamation works

- **Construction of the OSBP**

The construction of Katuna OSBP is undertaken at a contract sum of UGX.8,951,277,750 and Swamp reclamation for access road works estimated at UGX.12,000,000,000. The commencement date for the construction was 13th June 2014 and the estimated completion date was set for 13th June 2015. This was later revised to 30th December 2015. Inspection of construction works showed the following;

The MOWT re-started the procurement process for the contractor of the OSBP, access road and swamp reclamation in May 2013 after receiving a No- Objection from the Government of Rwanda to proceed with the development of the OSBP. After completion of the procurement process, the World Bank gave a no Objection based on the following conditions;

a) GOU to confirm funding of US$.3.9m of which 15% should be made available during the FYR 2013/14.
b) EU's funding for access roads and swamp reclamation works is confirmed and;
c) NEMA and World Bank clear the Environmental Impact Assessment review report.

The EU Confirmed funding on the 12th May 2014 and all the conditions set by World Bank were met including NEMA's clearance that was received on the 30th April 2014. I noted that GOU was required to finance the building works for Katuna OSBP since IDA credit funding had been exhausted. The contract for construction of OSBP was finally awarded at a sum of UGX.8,951,277,750 on the 5th June 2014. The EU delayed to operationalize her support and the contractor could not commence on the major building works due to delayed reclamation of the wetland where the buildings were to be constructed.

I noted that finally EU pulled out from the funding of the swamp reclamation and construction of access roads and in resolution of this funding gap, a variation of the existing contract was made to include some limited land reclamation covering areas proposed for construction of the buildings so that the building contract could progress. The variation was approved with a value of UGX.2,228,578,942 that was signed on the 25th May 2015. It is anticipated that all the works would be completed by end of April 2016. I explained to management that delayed completion of construction works may affect operations of the border post.

Management explained that they are now focusing on enhanced supervision with weekly programmes, bi-weekly site inspections and monthly site meetings. Below is a pictorial description of the progress of works at Katuna OSBP:

 Reclamation works at Katuna	 Hired manual labour instead of using equipment
	
 Building Works at 10% progress	 Un reclaimed swamp area due to lack of funding

I advised the Accounting Officer to enforce monitoring and supervision of the construction works in order to achieve the targeted goal.

<u>Delayed completion of reclamation works</u>

Inspection of the site showed that the contractor was behind schedule on reclamation of the swamp and according to the contract; reclamation works were supposed to have been completed by 30th September 2015 but physical progress was estimated at 40% by the time of inspection. Interview with management showed that the slow progress was attributed to the factors listed below;

- **Lack of Equipment**

During the procurement process; the contractor specified a number of equipment to be used on site however physical inspection revealed that the contractor had employed man power of around five men to remove fines from the stone aggregates which work could have been done quickly if the equipment was used. This delayed the works under swamp reclamation.

In response, management explained that they have stepped up supervision and the contractor is now required to submit and adhere to a weekly programme though progress has been affected by rains. Construction works have commenced in some areas and all building works will be completed by end April 2016.

I advised the Accounting Officer to enforce supervision.

- **Undelivered purchased material**

It was noted that the contractor purchased material to be used on site but lacked capacity to deliver them. There is a possibility that this could delay construction works and besides; the risk of material getting spoiled or stolen could not be ruled out.

Management explained that heavy rains, poor terrain and lack of material sources in Katuna such as sand are the biggest challenges. The would be material sources such as hard core are not readily accessible due to the hilly terrain of the area and the contractor can only make a few trips only on a sunny day. For materials like sand, the source is Mbarara (about 150km) and the contractor can only make a few trips given that the road (Mbarara-Ntungamo and Kabale-Katuna) is under construction.

I advised the Accounting Officer to enforce monitoring of construction works closely to ensure works are completed in time.

JUSTICE, LAW AND ORDER SECTOR

11.0 MINISTRY OF JUSTICE AND CONSTITUTIONAL AFFAIRS

a) Escalating Contingent liabilities for Court awards and compensations

UGX.4,330,041,624,839 was recorded as contingent liabilities in 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. The contingent liabilities comprise of cases that have been filed against Government pending hearing and cases before Courts of law. The contingent liabilities are determined from estimated amounts of claims against Government by the litigants. Given their magnitude, the contingency liabilities creates additional burden to public resources.

I advised the Accounting Officer to ensure that his legal team takes all possible precautions to enable good defense of the Government. There is need for the responsible Government agencies to act more diligently to properly manage the effects of their actions resulting in these cases.

b) Outstanding Court Awards, Compensations and other liabilities

It was noted that the outstanding amount in Court awards, compensations and other liabilities had accumulated to UGX.479,261,494,066 by 30th June 2015. The bulk of this figure was 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 table below shows the outstanding amounts in Court awards and compensations at the end of each year for the last four financial years:

No	Financial Year to	Outstanding Amount UGX.	%Percentage increase from previous year
1	30th June 2012	54,009,997,832	
2	30th June 2013	164,163,101,576	204%
3	30th June 2014	253,000,000,000	54%
4	30th June 2015	477,734,633,849	89%

I noted that some of the cases attract interest ranging from 6%-25% and even up to 40% in some cases, per annum on the court awards. As a result of the delay to make payments, several amounts have doubled and Government continues to lose money due to accumulated interest on the principal amounts.

Management explained that the liabilities have arisen due to limited funding and increasing number of cases due for Court Awards and compensations.

I advised the Accounting Officer to prioritize this item during planning and budgeting, and to continue liaising with relevant authorities to improve funding. I further advised that prompt settlement of outstanding obligations would minimize penalties and the related charges.

c) Budgeting for Court Awards and Compensations

I noted that whereas the court awards and compensations have continued to accumulate over the years, budget allocations and releases have not improved to cover the obligations. The table below shows the Court awards and compensations at the end of each year, subsequent budgets and releases made to settle the obligations:

No	Financial Year From	Outstanding Amount at start of Year UGX.	Approved Budgeted Amount Year UGX.	Amount Paid UGX.
1	1st July 2012	54,009,997,832	4,346,998,000	20,746,165,234
2	1st July 2013	82,342,100,818	4,346,998,000	5,361,160,000
3	1st July 2014	164,163,101,576	4,347,324,000	8,500,551,991
4	1st July 2015	253,000,000,000	4,347,324,000	18,900,000,000

From the analysis, it is clear that insufficient funds have been budgeted and released to cover the outstanding amount over the years. This has partly caused the accumulation of the arrears of this item.

Management explained that their persistent pleas to have this budget line increased have yielded little success.

I advised that in the budget preparation process and provisions in MTEF ceilings on court awards and compensations, consideration should be made to provide for current and arrears of court awards and compensations. This should be done in liaison with Parliament and MoFPED to ensure that these cumulative arrears of compensations are cleared.

d) Inadequate Records Management

It was observed that records management of court awards and compensations is still inadequate because the Ministry's case management filling system is a manual one. The case and advice request files require tracing, quick movement and action which is not easy in the manual environment. For example it was difficult to identify at a glance cases with high interest charges; hence tracing the documentation from manual records can be cumbersome. In other cases, amounts awarded were not specified. Below is a table indicating files for which case amounts were not specified:

S/N	File Name	File No.
1	Ibanda Meddie	MC 132/2002
2	Kipayo Estates	HCCS 1446/2000
3	Martha Kamukama	CS 275/04
4	Morarji Dharamsy	HCCS 453/1995
5	Mubiru Mohammed	GK/312/2000
6	Ongei Bonifansio	MA 35/1998
7	The Kabaka of Buganda	CS 296/08
8	Mediation no 154/2012 (Kigo Prison Land)	HCCS No.27/2010
9	Mzee Boniface Byanyima Compensation	
10	Karuma - Pakwach victims	100/02
11	Prince Kabumbuli And Others	CS 085/2009
12	Uganda Development Bank	HCCS/31/2002
13	Jokkene Timothy	SDC/420/3032
14	Elma Company Ltd Vs	CS No.12 of 2013

It was also noted that some of the files reviewed were not captured in the schedule of liabilities of the Ministry even when the matters had been concluded and notice of the same issued to the Attorney General. For instance, I noted a case involving death as a cause of action, the plaintiff sued for compensation arising out of the death of his brother who was killed by a landmine which fell off a UPDF truck. The matter was defended in court and subsequently the Attorney General lost the case. The court made a judgment for an award of UGX.60,000,000 as loss of dependence alongside UGX.3,000,000 as general damages. This award was made in the year 2011 and has to date not been paid by Attorney General. I observed that this amount is not reflected in the verified schedules of liabilities of the MOJCA.

Inadequate communication between Directorate of Civil Litigation and Accounts section was also noted. There is a risk that the total liabilities in court awards and compensations will not be adequately captured.

Management concurred with the observation and explained that a consultant has been hired to computerize the system although the project has delayed due to insufficient budget allocation.

I advised the Accounting Officer to expedite the process so as to improve the records management as well as information flow.

e) <u>Inconsistencies in Payments Selection Criteria</u>

During review of records, I observed inconsistences in payment selection criteria. Whereas management indicated that payments are based on first in-first out, I noted that some files where being cleared in one month after filing the claim at the Ministry, while others were taking much longer, for example;

- In the case of OT and 2 others, the plaintiffs brought an action against the Attorney General after a motor vehicle belonging to the Ministry of Education rammed into them. Two of the plaintiffs were seriously injured while the other died as a result of the accident. The court awarded plaintiffs UGX.123,885,000 on 28/10/2009. The claimants made several demands for payment but the same was not heeded to until 2013 when the first payment was made. I observed that the surviving plaintiffs wrote several demands underscoring the need for medical attention.

- I observed that there were files that were expeditiously paid out by the Attorney General in a period of one month after the award. The case of BKC & others was resolved by way of settlement out of court and expeditiously paid off by the office inspite of the existence of other files pending payment. The risk with this method of handling this matter is that it sets a bad precedent for matters concerning death as a cause of action in which the state is involved.

- It was further noted that several claims originating from the rulings from the Uganda Human Rights Commission (UHRC) out of cases of human rights violations remained unpaid despite the fact that these cases involved small amounts and in many cases no interest charged. In spite of the fact that many of the awards from the UHRC did not contain interest on the award and the amounts were very small, the amounts remain outstanding.

The inconsistencies in the payment criteria led to payment of files that have just been recieved by MOJCA, leaving those that have been pending for a long time as such questioning the criteria meant to be actully implemented.

Management explained that they have tried as much as possible to follow the payment criteria save for Human Rights Cases and Mandamus Orders which are given priority. However, some cases have been expeditiously paid on medical grounds for example, the one of BC referred to in the Audit. It must also be noted that for Awards by the Human Rights Tribunals, cases have been scheduled for payment and some claimants Bank Account details were not availed to the Ministry in order to effect payment.

I advised the Accounting Officer to ensure that there is adequate planning, and also ensure that the payment criteria is followed to ensure fairness in these payments.

f) <u>Unclear settlement of cases under mandamus</u>

Review of cases under mandamous orders at the Ministry revealed the following:

- In the case of VM V Attorney General, I noted that the amount owing originates from a decree issued on 25 July 2002. In spite of continuous request from the judgment creditor, the AG has not paid the amount owing. As a result of the delay, the interest on the amount has continued to accumulate without any action from the Attorney General. I also observed that an order for mandamus was executed against the PS/ST by order of the courts in 2003. I observed that inspite of the writ of mandamus against the Secretary to the Treasury; no payment has been made against this debt.

- Similarly, in the case of JE Ltd the complainant was awarded a UGX.64,516,000 in HCCS 934 of 1998 and due to the delay by the Government to make payment, he secured an order of mandamus against the Permanent Secretary/Secretary to the Treasury upon which he was paid a total of UGX.58,043,500. I observed that no further payment has been made. Evidence on file suggests that the beneficiary intends to make another application for mandamus to secure the balance.

The failure to pay such amounts is at variance with the mandamus requirements where it is expected that immediate payment is made upon receipt of a notice of mandamus application by the creditors.

Management explained that cases with Mandamus Orders are given priority in settlement but this is dependent on the releases of funds for Court Awards and Compensations. The Attorney General recently forwarded all Cases including those with Mandamus Orders to Ministry of Finance, Planning and Economic Development for settlement. A response is still awaited from MoFPED.

I advised the Accounting Officer that clear mechanism for settlement of cases under mandamus should be drawn for easier monitoring and evaluation.

g) <u>Defence of Government cases by the Attorney General</u>

I observed that in some of the UHRC cases, the Attorney General did not file a defense or failed to appear and defend cases filed against Government. Information obtained from UHRC indicated a sample of cases from Masaka sessions where cases against the Attorney General were concluded exparte despite summons being issued, served and received by the Attorney General. The failure of the Attorney General to appear before the Commission in disregard of summons being served upon them has resulted in many claims against the government going undefended and as a result costing the government resources that are allocated for that purpose. The following specific cases were observed;

AP Vs Attorney General

I noted that there was a case where the Attorney General did not appear to defend Government. In this case of AP V Attorney General the State Attorney at the time was instructed to write an explanation for his failure to attend court by his supervisor. There was however, no evidence on file that this explanation was ever given by the State Attorney in question.

Management explained that although the Ministry did not appear, the case was not resolved ex-parte because the Uganda Human Rights Commission is not constituted and could not have heard the case. Up to date the Commission is not constituted and all cases are pending. Besides, the State Attorney who was handling the file of AP V Attorney General resigned abruptly and the officer to whom the file was given had many files and unfortunately he did not follow up this case. The matter was regretted by Management.

I advised the Accounting Officer that the Attorney General should be accorded all the necessary support to ensure that government is defended in all cases.

Fuel Company vs AG HCCS 825

The Plaintiffs sued the Attorney General for recovery of UGX.59,801,899 as amounts wrongly deducted as Withholding Tax (WHT) from the payments for fuel supplied to the Ministry of Defence, interest thereon, general damages and costs of the suit. Court entered a default judgement and awarded UGX.59,801,899 as WHT wrongly withheld and costs at the rate of 25% from 24th October 2007 until full payment and costs of the suit. A detailed review of the case highted the following:-

- The Attorney General did not appear and defend the case, as a result Government was not effectively represented.
- The court ordered that the defendant may recover the monies paid to the plaintiff from URA in lieu of the monies refunded. The money has not yet been recovered from URA.
- To date, the decree has not been satisfied yet the decretal sum and costs continue to accrue interest which as at 30/6/2014 had accumulated to UGX.114,261,333. The outstanding balance as reflected on the ledger card now stands at UGX.182,218,133.

There is a risk that Government will lose funds due to inadequate representation of Government in courts of law.

Management explained that payment will be effected when the Ministry receives funds for settlement of Court awards and compensations.

I advised the Accounting Officer to ensure effective representation of Government in Courts of Law and also continue lobbing for adequate funding with relevant authorities to enable prompt settlements.

h) <u>Inadequate Information flow to Attorney General from other Government Agencies</u>

A review of cases and various communications revealed that a number of government agencies do not provide necessary information in time to aid the Attorney General (AG) to adequately prepare defence of the cases. This makes it difficult for the Attorney General to prepare a good defence where the matters can be resolved through good defence case and where possible to enable the AG arrive at a settlement which can save public funds. There was no explanation or credible justification for the failure by the said government agencies to give the instructions or witnesses for the cases against the government. This is causing the government financial losses.

Management explained that the Ministry has always contacted MDAs and will continue seeking for instructions to effectively defend Government. The Budget Call circular for FY 16/17 has proposed that MDAs be responsible for payment of their commissions/omissions. The Attorney General concurs with this proposal.

I advised the Accounting Officer that the Ministry of Finance, Planning and Economic Development should be informed to compel the Accounting Officers to provide the relevant information to enable the Attorney General adequately defend Government.

i) <u>Delayed approval of the Ministry's proposed Macro Organization structure</u>

As noted in my previous report, no approval of the proposed organization structure has been made, though submission of the restructuring report had been made to the Ministry of Public Service for further action. According to the response from the Ministry of Public Service dated, 26th September, 2014, the recommended structure could not be approved by cabinet due to inability by the Ministry of Finance, Planning and Economic Development to issue a certificate on the financial implications.

Consequently, all Ministry of Justice and Constitutional Affairs Directorates are operating below the required staffing levels and Regional Offices have continued to operate without approved structures. This has been rated as a high risk in the Ministry's Strategic Investment Plan.

Unless the proposed macro organization structure is approved and operationalized, implementation of the Ministry's strategic Investment plan may be negatively impacted.

Management pledged to continue pressurizing the relevant authorities to approve the Ministry's structure.

I await the outcome of the Accounting Officer's efforts.

12.0 JUSTICE, LAW AND ORDER SECTOR SECRETARIAT

12.1 JLOS Secretariat and General Observations

12.1.1 Budget performance

(i) Shortfall in Budget releases for JLOS/SWAP - UGX.17,128,352,810

A comparison of the approved JLOS budget and work plan for the 2014/15 with funds released for the financial year revealed shortfalls in funding by 41%. The total releases from development partners of UGX.1,456,849,084 were far lower than expected as compared to previous year where development partner funds stood at UGX.38,303,158,060, resulting into 96% development partner funding gap.

Total approved budget for the year under review was UGX.52,699,149,068 and releases amounted to UGX.35,570,796,258 (67%) of the budget resulting into a budget shortfall of UGX.17,128,352,810 (33%) on the overall. The table below shows the analysis per funder:

No.	Source	Total Releases 2013/2014 UGX	Total Releases 2014/2015 UGX.	% Decrease/increase in funding
1	Government of	22,350,156,311	31,255,641,097	40% increase

	Uganda-Treasury			
2	Development Partners (Basket)	38,303,158,060	1,456,849,084	96% decrease
3	Reversed letter of Credit(LC) and other	-	2,858,306,077	-
	Total	**60,653,314,371**	**35,570,796,258**	**41% decrease**

The low level of funding from development partners and general drop of releases impacted negatively on the implementation of planned programme activities and raises a red flag on sustainability of the programme under the Third JLOS Strategic Investment Plan (SIP III) that runs from 2012/13 to 2016/17.

Management agreed with the audit findings and explained that the sector has continued to lobby the Ministry of Finance, Planning and Economic Development for an increase in funding but there is no marked change as indicated in the budget allocations for 2015/16.

I advised the Accounting Officer to continue liaising with both the Ministry of Finance, Planning and Economic Development and Development Partners to ensure adequate funding for implementation of planned programme activities is adequate.

(ii) <u>Underfunding of JLOS Institutions</u>

A comparison of the approved JLOS work plan and budget for the 2014/15 with funds released for the financial year revealed underfunding of the JLOS SWAP programme implementing agencies. The table below shows under funding of a sample of the institutions:

No	Entity	Budget (UGX)	Release (UGX)	Shortfall (UGX)
1	Uganda Law Society	560,940,000	234,700,000	326,240,000
2	Uganda Prisons Service	6,650,226,899	3,030,900,000	3,619,326,899
3	Uganda Registration Services Bureau	530,560,000	363,209,300	167,350,700
4	Ministry of Internal Affairs	4,725,668,900	2,076,838,000	2,648,830,900
5	Uganda Police Force	5,890,738,000	3,119,817,000	2,770,921,000
6	Law Development Centre	1,617,480,000	1,136,337,000	481,143,000

7	Judiciary	8,196,462,000	3,916,360,000	4,280,102,000
8	Directorate of Public Prosecutions	2,375,097,000	1,733,720,000	641,377,000
9	Uganda Human Rights Commission	1,662,729,500	645,293,310	1,017,436,190
10	Ministry of Gender	799,158,455	591,163,000	207,995,455
	Total	**33,009,060,754**	**16,848,337,610**	**16,160,723,144**

The underfunding impacts negatively on the implementation of planned activities under the programme.

Management responded that the Sector experienced a sharp shortfall because the Secretariat did not receive all the funding planned for the year, due to mainly funding cuts from development partners.

As explained earlier, I advised the Accounting Officer to continue liaising with the relevant stakeholders to ensure adequate funding for implementation of planned activities is provided.

(iii) <u>Unspent balances of funds – UGX.19,198,203,678</u>

During the year, the Justice, Law and Order Sector (JLOS) Secretariat received a total of UGX.35,570,796,258 to facilitate operations of the various JLOS components. At the beginning of the year, the Secretariat also had unspent balance of UGX.31,311,690,369. The total available funds for spending for the year amounted to UGX66,882,487,627.

UGX.47,684,283,949 was subsequently spent during the year by the various components leaving a balance of UGX.19,198,203,678 (29%) unspent, and these funds were subsequently returned to the Uganda Consolidated Account (UCF). The table below shows the opening and closing balances as well as expenditures by various entities:-

S/No.	Ministry/Dept.	Closing Balance (UGX)	Amount Received (UGX)	Total funding Available (UGX)	Amount Spent (UGX)	Closing Balance (UGX)
1	Uganda Law Society	300,033,000	234,700,000	534,733,000	185,004,860	349,728,140
2	Uganda Law Reform Commission	240,887,000	1,617,075,000	1,857,962,000	1,757,959,000	100,003,000

3	Local Government	97,941,000	348,789,000	446,730,000	446,554,040	175,960
4	Law Development Centre	184,922,587	1,136,137,000	1,321,059,587	1,156,918,167	164,141,420
5	Tax Appeals tribunal	67,375,611	184,148,000	251,523,611	232,309,172	19,214,439
6	DPP	452,500,690	1,733,720,000	2,186,220,690	2,185,873,099	347,591
7	URSB	845,357,426	363,209,300	1,208,566,726	681,348,689	527,218,037
8	Ministry of Internal Affairs	53,215,067	2,076,838,000	2,130,053,067	2,128,091,397	1,961,670
9	Uganda Police Force	2,294,696,000	3,119,817,000	5,414,513,000	3,057,387,000	2,357,126,000
10	Uganda Prisons Service	2,025,427,764	3,030,900,000	5,056,327,764	5,056,323,374	4,390
11	Judicial Service Commission	175,225,000	766,701,400	941,926,400	891,734,000	50,192,400
12	Min. of Gender, Labor and Social Dev't	142,252,713	591,163,000	733,415,713	545,482,877	187,932,836
13	Judiciary	3,452,857,926	3,916,360,000	7,369,217,926	6,107,000,732	1,262,217,194
14	MOJCA(IFMS)	6,403,455	1,854,272,716	1,860,676,171	1,808,089,951	52,586,220
15	Administrator General – Public Trustee	125,723,027	500,000,000	625,723,027	521,380,779	104,342,248
16	Uganda Human Rights Commission	486,380,000	645,293,310	1,131,673,310	722,775,659	408,897,651
17	National Citizenship and Immigration	1,874,799,000	624,917,000	2,499,716,000	1,162,701,000	1,337,015,000
18	Secretariat (IFMS)	27,474,709	7,951,241,090	7,978,715,799	7,116,186,745	862,529,054
19	Secretariat (Donor)	6,209,482,834	3,457,890,893	9,667,373,727	7,779,274,034	1,888,099,693
14	MOJCA(CBL)	27,187,719	347,559,422	374,747,141	353,088,700	21,658,441
21	JLOS House Account	12,221,547,841	0	12,221,547,841	2,815,081,113	9,406,466,728
22	Taxes on Machinery	0	1,070,065,127	1,070,065,127	973,719,561	96,345,566
	Total	**31,311,690,369**	**35,570,796,258**	**66,882,487,627**	**47,684,283,949**	**19,198,203,678**

Failure to utilize the available funds implies that planned activities were partially or not implemented. This may lead to failure by the management to attain the programme objectives.

Management explained that out of the UGX.19.1bn that remained on the sector accounts, over UGX.9bn was for the multi-year JLOS HOUSE project which is a long term project. UGX.2bn is meant for the 3 year programmes under Legal Aid and ADR supported by DGF and ADC respectively and the balance of UGX.8bn was committed under various ongoing construction projects, including retention fees for some of the completed projects still under defect liability periods. Management further, explained that the sector provided evidence to the Ministry of Finance, Planning and Economic

Development but the funds were returned to the consolidated fund account based on the law.

I advised the Accounting Officer to properly supervise the ongoing works with a view of concluding the activities within the agreed timelines.

12.1.2 Lack of Computerized Project Management and Information System (PMIS)

According to the Work Plan for the year, one of the priorities in SIP III was, "Strengthening records and information management". Project Management Information System (PMIS) was intended to offer computer support to Project Management procedures and to the Data Management. However, a review of the available records revealed that the computerized information management system has not been put in place. The financial information of JLOS Programme has been running manually in all Institutions including the Secretariat. Lack of a computerized PMIS negatively impacts on the smooth management of Programme information in all vital aspects such as; scope, programme records organization and management, quality, cost, time and activity scheduling.

Management explained that there were no funds released for the activity to allow implementation.

I advised that the Accounting Officer continues liaising with the relevant stakeholders for funding to enable the sector establish and implement a Project Management Information System - (PMIS) for adequate and effective management of JLOS SWAP Programme.

12.2 Uganda Law Society (ULS)

a) Budget performance – unimplemented activities

A review of the approved JLOS budget and work plan for the 2014/15 against the funds released for the financial year revealed that out of the budgeted UGX.560,940,000, only UGX.234,700,000 was released, leading to a shortfall of UGX.326,240,000. This negatively impacted on the implementation of planned activities under the Programme. The following activities were thus not implemented:

Activity	Amount (UGX)
Conduct weeklong legal Aid Open week in three districts	UGX.57,000,000
Complete the review of the taxation and remuneration of cost rules	UGX.48,700,000
Total	**UGX.105,700,000**

Non-implementation of planned activities hinders achievement of Programme objectives.

Management noted the observation and promised to endeavor to follow up on the funding in the future periods. I advised the Accounting Officer to liaise with the Ministry of Finance, Planning and Economic Development to ensure adequate funding for implementation of planned activities.

12.3 Uganda Police Force (UPF)

a) Budget performance- unimplemented activities

During the year, UGX.3,119,817,000 (52,96%) was released to the Uganda Police Force to finance planned JLOS activities against the approved budget of UGX.5,890,738,000. The entity also had a balance of UGX.2,294,696,000 brought forward from the previous year bringing total funds available for expenditure to UGX.5,414,513,000. Out of the available funds, UGX.3,057,388,000 was utilized leaving a balance of UGX.2,357,124,000 that was returned to the consolidated fund. Analysis of the budget performance indicated that out of the unutilized funds, UGX.715,600,000 (30%) represents the planned activities which were not implemented at all. Details of unimplemented activities are in the table below:

Specific Activities	Cumulative Release	Cumulative Expenditure
	UGX'000	UGX'000
Develop and print simplified standard operating procedures for Districts and Police Units		
Develop a simplified SOPs	10,000	-
Print SOPs pocket books	40,000	-
Popularising the Strategic Policing Plan		
Print copies of the Anti-Torture Act, POM, Children Act, Domestic violence Act		

Children Act	8,000	-
Domestic violence Act	8,000	-
Construct a Police Station in Kabale		
Advertising	3,000	-
Procure 10 vehicles for enhancing investigations in the districts of Masaka, Kiira and Special		
Vehicles	300,000	-
Train 500 Commanders on the disciplinary court procedures		
Facilitators	1,600	-
Procure a vehicle for investigation of SGBV and Children related offenses		
Motor vehicle	120,000	-
Construct 10 kennels upcountry		
10 kennels	20,000	-
Procure a vehicle and 10 tricycles to enhance transportation		
10 Tri cycles	150,000	-
Conduct monthly monitoring inspections (with DPP, UHRC, Judiciary)		
Facilitation to officers on monitoring visits	30,000	-
Procure software and computer forensic item	25,000	
Total	**715,600,000**	

Non-implementation of planned activities may result into failure to attain the programme objectives. It also depicts inadequate planning or lack of commitment on part of management to implement the activities in the work plan.

Management explained that the delays in implementation of the work plan are regretted. Management further explained that steps have been taken to improve on this by appointing specific liaison officers to follow up on each activity. I advised the Accounting Officer to ensure that funds are budgeted and requested for in accordance with realistic work plans and efforts undertaken to implement activities where funds have been released. Management effort on the matter is awaited.

12.3.1 Under-utilization of unspent balances brought forward

At the beginning of the financial year under review, UPF had unspent balance of commissioned funds totalling UGX.2,294,696,000 which was brought forward from the previous years. During the year, only UGX.1,409,137,000 representing 61% was spent leaving a balance of UGX.885,557,000 (39%) unutilized. The unspent balance was eventually taken back to the consolidated fund.

A further review of the records revealed that vital activities such as the procurement of the AFIS machine for forensic investigations, motor vehicles to facilitate investigation and SOCO kits for forensic support which relate to activities from the previous period were not implemented as shown in the Table below:

Activity	**Amount (UGX)**
Procurement AFIS machine	299,542,000
Procure 3 motor vehicles to improve investigation	114,770,000
Procure 50 sets of SOCO kits to support forensic services	250,000,000
Total	**664,312,000**

Failure to implement planned activities denies beneficiaries of the intended services. Non-implementation of the activities also hinders the Programme from achieving its intended objectives.

Management regretted the delay in implementation of activities and explained that the procurement was estimated at UGX.2bn and Justice Law and Order Sector had started releasing the funds in installments. Further, the vehicles have been procured and are now awaiting delivery.

I advised the Accounting Officer to make realistic plans and budgets cautiously and realistically and ensure that activities are implemented in accordance with the approved plans.

12.4 Judiciary

a) Budget performance – unimplemented activities

During the year, a total of UGX.8,196,462,000 was budgeted to cater for JLOS/SWAP activities at Judiciary. However,only UGX.3,916,360,000 was received creating budget shortfall of UGX.4,280,102,000. It was noted that a number of planned activities were not implemented. A sample of unimplemented activities is in the table below:

Particulars	Specific	Approved	Cumulat	Cumulat	Balance	Performanc

	Activity	budget	ive Release	ive Expenditure		e
OUT COME 1: STRENGTHENED LEGAL AND POLICY FRAMEWORK		**UGX'000**	**UGX '000**	**UGX '000**	**UGX '000**	
Strengthen the Bar For a in all 13 High courts circuits(per quarter) in conjunction with ULS		65,000	35,000	0	35,000	Nil performance
Remodeling Anti-corruption court to accommodate additional		90,000	0	0	0	Funds not availed
10 courts modified to include ramps for persons with disabilities		200,000	40,000	0	40,000	Nil performance
Renovate Mpigi,Nebbi,Kitgum,Apac,Ntungamo,Bugiri Busia,	Renovate Mpigi	40,000	40,000	0	40,000	Nil performance
Construction Justice centre at Kiruhura to house court, DPP and Police		1,400,000	600,000	0	600,000	Nil performance
Complete Re-engineering of the court case Administration system		300,000	0	0	0	Funds not availed

Non-implementation of planned activities in the stipulated time does not only lead to spill over of activities to the next planning periods but may also lead to non-achievement of the desired outputs due to the rise of prices of the inputs, subsequently hampering fulfillment of Programme objectives.

Management explained that the procurement process for the construction of a Justice centre in Kiruhura was delayed. Management further indicated that some activities were not done because of insufficient funding.

I advised the Accounting Officer to requisition for the remaining funds and have the works finalized.

12.4.1 Rising Levels of Case Backlogs

The JLOS Strategic Investment Plan (SIP III) 2012/13-2016/17, paragraph 74 requires Judiciary to take appropriate measures to meet service delivery standards including initiation of special programs to clear backlog; promotion and roll out of alternative dispute resolution mechanisms; adoption of appropriate technology to further reduce lead times and appropriation of the requisite resources (both human and financial) to ensure services are delivered to the population in accordance with legal and operational standards.

A total of UGX.1,818,060,000 was budgeted and released by JLOS Secretariat for clearance of case backlogs. Analytical review on case backlog trends revealed that out of station court sessions to clear the case backlog were funded 100% and over 20 Judges appointed to the Supreme Court, Court of appeal and the High Court. However, the trend of accumulating case backlogs increased by 3.8% overall during the year under review instead of the expected reduction.

The table below refers**:**

Court	Cases b/f	Filed	Disposed	Pending	Case growth rate
Supreme Court	57	106	79	84	47.4% Increase
Court of appeal	4,143	1466	400	5,209	25.7% Increase
High Court	47,853	23,760	19,751	51,862	8.4% Increase
Chief Magistrate Court	85,652	60,279	61,752	84,179	1.7% reduction
Magistrate Grade 1	27,969	46,692	44,463	30,198	8% Increase
Magistrate Grade 11	5,706	10,617	9,892	6,431	12.7% Increase
Overall performance	**171,380**	**142,920**	**136,337**	**177,963**	**3.8% Increase**

The objective of reducing case backlogs in the judicial system has therefore not yet been achieved.

Management agreed with the observation and explained that the case filling has increased due enhanced public awareness and growing confidence in the judicial system. They explained that case backlog disposal is being handled simultaneously with the newly registered cases, and that the situation has greatly impacted on case disposal hence the rising levels of case backlog.

I advised the Accounting Officer to put in place special court sessions aimed at clearing the case backlog.

12.4.2 Construction of Nwoya Community Justice House - Abandoned construction works

Nwoya Community Justice Centre was constructed by a local company at UGX.1,516,916,000. The contract commenced on 11th July 2014. Audit inspection carried out at the site on 19th September, 2015 revealed that the contractor abandoned the work. There was no construction work in progress.

According to the District Information Officer (D.I.O), the workers on the project went on strike some time back. They were later convinced by the District Authorities to resume work but this was not the case. The D.I.O revealed that construction work ought to have been completed in June 2015.

The District Information Officer further explained that although Judiciary appoints the contract manager to supervise and monitor the construction works, there is need to involve the District authorities to ease the exercise because they are always on the ground. *Refer to photos for incomplete works for the abandoned works:*

Value for money may not be realized under the circumstances.

Management agreed with the observation and explained that the works have resumed after engaging the necessary parties.

I advised the Accounting Officer to follow up completion of the construction of the Centre.

12.5 Uganda Prisons Service (UPS)

a) Budget performance – unimplemented activities

Uganda Prisons Service had an approved budget of UGX.6,650,226,899 to implement approved JLOS activities for the financial year 2014/2015. However, only UGX.3,030,900,000 (45.6%) was received resulting into a budget shortfall of UGX.3,619,326,899. As a result of the shortfall, various planned activities were not implemented. Notably is the failure to construct all the needed water born toilets to eliminate the bucket system in the prisons, computerization of Prisons Information System and completion of prison wards to decongest the prisons. The table below refers:

Activity Description	Input	Approved Budget	Funds Released F/Y 2014/15	Funds Spent	Physical performance %	Physical performance	Reason for physical performance
computerization of Prisons (Phase 2 of the systems study report implemented)	completion of phase I	254,000,000	-	-	0	completion of phase I not done	No funds released
Security of Prisons enhanced	Procurement of hand - cuffs	96,000,000	-	-	0	Procurement of hand - cuffs not done	No funds released
Completion of reception Centre at Kaabong, Isingiro & 4 wards at Tororo	New government prison at pader	62,153,087	-	-	-	New government prison at Pader not done	No funds released
	Balance on Isingiro reception centre	64,164,897	-	-	-	Balance on Isingiro reception cetre not done	No funds released
	balance on 4 wards at Tororo prison	197,800,907	-	-	-	balance on 4 wards at Tororo prison not done	No funds released
	2 block of staff houses at soroti prisons	12,980,365	-	-	-	2 block of staff houses at soroti prisons not done	No funds released
	Prisoners ward & fencing of Paiddha prison	61,924,087	-	-	-	Prisoners ward & fencing of Paiddha prison not done	No funds released
	Bal. On	80,873,556			-	Bal. On kabong	No funds

	Kabong reception centre			-		reception centre not done	released
Purchase of vehicles of delivery of prisoners	Bus for upper prison	280,000,000	-	-	-	Bus for upper prison not purchased	No funds released
	Mi.- bus 30 seater for Nabweru Wakiso and Matuga courts	280,000,000	-	-	-	Mi.- bus 30 seaters for Nabweru , Wakiso and Matuga courts not purchased	No funds released
Construction of water born toilets in 40 prisons to eliminate the bucket system	contract sum for the constructi on of water born toilets	800,000,000	350,000,00 0	350,000,0 00	44	56% of the work not done	less funds released

Unimplemented activities negatively affect the achievement of organizational objectives and service delivery.

Management explained that generally a number of activities were not implemented because of underfunding. I advised the Accounting Officer to follow up with the relevant stakeholders to ensure that planned and budgeted for activities are funded.

12.6 Directorate of Citizenship and Immigration Control (DCIC)

a) Budget performance – non-implementation of planned activities

During the year, the Directorate received a total of UGX.624,917,000 to facilitate operations of the various JLOS components. The entity also had a balance of UGX.1,874,800,246 brought forward from the previous year bringing total funds available for expenditure to UGX.2,598,725,246. Out of the available funds, UGX.1,261,710,179 representing 49% was utilized leaving a balance of UGX.1,337,015,067 (51%) unutilized and returned to the consolidated fund.

Details of the planned and funded activities that were either partially implemented or not implemented at all are in the table below:

PLANNED KEY ACTIVITY	Approved Budget (UGX)	Actual amount Released (UGX)	Actual Expenditure	Absorption (%)	Expected Output	Actual output	Remarks
Printing and disseminating Immigration Policy	10,000,000	10,000,000	0	0%	1,000 copies of the immigration policy printed and disseminated	Nil	All funds released in the first quarter of the financial year.
Construct Sebagolo model border post with staff quarters), Kikagati mini border post and Ishasha mini border post	200,000,000	200,000,000	0	0%	Boarder post offices and staff quarters at Sebagolo, Kikagati mini border post and Ishasha mini border post	nil	**Sebagolo**; procurement abandoned. No land title. **Ishasha**; procurement abandoned due to lack of structural drawings, border post building design and BoQs **Kikagati;** procurement; abandoned due to lack proof of ownership of land.
Construction of latrine at for Bunagana border post	12,000,000	12,000,000	0	0%	Latrine at Bunagana border post	Nil	All funds released in the first quarter of the financial year
Procure secure immigration security stamps	100,000,000	71,175,000	0	0%	50 immigration security stamps	Stamps were not procured	Funds were released in the 1st and 2nd quarter.

Delayed or non-implementation of planned activities may lead to failure by the entity to attain the programme objectives. It also depicts inadequate planning or lack of commitment on part of management to implement the activities in the work plan.

Management explained that some activities could not be implemented because of land concerns where the border posts were to be constructed. Therefore the Directorate opted to first sort out the issue of land ownership and titling before proceeding with the construction.

I advised the Accounting Officer to ensure that funds are budgeted and requested when such challenges are resolved. Management should however undertake to implement activities where funds have been released.

12.6.1 Under-utilization of un spent balances brought forward

At the beginning of the financial year under review, DCIC had unspent balance of UGX.1,874,800,246 which was brought forward from the previous years. During the year, only UGX.852,147,246 representing 45% was spent leaving a balance of UGX.1,022,653,000 (55%) unutilized. Unspent balance was remitted to the consolidated fund.

A further review of the records revealed that vital activities such as the Automation of Business Process and construction of the Border posts and a Holding Center which were activities relate to the previous period were not implemented. The table below refers:

Activity b/f as at 1/7/15 (2014/2015)	**Unspent Balances as at 30-06-2015 (UGX)**	
	F/Y Work-plan	
Automation of business process	2012/13	224,805,000
Establish a call center	2012/13	40,000,000
Complete construction of Atiak border post	2012/12	50,000,000
Construct Kizinga border post	2012/13	129,955,000
Construct Ngom Oromo and Ntoroko border posts	2013/14	262,991,000
Construct staff accommodation at Mpondwe and Oraba	2013/14	138,430,000
Build ramps and modify counters at border posts	2013/14	46,472,000
Procure 3 Electronic billboards for immigration information at Entebbe	2012/13	30,000,000
Holding center for apprehended aliens	2013/14	100,000,000
Total		**1,022,653,000**

The delay or failure to implement planned activities denies beneficiaries of the intended services. Non-implementation of the activities also hinders the Programme from achieving its intended objectives.

Management explained that many of the activities were still in progress. However, the issue of construction at Ngom and Atiak, the matters are in high court over land ownership wrangles. I advised the Accounting Officer to follow up the matter and ensure that activities are implemented in accordance with the approved plans.

12.7 Ministry of Internal Affairs

a) Budget performance – unimplemented activities

During the year, the Ministry received a total of UGX.2,076,838,000 (44%) to facilitate operations of the various JLOS components against the approved budget of UGX.4,725,668,900. The entity also had a balance of UGX.53,215,067 brought forward from the previous year bringing total funds available for expenditure to UGX.2,130,955,067. Out of the available funds, UGX.1,915,942,710 representing 90% was utilized leaving the balance of UGX.215,012,357.

A review of the Ministry's budget performance revealed that because of less release which was 44% of the approved budget, many planned activities were not implemented while others were partially implemented. Details of physical performance are below:

PLANNED KEY ACTIVITY	Approved Budget	Actual amount Released	Actual Expenditure	Absorption (%)	inputs to achieve output or Expected output	Actual output	Remarks
Finalise establishment of Case Management System (Laboratory information management system- LIMS) at DGAL	280,000,000	0	0	0	Pay final Contractual obligations for LIMS as part of the IJMIS	The Laboratory Information Management System (LIMS) software was installed in all the eight (8) laboratories / division.	The funds were not released The Ministry entered into a contract with M/s Labware Africa (PTY) on 25th October 2013 at Contract price of USD.150,695. The provider was partly paid.
Training and certificatio	203,000,000	0	0		6 DGAL staff trained in Computer Forensics and	NIL	The funds were not released.

n of selected DGAL staff in Computer forensics					certified		
Procure ICT equipment to improve planning and coordination	37,400,000	0	0	0	1 E-pop software. 3 Desktop computers(UGX.15,000,000) ,2 Laptops (UGX.6,000,000), 2 filing cabinets (UGX.1,400,000)	NIL	Funds not released
Renovation and partitioning of Ministry offices and structures	300,000,000	0	0	0	Contractual obligation	NIL	Funds were not released. The Ministry entered into a contract with M/S Sembule International Ltd on 6th December 2013 for a contract sum of UGX.171,689,109 Only UGX.114,708,284 has been paid to the Contractor. While the amount approved for the activity was UGX.50,000,000 par JLOS work plan (for F/Y 2012/13) the ministry entered into a contract for UGX.171,689,109 without coordinating with JLOS Secretariat with a view of securing additional funding.
Conduct public awareness on TIP prevention	150,000,000	0	0	0%	Airing Jingel for 3 months each at UGX.45,000,000 Develop Radio Jingles	NIL	The funds were not released.

through radio and TV talk shows, Jingles and adverts.					in 5 languages each language at UGX.3,000,000		

Management explained that they had expectation of receiving the budgeted funds but shortfalls have continued. When management tried to follow up with the JLOS Secretariat, the sector had financial constraints caused by underfunding.

I advised the Accounting Officer to further liaise with the relevant stakeholders for funding and have the planned activities undertaken.

12.7.1 Delayed construction works of regional laboratory in Gulu

The contract for the construction of the regional laboratory was entered into on 28th January 2008 at a contract sum of UGX.436,445,468. The construction was to be executed within 22 calendar weeks commencing on 22nd February, 2008. The completion date was scheduled for 28th July, 2008. The scope of works comprised construction of a single block laboratory building including associated electro-mechanical installations and external works. During the financial year 2013/2014, the Ministry paid UGX.30,409,733 bringing the total payments to UGX.236.330,768 (54%) of the contract sum of UGX.436,445,468.

As mentioned in my previous report, a contract signed between the Ministry and the contractor was not availed for audit and there was no proof that the Ministry owns the land on which the laboratory is being constructed, and to date, the building has not been completed. In my previous report, I advised management to establish the loss as a result of abandonment of the site by the former contractor. However, I was not provided with evidence of action taken. Failure to complete the project impacts on the service delivery and undermines the objectives of the Programme.

Management explained that the contract met a lot of challenges and the work could not continue. The contract was under review following a number of communications with PPDA. PPDA gave a waiver and a contract is to be negotiated as per PPDA guidance. The project will be revived after seeking additional funding. Management is also engaging potential funders to provide more funds before the process of securing another contractor is undertaken.

I await the results of the Accounting Officer's efforts.

12.8 Law Development Centre (LDC)

a) Budget performance – non implementation of planned activities

During the year, a total of UGX.1,136,337,000 was released for the implementation of LDC JLOS activities against the approved budget of UGX.1,617,480,000. There was a shortfall on the approved budget of UGX.481,143,000 (30% under-funding).

A review of the programme's performance as per the cumulative performance report revealed that various planned activities for which funds had been released remained incomplete. These activities included completing construction of the Auditorium, reconciling criminal cases and training of JLOS Staff in human rights. The table below refers:

Planned Key Activity	Approved Budget (UGX)	Actual amount Released	Actual Expenditure (UGX)	Expected Output	Actual output	Remarks
OUTCOME 1.STRENGTHENING LEGAL AND POLICY FRAMEWORK						
OUTCOME 2. ACCESS TO JLOS SERVICES ENHANCED						
2.1.1.1 Complete Construction of Auditorium, construct women cell, DPP office and reception for juveniles	700,000,000	345,000,000	183,270,598	Construction works done to completion	No work in progress	There was an under performance of100% in terms of output.
2.3.22 Use of 50 Bar course students to reconcile 1200 criminal cases in courts per year	60,000,000	59,000,000	59,000,000	Allowances for Bar Course students	1156 cases registered for reconciliation, 735 handled and 421 referred back to Court of Nakawa Buganda Road, KCCA, Entebbe, Lira, Kajansi and Nabweru.	There was an under performance of 40% in terms of cases reconciled.
OUTCOME 3 PROMOTION OF THE OBSERVANCE OF HUMAN RIGHTS & ACCOUNT						
3.1.1.1 Train 80 JLOS staff in human rights	200,000,00	91,000,000	91,000,000	JLOS staff in human rights trained.		

Non-implementation of planned activities in the stipulated time does not only lead to spill over of activities to the next planning periods but may also lead to non-achievement of the desired outputs such as; increased confidence in the administration of justice, greater respect of human rights and reduced lead time for accessing JLOS service, among others.

Management responded that work on the auditorium delayed as a result of the delay in approval of variations in the contract price by the Ministry of Works. External works were later cleared and work is slated to be completed in December 2015. Management further explained that reconciliators who were attached to Courts far from Kampala, could not travel every day due to insufficient facilitation. This led to low number of cases registered and handled in those Courts. Management indicated that less funds were released for training.

I advised the Accounting Officer to carry out adequate planning and budgeting so as to ensure that activities are carried out in accordance with approved work plans.

12.8.1 Delayed Completion of Auditorium

The Center contracted a local company to construct the LDC Auditorium at a contract sum of UGX.3,971,880,902. The original completion period date for the construction works was June 2013. It was observed that in the process of executing the contract, the contractor incurred additional construction costs that were outside the contract worth UGX.953,251,416 which constituted 24% of the contract price. The contract manager however, approved only UGX.588,596,596 as additional costs. It was also noted that the LDC Contracts Committee did not approve the contract variations, and as a result construction work stalled for a period of two years.

A technical review by the Engineers from the Ministry of Works and Transport, advised the Centre to terminate the contract and the uncompleted works be completed with a new contract. A new contract of UGX.1,620,910,733 was drawn and has now been signed with the same company to complete the works bringing the total construction cost to UGX.5,592,791,635.

The LDC Contracts Committee refusal to approve the contract variations as approved by the project supervisor and delays by the technical committee to advise on time caused Government a financial loss of UGX.1,032,314,137. I find this expenditure wasteful.

The Accounting Officer explained that a new contract has been signed, and works are expected to be completed in February 2016. Status of the project is shown in the picture below.

The side view of the auditorium.

The hind view of the auditorium

I advised the Accounting Officer to follow up and ensure completion of the auditorium within the agreed time.

12.9 Directorate of Public Prosecutions (DPP)

a) Budget performance – unimplemented activities

Review of the Directorate's budget performance revealed that the approved revised budget for JLOS activities for the financial year 2014/2015 was UGX.2,375,097,000. This was expected from two sources; GoU and donor support for development component. However, only UGX.1,733,720,000 was received, hence a shortfall of UGX.641,377,000. As a result of the shortfall, a number of planned activities as indicated below were not undertaken, while others remained incomplete. The table below shows the unimplemented activities:

Activity code	Activity description	Budget (UGX)	Released (UGX)	Un released (UGX)	% released
1.0					

1.2.1.2	Develop a national criminal prosecution policy	137,998,000	0	137,998,000	0
2.4.2.3	Conduct regional/ public outreach programmes	70,000,000	0	70,000,000	0
3.4.1.1	Conduct DPP/CID Top Management regional coordination meeting and workshops	70,000,000	0	70,000,000	0
3.4.3.1	Conduct prosecution led investigations and prosecution	114,001,000	0	114,001,000	0
3.4.3.3	Conduct placement training and visits to other criminal justice	39,378,000	0	39,378,000	0

Unimplemented activities negatively affect the achievement of organizational objectives and service delivery.

Management explained that they shall continue to liaise with the Ministry of Finance, Planning and Economic Development and other Development partners to obtain reasonable assurances on budget releases so as to achieve the organization's intended objectives.

Management engagement on the matter is awaited.

12.10 Uganda Human Rights Commission (UHRC)

a) Budget performance – partial implementation of planned activities

During the year under review, a sum of UGX.1,662,729,500 was budgeted to cater for JLOS/SWAP activities at the UHRC. However, only UGX.645,293,310 was received creating budget shortfall of UGX.1,017,436,190. A review of the programme's budget performance revealed that a number of activities were not implemented and others remained incomplete despite the release of these funds. Un-implemented activities during the year included;

- Construction of UHRC office in Gulu for which UGX.193,000,000 was released did not take place. Instead invitation for bidders was later cancelled.
- Printing of 1,000 copies of the client charter for dissemination to internal and external clients.

- Printing of the Investigators Hand book.
- Support to the preparation of the National Action Plan (NAP).

Details are in the table below:

Planned Key Activity	Approved Budget (UGX)	Actual amount Released (UGX)	Actual Expenditure (UGX)	Expected Output	Actual output	Remarks
OUTCOME 1 STRENGTHENED LEGAL AND POLICY FRAMEWORK						
1.3.1.2 Printing of 1,000 copies of the client charter for dissemination to internal and external clients	10,000,000	10,000,000	-	1,000 copies of the client charter printed and for disseminated to internal and external clients	Nil	Nil performance.
OUTCOME 2. ACCESS TO JLOS SERVICES ENHANCED						
Construction of Gulu Regional Office Phase I consultant for preparation of architectural designs, BOQs, and drawings newspaper advert for the archtectural designs, preparation of BOQs, and drawings Building of substructure Bulding walls (crude estimates) preliminary building works Roofing (crude estimates)	80,000,000	13,000,000	8,021,987	Consultant for preparation of architectural designs, BOQs, and drawings procured.	Facilitation for JLOS Consultancy team facilitated, but Consultant not procured	0.1% performance.
	150,00,000	10,000,000	-	Substructure built.	Activity not done.	Nil performance.
	300,000,000	150,000,000	-	Walls built.	Activity not done.	Nil performance.
	150,000,000	10,000,000	-	Roofing done.	Activity not done.	Nil performance.
2.3.5.3 Type setting and printing of the Investigators Hand book	25,000,000	10,000,000	-	Investigators Hand Book Printed.	Activity not done.	Nil performance.
OUTCOME 3 OBSERVANCE OF HUMAN RIGHTS AND ACCOUNTABILITY OBSERVED.						
Support to the preparation of the National Action Plan (NAP)	121,335,000	115,583,000	-	National Action Plan (NAP) Prepared.	No activity done.	Nil performance.

Non-implementation of planned activities in the stipulated time does not only lead to spill over of activities to the next planning periods but may also lead to non-achievement of the desired outputs due to the rise of prices of the inputs, subsequently hampering fulfillment of Programme objectives.

Management explained that the procurement process was on-going by the end of the financial year. In the case of UHRC office in Gulu, management explained that the architecture produced his designs and bills of quantities and the cost required to construct UHRC Gulu office was much higher than the budget and therefore they could not proceed until the additional funds are allocated.

I advised the Accounting Officer to carry out adequate planning and budgeting so as to ensure implementation of activities as per approved work plans.

12.11 Ministry of Labor, Gender and Social Development (MoGLSD)

a) Budget Performance - unimplemented activities

During the year, a total of UGX.591,163,000 was provided for the implementation of the Ministry-JLOS activities against the approved budget of UGX.799,158,455. The releases fell short of the approved budget by UGX.207,995,455. This impacted negatively on the implementation of planned activities under the Ministry as planned activities were not undertaken. Details of the budget shortfall are shown below:

Activity code	Activity description	Budgeted items/activities	Actual	Underperformance
1.31.2	Purchase of multipurpose wood machine for Kampiringisa NRC	1	0	1
2.16.1	Purchase of Double Cabin pick up for inspection of standards in institutions and one Van for Naguru Remand Home	1	0	1
2.3.5.1	Support Juvenile High court sessions staff allowances on quarterly basis	144	64	80
	Mobilization of parents and guardians	16	11	5
	Fuel for High court sessions	48	19	29

Management explained that MOGLSD presented a budget of UGX.2,257,393,455 for JLOS activities for the year of which the JLOS secretariat approved UGX.799,158,455 and only UGX.493,053,000 was released sighting donor funding gaps as all JLOS projects are donor funded. This impacted negatively on the provision of planned services.

I advised the Accounting Officer to liaise with the Ministry of Finance, Planning and Economic Development, and the JLOS Secretariat for funding.

13.0 MINISTRY OF INTERNAL AFFAIRS

13.1 Mischarged expenditure

The Parliament appropriates funds in accordance with the needs of the country and this appropriation is implemented through the budget in which funds are tagged to particular activities and outputs using account codes and MTEF codes. A review of the Ministry's expenditures revealed that the entity charged wrong expenditure codes to a tune of UGX.398,070,732. This constituted 3.57% of total expenditure for the year of UGX.11,157,221,644.

Mischarges undermine the importance of the budgeting process and leads to misreporting of financial statement balances.

Management explained that the mischarge of expenditure was a result of insufficient budgetary allocations and severe cuts in respect of items referred to as consumptive items by the MOFPED. I advised the Accounting Officer to streamline the budgeting process to ensure that sufficient funds are allocated to each account. I also advised that authority should be sought for any reallocations.

13.2 Outstanding Payables

UGX.1,356,915,300 remained outstanding in payables at the end of the financial year. The outstanding payables included grants payable to RECSA of UGX.1,256,442,770 which represented 92.65% of the total payables.

Management explained that domestic arrears arise from government failure to fulfil obligations in form of contributions to the Regional Centre for Small Arms.

I explained to management that accumulation of domestic arrears is in contravention of the commitment control system, and advised the Accounting Officer to pursue the matter of funding with the Ministry of Finance, Planning and Economic Development to avoid embarrassment to Government occasioned by non-payment.

13.3 Lack of certificates of title for Government land

The Ministry possesses various pieces of land in different parts of the country in which Government has invested. I was however, not availed with certificates of title to verify ownership. Details are in the table below:

Location	Plot No.	Occupied by
Jinja Road	Plot 75	Ministry Headquarters
Lyadda Road; Mbale	Plot 15-35	Regional Government Laboratory - Mbale
Kitunzi Road; Mbarara	Plot 7	Regional Government Laboratory in Mbarara
Princess road; Gulu	Plot 4 C	Regional laboratory - Gulu (Under construction)

Lack of ownership poses a risk of loss of the land and developments thereon.

The Accounting Officer responded that efforts of pursuing titles for all Ministry land from Uganda Land Commission are in the process. I advised the Accounting Officer to prioritize surveying of the Ministry land and secure the titles to avoid any loss.

13.4 Audit inspection of Government Analytical Laboratories

(i) Inadequate infrastructure and working environment at DGAL Headquarters

The building housing the Directorate of Government Analytical Laboratories (DGAL) headquarters was built way back in 1927 and the building is currently in a dilapidated state and requires urgent renovations. As mentioned in my previous year's report, the Directorate's working environment appears unattractive and yet it plays an important role of providing scientific and analytical evidence in administration of justice. The building houses eight scientific laboratories with expensive and sensitive equipment and information and yet the building is roofed with corrugated iron sheets which are old and require replacement; and in some areas there are leakages. The drive ways and parking area have potholes. DGAL headquarters photos are below:

Main entrance of the directorate headquarters: Falling facial boards; Stairs in a sorry state; Building looks abandoned

Leaking ceiling that needs urgent repairs/renovations

Front parking with big potholes filled with water.

With this state of infrastructure, the Directorate may find it difficult to obtain international accreditation and adequately meet its mandate.

The Accounting Officer explained that management is cognizant of this appalling situation and has always engaged MoFPED to increase the Ministry development budget but with limited success. The Ministry gets a paltry 103 Million as its development budget, part of which was used to renovate the Pesticides residue lab; Microbiology Lab; and the Food and Drug labs. For the compound that is shared with other MDAs, management awaits pooling of resources as they continue lobbying government to release sufficient funds for major renovations on the building.

I advised the Accounting Officer to engage all stakeholders including JLOS Swap Programme to ensure that the Ministry secures funds to renovate the infrastructure.

(ii) <u>Performance of the Directorate</u>

The Directorate provides forensic expertise to back up police in complicated cases such as murders and fire out breaks, and also provides expert evidence in courts of law. As noted in my last year's report to Parliament, again inadequate funding was provided to facilitate the movement of experts to crime scenes and courts of law. In 2014/15, the Directorate only managed to send experts to crime scenes and courts around Kampala and was therefore unable to handle upcountry areas.
This has greatly affected the level of crime investigations and delivery of justice. With increasing levels of sophisticated crimes and emerging issues in the Oil and Gas Sector, terrorism, bio terrorism and poisons, it is apparent that the directorate is inadequately funded to execute its mandate.

During the year, the Directorate responded to 97.3% of the 75 court sermons received from Kampala and upcountry, and analyzed and disposed of 61.9% of the 1,692 cases received. Although there was a slight improvement from last financial year's performance of 52.5% and 35% respectively, management attributed the continued under performance to inadequate funding to procure modern scientific equipment, chemicals and consumables. The Directorate has accumulated cases leading to case backlog due to shortage of chemicals and reagents to do forensic analysis. This has in many cases caused delays in providing expert evidence and government could be losing cases due to lack of evidence to guide prosecution to undertake its mandate.

I advised the Accounting Officer to engage all stakeholders to ensure that the Ministry secures enough funding for the directorate.

(iii) Lack of maintenance contracts for DGAL Equipment

The Directorate has a number of scientific equipment for analyzing forensic and DNA specimens, checking water and waste water samples and analyzing proficiency testing samples, among others. The equipment in question include; Genetic Analyiser, PCR Machine, RT- PCR, Vortex Mixer/Mini shaker, Thermal Shaker, Electrophorus Machine, Autoclave sterilizer, Comparison Microscope and Electrostatic Detection Apparatus.

Except for the Generic Analyzer, the Directorate has continued to operate the machines without maintenance contracts for these key equipment.

The Accounting Officer explained that there was inadequate allocation of funds for servicing and maintenance of the equipment, calibration of GC/MS, HPLC, AAS and UV-VIS. The budget was still too low to commit service contracts maintenance as the equipment service providers are based abroad.

I urged the Accounting Officer to continue engaging all stakeholders to ensure that the Ministry secures enough funding to undertake this critical activity.

(iv) Breakdown of Gas Chromatograph-Mass spectrometer (GC-MS) equipment

The GC-MS handles all toxicology/poison related cases for the whole country and is also shared by other labs for different functions in the Directorate like the analysis of Forensic Toxicology analysis (volatile compounds of poison), Pesticide Residue Analysis, and Metabolite component Analysis and Environmental Pollutant Analysis. However, the equipment broke down and the Directorate is currently in crisis of testing forensic cases requiring toxicological/poison analysis.

According to management, the machine had worked for 10 years (procured in 2005) almost non-stop due to heavy work load of poison cases submitted by Police, and was due for replacement. As such, the breakdown of the equipment has caused DGAL to accumulate case backlog of 3,044 poison/toxicology cases submitted by

Police and continues to submit more. In the absence of this critical equipment, the public is denied timely and effective crime investigations and delivery of justice.

Management explained that the Ministry wrote a request for immediate funds release for the purchase of GCMS but the response was not favorable due to resource constraints.

I advised the Accounting Officer to continue requesting for funding from both Government and JLOS/SWAP Programme for the procurement of the GC-MS equipment.

(v) DGAL-Gulu – Delayed completion of the construction of a Regional Laboratory in Gulu

The construction of the Regional Laboratory started on 28th January 2008 at a contract sum UGX.436,445,468 and was to be completed by 28th July, 2008 (after 22 calendar weeks). The scope of works comprised construction of a single block laboratory building; including associated electro-mechanical installations and external works.

However, at the time of writing this report, the construction had not been completed (after 7 years) and the site appears to have been abandoned. A total of UGX.236,330,768 (54,15%) was paid to the contractor and the building had been roofed, plastered and fitted with exterior doors and window burglars as shown in the photos below:

Stalled construction works

The building has unnecessarily taken long to be completed which has impacted on service delivery to the people of the region and undermined the objectives of the project. It is likely that by the time the contract is resumed, the cost to completion will have increased due to deterioration of the building and changing prices of materials thereby leading to loss of public funds. Besides, the Ministry does not have title for the land on which the building is constructed.

The Accounting Officer explained that some effort to complete the building is underway and negotiations with the Contractor have been initiated in order to jump start process again. The Ministry is still pursuing the land issue with Uganda Land Commission.

I advised the Accounting Officer to expedite the completion of the laboratory building to achieve the objective for which it was constructed.

(vi) DGAL Mbarara – Delayed completion and non-use of the building

The laboratory building was constructed at a contract price of UGX.522,079,725 under JLOS funding. The contract was signed on 31st May 2009 and was to be completed within a period of twenty six (26) calendar weeks (by 31/11/2009). However, works were completed on 16/10/2013 after 4 years and 5 months from the date of signing the contract, and was handed over on 20/10/2014, one year after completion. The time lag to completion was abnormally long, a sign of poor planning and contract management.

I further noted that the building has not been equipped with laboratory equipment and put to its intended use more than two years after its completion. The samples collected from the region are sent to Kampala instead, for testing and analysis which greatly affects the timely crime investigations and delivery of justice.

Management explained that it has not been provided with funds to equip the laboratory.

I advised the Accounting Officer to mobilize funds to equip the laboratory to serve the region.

(vii) DGAL Moroto - Unutilised Government Analytical Laboratory building.

The laboratory building was constructed under JLOS Programme and the construction works were completed in February 2014. However, the building has not been equipped and utilised for the intended purpose. Information obtained indicated that samples collected from Moroto region are taken to Mbale regional laboratory for testing and analysis which impacts on timely administration of justice in the region. The photo below shows the laboratory:

The laboratory building in Moroto completed in February 2014 is yet to turned into a laboratory

Management explained that efforts are being made to mobilize funds to equip the laboratory and have it operationalized.

I advised the Accounting Officer to continue liaising with the Ministry of Finance, Planning and Economic Development and JLOS Secretariat for funding to equip and operationalize the laboratory building.

13.5 Budget Performance – unimplemented activities

During the year, all the appropriated budget for the Ministry amounting to UGX.11,157,221,644 was released representing 100% release. A review of the Ministry's budget performance for the year 2014/2015, revealed that some targets were not achieved despite receiving 100% of the approved budget. Details are in the table below:

S/No	Planned Activity	Approved Budget	Amount Released	Actual Expenditure	Expected Output	Actual output	Remarks/ Under performance
Peace Building Amnesty Commission							
121253	Improve access to Social Economic reintegration of reporters	219,900,000	219,900,000	219,900,000	• 12 Dialogue and reconciliation meetings between reporters and communities supported. • Partial fulfilment of residual commitment (UGX 200M) to UNRF II	• Held 03 dialogues and reconciliation meetings between reporters and host communities for effective reintegration of reporters • Paid UGX.120m as residual commitment to UNRFII	• 09 dialogue and reconciliation meetings not held (75%) • UGX.80m not paid to UNRF II (40%)
Focal point							
121203	Implementing Institutions strengthened	41,410,000	41,410,000	41,410,000	• District Peace Committees in Karamoja cluster and the neighboring districts trained and equipped. • Situation room operationalized	• Karamoja cluster and the neighbouring districts trained and equipped.	The situation room was not operationalized
Forensic and General Scientific Services.							
121303	Coordination , monitoring and Supervision	902,199,000		818,763,000	• Supervision of regional laboratories operations undertaken • Scientific equipment calibrated and maintained • Pesticide residue and DNA Labs accredited (Among others)	• Monitored the progress of construction at Gulu regional laboratory; • Scientific equipment calibrated and repaired (GCMS) replacement of Turbo molecular pump, servicing of the DNA equipment and repair of the cold room for toxicology exhibits); • Accreditation application submitted to the International accreditation body;	• No progress on Gulu construction to monitor • GC-MS was not maintained and it has broken down • Pesticide residue and DNA Labs were not accredited
Criminalistics Services							
121301	Forensic and General Scientific Services	69,153,000	69,153,000	69,153,000	• Forensic investigations undertaken to foster administration of justice • Staff trained and software acquired for the poison information centre • Scientific and forensic expert opinion provided in the courts of law	• 1,273 new forensic cases were received and a total of 628 cases were analysed and reported (49.33% of received cases); • Poison Information centre /office was designated;	• Output targets not specific to determine performance • The software for the poison information centre was not acquired
Community Service							
1214	Effective	69,594,00	69,594,000	69,594,000	• 1500 offenders	• 1245 offenders	255 offenders

03	monitoring and supervision	0			rehabilitated and reintegrated to reduce recidivism (among others)	were Rehabilitated and reintegrated to reduce recidivism (among others)	not rehabilitated and reintegrate (among others)
NGO Registration and monitoring							
121502	NGOs monitored	65,113,000	65,113,000	65,113,000	• 200 selected NGOs monitored for Compliance. • 50 District NGO monitoring Committees operationalised	• 187 NGOs monitored; • 22 District Monitoring Committees operationalized.	• 13 NGOs not monitored (6.5%) • 28 District Monitoring Committees not operationalised (56%)

Unimplemented activities hinder service delivery, and the appropriating authority's objectives may not be met.

The Accounting Officer attributed the underperformance to inadequate funding.

I advised the Accounting Officer to liaise with all relevant stakeholders to solicit for adequate funding and have the activities undertaken as planned.

13.6 Staffing gaps

It was noted that the Ministry has 36 vacant posts. These include key posts of: Principal Assistant Secretary, Principal Internal Auditor, two members of Amnesty Commission, DRT Member, Commissioner-DGAL, Assistant Commissioner-DGAL, Principal Government Analysts-DGAL, Senior Government Analysts-DGAL, Senior Lab. Technicians-DGAL, and the Probation and Welfare Officer. Accordingly, the most technical Directorate of Government Analytical Laboratories was most affected. Staffing gaps affect the performance and overall achievement of organizational goals and objectives. The table below refers.

PROGRAMME	AFFECTED POST/TITLE	APPROVED	VACANT POSTS
Finance & Administration (F&A)	Principal Internal Auditor	1	1
	Principal Assistant Secretary	1	1
	Drivers	7	1
Amnesty Commission	Members of	6	2

(AC)	Commission		
	DRT Member	7	1
	Accounts Assistant	1	1
	Stores Assistant	1	1
	Drivers	12	2
	Office Attendants	2	1
Directorate of Government Analytical Laboratories (DGAL)	Commissioners	2	1
	Asst. Commissioner	2	1
	Principal Govt. Analyst	8	4
	Senior Govt. Analyst	11	6
	Senior. Lab. Technicians	5	4
	Personal Secretary	3	1
	Steno. Secretary	2	1
	Laboratory Assistant	9	1
	Stores Assistant	2	1
	Office Attendant	9	1
National Community Service (NCS)	Probation & Welfare Officer	9	3
Non-Governmental Organization Board (NGO)	Stenographer	1	1
GRAND TOTAL			**36**

Management explained that the recruitment of staff is constrained by the budget ceiling. Management further explained that submissions were being made to the Ministry of Finance planning and economic development, Office of the President and Ministry of Public Service to request for the filling of the vacant positions.

I advised the Accounting Officer to make concerted efforts in liaising with all stakeholders to ensure that vacant posts are filled to enable the Ministry adequately deliver on its mandate.

14.0 UGANDA POLICE FORCE

a) Payables

A review of the statement of financial position revealed outstanding payables of UGX.16,454,307,782. Payables worth UGX.10,500,682,162 were incurred during the year which implies that management continued to incur arrears without establishing sufficient mechanisms to monitor and control them.

Management explained that new payables were majorly a result of the electricity and water (92%) consumed during the year and hence not paid because of insufficient funding for the utilities.

I advised the Accounting Officer to clear the outstanding commitments as a first call on the budget as guided by Accountant General and liaise with the relevant Government authorities for adequate funding.

b) Status of Police fleet

The Force had 291 and 970 uneconomical and grounded motor vehicles and motorcycles representing 27% and 28% respectively of the available fleet of 1091 motor vehicles and 3452 motor cycles. I also noted that directorate's budget for fuel based on intended activities but the budget is never fully funded leading to fuel shortfalls that affect the unpredicted police operations.

With the high number of uneconomical fleet there is a risk of incurring high maintenance costs.

Management explained that the board of survey of FY 2014/2015 recommended some of the items for board off and the boarding off process is underway.

I advised the Accounting Officer to only maintain a fleet that can be economically repaired. I await the outcome of the boarding off exercise

c) Establishment of a Police Command and Staff College

The Force acquired land and buildings at Bwebajja for the purpose of establishing a Police Command and Staff College. However, I noted that although the structures were meant for a school they do not fit the status of a modern Police Command and Staff College. For example some buildings were not fixed with tiles while others lacked ceiling. The plumbing system was incomplete and toilets could not be used. Some buildings had broken door and window glasses and need remodeling and renovations to fit the required level of the Staff College.

In response, management explained that the facility was bought on as-is basis including the varying disrepair. The consultant has been procured to redesign the facility into a modern Police Command College. Funds have been earmarked in the budget for FY 2016/17 for the phased remodelling and renovation of the facility.

I advised the Accounting Officer to develop a master plan to improve on the buildings to suite the required level of a Police Command and Staff College. I also advised the Accounting Officer to request for a structural integrity test and technical evaluation on the buildings by the Ministry of works to ascertain their suitability and strength before any improvement is done on them.

d) Land matters

(i) Un-surveyed Police land

Review of records of Uganda Police Force revealed that the Force has 715 pieces of land across the country occupied by over 600 police stations, barracks and posts. Out of this land, only 102 pieces (15%) have land titles, 145 (21%) are surveyed with deeds, while 428 (64%) are pending surveying and titling. Some of the untitled land is under lease hold with discussions going on with the Buganda Land Board, while the status of some land is not confirmed. Besides, Police land in prime areas like Kibuli, Wamala Road, Busega, Mbarara and Kireka Police stations respectively need physical verification and formalization of ownership. This poses a risk of encroachment of the police land cannot be ruled out.

Management explained that the Force receives UGX.120 million annually for land purchase, compensation of squatters, surveying, titling and opening boundaries; which is insufficient compared to the number of activities required to be carried out on Police land. The Force requires approximately UGX.4.3 billion to undertake all the required activities as stated in 2016/2017 work plan.

I advised the Accounting Officer to follow up with relevant stakeholders for purposes of securing the required funding so that all the land owned by government is surveyed and secured.

(ii) **Under-funding of land section**

As mentioned in my previous year's report, the lands section has remained underfunded. The budget of UGX.120m was again provided for the financial year 2014/2015, however, this was not enough to carry out the activity. This financial year (2014/15), UGX.3.7bn had been estimated to cover the surveying, titling, boundary opening, land purchase, land planning and design, compensation and inspection, however only UGX.120m was provided in the budget. At this trend, the Force may not be able to fully acquire ownership of its land in the near future.
I advised the Accounting Officer to continue lobbying for more funds to secure ownership and safety of Police land.

(iii) **Untraced Kawempe Police Station land title**

A review of the land register shows that Kawempe Police Station land title was missing. According to the status information in the register, the search for the original land title for Kawempe Police Station is still on going. I raised this issue in my report of 2012/2013 where I observed the following:

- The agreement for this land was signed between Uganda Land Board, Uganda Police Force and Kakungulu Family, duly witnessed by the Chairman Uganda Land Board for purchase of land valued at UGX.645,000,000.
- The land was duly paid for by the Uganda Police Force in full.
- A copy of the agreement and title was handed over to Uganda Land Board by the Kakungulu family. However it has since disappeared at the Uganda Land Board Offices.

To date, Uganda Police Force has not obtained the title to their land and management has not shown what steps it has taken since the report was raised to ensure that the documents are recovered. In the absence of a legally binding agreement and title, management of Uganda Police Force risks losing this valuable asset.

Management explained that the title was surrendered by the family of Kakungulu and duly acknowledged by Uganda land commission. Having handed over the title to Uganda Land Commission, the matter is beyond the UPF.

I advised the Accounting Officer to follow up the matter with the Uganda Land Commission and ensure the title and a copy of agreement is obtained to guarantee ownership.

e) <u>Police Marines Unit</u>

The main role of Police Marine is to ensure maritime security and safety. This is achieved by ensuring maintenance of law and order within Uganda water bodies, collaborating and liaising with other maritime stakeholders locally and internationally, enforcing government regulations on immigration, fishing and smuggling on Uganda waters, monitor and coordinate search and rescue operations on water and, ensuring patrols on water to prevent trespassers and pirates. The marines' headquarters is located at Kigo, Wakiso District. I reviewed the operations of this unit and observed the following:

(i) <u>Lack of a marina (parking)</u>

Police has over 40 vessels including long distance patrol boats, firefighting boats, fiber glass boats and inflatable boats deployed in the detach units on all major water bodies of Lakes Victoria, Kyoga, Albert, Edward and George. However, the Force lacks a marina at Kigo marine headquarters for safe docking and parking of major boats. As a result, some big boats are docked/parked at Lake Victoria Serena Hotel for safety purposes, while others are dry docked (parked on land) at Kigo headquarters. The marines also lack a maintenance yard from where repairs and maintenance would be carried out.

A consultant was hired in January 2014 and came up with the architectural designs but to date, the contractor for the construction of the marina has not been procured. In the circumstances, the marine vessels are not properly maintained and are subject to vandalism.

Management explained that funds to kick start the construction of a marina have been set aside but works have not begun pending formalization of land ownership issues with Buganda Land Board.

I advised the Accounting Officer to expedite the process of formalizing land ownership and construct the marina and maintenance yard to safe guard the available vessels.

(ii) Inadequate vessels

A discussion with the deputy in charge marines revealed that the boats are still few. The unit lacks enough speed boats (interceptors) for proper and timely monitoring, enforcing government regulations, search and rescue operations, and ensuring patrols on water to prevent trespassers and pirates. For example, at Migingo Islands which is a sensitive island, Uganda Police has a fiber glass boat compared to their Kenyan counter parts that have a speed boat. This hinders the marines to effectively ensure maritime security and safety on the waters.

Management noted the need to have more boats but was hindered by a limited budget. They further explained that recently the Force received a donation of 2 fire boats from the Government of China and has planned to acquire four (4) more speed boat in the financial year 2015/2016 which will reinforce the Marine activities.

I await the outcome of the Accounting Officer's effort to acquire extra boats to reinforce the Marines Unit.

(iii) Lack of adequate equipment

Boat carriers

The unit lacks boat carriers/trailers for removing the boats from water. It was noted that some boats had remained in water for two and a half years since they were lowered to the lake yet best practice requires boats to be removed from water every after a year for checking and thorough cleaning.

Lack of boat cleaning and thorough checking might impair their performance and lifetime, thereby putting the lives of the operators and users at risk.

There is need to secure boat carriers/trailers to safeguard the lives of users and prolong the lifespan of the boats.

Lack of Simple salvage and Navigation equipment, an Automatic Identification System (AIS), and Diving equipment

The Unit lacks tool boxes on boats with salvage equipment like airbags and compressors for use in case the boat develops issues on waters. There are no navigation systems on the lake like the GPS and radar systems, and night vision goggles to help the boat crew in case of bad weather and radar failure. The Unit also lacks an Automatic Identification System (AIS) to monitor the boat movements on waters from the office, and in case the boat gets a problem in the middle of the lake and there is no network, the unit headquarters cannot ably know and locate where the problem has occurred from.

Further, the diving services are not adequate for all the marine sites. The only ten (10) pairs of diving equipment available are centralized at Kigo marines' headquarters and Jinja. The other unit detaches do not have diving equipments and yet are far from the unit headquarters which hinders timely rescue operations. According to management, at least seven (7) more diving equipments are required for other unit detaches. In the absence of these equipment and system, the unit cannot effectively patrol the waters and ensure maritime security and safety.

Management explained that the available funding cannot enable Police acquire all the relevant equipment. However, efforts are in place to acquire more equipment as the budget improves.

I advised the Accounting Officer to prioritize equipping the marines unit and mobilize funds to secure the required equipments and system.

(iv) Human resource-understaffing

Marines unit has a workforce of 197 staff with over 40 vessels. A review of the unit nominal roll revealed that only 10 staff have mechanical/technical related qualifications while 6 have qualifications in fisheries. Through the discussion with marines' top management, I noted understaffing of the Navigation and Diving

Section, and the Engineering section and urged management to liaise with the MoFPED for additional resources to cover the staffing gaps.

Navigation and Diving Section

The section has only 3 trained navigators. An interaction with the navigation team revealed that 15 navigators would be ideal to navigate the available boats. The current 3 navigators are overworked which poses a risk of accident due to fatigue while navigating the boats. A workforce of 15 navigators would allow working in shifts and avoid fatigue while navigating.

Management responded that police is still under the recommended International Police: Population ratio of 1:500. However, with the recent recruitment and pass out of Cadets and PPCs, 45 personnel were seconded to the Marine unit and have since been inducted and deployed to boost the staffing levels.

I await for the outcome of management efforts.

Lack of accreditation and adequate skills

The current 3 trained navigators are not accredited and certified internationally. This is a requirement of the insurance companies without which, one cannot be compensated in case of any eventuality like accidents. To qualify for accreditation however, there is need for skills development through advanced training in marines. This too applies to divers. The recent scenario of pirates throwing a gun in the water is case in point. The gun could not be recovered because of deep waters, lack of trained capacity of divers and adequate diving equipment. Without a trained Force, the unit cannot be effective to achieve its mandate using the available resources.

Management noted my observation and attributed non-accreditation of navigators to the budget insufficiency. The Accounting Officer explained that the Human Resource Directorate has plans to train and have more officers accredited.

I await management commitment on the matter.

Engineering Section

The engineering section has 15 staff; some with general mechanical and elementary marine engineering skills, while 5 are specialists in boat building and not engine building. An interview with the in-charge engineering revealed need for advanced marine training to acquire specialized skills in marine boat engine building. Without adequate skills, boat engine maintenance remains a challenge to the unit and impacts on the operations of the boats and the marine unit.

Management in their response explained that a new Directorate of Human Resource Development has been created and tasked with drawing up a master plan for skills development in the entire workforce, Marines inclusive. The Accounting Officer further explained that some training is already underway both within and outside the country, and that in the current financial year, 45 staff are undergoing marine training by Korean instructors.

I encouraged management to improve the capacity of the marine staff and develop skills through recruiting more technical staff and arranging for advanced marine training courses for the current staff. Efforts should be put in place to have the technical staff from navigation and diving sections accredited to the international bodies.

(v) Inadequate accommodation

The marines unit has two accommodation blocks with a capacity of 16 officers. This is insufficient as other officers use "self-help" system as accommodation. Lack of adequate accommodation demotivates staff from efficiently currying out their duties.

Management explained that the Force has an accommodation challenge due to inadequate funding but alternative plans under PPP were developed. With the passing of the PPP law the problem is planned to be addressed through partnering with private entities.

I await the outcome of the developed PPP arrangements.

(vi) **Inadequate fuel**

The unit detaches are provided with 200 liters of fuel for operations per month (6.4 liters per day) and yet the fiber boats at each unit consume 20 liters per hour. According to the in-charge, each unit detach requires at least 60 liters a day which puts the fuel requirement per month to 1,800 liters for the units to effectively monitor the waters. Lack of enough fuel affects the efficient monitoring and patrolling of the waters which puts the maritime security and safety at stake.

Management explained that due to the inadequate budget, the fuel allocations are insufficient. However, in financial year 2015/16 the fuel budget was revised slightly upwards and the fuel allocation to the Marine unit was also increased.

I advised the Accounting Officer to allocate more fuel to the marines unit to enable it secure the waters.

(vii) **Condition of the boats**

Most of the boats are in a good running condition except for the 7 (seven) Interceptor Speed boats which need repairs. The interceptors are useful boats to the marines unit with inbuilt twin engines that provide enough speed for adequate patrols and interception of wrong elements like pirates on the waters. However, the boats are currently dry docked awaiting repairs. According to the engineer in charge, the engines are in good running conditions but there is a risk of further deterioration of the boats if repairs are not carried out in time and boats lowered into water for operations. Besides, there is a general delay in the procurement of maintenance parts for the speed boats because the spare parts are not on the open market which affects the timely repairs on the boats and impacts on securing maritime security and safety.

Management explained that the contract to maintain and refurbish the Marine boats was awarded and the speed boats will soon be repaired. However, funds available in the budget may not be adequate to have all the boats repaired but phased as the funds become available in the budget.

I advised the Accounting Officer to mobilize funds and ensure that the interceptors are timely repaired to avoid further costs through deterioration of the boats, and under performance of the marines unit in securing the waters.

f) Budget Performance

A review of the budget performance for the year 2014/2015 revealed that some targets were not achieved despite receiving 100% of the approved budget. Details are as per table below:

Planned activity	Actual activity	Remarks	Response
800 police officers sensitized on the new laws (Public Order Management Act, Anti-Homosexuality Act, Prevention of Torture Act, Female Genital Mutilation Act, Domestic Violence)	Conducted a sensitization workshop for 82 senior officers in Field Force Unit (FFU) on Human Rights Concepts, Public Order Management Act, 2013, Prohibition and prevention of Torture Act, 2012 (PPTA)	728 officers not sensitised	The 728 officers were not sensitised due to a limitation in funding. The training was not all funded in the budget as planned. The required training budget requested for in the MTEF was not fully funded.
Canine units expanded to 9 more districts of Kyenjojo, Kumi, Apac, Maracha, Nakaseke, Mbulambuli, Katakwi, Kaliro and Nakasongola	Opened 3 canine units in Kamuli, Bugongi (Shema) and Bugiri.	• 6 canine units not opened • Deviated from the planned districts to others	There was a delay in the construction of Kennels in the said districts as a result of late release of funds for capital, this led to the canine reconsidering priorities to districts with higher crime rates with functioning kennels as noted in the actual activity and also was able to replace aging sniffer dogs in Lira, Mpigi, Rukungiri and Arua.
Policing systems built on ICT Platform; the HRMS, Crime Records Management System, IPPS rolled out to regions	Not implemented.	Not implemented	This activity was not funded
A marina at Kigo Marine Base constructed.	Procured consultant who designed the police marina and made the architectural drawings and bills of quantities.	Construction has not commenced	Construction of the Marina to commence in 2015/16 after formalisation of the lease of the land by the Buganda Land Board.
5000 personnel trained in specialized skills	Trained 200 detectives in fraud, cyber and homicide	4800 personnel did not get the specialized training.	The balance of the funds was used to train Field Force Unit personnel due to

(intelligence, fraud, cyber and money laundering, SGBV, Human Trafficking	investigation techniques.		demand.
Forensic laboratory equipped.	Not implemented	Not done	This activity was not funded
Police College established	Concluded the procurement process for the police college and partial payment made.	Partially implemented	The funds for completing and equipping the college were not provided

Unimplemented activities hamper service delivery, and the appropriating authority's objectives may not be met.

Management explained that some activities could not be implemented because of inadequate funding.

I advised the Accounting Officer to ensure adequate planning and implementation of approved activities.

15.0 UGANDA PRISONS SERVICE

a) Un-titled land

I observed that although UPS has 247 prisons across the country, 49 of them are on surveyed land and titled, 119 are not surveyed and 79 are on Kingdom and District land.

There is a risk of loss of this land if these properties are not secured by way of titles.

Management explained that surveying and titling of land in the Kingdoms and Districts has not been easy as some need negotiations between the institutions and UPS while others have not given clearance to survey and title such land. This became more complicated with the return of kingdom properties including land titles as the kingdoms are demanding rent from UPS.

Management further explained that on consultation, the Attorney General advised that UPS has four (4) options: to rent the land and pay dues, to lease the land, to buy the land, or opt to vacate the land.

I advised the Accounting Officer in the meantime to open the boundaries of the land not under negotiations and have it titled to safeguard from encroachment and possible reallocation to private developers. I further advised management to continue pursuing negotiations with the kingdoms to have land allocation formalized.

b) <u>Commitment of Funds for procurements</u>

PPDA Regulation 105 (1) of PPDA Regulation, 2014 requies that before a procuring and disposing enity shall not initiate any procurement proceedings or activities for which funds are neiher available nor adequate.

It was noted that UPS made procurements which were in excess of the budgeted amount of UGX.246,373,000 without Secretary to Treasury's written confirmation that the funds would be made available in the subsequent financial year. Details in the table below:

Subject of procurement	Budgeted Amount	Actual Amount	Over and above Budget
120hp agricultural tractors	1,050,000,000	1,087,656,658	37,656,658
Service truck and tools	95,000,000	160,000,000	65,000,000
Spare parts(mf)	45,000,000	67,000,000	22,000,000
Spare parts (Renault)	33,000,000	40,397,833.36	7,397,833
Purchase of construction equipments	161,300,000	255,597,612	94,294,612
Purchase of pick ups	630,000,000	843,358,287	213,358,287
Purchase of 10ton trucks,purchase of 5ton trucks, boat, tri-cycle	710,000,000	996,019,169	286,019,169
Iron sheets	800,000,000	1,000,250,000	200,250,000
Iron bars	175,000,000	219,500,000	44,500,000
Valley gutters	100,000,000	101,623,000	1,623,000
Total			**246,373,000**

Procurements in excess of the budgeted funds affects the budget allocation for other planned items and may result into accumulation of domestic arrears.

Management attributed the over commitment of funds on the procurement of agricultural and transport equipment, and spares to the drastic increase of the exchange rate of Uganda Shillings against the USD. Management further explained that after a lengthy procurement process, the continuous increasing rates of foreign exchange coupled with the urgency and demand for agriculture and transport equipment; it was considered cost effective to purchase items as planned rather than cancelling and repeating the procurement at a high price in FY2015/16. The extra funds were budgeted and included in FY2015/16.

I advised the Accounting Officer to ensure that all procurements conducted by the entity are within the approved budget provisions or where required, authority should be obtained from Secreatry to the Treasury on the future availability of funding.

c) <u>Funds not transferred to the Consolidated Fund at the end of the year</u>

UGX.2,808,413,252 was reported in the statement of financial position as cash and cash equivalent at the end of the financial year. The unspent funds should have been transferred to the consolidated fund by close of the year however, UPS did not remit the funds to the condolidated fund.

Non-remittance of unspent balances to the Consolidated Fund is irregular.

Management explained that these were unspent balances which were supposed to be transferred to the UCF by BOU after closure of the financial year, and promised to get confirmation of transfer from BOU and adjust the accounts accordingly.

I await confirmation of transfer of the funds.

d) <u>Misalignment of Courts and Prisons Location - Access to Justice</u>

It was noted that some prisons and courts are not well aligned/located in the same area for effective and timely delivery of prisoners to court. As a result, the cost of fuel and vehicle maintenance for delivering prisoners to courts is high. Some of the misaligned prisons and courts with the distances in between are shown below:

Prison	Court	Distance
Bubukwanga	Bundibugyo	16km
Butiti	Kyenjojo	21km
Masafu	Busia	15km
Nebbi	Paidha	20km
Bubulo	Rwakhaka	14km
Namalu	Nakapiripirit	28km
Tororo	Malaba	17km
Nebbi	Ragem	28km
Buhweju	Bushenyi	40km

Management explained that the issue of court and prisons location has been brought to the attention of all levels of JLOS leadership namely criminal justice working group, technical, steering and leadership committees at every fora including GoU - Donor review meetings. The long term strategy is to construct prisons near courts and the short term strategy is to continue purchasing vehicles and providing fuel for delivery of prisoners to existing courts.

On the short-term strategy, management further explained that UGX.4.7bn was required to procure 10 buses, 10 trucks, and 10 pick-ups against a provision of UGX.1.45bn (31%) leaving a short fall of UGX.3.25bn. Fuel and vehicle maintenance required UGX.3.1bn against a budget provision of UGX.0.609bn leaving a shortfall of UGX.2.49bn.

I advised the Accounting Officer to liaise with sister institutions under the Justice Law and Order Sector to consider putting up the justice centres nearer to prisons facilities for easy access of justice by prisoners. In the meantime through its budgetary function continue requesting for more funding to cater for transport and other related costs in order to deliver inmates to court.

e) Inspections

1) General observations

(i) Congestion in prisons

It was noted that Uganda Prisons Services was planned to provide a total carrying capacity of a daily average of 16,517 prisoners. By June 2015, the population of prisoners stood at 45,092, exceeding the available capacity by 28,575 inmates (occupancy level is 273%). Some prisons are overcrowded, housing up to 3 times their designed holding capacities. Congestion in prisons has resulted to poor hygiene and outbreak of diseases. The table below refers on a sample basis:

Station	Capacity	Occupancy	%
F/Portal	314	1184	377
Ruimi	420	574	137
Mobuku	250	359	144
Isingiro	100	227	227
Kabale-Men	260	575	221
Kabale-Women	15	41	273
Jinja Main	336	1141	352
Jinja Remand	340	868	255
Tororo	280	572	204
Mbale	336	840	250
Soroti Main	444	536	121
Manafa	30	59	197
Arua-Men	250	828	331
Arua-Women	24	53	221
Lira-Men	260	676	260
Lira-Women	50	67	134

Management explained that the majority of prisons structures were constructed in 1920s and for smaller population, and have not expanded at the same rate with prisoners' population growth rate of 7% per annum compared to the country's population which is growing at 3.4%. The Accounting Officer further explained that a proposal for renovation and expansion of prisons was submitted to the Ministry of Finance, Planning & Economic Development and a phased approach over a period of 5 years was proposed. The total amount required for the renovation and expansion of 80 prisons including barracks was estimated at UGX.120bn with UGX.24bn required funding per year, which the Ministry promised to handle over the medium term.

I advised the Accounting Officer to continue liaising with the responsible authorities for more funding to put up more accommodation facilities / prisons to improve on inmate's accommodation.

(ii) <u>Inadequate Staff accommodation</u>

According to the Strategic investment Plan III UPS has about 6000 uniformed staff of which only 18% of the staff has accommodation leaving 82% of the staff without accommodation. In all the 20 prisons visited, including; Ruimi, Yumbe and Arua, staff are accommodated in acutely dilapidated quarters, canteens, recreational facilities and locally made grass huts, while others rent outside the barracks at their own cost. Staff quarters at Fort Portal main Prisons were roofed with asbestos sheets which pose a cancer threat to the occupants. Below are some of the inadeaqute staff accommodation observed during field inspections:

Dilapidated house in Arua

Grass hut in Ruimi

Grass hut in Yumbe

Management explained that UPS strategy of housing staff is to provide a two (2) bedroom house to each staff using Force Account. However, a budget of UGX.400bn is required to construct 5,000 housing units and renovate existing staff barracks. A phased approach is to construct 500 housing units per annum over ten (10) year period. This requires UGX.40bn per year compared to UGX.700m that was provided in the financial year 2014/15.

I await the outcome of management commitment to resolve the housing problem in UPS.

(iii) Lack of adequate uniforms for inmates

During audit inspections carried out in 2015, it was noted that both Prison warders and inmates were not provided with adequate uniforms. Whereas inmates are supposed to be provided with at least two pairs of uniforms, they were provided with only one pair of uniforms and in some instance some inmates did not have uniforms at all. For example, at Tororo Prisons, out of 572 inmates, 79 in inmates did not have uniforms while the rest only had one pair.

Lack of adequate uniforms makes it difficult for inmates to maintain hygiene and while the uniorm is washed, it takes long to dry, which poses a risk of inmates escaping from prisonson because an escape becomes difficult to differentiate between the prisoners and the non-prisoners. It is worse for inmates in Prison farms where they have to work in the gardens on a daily basis.

Management attributed lack of uniforms to the funding gap which has been brought to attention of MoFPED and Parliament through BFP and MPS. The Accounting Officer further explained that they have developed a strategy of capitalising tailoring workshop as a cost reduction.

I advise the Accounting Officer to ensure that each inmate is provided with at least two pairs of uniforms to maintain their hygiene and avoid possible. I further urged management to fully develop the tailoring strategy to reduce on the cost of buying uniforms.

(iv) Ratio of Remand to Convicts in the Prisons

The UPS Strategic investment Plan III, sets a ratio of the remand to convict as 52.7:47.3. However during audit inspection, it was observed that the ratio of remand to convict in sampled stations was at 74:25 which was far from the required level as indicated in the table below.

Station	Remand	Convicts	Remand Convicts ratio
Jinja Main	95	1046	
Jinja Remand	749	112	87:13
Tororo	273	294	48:52
Mbale	660	180	78:22

Manafa	51	8	86:14
Average ration			**74:25**

Holding a big number of remand prisons implies that inmates take long in prison because they are not produced to court as required or their hearings are not fixed by court in time, leading to delayed justice to the prisoners. This also has an impact on feeding costs, uniforms, water consumption, warder staffing levels, and other congestion related challenges in the prisons.

Management explained that the issue of high remand population has been brought to the attention of all levels of JLOS leadership namely criminal justice working group, technical, and steering and leadership committees at every fora including GoU - Donor review meetings. The remand issue has resulted into Court case count which is ongoing at all courts in the country.

I advised the Accounting Officer to consult with the responsible institutions/government to timely try inmates that have been committed to high court to decongest the prisons.

(v) <u>Remand for more than Two years</u>

Chapter 4 of the constitution requires speedy trial within stipulated time limits for capital and petty offences.

The Justice Law and Order Sector under the Strategic investment Plan III, is committed to ensure inmates have better access to justice and lives in a safer and secure environment, which is more responsive to human rights and reduce the length of stay on remand from 30.3month to 15.1 month for capital offences and from 6 to 4.4 month for other offences.

34.3 percent of the total number of the inmates in the stations sampled. Details are as per the table below:

Station	**Number of remand more than Two years**	**Total number of remand**	**% of the remand more than 2 years to Total number of the remand**
Jinja Main	10	95	10.5%
Jinja Remand	465	749	62%
Tororo		294	Not availed

Mbale	203	660	30.7%
Soroti Main	141	536	26.3%
Manafa	0	50	0
	819	2,384	34.3%

Holding inmates on remand for more than two years without trial is a violation of prisoners' rights to trial which denies them timely justice. This has also contributed to congestions in prisons with their associated challenges including lack of a secure environment to the inmates and to exercise their human rights.

Management explained that the issue of high remand population has been brought to the attention of all levels of JLOS leadership and awaits for action.

I urged the Accounting Oficer to continue engaging with the JLOS leadership for a practical solution.

(vi) <u>Health services</u>

Section 69 of the Prison Act 2006, requires the inmates to have adequate health services.

According to the Strategic investment Plan III, all inmates in need of health care should be able to receive first level health care within the prisons.

The coverage of HIV/AIDS services is limited to only 15% of the health units in UPS. The staffing capacity of health workers in the availed UPS health facilities is low. Whereas the established post for health workers is 436, only 218 (50%) are filled leaving a 50% gap of 218 posts unfilled. This has impacted on health service delivery in the prisons and poses risk of more inmates getting infected.

During audit inspection in 2015, it was observed that HIV/AIDS and other contagious diseases were on the rise posing a risk to the health of the inmate if not well well attended to.

Further, a review of the health services status in UPS revealed the following:

- There are staffing gaps in the Health Centres. Although Health Centre IIIs have an establishment of 19 health workers, all the health centres had between 4 to 7 health workers.

- Some of the staff working in the health Centres are seconded from the District and the UPS has no control over the them hence affecting the service delivery.
- Most of the prisons visited lack isolation wards for the inmates that have chronic diseases.

The absence of adequate medical staff and appropriate equipment negatively impacts on the delivery of medical services to both the inmate and the prison staff. Besides, lack of isolation wards poses a risk of the contagious diseases spreading and affecting the live of other inmates.

Management explained that the package of HIV/AIDS services provision is determined by the level of health care and availability of specific cadres and equipment. However, to adequately provide health services in prisons requires an annual provision of shs.3.8bn against a provision of shs1.25bn leaving a short fall of shs2.55bn. A request to increase the wage bill to provide for more health workers at the prisons health centers has been submitted to Ministry of Public Service.

I advised the Accounting Officer to liaise with the Ministryof Public Service to have all the posts of the health workers filled for improved delivery of health services to inmates and staff at the prisons.

(vii) <u>Shortage of warders</u>

The ideal ratio of Warden to prisoners is 1:3 but by the time of inspection, the ratio was at 1 warder for every 14 prisoners (1:14) at Fort Portal prisons, 1:7 at Isingiro and 1:10 at Arua. This was high and posed a high risk of prisoners' escape. A case in point when 13 prisoners escaped from Fort Portal Main prison; 8 of them were recovered (re-arrested) and 5 are still at large; while in the last 24 months 10 prisoners escaped fron Arual men prison. According to the in-charge of Fort Portal Prison, the 8 recovered prisoners were re-arrested for different crimes committed.

Management explained that the issue of staff recruitment has been continuously brought to attention of Ministry of Public Service but and only 1000 warders were cleared for recruitment in FY2014/2015

I advised the Accounting Officer to continue liaising with the responsible fund further recruitment of staff to minimize the risk of prisoners' escape.

2) Other observations on specific prisons

The following specific issues were also observed in specific prisons:

No	Issue	Prison					
		Jinja	**Mobuku**	**Ruimi**	**Isingiro**	**Kabale**	**Arua**
1	Inadequate workshop	×					
2	Land ownership (lack of land titles) was observed in Mubuku, Isingiro and Kabale.		×		×	×	
3	Lack of a tractor in Mobuku		×				
4	Weak Fence was observed in Mobuku		×				
5	Poor sanitation was noted in Mobuku, Ruimi, Kabale and Arua.		×	×		×	×
6	Misuse of prison facility in Mobuku		×				
7	Inadequate prison wards in Isingiro				×		

Management explained that overhaul of sanitation in all stations has been prioritized and included in the renovation proposal submitted to MoFPED. Management further explained that construction of prisons, provision of water, transport facilities and the issue survey and tiltiling of land require funding which is unavailable.

I advised the Accounting Officer to mobilise funds to address the concerns raised.

16.0 JUDICIARY DEPARTMENT

16.1 Accrued Expenditure Commitments on Rent

The Public Finance Management Act, 2015 section 23(1) provides that the Accounting Officer shall not to enter into a contract, transaction, or agreement that binds Government to a financial commitment for more than one financial year or which results in a contingent liability except where the financial commitment or contingent liability is authorized by Parliament. A review of the financial statements indicated that out of the outstanding sundry creditors of UGX.11,038,979,655, an amount of UGX.7,471,587,017 is accrued on rent alone. Adjusted accrued rent for previous financial year stood at UGX.7,406,028,975. It was further observed that the multi-year expenditure commitments were not authorized by Parliament. Delayed payment of rent leads to possible eviction of the Courts, to the embarrassment of the Judiciary. The Table below refers:

Accrued Adjusted Rent expense B/F	Rent Accrued During the year under review	Total Rental Commitments	Amount Paid during the year	Accrued Rent commitment C/F
7,406,028,975	7,912,581,736	15,318,610,711	7,847,023,694	**7,471,587,017**

The Accounting Officer acknowledged the observation and explained that efforts were made to obtain additional funding for rent and only UGX.3bn was approved for financial year 2015/16 to offset the accrued bills. The escalation in outstanding bills was also attributed to the increase in the USD exchange rate since some of the tenancy agreements are quoted in US Dollars.

I advised the Accounting Officer to pursue the matter further with the MoFPED in order to settle the outstanding obligations.

16.2 Budget performance - unimplemented activities

The total approved budget for the Judiciary was UGX.87,160,268,764 and the entity received 100% of the allocated funds. Total payments amounted to UGX.87,040,959,545 resulting into unutilized amount of UGX.119,309,219. Although there was good performance in utilization of the funds, I noted that some planned activities were not implemented. The Table below refers:

Activity	**Description**	**Planned Output**	**Actual Output**	**Under performance**	**Cost of planned out put**	**Cost of Actual output**	**% performance**
Disposal of Appeals in the Supreme	Civil Appeals	35	18	49%	6.7 bn	4.8bn	71.6%
	Criminal Appeals	45	5	88.9			
	Constitution	10	5	50%			

Court	Appeals						
Disposal of Appeals and Constitution Matters in the Court of Appeal	Civil Appeals	200	151	24.5%	7.3bn	5.4bn	74%
	Criminal Appeals	400	97	75.8%			
	Constitution Appeals	20	20	-			
Disposal of Appeals and Suits in the High Court	Appeals	600	208	65.3	26.6bn	19.5bn	73.3%
	Suits	14,400	10,222	29%			
	Persons Offered legal aid through justice centers	600	0	100%			
	Small claims Procedure further rolled out	Targeted figure not indicated	0				
	Information Desk set up in selected courts	Targeted figure not indicated	0				
	Public relations strengthened	Targeted figure not indicated	0				
	Mediation strengthened through Justice Centers	Targeted figure not indicated	0				
Disposal of Suits and Appeals in the Magistrate Courts	129,839 suits disposed of in Magistrate Courts;	129,839	66,688	48.6%	24.4bn	18.2bn	74.6%
	Guidelines for Management of Registries developed;	Targeted figure not indicated	0				
	Open days conducted	Targeted figure not indicated	0				

The underperformance has escalated the case backlog in the Judiciary.

The Accounting Officer explained that unimplemented activities majorly arose due to lack of headship in the first 3 quarters of the financial year which affected work in the Supreme Court, missing records on appeal in the Court of Appeal due to highly manual processes that affected the case disposal and lack of staff on the lower bench coupled with uncommitted lawyers. This has continued to affect case disposal at magistrate courts. Notwithstanding the above, the Judiciary is implementing new and faster procedures like plea bargaining in criminal matters, small claim procedures, and alternative dispute resolution in civil matters in order to increase on case disposal. The Judiciary also plans to decentralize the Court of Appeal as well as rationalize magisterial areas through gazetting more courts.

I advised the Accounting Officer to ensure that all planned activities for which funds are released are completed to enable the department deliver its mandate.

16.3 Staffing Gaps

A review of the Judiciary structure revealed staffing gaps in the staff establishment as 379 posts remained vacant during the year. These included among others; 4 Justices of the Supreme Court, 4 Justices of the Court of Appeal and 32 Judges of High Court.

Lack of staff in vital positions of the organization affects the performance and overall achievement of organization's goals and objectives. This has a negative effect on service delivery and is a contributory factor to case backlogs.

The Accounting Officer explained that approved positions remain vacant due to the wage ceiling. In the financial year 2015/16 the additional wage allocation was UGX.1 billion only. Inadequate staffing level in the Judiciary is being addressed. For example, recently 5 Supreme Court Justices and 7 Justices of the Court of Appeal were appointed. Submissions to fill vacancies in the High Court and the lower bench have also been forwarded to the Judicial Service Commission. For the other Judiciary staff, submissions have been made to the relevant appointing authorities.

I advised the Accounting Officer to continue liaising with the relevant stakeholders to expedite the process of filling these vacant posts.

17.0 DIRECTORATE OF PUBLIC PROSECUTIONS

17.1 Budget Performance – Unimplemented Activities

A review of the entity's budget showed that UGX. 22,515,226,113 was released against an approved budget of UGX.23,151,496,616, representing 97% of the approved budget. A further review of the physical performance for the year

2014/2015 revealed that some planned activities were not implemented as shown in the table below:

Budgeted output / Planned activity	Approved Budget	Actual release	Short fall	Actual output/ activity	Comment
• WAN covering 30 offices and HQs established • Unified communication established in 31 offices • Network management software and hardware acquired.	4,975,351,000	4,971,751,000	3,600,000	Some items have been delivered but others have not. Installations have not been made yet.	• Procurement process done and contracts signed. The items have however not been delivered and installed. Contract performance has delayed. • Payments for PROCAMIS amounted to UGX 3,959,697,902 during the year but the system has not been installed. There is need to acquire an optimum database engine such as Oracle to support PROCAMIS

Un-implemented activities could hinder achievement of the workplan, hamper service delivery, and the appropriating authority's objectives.

Management explained that delivery of the IT communication equipment was delayed because of security concerns by the countries of origin but these concerns have now been addressed and the contract will be completed as soon as possible. Further it was indicated that Oracle software for PROCAMIS had been delivered and system development is on-going.

I advised the Accounting Officer to ensure that the contractor fulfils the contractual obligations and have the activity finalised.

17.2 Non-deduction of WHT from rental payments to NSSF

The Directorate paid a total of UGX.1,731,746,849 to NSSF for rent during the financial year. However, 6% WHT amounting to UGX.103,910,811 was not deducted and therefore not remitted to URA contrary to provisions of the income tax Act. Details are as shown in table below:

Pay't Date	Inv. No	EFT. No.	Purpose	Amount	6% WHT
7/17/2014	GO/JUL-15/6	1412793	Deposit for Rent - Qtr 1 Jul-Sep 14: Head office	240,776,640	14,446,598
9/2/2014	GO/AUG-15/994	2144036	Part settlement for Head office at workers house	215,231,941	12,913,916
11/20/2014	GO/NOV-15/25	2879240	Part Settlement of invoice 16730 for Qtr 2 Rent Head office	189,533,000	11,371,980
12/9/2014	GO/DEC-15/522	3203486	Part settlement of Rent Arrears	614,051,019	36,843,061
1/30/2015	GO/JAN-15/242	3875589	Part Settlement of invoice17703 UGX 240,776,640 - rent for the period January - March 2015	231,477,609	13,888,657
4/22/2015	GO/APR-15/72	4637465	Settlement of Q4 Rent charges for head office per invoice70916	240,776,640	14,446,598
Total				1,731,846,849	103,910,811

Non-deduction of withholding tax could attract penalties and surcharges from the tax authority.

Management explained that NSSF had been exempted from WHT in the FY 2013/14 which was however not renewed in FY 2014/15. The Directorate continued paying rent without deducting WHT with the belief that NSSF was still WHT exempt. The omission was regretted and management was in talks with NSSF to recover the tax from the subsequent rent payments.

I await the outcome of the Accounting Officer's interaction with NSSF.

18.0 DIRECTORATE OF CITIZENSHIP AND IMMIGRATION CONTROL

a) Outstanding payables

A review of the statement of outstanding commitments revealed that at close of the financial year 2014/2015, there were outstanding payables of UGX 79,856,210,630.

Within the payables, there were sundry creditors of UGX. 53,554,188,415, up from UGX.22,059,059,238 in the financial year ended 30th June 2014, representing an increase in sundry creditors of UGX. 31,495,129,177 (143%).

Further, it was noted that UGX 874,264,954 owed to Uganda Printing and Publishing Corporation (UPPC) in respect of rent has been outstanding for more than two years.

Accumulation of outstanding commitments is a violation of the commitment control system.

Management responded that the increase in payables was as a result of unforeseen challenges during the implementation of the National Security Information System Project as indicated below:

- There was no budget provision for movement of registration officers from Sub County to parishes (2days per week) at a rate of UGX10,000 per officer.
- There was also no budget provision for transportation of kits during continuous enrolment exercise. The total cost for this activity was UGX.588m for a period of 5months (August-December 2015).
- The budget provision was based on only 10 regions yet the pyramidal structure adopted provided for 23 regions
- Insufficient funds in the budget for hard to reach areas including island areas among others. The total expenditure on this line item was UGX.207m.
- Delivery and retrieval of mass enrolment materials also had no budget provision.

Due to the critical nature the ID project caused by the electoral process timelines, the project did not have enough funds to pay for all the contractual obligations hence leading to the accumulation of the Domestic arrears.

With regard to the outstanding debt with UPPC, Management explained that the matter is being addressed administratively after guidance from the Solicitor General.

I advised the Accounting Officer to liaise with Ministry of Finance Planning and Economic development and ensure that the outstanding payables are cleared.

b) Mischarged Expenditure

The Parliament appropriates funds in accordance with the needs of the country and this appropriation is implemented through the budget in which funds are tagged to particular activities and outputs using account codes and MTEF codes. A review of the Ministry's expenditures revealed that the entity charged wrong expenditure codes to a tune of UGX.1,273,346,799. This constituted 0.7% of total expenditure for the year of UGX.185,941,664,257.

Mischarges undermine the importance of the budgeting process as well as the intentions of the appropriating authority and lead to misreporting.

Management explained that the mischarge of expenditure was a result of insufficient budgetary allocations and severe cuts in respect of items referred to as consumptive items by the MOFPED.

I advised the Accounting Officer to streamline the budgeting process to ensure that sufficient funds are allocated to each account. I also advised that authority should be sought for any reallocations.

c) Absence of Approved Strategic Plan

As reported in my previous reports, the entity has continued to operate without a corporate plan that spells out the long and medium term plans. Absence of an approved strategic plan affects the overall guide to planning and priority setting. The achievement of the organizational mission and objectives are likely to be negatively affected.

Management explained that a draft strategic plan is ready pending validation and adoption by top management and other stakeholders.

I advised the Accounting Officer to expedite the approval of the strategic investment plan.

d) Missing generators

Records showed a total of 1451 generators owned by the Directorate. A total of 1380 generators were in the field in various parts of the country, 41 generators were in the stores at Kololo, out of which 40 were non-functional. The balance of 30 generators remained unaccounted for.

It was also noted that the asset register maintained by the Directorate captured only Generator Engine numbers but did not capture frame numbers, the model of the Generator was merely recorded as "Generator" instead of "EP 2500 CX Generator", and the values of the generators were not recorded in the manual register.

There a risk of loss of the Government assets due to lack of proper records.

Management explained that the exercise of up-dating fixed asset register is ongoing.

I advised the Accounting Officer to expedite the process updating the fixed asset register and also account for the thirty generators.

e) Procurement of NSIS equipment

The Accounting Officer contracted out the procurement of additional machinery and equipment for the National Security Information System were (NSIS) to Internal Security organization (ISO) in the financial year ended 30th June 2014. The machinery and equipment were worth UGX.83,187,152,448 and USD.6,637,239. As shown in the table below:

PROC REF.	DATE OF SIGNING CONTRACT	SUPPLIER	SUBJECT OF PROCUREMENT	LOT No.	Contract Sum (UGX)
OP-ISO/SUPPLS/13-14/00012/01/01	31st January 2014	MFI Document Solutions Ltd	Supply of Additional Machinery and Equipment for NSIS Project	1	52,997,031,083
OP-ISO/SUPPLS/13-14/00012/01/02	30th January 2014	Netsoft Consulting Services (PVT) Ltd	Supply of Additional Machinery and Equipment for NSIS Project	2	1,527,253,600
OP-ISO/SUPPLS/13-14/00012/01/3B	Not dated	MFI Document Solutions Ltd	Supply of Additional equipment for NSIS project	3B	24,469,171,711
OP-ISO/SUPPLS/13-14/00012/01/04	30th January 2014	Honda (U) Ltd	Supply of Additional Machinery and Equipment for NSIS Project	4	1,716,066,684
OP-ISO/SUPPLS/13-14/00012/01/05	31st January 2014	MFI Document Solutions Ltd	Supply of Additional Machinery and Equipment for NSIS Project	5	1,722,834,370
OP-ISO/SUPPLS/13-14/00012/01/06	30th January 2014	Supply Masters (U) Ltd	Supply of Additional Machinery and Equipment for NSIS	6	754,795,000

			Project		
Total (UGX)					**83,187,152,448**
OP-ISO/SUPPLS/13-14/00012/01/3A	29th May 2014	Muhlbauer Id Services GmbH	Supply of Additional Machinery and Equipment for NSIS Project	3A	USD.6,637,239.2
Total (UGX)					**USD.6,637,239.2**

I was unable to carry out the audit of the procurement last year, because the related documents were not readily available. However, the documents were later availed by management, and below are the findings in respect of the audit of the procurement:

(i) <u>Use of brand names in the bid document</u>

Regulation 265 (1) of the PPDA 2003 states that "No specification shall be issued with reference to a particular trademark, brand name, patent, design, type, specific origin, producer, manufacturer, catalogue or numbered item". Where there is no other sufficiently precise or intelligible way of characterizing a requirement the description shall be used, followed by the words "or equivalent", and shall only serve as a benchmark during the evaluation process.

However, the technical specifications and general requirements in the bid documents for the purchase of 4258 cameras under Lot 1 were specified as "Canon EOS 1100D or its equivalent". Although the word equivalent was included, It does not suffice in this regard as the camera can sufficiently and precisely be characterized without use of reference as provided under Regulation 265(2). Use of branded names when preparing specifications limits competition and may imply that the PDE intended to push out certain providers in favour of some.

Management explained that reference to the brand name "Canon" was used as a benchmark for evaluation purposes basing on Regulation 265 (2) since there was no other sufficiently precise way of describing what was needed. Besides the phrase "or equivalent" was inserted after the brand name "Canon" in order not to eliminate competition.

I advised the head of Procurement and Disposal Unit to desist from using branded names when preparing specifications of requirements.

(ii) Delayed deliveries

There were delays in deliveries of the equipment in the various lots as indicated in the table below:

Lot No	DATE OF SIGNING CONTRACT	Contract Amount (UGX)	Expected Delivery Date	Actual Delivery Date	Period of Delay
1	31/01/2014	52,997,031,083	20/02/2014	31/05/2014	99 days (over 3 months)
2	30/01/2014	1,527,253,600	19/01/2014	07/04/2014	47 days
3B	17/04/2014	24,469,171,711	06/03/2014	02/07/2014	79 days
5	31/01/2014	1,722,834,370	20/02/2014	26/04/2014	94 days
6	31/01/2014	754,795,000	20/02/2014	28/02/2014	8 days

Management attributed the delays in the deliveries to late release of 40% down payment to the supplier by 3 weeks. Further, management explained that the delay was caused by the Chinese Annual New Year holiday, which ran from 30th January to 9th February 2014.

Delayed deliveries affected the commencement of the enrolment exercise for two months which impacted on the timely implementation of the mass enrolment program.

I advised the Accounting Officer to ensure that procurements are planned in time and to give the providers realistic delivery periods.

(iii) Lack of individual unit price schedule

The bidding document required all bidders to submit a price schedule for supplies and related services using a format provided in section 4-bidding forms where all items were to be priced separately.

However, the provider did not indicate the unit price for each individual enrolment kit item but instead provided a lump sum price of UGX.52,552,031,065.74. This made it difficult to make a comparison of the bids. Further, it was not possible to compute the liquidated damages due as a result of late delivery of 3246 spare batteries and 3258 USB hubs.

Management explained that the End-user asked for the Enrolment Kit as a Unit and the price estimation was based on the Kit. In the Price Schedule, the Enrolment Kit was stated as a "Biometric Kit", with country of origin, quantity, unit price and taxes specified.

I advised the Accounting Officer to always ensure that all bids received conform to the bid instructions provided to all the potential bidders for proper comparison and subsequent evaluation.

(iv) Liquidated damages not claimed - UGX 178,614,181

The terms and conditions of the contracts provided for liquidated damages 0.2% of the value of undelivered supplies per week of delay in case the provider failed to deliver the items in time. However, the providers failed to deliver the items as per contract terms and the entity did not claim liquidated damages. Details of the liquidated damages that should have been claimed:

Lot No	Contract Amount (UGX)	Period of Delay	Liquidated Damages (UGX)
2	1,527,253,600	47 days	6,358,748
3B	24,469,171,711	79 days	147,474,726
5	1,722,834,370	94 days	24,780,707
	Total		**178,614,181**

Failure to charge the liquidated damages as per contract demonstrates inadequate contract management.

Management explained that the delay by the suppliers to deliver within the stipulated period was due to the late payments.

I advised the Accounting Officer to always adhere to the terms of the contract and charge damages where applicable.

PUBLIC SECTOR MANAGEMENT

19.0 MINISTRY OF LOCAL GOVERNMENT

a) Mischarge of Expenditure

A review of the Ministry of Local Government's expenditure revealed that the entity charged wrong expenditure codes to a tune of UGX.12,086,792,676. This constituted 40% of total actual expenditure for the Ministry of Local Government. Whereas the funds were spent on items for which they were not originally budgeted for, the accounts have been presented in a way that reflects that the amounts were spent on the earlier budgeted items. Further, included in the UGX.12,086,792,676 are a number of diversions that I took special interest in the findings which have been summarized in 8.1.1 and 8.1.2 below.

I explained to management that mischarges undermine the importance of the budgeting process as well as the intentions of the appropriating authority and lead to misreporting. Under the circumstances, the financial statements are not fairly presented.

Management explained that the mischarge was caused by inadequate budget ceilings which were insufficient to meet key mandated activities and unforeseen interventions that required swift actions.

I advised the Accounting Officer to make realistic budgets, and also incur expenditure in line with approved budgets. In case reallocations are required, appropriate authority should be sought.

(i) Diversion of funds meant to procure 111 District Chairperson's vehicles

During the year, the Ministry planned to procure one hundred eleven (111) and six (6) vehicles for the District chairpersons and the Ministry respectively. This involved a total contracted amount of USD 4,590,568 for all the vehicles inclusive of taxes. Funds totaling to UGX.7,013,611,179 (inclusive of taxes) were released to cater for part payment of the district vehicles and full payment of the Ministry vehicles.

However, it was noted that only UGX.1,487,636,396 was spent on the vehicles procured from M/s Toyota Ltd and the balance of funds (UGX.5,525,974,783) was diverted and utilized on recurrent expenditure without authority from the PS/ST. These funds were subsequently transferred to staff personal accounts – UGX.4,361,949,108, payments for African Day of Decentralization (ADDLD) celebrations – UGX.118,277,664, cash withdrawals – UGX.120,000,000, fuel - UGX.28,000,000, hotel bills – UGX.110,844,899, refund of borrowing to DLSP project and DTRF - UGX.315,674,140, rent – UGX.196,859,360 and others. I reviewed the advances to personal accounts and my observations were summarized in Paragraph 8.2. Use of Development funds to cater for recurrent expenditure is contrary to financial regulations.

Although management explained that the releases were inadequate to fund the key Ministry activities and the procurement process for the vehicles was not concluded within the financial year; thus the need for utilization of funds on unfunded activities.

I advised the Accounting Officer to ensure that any reallocations should be supported with authority from the PS/ST.

(ii) Other diversions of funds for planned activities/Budget performance

A review of the performance of the entity for the year, revealed that some targets were partially or not achieved despite release of funds to the vote functions. A bulk of funds were diverted as stated hereunder;

- GOU counterpart funding for MATIP activities to undertake consultancies and payment of VAT were not undertaken.
- Construction of Local Government administrative units was not undertaken
- Transfers to the districts were not fully done.

The table below refers:

The table below provides the details of other diversions of funds of planned activities:

Vote function output	Item description	Planned outputs / Quantity	Amount (UGX) budgeted	Amount released (UGX)	Actual output/ Quantity	Remarks	Management responses
Project 1307-Suppprt to Ministry of Local Government	134972-Government Building and Administration Infrastructure	• Disbursements to local Governments	735,000,000	514,750,000	- Buvuma town council - UGX.100,000,000 - Kibiito town council - UGX.20,000,000 - Masaka district general fund - UGX. 23,485,400 - Kayunga District - UGX.100,000,000	Despite receiving 70% of the funds only UGX.243,845,400 were transferred to the districts representing only 47% of the funds received.	The release of money was demand driven. The balances of the money was spent on the critical key ministry's activities
	134979-Acquisition of other Capital Assets	• Naguru Nakawa housing project supported/consultancies	100,000,000	75,000,000	No consultancies done	Despite receiving 75% of the funds, no consultancy was done	The project was transferred to Office of The President and funds were spent on supportive related activities i.e. verification of MOU's, tenant registration, archiving documents etc.
Project-1292-Millennium villages project II	132203-Conflicts between appointed and elected officials in Local governments resolved	• International conference with IPC conducted	200,000,000	200,000,000	- No conference held	Despite receiving all the funds no conference was held	Conference did not take place because of logistical issues however funds were spent on other project related activities.
	132205-LG's support to Local Economic Development and the Community Driven Dev't	• Consultancy work MVP II co finance implemented	338,000,000	338,000,000	- No workshop held	Despite receiving all the funds no consultancy workshop was held	The amount was transferred to the project account and used to pay consultants.

Project 1088-Market and Agriculture Trade Improvement Project	132105-strengthening local service delivery and development	• Complete re-settlement of vendors back in completed markets • Continue to mobilize and sensitize vendors • Conduct training of urban councils and vendors associations in market management	230,000,000	230,000,000	- Complete resettlement of vendors	All funds were received but training of urban councils and vendors was not done. Two out of three planned activities were implemented.	All funds spent on resettlement of vendors and training will be done after.
	132172-Government Buildings and Administration Infrastructure	• Construction of Jinja, Lira and Gulu Markets completed	1,840,388,885	1,754,172,000	No payments made for non-residential building	Despite receiving 95% of the funds no payment was made for the non-residential building such as consultancy, VAT but rather funds were diverted to personal accounts	The liability was waived off by the GOU for the financial year and funds were used on the ministry's key activities i.e. inspections, outreaches and conflict resolutions.
	TOTAL		**3,552,388,885**	**3,220,922,000**			

Diversion of funds distorts and inhibits the intention of the appropriating authority. Besides, diversion of funds without authority is contrary to the regulations.

Management explained that the releases were inadequate to fund the key Ministry activities. The procurement process for the vehicles was not concluded within the financial year, thus the need for utilization of funds on unfunded activities.

I advised the Accounting Officer to streamline the budget process to ensure that sufficient funds are allocated to each account. Further, authority should be sought for any reallocations as guided by the law.

b) <u>Advances to Individual Personal Accounts of UGX.10,460,426,784</u>

(i) <u>Non-Compliance with Treasury Accounting Instructions</u>

Sections 227, 228 and 229 of the Treasury Accounting Instructions (TAIs), Part 1 finances require that all payments should be made by the Accounting Officer directly to the beneficiaries. Where this is not convenient, an imprest holder should be appointed by the Accounting Officer with the approval of the Accountant General. However, it was observed that UGX.10,460,426,784 was advanced to Ministry staff through their personal bank accounts to undertake direct procurements and carry out other Ministry activities contrary to the regulations. Such a practice of depositing huge funds on personal accounts exposes Government funds to risk of loss since the Ministry does not have any control over funds deposited on personal accounts.

Management explained that Ministry activities require multiple disciplinary teams going to different local Governments to carry out different mandates costing more than UGX.40,000,000 which warrants advancing money to various officers to minimize the risk of advancing money to one or two officers.

I advised the Accounting Officer to ensure strict adherence with the requirements under the Treasury Accounting Instructions.

(ii) Questioned Advances to personal accounts

A review of the advances to personal accounts of UGX.10,460,426,784 in 8.2.1 was carried out and the following anomalies were noted:

(iii) Unaccounted for UGX. 3,827,011,454

Personal advances to the tune of UGX.3,827,011,454 were not accounted for by the respective officials. As such, I could not ascertain whether the funds were used for the intended purpose. It was also noted that the unaccounted for funds were not reflected as advances receivable in the financial statements at the end of the year. The financial statements were therefore misstated by UGX.3,827,011,454.

Management explained that IGG had taken all financial records of the Ministry for investigations and appropriate administrative actions will be taken when investigations are concluded.

I await results of the IGG investigations on the matter.

(iv) Funds requisitioned without involvement of departmental heads – UGX.2,441,881,736

It was noted that a bulk of funds not accounted for worth UGX.2,441,881,736 were requisitioned by initiators and approved by the Permanent Secretary without approval by the respective department heads of the initiators. This is contrary to the Treasury Accounting Instructions (TAI) that require approval of claims by respective heads before being finally approved by the Accounting Officer.

Management explained that activities were in line with approved departmental work plans and budgets and that in some instances the heads of departments were not at the station at the time of requisition. The Principal Internal Auditor was asked to review the matter but the IGG took all the documents for detailed investigation. Appropriate action will be taken when investigations are concluded.

I advised the Accounting Officer to ensure that in future, heads of departments are involved in the authorization of expenditure of funds under their care as required by the financial regulations.

(v) Excess payments for night subsistence allowances – UGX.499,590,000

Public standing orders 2010 travel allowances (E - b) provide for a maximum claim of 150 days in night allowances per year. However, it was noted that an officer claimed up to One thousand thirty six (1036) nights in one year. UGX.499,590,000 was paid in excess of the allowable expenditure and I found this irregular. The table below refers.

S/N	NAME	NIGHTS PAID (A)	RATE	AMOUNT PAID(B)	LIMIT DAYS	LIMIT AMOUNT	EXCESS DAYS	EXCESS AMOUNT PAID
1	A	478	120,000	57,360,000	150	18,000,000	328	39,360,000
2	B	333	120,000	39,960,000	150	18,000,000	183	21,960,000
3	C	282	120,000	33,840,000	150	18,000,000	132	15,840,000
4	D	309	120,000	37,080,000	150	18,000,000	159	19,080,000
5	E	278	110,000	30,580,000	150	16,500,000	128	14,080,000
6	F	414	110,000	45,540,000	150	16,500,000	264	29,040,000
7	G	290	110,000	31,900,000	150	16,500,000	140	15,400,000
8	H	857	110,000	94,270,000	150	16,500,000	707	77,770,000
9	I	519	120,000	62,280,000	150	18,000,000	369	44,280,000
10	J	304	110,000	33,440,000	150	16,500,000	154	16,940,000
11	K	326	110,000	35,860,000	150	16,500,000	176	19,360,000
12	L	1036	120,000	124,320,000	150	18,000,000	886	106,320,000
13	M	218	120,000	26,160,000	150	18,000,000	68	8,160,000
14	O	304	120,000	36,480,000	150	18,000,000	154	18,480,000
15	P	396	120,000	47,520,000	150	18,000,000	246	29,520,000

16	Q	310	150,000	46,500,000	150	22,500,000	160	24,000,000
	TOTAL	**6654**		**783,090,000**		**283,500,000**	**4254**	**499,590,000**

Management explained that allowances received by individual officers were paid to other officers for outreach programs and inspection. Further, management indicated that weekend travelling was also paid for but was excluded in the excess days computation. IGG is undertaking detailed investigations and appropriate administrative actions will be taken when investigations are concluded.

I await the results of the IGG's investigations into the matter.

(vi) <u>Disallowed expenses of UGX.635,621,910</u>

Accountability of UGX.635,621,910 were disallowed due to the following anomalies;

- One officer claimed to have paid for accommodation, meals and venue for 70 participants at a guest house. However, when audit contacted some of the participants, they denied having been accommodated. My contact at the guest house also denied having hosted the function. Besides, the contact indicated that the guest house has the capacity of only 18 rooms and could not have accommodated 70 participants as indicated in the claim.
- It was observed that voucher number R378-R379/May 2014 clearly had two drivers receiving allowances. However fuel receipts indicated usage of four vehicles i.e. Reg No. UG2223R, UG3011R, UG1176R and UG2925R, casting doubt on how two drivers could have utilized four vehicles at the same time.
- Some officers requisitioned for the same activities in the same places more than twice. For example inspection of training centres for Katakwi TC, Katakwi District and Kaberemaido District and TC was requisitioned twice using requisition voucher number R592/Aug and R155/Nov. Also voucher numbers R246/Aug-2014, R153/NOV and R247/AUG were used for requisitioning funds for the inspection of training centers in Lira MC, Lira DC, Oyam, Dokolo DC, and Amolatar by the same officials. This resulted into duplication of activities and therefore loss of government funds.

- Some officials produced activity consolidated reports even before the field officials had completed the collection of data from the respective areas that they had been deployed.
- Some officials accounted for funds before receipt making it appear like they had lent Government money.
- Some officials requisitioned funds to carry out inspection of project activities (under MATIP) in areas where the project was not operating such as Sheema, Ntoroko and Kiruhura. Besides, these officials were not project staff.
- In some instances officials claimed to be performing different activities at the same time in different places. For example an official is purported to have carried out an activity of monitoring Community Driven Development (CDD) programs in eastern region of Jinja and Kamuli on 1st – 4th September 2014, however the officer again claimed to have carried out an activity in Mpigi and Buvuma in the same period (8th-14th September using R518/Aug 2014 and R481/Aug 2014 respectively).

Management explained that advance holders were informed about the observation and asked to provide further explanations on accountabilities. However as noted earlier IGG took all documents for investigations.

I await the results of the IGG's investigations.

(vii) <u>Direct procurements instead of using suppliers</u>

UGX.248,927,671 was used to procure goods and services (such as procurement of t-shirts for youth day, stationery and construction materials) using single sourcing method, in situations that were not of an emergency nature. The procurements were also above the threshold of UGX.5 million and as such could not have been micro procurements. This practice not only contravened the procurement law but also exposed the Ministry to a risk of unfair prices. Besides, suppliers were not subjected to withholding tax worth UGX.14,935,660.26 (6% of UGX.248,927,671) nor were purchases verified by internal audit and taken on charge.

Management explained that procurements undertaken with the funds had competitive prices and some were urgent interventions.

I advised the Accounting Officer to adhere to procurement regulations irrespective of how urgent the matter may be. Adequate planning on the work-plans generated by management minimizes cases of emergency.

(viii) Fuel deposited on personal accounts of staff

UGX.1,111,725,800 was deposited into staff personal accounts to procure fuel instead of being deposited on the Ministry fuel cards. Out of this amount, UGX.378,557,300 was not accounted for. It was noted that most of these activities were carried out in areas where fuel cards could easily be accessed, for example; Mbale, Mbarara and Soroti.

Management explained that indeed fuel cards should be used where there are petrol stations with such facilities, however the officers were advanced to enable them access fuel in rural areas without the facilities.

I did not find merit in the management explanation, given that for areas such as Mbale and Soroti, the fuel card system operates adequately. As such I advised that the policy on the use of fuel cards be complied with.

(ix) Funds held on staff personal accounts after end of year

It was noted that one officer held funds in her personal account even after the closure of the financial year. However no adjustments were made to reflect receivables in the accounts of the Ministry.

I could not rule out the possibility that a number of staff who held funds in their personal accounts fall in this category. Details are in the table below:

INVOICE NUMBER	DESCRIPTION	EFT NO.	DATE	AMOUNT
R307/Feb-2015	advance of funds to facilitate the CAIIP 1 closure workshop R307/Feb-2015	3931889	16/02/2015	19,939,326
R306/Feb-2015	advance of funds to facilitate the CAIIP 1 closure workshop R306/Feb-2015	3934283	17/02/2015	9,000,000
R306/Feb-2015	advance of funds to facilitate the CAIIP 1 closure workshop R306/Feb-2015	3934283	17/02/2015	10,938,000
R305/Feb-2015	advance of funds to facilitate the CAIIP 1 closure workshop R305/Feb-2015	3942132	17/02/2015	19,945,000
R304/Feb-2015	advance of funds to facilitate the CAIIP 1 closure workshop R304/Feb-2015	3956036	19/02/2015	19,940,000
	TOTAL			**79,762,326**

The above flaws rendered the accountabilities in question doubtful. In this regard, I was unable to confirm whether the amount involved was applied for the intended purposes.

I recommended for an extensive investigation into the accountabilities by the IGG and Police.

c) <u>Irregular Transfers and refunds to Project accounts</u>

(i) <u>Irregular borrowing from project accounts-UGX.356,194,140</u>

Section 42(c) of the Treasury Accounting Instructions, Part 1 Finance empowers the Accountant General to issue accounting warrants to Accounting Officers authorizing them to commit or incur expenditure for the purposes and up to the amount specified in the warrants. The Accountant General's warrants are based on cash limits as determined and advised by the Secretary to the Treasury.

Contrary to the Treasury Accounting Instructions, it was observed that the Ministry borrowed a total sum of UGX.356,194,140 from 4 Project Accounts (District Livelihoods Support Programme, District Transport Revolving Fund, Uganda Good Governance Programme and SWAP Development), to fund Ministry's activities. Authority to borrow from the respective donors was not availed for verification. Besides, accountability of UGX.242,520,940 was not availed to enable me confirm genuineness of the refunds. As such I could not confim that the activities were undertaken. Details are as per table below;

Invoice/Vr No.	EFT No.	DESCRIPTION	Amount (UGX)	Unaccounted for (UGX)	Payee
R034/Feb-2015	3915128	Refund of borrowed funds for tuition fees for Mwijukye Charles R034/Feb-2015	14,270,000	-	Uganda Good Governance Programme
R122/May-2015	4996027	Refund of funds borrowed for the travel of the Hon. MoLG and Ag PS to travel to Nairobi Kenya to attend the 25th session of the governing council for Habitat 111 R122/May-2015	2,514,940	22,514,940	District Livelihoods Support Programme
R123/May-2015	4996027	Refund of funds borrowed to cater for the facilitation of Ministry officials who attended the retreat at the National Leadership Institute Kyankwanzi (NALI) R123/May-2015	17,410,000	17,410,000	District Livelihoods Support Programme
R123/May-2015	4996027	Refund of funds borrowed to cater for the facilitation of Ministry officials who attended the retreat at the National Leadership Institute Kyankwanzi (NALI) R123/May-2015	23,546,000	23,546,000	District Livelihoods Support Programme
R325/Feb-2015	3942131	Refund of funds borrowed to clear outstanding internet bills R325/Feb-2015	66,268,800	-	District Transport Revolving Fund

R326/Feb-2015	3942131	Refund of funds borrowed to clear outstanding internet bills R326/Feb-2015	33,134,400	-	District Transport Revolving Fund
R070/Aug-2014	1643644	Refund of funds borrowed to facilitate the verification of Market Vendors digesting of vendors register and allocation of market facilities in Mbale Central Market R070/Aug-2014 R070/Aug-2014	26,250,000	26,250,000	SWAP Development - Local Government
R053/Mar-2015	4275609	Replenishment of funds spent to clear urgent bills R053/Mar-2015	152,800,000	152,800,000	District Transport Revolving Fund
			356,194,140	**242,520,940**	

Management took note of the anomaly and explained that the related documentation were taken by IGG's office for investigations.

I advised the Accounting Officer to avoid the practice and ensure strict adherence to commitment control guidelines and donor guidelines. Meanwhile, I await the results of the IGG's investigation on the matter.

(ii) Transfer of Millennium Villages Project (MVP) Phase II GOU counterpart funds to intermediary Project bank accounts

The Ministry undertook implementation of the Millennium Villages Project Phase II with funding from IDB and Government of Uganda (GOU). GOU budget was UGX.538,000,000 out of which UGX.526,999,165 was received. The funds were to be transferred to a project account number 00011008000047 held in Bank of Uganda.

Review of the Ministry transfers for project co-funding revealed that two project bank accounts (UGOGO and DDP III) were used as intermediaries to transfer the funds to the project bank account purportedly due to delayed set up of the account number on the IFMS system. Out of UGX.526,999,165, UGX.149,384,000 was transferred through UGOGO and UGX.377,615,165 was transferred through DDP III.

Account set-up on IFMS system:

It was noted that it takes only two weeks to set up a bank account on the IFMS system according to Accountant General. However, the Ministry failed to set up the account for the whole year under review and kept on transferring funds through the intermediary bank accounts that exposed the funds to risks of misuse.

Under-remittance of funds from UGOGO bank account:

It was noted that UGX.14,270,400 was under-remitted to the project account as a result of UGOGO remitting UGX.135,113,600 to the project account on 28/5/2015 instead of UGX.149,384,000 received by the Ministry TSSA for onward remittance on 19/5/2015.

Transfer of funds to closed project bank account:

Guidelines issued by the Accountant General with regard to completed projects require that the Ministry writes to the Accountant General requesting for closure of project bank accounts. I noted that the DDP III programme funded by UNCDF/UNDP programme activities ended in December 2012. Project closure processes were fully undertaken which disbanded the implementing teams at the Ministry and a project completion report duly issued. I could not ascertain the rationale for maintenance of the DDP III closed project bank account and depositing UGX.377,615,165 for onward remittance to MVP.

Transfer of funds to other Project accounts exposed the Ministry to risks of under-remittance of co-funding funds to the intended Project which affected project performance resulting into ineligible expenditure.

Management explained that the project account has now been set up. With regard to under-remittance, management explained that this was a recovery of borrowed funds by the Ministry from the project. Management further explained that DDP III is still operational with funding from UNCDF and UN women.

I explained to the Accounting Officer that project closure procedures should not have been undertaken and advised that this account is closed henceforth and a new bank account opened officially for the new funds that are being received from UNCDF and UN women as advised by the Accountant General.

I also advised the Accounting Officer to transfer the under-remitted funds.

(iii) Diversion of development funds to closed project bank account - District Development Programme III

The DDP III programme was funded by UNCDF/UNDP and closed in December 2012 as stated earlier, and project closure processes were undertaken and a completion report duly issued.

A review of the Ministry expenditure revealed that the Ministry continued remitting funds to the project. UGX.300,000,000 had been remitted for activities relating to the financial year 2014/2015 specifically to cater for expenditure relating to procurement for machinery and equipment raising several concerns as indicated below;

Authority for funding:

The financial year appropriation by Parliament for the Ministry did not provide for the project and as such this transfer was a diversion of Ministry funds.

Procurement of machinery and equipment:

It was noted that no procurement of such nature was carried out but rather the funds were diverted to cater for recurrent expenditure mainly salaries for project support team, petty cash, solar inspection, development of E-lib etc. This practice undermines the importance of the budgeting process and suffocates approved programmes where the funds are diverted from.

Although management explained that the project is still operational with some funding from UNCDF and UN women, however, I was not satisfied with this explanation because there was no budget provision for the project especially on procurement of machinery or equipment in the circumstance.

I advised the Accounting Officer to close this project bank account and should there be need for a new account, management should seek authority from the Accountant General.

d) Cash Withdrawals

(i) Unaccounted for Cash Withdrawals of UGX.277,405,900

Section 226 of the TAI's Part 1 Finance requires cashiers to keep records of payments made by them in Cash Books and to stamp all the vouchers with a "PAID" stamp and file such vouchers immediately a payment has been made. In addition, Section 181 requires all vouchers to contain full particulars of each service or goods and be accompanied by such supporting documents as may be required so as to enable them to be checked without reference to any other documents.

Contrary to the Accounting instructions, UGX.277,405,900 withdrawn in cash was not accounted for as no documentation to support the utilisation of the funds was provided at the time of audit.

I advised the Accounting Officer to avail the accountabilities for audit review or institute recovery measures.

(ii) Office Tea Imprest funds unaccounted for

Ministry staff were advanced UGX.46,690,000 through their bank accounts and yet they were not authorised imprest holders. The funds were purposely for office tea imprest for various departments on a quarterly basis. Besides, appropriate records such as accountabilities, cashbooks and journal vouchers were not kept and maintained.

I have from time to time pointed out that the practice of depositing funds into personal bank accounts exposes Government funds to risk of loss since the Ministry does not have any control over such funds after they are deposited on personal accounts.

Management explained that the ministry is in the process of appointing departmental imprest holders to manage the operational imprest.

I advised the Accounting Officer to stop the practice of depositing imprest funds into personal bank accounts of staff who are not authorised by the Accountant General. Meanwhile, I advised the Accounting Officer to recover UGX.46,690,000 from the responsible officers.

e) Forex Payments

(i) Unsupported travel abroad of UGX.278,805,465

A review of the travel abroad payments revealed that UGX.278,805,465 paid to Ministry officials for purposes of facilitating travel to various destinations outside Uganda were not adequately supported by accountability documents. Specifically the following were not provided:

- Copies of the passport pages bearing exit and entry immigration stamps of the countries where the officers purportedly travelled to.
- Boarding passes, visa receipts, and electronic air tickets were not availed.

In the absence of the travel documents, the number of per diem days claimed, staff undertaking travels and expenditure incurred could not be confirmed, rendering the whole payment doubtful.

I advised the Accounting Officer to ensure that officers are not advanced additional funds prior to accounting for previous travels. Besides, management should also ensure that the concerned officers avail the supporting documentation or recoveries be enforced.

(ii) Travel days in excess of Prime Minister's approval

UGX.22,301,600 was incurred outside the Prime Minister's approved limits because staff travel allowances paid were in excess of the Prime Minister's approved entitlements. These payments were initiated by using request for clearance before approval by the Prime Minister. Irregular payments affect the Ministry cash flow position and adversely affect service delivery.

Management noted my concern and promised to ensure adherence to the regulations.

(iii) Air-tickets arrears

It was observed that travel abroad payments to officers in form of per-diem allowances, visa fees, conference fees, warm clothing etc. were made either in cash or through personal accounts for travel and all air-tickets were procured from travel agencies to facilitate officers' travels.

A review of the payments in this category revealed that no single payment of air tickets was made during the entire year contrary to the Government commitment control system that bars Accounting Officers from incurring expenditure without confirmation of funding. Outstanding air tickets worth US$.77,953 were ascertained although the actual amount incurred might have been higher because there were no quotations on some payment requests. The Ministry risks litigation costs from the service providers which could have been avoidable and also mischarging expenditure.

Management explained that this was caused by the budget cuts experienced in the year. The list of domestic arrears had been submitted to Ministry of Finance, Planning and Economic Development requesting for additional resources to offset the outstanding bills.

I advised the Accounting Officer to always ensure adherence to the commitment control system. Meanwhile, I await the results of the engagement with MOFPED in settlement of these arrears.

f) Procurement irregularities

(i) Procurement of solar packages for the districts of Kabarole, Sheema, Rakai and Lwengo

The Ministry undertook six (6) procurements of solar packages for four (4) districts at a contracted sum of UGX.922,845,962. A review of these procurements revealed the following anomalies;

Procurement splitting and Limitation of bidders

Section 6(1) of the PPDA regulations 2014 (1) requires a procuring and disposing entity not to split a procurement requirement, where it can be procured as a single contract.

I noted that the procurements for supply and installation of the solar packages were split into six procurements during the year with each procurement estimate below UGX.200 million thus enabling the Ministry to use the restricted bidding procurement. Management invited six firms and five firms returned bids. Two (2) firms were awarded contracts who shared the six (6) procurements. Details are analyzed below;

Procurement reference no.	Date of initiation by user department	Estimate price (UGX)	Firms shortlisted	Firms responding	Firm awarded	Amount of contract price (UGX)
MOLG/suppls/14-15/00017	17/7/2014	160,000,000	-DSN International (U) -Africa Visionary Consult(U) Ltd -Kross holdings (U) Ltd -Proc.	-Africa Visionary Consult(U) Ltd -Kross holdings (U) Ltd	-Africa Visionary Consult (U) Ltd	150,000,000

			Technical services Ltd			
MOLG/suppls/14-15/00024	8/8/2014	80,000,000	-DSN International (U) -Africa Visionary Consult(U) Ltd -Kross holdings (U) Ltd -Proc. Technical services Ltd	-Africa Visionary Consult(U) Ltd -Kross holdings (U) Ltd	-Africa Visionary Consult (U) Ltd	79,834,400
MOLG/suppls/14-15/00062	30/10/2014	198,000,000	-Stoat Holding Ltd -Kross holdings (U) Ltd - DSN International (U)	-Stoat Holding Ltd -Kross holdings (U) Ltd	Stoat holding Ltd	196,378,283
MOLG/suppls/14-15/00063	30/10/2014	195,000,000	-Stoat Holding Ltd -Kross holdings (U) Ltd - DSN International (U)	-Stoat Holding Ltd -Kross holdings (U) Ltd - DSN International (U	Stoat holding Ltd	195,386,143
MOLG/suppls/14-15/00116	23/01/2015	160,000,000	-African visionary consult (U) Ltd -Stoat holdings Ltd - Kross Holdings Ltd	-African visionary consult (U) Ltd -Stoat holdings Ltd	Stoat holdings Ltd	159,925,062
MOLG/suppls/14-15/00117	23/01/2015	140,000,000	-African visionary consult (U) Ltd -Green power co. Ltd - DSN International (U)	-African visionary consult (U) Ltd - DSN International (U)	-African visionary consult (U) Ltd	139,920,901

3 of the contracts were awarded to Stoat Holdings Ltd and African Visionary Consultant (U) Ltd at contract prices very close to the estimated prices. By awarding the contracts to the 2 companies only, the Ministry may not have achieved value for money.

Management explained that funds for the solar packages were released on a quarterly basis and thus the splitting into quarterly basis. I explained to management that the regulations are very clear and provide for commitment for a contract only after confirmation of funding but do not bar the entity from undertaking the procurement process at once.

I advised the Accounting Officer to always aggregate all similar requirements and procure at once as required by PPDA regulations. Besides, open bidding should always be prioritized in huge procurements before resorting to fall back positions.

Irregular costing of bid prices

Withholding tax deducted from service providers by Government entities is a credit against the corporation tax the suppliers must pay to URA during the year and is backed by tax credit certificates issued to the suppliers. It was noted during the review of the solar package evaluation reports that UGX.39,410,289 was irregularly charged on top of the suppliers' total costs as 6% withholding tax payable by the Ministry of Local Government. Details are in the table below;

Procurement Ref Number	Contractor	Total Price	6% WHT (UGX)	Contract Sum
MOLG/suppls/14-15/00062	SHL	185,262,532	11,378,283	196,378,283
MOLG/suppls/14-15/00063	SHL	184,326,550	11,059,593	195,386,143
MOLG/suppls/14-15/00116	SHL	150,872,700	9,052,362	159,925,062
MOLG/suppls/14-15/00117	AVC	132,000,850	7,920,051	139,920,901
			39,410,289	

The Ministry was therefore overcharged in the circumstance.

I advised the Accounting Officer to ensure that withholding tax is not charged on costed supplies, works or consultancy services by service providers. The funds charged irregularly should be recovered.

Non-deduction of withholding tax from payments

Withholding tax to the tune of UGX.36,561,220 from payments of UGX.922,845,962 to SHL and AVC for supply and installation of solar packages in the districts of Kabarole, Sheema, Rakai and Lwengo was not deducted for onward remittance to URA contrary to the tax law. Details are below:

VR. NO.	EFT NO.	DESCRIPTION	AMOUNT	WHT DUE	WHT DEDUCTED	WHT OUTSTANDING	SUPPLIER
R102/Jan-2015	3592559	Invoice No 0011 LPO No.2453	150,000,000	9,000,000	7,627,119	1,372,881	AVC
R025/Mar-2015	4263764	Invoice No 0018 LPO 2463	80,000,000	4,800,000	4,067,797	732,203	AVC
R011/Apr-2015	4774776	Invoice No 0220 LPO No 2472	198,000,000	11,880,000	-	11,880,000	SHL
R436/May-2015	5343108	Invoice No 087 LPo No 2473	195,000,000	11,700,000	-	11,700,000	SHL
R043/Jun-2015	5695309	Invoice No 089 LPO No 2492	159,925,061	9,595,504	-	9,595,504	SHL
R027a/Jun-2015	5702329	Invoice No 1760 LPO No 2493	139,920,901	8,395,254	7,114,622	1,280,632	AVC
			922,845,962			36,561,220	

The Ministry risks losses due to fines and penalties that may be imposed by URA for non-adherence to the tax regulations.

Management explained that this was due to a system error on the IFMS system that has since then been rectified.

I explained to management that despite the rectification, there was an error and the funds should be recovered from the service provide since it was earlier paid.

Doubtful company ownership of winning bidders

Audit review revealed that only two firms (SHL and AVC) won all the six contracts awarded during the year. However scrutiny of their bid documents revealed that they both shared an address as "P.O. Box 9784, Kampala" raising doubt as to ownership of the two companies given that at some point they were the only bidders who responded to the bids.

The relationship between the firms is an ethical issue that would have necessitated the PDU, Evaluation Committee, Contracts Committee and Accounting Officer's scrutiny before shortlisting, evaluation and award of contracts. This position was confirmed when I cross checked with the Uganda Registration Services Bureau and the information received revealed that the two companies have one shareholder in common implying same ownership.

The Ministry may not have got value for money on the procurements as the same person may have bidded thus colluding the price charges.

I advised the Accounting Officer to report the companies' unethical behavior to PPDA so that prescribed penalties are imposed.

Overpayments to contractors

It was observed that invoices with higher amounts were entered on the system leading to overpayments of UGX.1,787,317 as per details in table below;

Vr. No.	EFT	Description	Amount paid (UGX)	Payee	Contract amount (UGX)	Overpayment
R025/Mar-2015	4263764	Settlement of Invoice No 0018 LPO 2463	80,000,000	AVC	79,834,400	165,600
R011/Apr-2015	4774776	Settlement of Invoice No 0220 LPO No 2472	198,000,000	SHL	196,378,283	1,621,717
						1,787,317

Management explained that letters were written to the suppliers for recovery of the funds.

I await the Accounting Officer's efforts on the matter.

(ii) <u>Twenty months storage of road, sanitary and firefighting equipment- FAW Africa Group Ltd</u>

A local company was contracted by the Ministry to provide storage space for the various roads, sanitary and fire-fighting equipment procured under a Chinese loan in 2011/2012 financial year from their parent company. The providers were paid

UGX.1,416,000,000 during the year 2014/15 for 20 months storage of the equipment delivered. A review of the procurement file revealed the following;

Lack of supporting procurement forms and reports

It was noted that only the Contracts Committee decision on a submission (PP Form 209) approving the evaluation report and contract award at a monthly fee of UGX.70,800,000 were available on file. However, the Solicitor General's approval and contract agreement were on the procurement file. No initiation of procurement, invitation of potential bidders, record of receipt of bidders, evaluation report and PDU submission of Evaluation Committee report to Contracts Committee were on file to support the award.

Without these documents, I could not satisfy myself with the Contracts Committee decision that FAW's rate was lower than rates obtained through competitive bidding, vide minute 118/5/12 of their meeting held on 18/5/2012.

Conflicting pro-forma invoices from M/s FAW group

A review of the availed documentation revealed that two conflicting pro-forma invoices were submitted by the firm with one quoting a monthly fee of US$.14,160 VAT inclusive for ten months, that is; from 1st June 2012 to 31st March 2013 totaling US$.141,600 and dated 17/5/2012 and another one dated 2/1/2012 quoting a monthly fee of UGX.70,800,000 VAT inclusive for twenty months without clarifying the particular months.

I was unable to ascertain the genuine pro-forma invoice but found the former more reliable because it was within the contract timelines and was issued after temporary bond status approval while the latter was before approval by URA of the temporary bond facility.

I also noted that by January 2012 all deliveries were expected to be in Uganda by November 2012 and thus distribution would have been finalized by March 2013 which makes the former quotation more reliable. However, the pro-forma with higher amounts was used to effect payment.

Doubtable storage months (20)

It was noted that the first batch of equipment was expected in March 2012 and the second batch in mid June 2012. 80% deliveries were made from September 2012 to 7th November 2012, leaving a balance of about 49 trucks implying storage of at most nine (9) months for the two batches. The final batch which arrived in August 2013, was commissioned by the president in October 2013 and handed over to police on 19th December 2013 implying storage of at most five (5) months. This makes fourteen (14) total months of storage as opposed to the 20 months billed resulting into a loss of UGX.424,800,000.

Wasteful expenditure

I noted that the equipment was urgently needed by the beneficiary MDAs and all beneficiaries had been pre-determined before the arrival of the equipment. Storage for a period exceeding three months after delivery was wasteful. This was purportedly occasioned by inadequate planning majorly because the equipment had taken long to be cleared of taxes. It was also observed that there were equipment that were stored even when taxes had been cleared. This action resulted into another wasteful expenditure.

Management explained that documents related to the transactions had been taken by IGG and are under investigation.

I await the results of the IGG investigation.

Non-deduction of withholding tax from M/s FAW Group

It was noted that withholding tax to the tune of UGX.84,960,000 from payment of UGX.1,416,000,000 to the contracted company for storage space was not deducted for onward remittance to URA contrary to the above regulations. The Ministry risks losses due to fines and penalties that may be imposed by URA for non-adherence to the tax regulations.

Management explained that this was due to the IFMS system which failed to deduct the amounts.

I advised the Accounting Officer to liaise with the system administrators at the Accountant Generals Office and ensure such errors are resolved on time. In the meantime, a refund is awaited.

(iii) Procurement of motor vehicles under (MOLG/SUPLS/2014-15/00120)

The Ministry undertook to procure 8 vehicles under 4 lots at a total cost of US$.544,120 from two suppliers (Toyota Uganda Ltd-US$.421,981 and The Cooper Motor Corporation (U) Ltd- US$.122,139). However, review of the procurement files revealed several anomalies as highlighted below;

Evaluation of bids:

Compliance and responsiveness of a motor company's bid

Part 1: Section 1 (instruction to bidders) section 30.2(b) required a responsive bid to conform to all terms, conditions and specifications of the bidding document without material deviation. Further, the bid data sheet ITB 45.1 provided no advance payment and the special conditions of contract GCC 16.1 specified structure of payments as 100% upon delivery.

However, the firm submitted a bid that stated payment terms of 30% advance payment on contract signing and 2.5% monthly interest on delayed payment. This firm would have been eliminated at preliminary examination since its bid was not compliant. By passing this firm at this stage, the Ministry risked procurement review requests since other firms may have opted out of the bid due to lack of advance payment provision in the bid documents. The firm was thus considered favored by not being eliminated at this stage.

Award for supply of Mini bus under Lot 4:

In this procurement, the evaluation methodology used was technical compliance evaluation which specified that the lowest evaluated bid was one with the lowest price, compliant and substantially responsive subject to post qualification for determination of capacity and resources to effectively execute the procurement.

However, it was noted that despite firm A being ranked first at, financial evaluation with a bid of US$.49,200 and firm B coming second with a bid of US$.65,047, the evaluation committee recommended firm B with a reason that they considered the proven performance of the firm B's cars while conducting Local Government inspections in country on routine basis.

I found this irregular since no post qualification disclaimer was in the report regarding firm A's inability to execute the contract. Besides, the evaluation criteria did not have "Proven performance of machines" as a benchmark and it was very subjective. It was also noted that the same criteria was not applied to firm C under Lot 3 where the lowest bid of US$.122,139 was awarded against firm A's US$.138,167.

Management explained that preliminary examination of bids is done to determine the eligibility of bidders and assess their administrative compliance but not to review proposed payment terms. Management further explained that the task for the mini bus was heavy and thus they had to consider mechanical robustness and spares availability.

I did not agree with management's explanation as payment terms are a key eligibility criteria otherwise undertaking the process without consideration may lead to a repeat of the process when the winning bid terms are not agreeable to the ministry. Reasons on robustness cannot be supported since they were not in the bid document and yet the bidder had passed all technical requirements.

I advised the Accounting Officer to adhere to the PPDA regulations while undertaking such procurements.

(iv) Motor vehicle repair and maintenance

I reviewed three procurements undertaken during the year for motor vehicle repair and maintenance under references MOLG/SRVS/2014-15/65, 66 and 67 and the following anomalies were observed:

Domestic arrears payments:

UGX.103,025,861 was spent on repairs which were undertaken in the previous years, that is; 2012/13 and 2013/14 but the outstanding amounts had not been provided for in the procurement plan for the year, neither was there any domestic arrears released from Ministry of Finance, Planning and Economic Developement to settle these obligations. Funds were therefore diverted without authority.

Overpayments due to wrong invoice casting:

It was noted that the PDU on two occasions posted wrong invoice amounts on summary schedules for payments to service providers leading to overpayments of UGX.16,761,600 as below;

Payee	Invoice number	Invoice amount (UGX)	Amount posted to summary schedule (UGX)	Over payment (UGX)
Simba Service Garage	3261	1,652,000	1,994,200	342,200
	3602	1,640,200	16,402,000	14,761,800
Kyeyune Motors Ltd	225	0	1,657,600	1,657,600
			Total	**16,761,600**

Inadequate procurement planning and overpayments hinder budget and cash flow planning for the Ministry which leads to accumulation of liabilities and non-achievement of planned budget outputs.

Management explained that they are in the process of recovering the overpaid bills.

I advised the Accounting Officer to ensure that all procurements undertaken are fully committed and that there is funding confirmation by the Accounting Officer. Besides, requests for domestic arrears financing should be duly submitted to

MOFPED so as not to affect appropriations for the subsequent year. I await management's effort in recovery of the overpaid funds.

g) **Failure to utilise Pension Funds**

A review of the budget performance for the entity revealed that UGX.926,634,584 was requisitioned by the Ministry under supplementary funding to pay eleven (11) former staff. However, I noted that despite full release of the above sum, UGX.283,301,766 was paid to three (3) staff leaving the balance of UGX.643,332,818 unutilised and swept and as such, these funds were returned to the Consolidated Fund. Details in the table below;

Vote function output	Item description	Planned outputs/Quantity	Amount (UGX) budgeted	Amount released (UGX)	Actual output/ Quantity	Remarks
Gratuity and Pension	213004- Gratuity	• Payment of Gratuity to 11 retired officials	846,972,582	846,972,582	Payment made to three (3)	Despite receiving funds as a supplementary only three officials were paid due to delay in processing files
	212102- Pension for General Civil Servants	• Payment of pension to 11 ministry retired officials	79,662,002	79,662,002	Pension was paid to two officials	Despite receiving funds as a supplementary only two officials were paid due to delay in processing files
	Total		**926,634,584**	**926,634,584**		

Delayed processing of pension files leads to accumulation of pension arrears and denies retired staff their due entitlements.

Management explained that the funds were not utilised due to a delay in processing files by Ministry of Public Service.

I advised the Accounting Officer to ensure that all budgeted pension payment are followed up and paid to entitled staff on time to avoid such mishap.

h) Payment of irregular Staff Allowances

(i) Irregular Quarterly welfare allowances

Contrary to the above regulations it was observed that the Ministry paid UGX.691,680,000 to staff as entitled monthly allowances in form of night subsistence rates ranging from three to seven days for the various categories of staff. It was noted that this payment made in form of night subsistence allowances was paid irregularly because it was not supported with any administrative circulars/standing order instructions approving it from Ministry of Public Service. Such payments affect the Ministry's cash flows hence affecting performance and implementation of planned activities.

Management explained that they are yet to liaise with the Ministry of Public Service to regularise these allowances.

I await the outcome of the Accounting Officer's consultations.

(ii) Untaxed allowances

UGX.236,724,300 in taxes due to Uganda Revenue Authority was not deducted from several allowances paid to staff as entitlements in form of welfare, sitting, dinner, lunch and weekend contrary to the Income Tax Act which requires taxation at the 30% bracket. Summary in table below;

S/N	Type of allowance	Amount (UGX)	Tax due at 30% (UGX)
1	Welfare	691,680,000	207,504,000
2	Sitting	85,777,000	25,733,100
3	Dinner, lunch and weekend	11,624,000	3,487,200
	Total	789,081,000	**236,724,300**

This exposes the Ministry to the risk of losses due to fines and penalties that may be imposed by Uganda Revenue Authority for the outstanding tax liability.

I advised the Accounting Officer to ensure that taxes due are always deducted and remitted to Uganda Revenue Authority within fifteen days after payment. Besides, recoveries from the next quarterly payments for all staff affected should be enforced and remitted to URA.

i) Rental Payments to NSSF

(i) Rental arrears

A review of the rental expenditure revealed that only UGX.1,349,000,000 was provided for in the budget. Out of the budgeted amount, the Ministry paid UGX.1,240,217,277 during the financial year.

However, it was noted that actual expenditure incurred on rent for the year was UGX.1,459,724,267.52 and the Ministry had arrears brought forward of UGX338,245,131.

As a result the Ministry had outstanding rental obligations of UGX.557,752,122 as at 30th June 2015. Inadequate provisions lead to accumulation of domestic arrears. Details are as below:

Arrears from 2013-14 (UGX)	Rent accrued in 2014-15 (UGX)	Paid in 2014-15 (UGX)	Outstanding rent as at 30th June 2015 (UGX)
338,245,131.84	1,459,724,267.52	1,240,217,277	557,752,122.36

Management explained that it had requested for additional funds to offset the arrears but had not received a positive response. Currently management is exploring ways of constructing its own premises through the public-private partnership to avoid such scenarios.

I advised the Accounting Officer to continue liaising with MoFPED to have the arrears budgeted for and provided in the next budget or a supplementary request is raised as an option.

(ii) Non-deduction of 6% WHT

Withholding tax to the tune of UGX.74,413,036 from payment of UGX.1,240,217,277 to M/s National Social Security Fund for rental space was not deducted for onward remittance to URA contrary to the above regulations. Details are as below;

INVOICE NO.	DESCRIPTION	EFT NO.	AMOUNT (UGX)
R606/Aug-2014	Settlement of rent arrears as at 6th August, 2014 R606/Aug-2014	2020362	335,819,500
R061/Nov-2014	Settlement of Invoice No 16729 UGX.338,245,130.88 and Part settlement of Invoice No 16731 UGX.22,042,869.12 rent for October to December, 2014 R061/Nov-2014	2826991	360,288,000
R055/Nov-2014	Part settlement of rent arrears 4th Floor Northern Wing balance UGX.196,859,360 R055/Nov-2014	2826992	100,000,000
R001/Jan-2015	Full settlement of rent arrears 4th Floor Northern Wing RR001/Jan-2015	3556370	196,859,360
R667/Jan-2015	Part settlement of rent for the months of January, February and March 2015. balance UGX.144,366,585 R667/Jan-2015	3897357	247,250,417
	Total		**1,240,217,277**

The Ministry risks losses due to fines and penalties that may be imposed by URA for non-adherence to the tax regulations.

Management explained that the property is managed by M/s Knight Frank which is tax exempt. I explained to management that since the payment is made to M/s NSSF and not M/s Knight Frank, tax should have been deducted.

I advised the Accounting Officer to ensure that due taxes are deducted and remitted to URA promptly to avoid the risk of penalties and fines, meanwhile, recovery of the un-deducted 6% WHT be effected from subsequent rental payment to NSSF.

j) Doubtful Hotel Services

(i) Over-Billed Hotel Services - UGX.13,261,000

Workshops and retreat expenses incurred in hotels are accounted for by provision of pro-forma invoices, invoices, attendance lists of participants and receipts from the service providers. During the year, UGX.213,070,660 was paid to three hotels for provision of facilities for meetings, workshop and conference services by the Ministry. Further scrutiny of the documents attached to the payments revealed the following:

1) UGX.53,429,960 was paid to a hotel in Mbarara Ltd for provision of hotel services during the quarterly meeting of the Ministry with the Chief Administrative Officers and Town Clerks for three days from 9th July to 11th July 2014. I noted that the hotel over-billed the Ministry by UGX.5,893,000 caused as a result of the following:

- On 9/7/2014, while the Ministry was billed for 180 persons, attendance lists showed that only 131 persons should have been billed. An extra 49 people were billed causing a loss of UGX.833,000 to Government.
- On 10/7/2014 while the Ministry was billed for 180 persons, attendance lists had only 131 persons who should have been billed. An extra 49 people were billed causing a loss of UGX.1,638,000 to Government.
- On 11/7/2014 the Ministry was billed for 182 persons, yet the attendance lists had only 124 persons. An extra 58 people were billed causing a loss of UGX.3,422,000 to Government.
- I could not establish from the attached documents the identity and designation of 6 people who were provided with accommodation for three days at a cost of UGX.5,850,000 as invoiced on 8/7/2014 invoice number 14765 a day before the set dates. Invoice number 14765 was issued out of sequence to a later invoice number 14764 issued on 9/7/2014.

2) UGX.102,225,761 was paid to a hotel in Entebbe for provision of hotel services for a three day non-residential training of Chief Administrative Officers, Town Clerks and Planners from 16th September to 18th September 2014. I noted that the hotel over-billed the Ministry by UGX.1,518,000. This is because the Ministry was billed for 292 persons as per the demand note

contrary to what was invoiced which indicated that on 17/9/2014 only 270 people attended.

Management explained that the attendance list attached to the accountability may have ommitted secretarial staff, ministry support staff and drivers/body guards. It is also likely that some participants left the workshop earlier than anticipaated due to urgent matters.

I advised the Accounting Officer to ensure that billed invoices are backed by corresponding attendance lists inclusive of any support staff.

a) COMMUNITY AGRICULTURAL INFRASTRUCTURE IMPROVEMENT PROGRAMME - PROJECT I (CAIIP I)

a) Shortfall in overall project funding

According to section 5 of the Project appraisal document, the ADB and IFAD loan agreements, the funders had to contribute a total SDR. 55,050,000 towards the project for a period of five years ending September 2013. However, an analysis of the cumulative statement of receipts and payments over the loan period revealed that only SDR 49,079,699 was disbursed, creating a funding gap of SDR. 5,970,301 as indicated in the table below. The Government of Uganda (GoU) did not contribute 91% of its expected funding of SDR. 3,824,700 indicated that some activities were not undertaken.

	GOU(UA)	IFAD loan 784 (SDR)	IFAD loan 724 (SDR)	ADB (UA)	Totals
Allocation	4,200,000	10,900,000	9,950,000	30,000,000	**55,050,000**
Disbursements as at 30th June 2015	375,300	10,715,923	9,671,262	28,317,214	**49,079,699**
Variance	3,824,700	184,077	278,738	1,682,786	**5,970,301**
% variance	**91.1**	**1.7**	**2.8**	**5.6**	

Management explained that a number of activities as agreed upon in the loan agreement were undertaken except for Pay As You Earn under counterpart funding. Arrangements have been made to clear this outstanding obligation in the financial year 2015/2016.

I advised management to liaise with Ministry of Finance, Planning and Economic Development to ensure that pending tax obligations are settled.

19.1 COMMUNITY AGRICULTURAL INFRASTRUCTURE IMPROVEMENT PROGRAMME - PROJECT II (CAIIP II)

a) Compliance with Financing Agreement and Government of Uganda Financial Regulations

It was noted that management had complied in all material aspects of the financing agreement and GoU financial regulations except for the matters below;

(i) Budget Performance - Low Absorption Capacity

The approved Project expenditure estimates for the financial year 2014/15 amounted to UGX.49,386,833,921. However, only UGX.20,521,038,578 was spent during the year, representing an absorption capacity of only 42%. Low absorption is likely to attract commitment fees charged on undrawn amounts and also affects project implementation of planned activities.

Management explained that low absorption was mainly due to delays in procurement of the last batch of community access roads which formed the bulk of funding under the budget. Shs.37.9 billion out of a total budget of Shs.47.9 billion, representing 79% of the budget, was earmarked for the rehabilitation of 1,533 km of Batch B & C community access roads and the construction of shelters for agro processing facilities. The procurement processes for the last batch of community access roads were concluded in May 2015 with the award of contracts. The implementation therefore has been rolled over to the FY 2015/16. Overall all planned activities will be implemented within the project period.

Management was advised to expedite the implementation process to ensure that all planned activities are implemented within the set Project period to minimize on commitment fees and extra administrative costs.

(ii) Delay in procurement for Batch C

A review of the annual work plan for the year revealed that civil works under batch C were expected to commence by July 2014. It was however noted that procurement for batch C had been delayed with some cases of contractors not yet on the site for the contracts already awarded. In other instances contracts had not been awarded. Such delays are likely to affect the implementation of the project.

Management explained that the delays were due to some mis-procurements given the limited capacity of the construction industry to meet the demands of the funding agencies. In addition, they were rigorous procurement processes involved and additional controls were put in place to ensure that the process was done equitably.

With regard to delays in mobilization by some contractors, this has been due to laxity by some project managers at the district level. However these cases have been addressed to ensure that work is finished on time.

I advised management to liaise with the funders to expedite completion of procurement and commencement of the remaining batch C contracts.

(iii) Inadequate contracts management

According to terms and conditions of contracts on civil works, the contractors were to execute, complete the works and remedy any defect therein, in conformity with all aspects in the contract within a period of six months from the date the contract comes in force. It was noted that despite funds being paid for supervision and monitoring of civil works, contractors have occasionally failed to complete their contracts within the contract agreed period and no action has been taken by management to compensate for liquidated damages.

Management explained that the delays were a result of different scopes of works involved with cases of swamp raising activities which require time on consolidation. For bridge works, time is required for setting. As a general standard, it was agreed that all contracts should be for six months. Despite the numerous challenges the funders have refused to have this time adjusted. Management further indicated that there is a rigorous certification and payment process emanating right form the beneficiary communities, the district and the coordination unit and the Accounting Officer to ensure value for money and guard against shoddy works. The delays resulting from these lengthy processes have an effect on the timely execution of the civil works.

Given the circumstances above, it has become difficult for management to charge liquidated damages.

I advised management to resolve issues that bring about such delays with a view of ensuring that the project is completed within the set project period.

(iv) Non-operational Agro–processing facilities

A review of project 4th quarter report for the year under review, revealed that eleven (11) agro processing facilities(Maize and Grain mills) in the districts of Soroti, Amuria, Mbale, Amuru, Lamwo and Nwoya were not operational despite completion of construction of agro processing shelters and installation of the agro processing machines. Another eleven agro processing facilities in Kaberamaido, Kitgum, Wakiso and Mukono lacked grid extensions and hence could not operate.

An inspection of Agro–processing facilities in Mbale district confirmed that a number of facilities remained non-operational. The communities were therefore unable to benefit from the project intended objectives of improving household income. The photos below refer:

	Inspection Photos	Audit Issue	Management response
MBALE		The Agro-processing facility at Nakaloke market cost UGX.133,245,756. Among the facilities to be put up was a parking area and an access road at UGX.4,647,500. While the access road was completed, the parking area was not consturcted. The facility is located inside a gazzeted market and there was limited space to set up parking area.	The delay to start operations was caused by failure to identify and source competent operator in time.
MBALE	 	The equipment were installed and handed over on 5th/February/2015 but by the time of inspection in August 2015 the machines had not been put to use. Some of the idle equipment at the Grinding mill included a Huller, Maize Mill and seed cleaner.	The delay to start operations was caused by failure to identify and source competent operator in time.

The beneficiaries are denied the intended services.

Management explained that operationalization of agro processing facilities is a process which matures at different times for each facility and this depends on how active the Districts and Sub-Counties are, in carrying out the recommended processes according to the management guidelines which are provided to all districts. In many instances, the majority of the districts indicated failed to identify private operators in time which greatly affected the operationalization of the machines. PFT is dealing with these challenges on a case by case basis.

I advised management to ensure that any pending activities in the installation and operation of the Agro processing facilities are completed to enable the community benefit from project services. Any challenges identified should be dealt with expeditiously.

(v) Delayed Completion of road works in various districts

It was observed that Batch B civil work in various districts had not yet been completed despite expiry of the completion dates. In some cases, it was noted that the roads initial completion dates were more than two years ago for example roads in Pader, Gulu, Kitgum and Lira districts. The intended objective of the project may not be achieved.

Details of the road progress are indicated below.

District	Contract Details	Audit Remarks	Management Response	Current Pictures as per management response
Gulu	Hima-Pida Pageya Sub-county: Lakwana Contractor: Saahib Enterprises Ltd Contract Sum: UGX 443,667,315 Financial Progress: Start Date: 20/09/2012 Expected End Date: 20/03/2013	Pending works to be issued to new batch contractor as variation. Contract has been terminated.	Major/critical works on this road including bridge construction were substantially completed by Saahib Enterprises Ltd before abandonment of works and subsequent termination of contract. The road is therefore motorable throughout the year. The district was advised to engage the batch C contractor to complete	 

			outstanding works after obtaining formal approvals.	
Jinja	Wagoina-Namizi west (4.4 km) Sub-county: Budondo Contractor: Agro General Builders & Carpentry (U) Ltd Contract Sum: UGX 126,427,035 Financial Progress: % Start Date: 06/06/2015 Expected End Date: 06/03/2015	Delayed works as physical progress is at 10%		
Bukedea	Kolir HC III-Kagolot-Acomai-Kamutur (11.7 km) Sub-county: Kolir Contractor: Nambale Enterprises Ltd Contract Sum: UGX 353,517,150 Financial Progress: % Start Date: 05/07/2015 Expected End Date: 11/07/2015	Delayed works	Works are progressing with physical progress at 81%. Gravelling is at advanced stages while construction of head and wing walls is in progress.	 
Kumi	Ongino Oseera (10.0 km)		Works are progressing well with targeted	

	Sub-county: Ongino Contractor: Wao (U) Ltd Contract Sum: UGX 290,403,225 Financial Progress: % Start Date: 05/02/2015 Expected End Date: 11/02/2015		completion date of 2nd November, 2015. Physical progress is at 35% with earthworks having been completed, dumping of gravel is on-going & installation of culverts to start.	
Katakwi	Ocwiin-Akore-Security (17.0 km) Sub-county: Ngariam Contractor: Spider Contractors Ltd Contract Sum: UGX 400,226,883 Financial Progress: % Start Date: 20/01/2015 Expected End Date: 20/05/2015	Contract brought forward from Batch A, it was formerly terminated.	Progressing with 1st certificate cleared and targeted completion in November, 2015. Physical progress is at 61% with gravelling on-going, culvert installation & head wall construction ongoing.	 
Amuria	Kapelebyong-Okungur (14.4 km) Sub-county: Kapelebyong Contractor: Emmaus General Workshop Contract Sum: UGX 287,856,870 Financial Progress: 36% Start Date: 20/01/2015 Expected End Date: 20/05/2015	Contract brought forward from Batch A, it was formerly terminated.	Gravelling and other completion works are in progress.	 
Gulu	LujorAwinyi-Atyang (10.0 km)	Contract brought forward from	This is a new contract with new roads under	

	Sub-county: Lakwana Contractor: Lina Construction Ltd Contract Sum: UGX 409,502,823 Financial Progress: 0% Start Date: 19/05/2015 Expected End Date: 19/11/2015	Batch B.	Batch C. No contractor was previously engaged on their rehabilitation. The contractor has received the site and has now commenced work.	
Kitgum	Lalano Central-Aloto PS (10.0 km) Sub-county: Lagoro Contractor: Pehan Construction Ltd Contract Sum: UGX 224,440,650 Financial Progress: 0% Start Date: 19/05/2015 Expected End Date: 19/11/2015	Contract brought forward from Batch B.	This is a new contract with new roads under Batch C. No contractor was previously engaged on their rehabilitation. The contractor is on site and works are in progress.	Setting out and bush clearing has already been achieved. Shaping, watering and compaction are in progress.
	Akilok-Lucom (14.8 km) Sub-county: Orom Contractor: Kol Services Ltd Contract Sum: UGX 832,512,420 Financial Progress: 43% Start Date: 20/01/2015 Expected End Date: 20/05/2015	Contract brought forward from Batch B. It was formerly terminated.	The contractor is on site and works are in progress.	 
	Kona Pire-Lucomo P/s Sub-county: Orom Contractor: Kol	Contract brought forward from Batch B.	The contractor is on site and works are in progress.	

	Services Ltd Contract Sum: UGX 244,917,407 Financial Progress: 0% Start Date: 19/05/2015 Expected End Date: 19/11/2015			
Lamwo	Katum Central-Katum West (6.5 km) Sub-county: Padibe east Contractor: RMK Uganda Ltd Contract Sum: UGX 501,225,200 Financial Progress: 0% Start Date: 25/04/2015 Expected End Date: 25/10/2015	Contractor has not reported on site. He is still concentrating on bridgeworks in Paloga since it's still a dry season.	The contractor is on site and works are in progress. Bridge foundation structures have been completed. Construction of abutments are now in progress. The bridgeworks are a major part of the contract.	 
	Construction of Nyimur Bridge on Paracelle-Warigo Road Sub-county: PalabekOgili Contractor: Zeep Construction (U) Ltd Contract Sum: UGX 494,521,650 Financial Progress: 0% Start Date: 30/04/2015 Expected End Date: 22/10/2015	Contractor not on site yet	The contractor is on site and works are in progress. Bridge foundation structures have been completed. Construction of abutments are now in progress.	

	Lamojong-Larobi (11.0 km) Sub-county: Paloga Contractor: RMK Uganda Ltd Contract Sum: UGX 631,058,575 Financial Progress: 0% Start Date: 25/04/2015 Expected End Date: 25/10/2015	Contract brought forward from Batch B. The contract is however being recommended for termination	The contractor is on site and works are in progress. Bridge foundation structures have been completed. Construction of abutments are now in progress.	

Management should continue liaising with the contractors to ensure that any bottle necks in contracts' implementation are solved for quality and timely completion of road works.

19.2 COMMUNITY AGRICULTURAL INFRASTRUCTURE IMPROVEMENT PROGRAMME - PROJECT III (CAIIP III)

ADB LOAN

a) Diversion of Project counterpart funding

Project Operations Manual Part two Paragraph 3.1 (sub-sections 111 Flow of funds) requires all project funds including GoU counterpart funding to be deposited to a special account held with Bank of Uganda. However, it was noted that GoU contribution amounting to UGX.187,654,400 was released by Ministry of Finance, Planning and Economic Development to the project through the Ministry of Local Government Treasury General Account where the funds were subsequently spent.

Further, out of the released amount of UGX.187,654,400, UGX.102,932,000 was diverted by the Ministry and used on non-project activities. These funds were meant to be used for training, supervision and monitoring activities.

Management explained that with the migration of Government on to the IFMS system, all the GOU project accounts were closed. As such, the counterpart funds for the project were transferred to the Ministry General account. Internal controls will be enhanced to ensure that all funds are used on project activities.

I advised management to ensure that these funds are refunded to the project to enable implementation of project activities.

b) Budget performance - Low absorption capacity

It was observed that the approved Project expenditure estimates for the financial year 2014/15 amounted to UGX.66,990,234,473**.** However, only UGX.37,350,188,047 was spent during the year, representing an absorption capacity of 56%. This affects timely implementation of project activities.

Management explained that UGX.63.2 billion out of a total budget of Shs. 66.9 billion, representing 94% of the budget, was earmarked for the rehabilitation of 2,427.9 km of Batch A and B community access roads and the construction of shelters for agro processing facilities. The procurement processes for these activities were concluded in the course of the financial year and therefore, the implementation has been rolled over to the FY 2015/16.

I advised management to expedite the process of Project implementation to ensure that all planned activities are implemented within the set Project period for the achievement of Project objectives and also minimise commitment fees.

c) Inspections

(i) Delayed works on ADB roads

Terms and conditions of Project civil works contracts stipulate that the contractors should complete the work within the specified period in the contract agreement. During inspection, it was noted that some roads had not been completed in the agreed timeframe as most of the civil works under batch B had just started. Delayed works lead to extra administrative costs. Details of audit observation are indicated in the table below;

S/N	Detail	Audit Remarks	Management Response
1	Ntoroko District Lot 52- Bweramule Sub county – Rwamabale – Bweramule Road 18.3 Km Nippon Parts (U) Ltd Shs. 3,993,285,513 Start date: 28/1/15 End date: 28/7/15 Physical Progress: 30%	Ongoing works (still grading). Physical Progress at 30% yet contract was supposed to end on 28/7/2015 No sign post.	Ongoing works where the entire 18.3km is filled by side borrowing. The side borrowed material had to be given considerable time to consolidate. No Payment has been done to-date.
2	Bundibugyo District Lot 51- Ntororo Sub county Rehabilitation of Kirumya- Ngamba road (3.8 km) Contractor: Ambitious Construction Co. Start date: 2/1/15 End date: 2/7/15	The works were behind schedule and by the time of inspection on 12th August 2015, the contractor was just heaping gravel on the road.	The delay was attributed to bad weather, extremely poor vegetable soils which also needed considerable time to consolidate. The contractor is however progressing steadily (see monitoring report of 18th August, 2015).
3	Kasese District Lot 42- Kilembe Sub county- Mbuga-NyakazingaKalongo H/C-Kalongo T/C road – 18.5 Km Nippon Parts (U) Ltd Shs. 2,286,555,075 Start date: 3/1/15 End date: 3/7/15 Physical Progress: 30%	Delayed works as the contractor was just opening the road by the time of inspection on 12th August 2015. No sign board installed.	Complicated road with rock out crops, major earthworks and drainage works. The rock out crops required blasting which required lengthy approvals with Ministry of Defence and other stake holder (see progress photos). The contractor was instructed to install bill board through the Project Manager.
4	Kabarole District	Works ongoing	Progress of works was affected

S/N	Detail	Audit Remarks	Management Response
	Lot 48- Kisomoro Sub county- Kibwolo- Igasa Bridge- Kiryantama P/S road 5 Km  Nyakigumba – Kibworo-Rubona road -5 Km Kisomolo – Bulemezi-Kitumba road 6.5 Km Kicucu- Kinoni road- 5.5 Km  Semeo Enterprises Ltd Start date: 21/5/14 End date: 21/11/14 Extended until 30/4/15 Physical Progress: 75% Financial Progress 16%	despite expiry of the contract period. No headwalls were erected to support the culverts. No sign post. Bridge along Kicucu-Kinoni Road was not constructed. Bridge at Gasa river needs repairs as Kicucu-Kinoni Road 5.5Km. Semeo Enterprises Ltd Start date: 21/11/2014 extended until 30/4/2015 Physical progress: 75% Financial progress:	by paralonged rains which made it hard for the contractor to work in the poor vegetable soils which characterises the affected roads. Progress of works was affected by lack of gravel wearing course material in the entire sub-county. The fair material used had to be overhauled for over 15Km. Attached is a progress report to-date. Headwalls will be last activities after getting payment which is ongoing. Sign Posts have been installed though not using CAIIP colour codes. Bridge decking on Yeria along Kicucu - Kinoni Road is yet to be repaired as per BoQs (see it current status in Photos). Bridge decking at Igasa on Kibwolo- Igasa Bridge-Kiryantama P/S road is yet to be repaired as per BoQs (see it current status in Photos).

S/N	Detail	Audit Remarks	Management Response
		16%	
5	Kabarole District Lot 46: Kabonero Sub-county Kasunganyanja-Kabonero-Kibiito Road 17.5km and Kimotoka—Nyabwina Road – 2.5km Pekasa Enterprises Ltd Shs. 564,420,150 Start date: 22/5/2015 End date: 22/11/2014 Extended to 22/10/2015 Physical progress 75% Financial progress 54%	Physical progress was at 75% yet the contract had been extended to 22/10/2015 Lacks maintenance No headwalls were erected to support the culverts. The contractor had graded only 0.9km of Kimotoka – Nyabwina Road. No Sign Post on Kimotoka – Nyabwina Road Trees not planted	There is Laxity in Supervision by the Project Manager otherwise this had been brought to his attention through our monitoring reports. On the Lack of maintenance, the contractor is still on site though the project is over delayed. The delay was also caused by prolonged rains which made it had for the contractor to work in the poor vegetable soils which characterises the affected roads in the initial stages. There has however also been laxity by the Supervising Engineer/Project Manager in compelling the contractor to finish all the works and handover the site. The extra length which he had previously missed has since been done though it needs further widening and proper shaping and compaction.

Management explained that overall compensation events affected the normal progress of works therefore leading to the delays. These include among others inclement weather, delayed approval of certificates due to unsatisfactory works that require rectification, unforeseen technical challenges requiring revision of the scope of works, low contractor capacities, lack of readily available road construction equipment, increased construction costs due to loss of value of the shilling and inflation and land disputes on some roads whereby some contractors were denied access to some sections of the road.

I advised management to follow up the delayed works and ensure that the activities are completed within the agreed timeframe of the project.

IDB LOAN

a) Delayed release of IDB funds

According to the annual work plan for the year under review, the project planned to receive USD 4,679,895 from Islamic Development bank (IDB) to rehabilitate 375 kilometres of Community Access Roads in western Uganda. However, IDB did not release any funds to the project. This was contrary to the agreement signed between IDB and GoU.

Management explained that delayed release of funds was attributed to the releases that were tagged to civil works. This was however not achieved because the procurement for supervising consultant for the civil works was delayed. With the finalization of this procurement, funds will be disbursed expeditiously.

I advised management to expedite the procurement process and ensure that the required funds are released as planned to implement budgeted activities.

b) Abandoned works on IDB funded projects

It was observed that some roads were abandoned by the contractors. This was partly because the contractors were not paid as agreed in the contracts. Indeed a review of the projects bank statements indicated that there was no funding from the IDB to allow necessary works to continue. Delayed release of funds results into delayed completion of project activities thus hindering the achievement of projects objectives. Some of the projects visited are indicated below;

	Photo	Details	Remarks

1	 A section of Nyamizi-Rwagashani-no head walls  Unconstructed Karire bridge	Mitooma District Lot 15 Katenga Sub county Lukaya T/C-Karire Bridge 4km Nyamizi-Rwagashani 2.9km Rwentunda-Ruboroga 3km Nyihanda-Nyabubare 2.2km Igambiro-Parliament-Nyabubare-Rubare 3.9km Karire Bridge Contract amount UGX. 1,227,983,591 start date 20/1/2015 End date 20/7/2015 Physical progress 50%	No head walls Igambiro-Parliament-Nyabubare-Rubare Road was not completed, however, works are still ongoing. The bridge on Lukaya T/C-Karire road is not yet constructed.
2	  Rusheregyenyi-Rwanyakatura-Omuruti-Mayanga Modern P/S-sec 1(2.3 km) road- un	Mitooma District Lot 16 Mayanga Sub county Ibiri Mayanga-Kishande-Mayanga Play Ground 3.2km Kagashe-Kenshomba-Kyabakama-Keteme 1.5km Rusheregyenyi-Rwanyakatura-Omuruti-Mayanga Modern P/S-sec 1(2.3 km) Rusheregyeni-Rwanyakatura-Omuruti-Mayanga Modern P/S Section 2 (1.7 km) Rutoome-Nyamisheshe-Alakastore-Kakyeza P/S-Omukikazi-Kanganga 2 (3 km)	The road was abandoned.

	constructed bridge(impassable for vehicles)   Un constructed bridge at Rweitanzi Kanyarohinda road(1.2 km)	Rwamujori-Nyambabi-Kahama-Bukuma-Mutanoga (5.5 km) Rweitanzi Bridge-Kanyarohinda (1.2 km) Kanyarohinda Bridge 1 Contract amount UGX.1,522,300,678 start date 20/1/2015 End date 20/7/2015 Physical progress 60%	
3	 	Mitooma District –IDB Lot 14 Kanyabwanga Subcounty Omukarere–Nyandago - Kati 2.6km Omukebishuba – Kanyabwanga - Rwenshama PS - Rwenkurija Market Section 1 4.7km Omukebishuba-Kanyabwanga - Rwenshama PS - Rwenkurija Market Section 2 1km Omukebishuba – Kanyabwanga - Rwenshama PS - Rwenkurija Market Section 3 2km Rwamuniori – Omukayaga -	Roads were incomplete with heaped murram.

		Butembe 2.6km Contract amount UGX.622,642,197 Start date 20/1/2015 End date 20/7/2015 Physical progress 60%	

Management explained that civil works under IsDB funding were majorly affected by the delays in the procurement of supervising consultants because of rigorous evaluation by IsDB. In addition releases of funds from IsDB have been affected by donor requirement of recruiting an independent external auditor to undertake the verification of all payments.

I advised management to liaise with the funders closely to enable overcome the bottleneck so that budgeted funds are released on time to enable smooth implementation of project activities.

c) Project performance against the logical Frame Work

The Project was expected to commence in 2011 and run for 5 years ending 31st December 2016, however, operations begun in April 2012. A review of the project implementation plan and project progress reports revealed delays in the implementation of activities as indicated below;

Activity	Target	Progress to date
Rehabilitation of Community Access Roads	2,845Km	• Rehabilitation of 913Km of CARs completed and handed over to the beneficiary LGs • About 1,316km of Batch A & B CARs are still ongoing with physical averaging 60% and are expected to be completed by December 2015. • Contracts for another 574.6Km of the re-advertised Batch A & B awarded and works are expected to commence in October 2015.

Supply and Installation of Agro-processing Facilities	79 assorted APFs	• Procurement of 79 assorted Agro processing facilities is now at contract award stage. Contracts submitted to Solicitor General for clearance.
Execute civil works for shelters for agro processing facilities.	About 1,170Km	• Civil works are ongoing on 58 APF shelter contracts in 29 districts.
Rural Electrification of APF sites	100km	• Procurement of contractors to extend grid to APF sites is now at evaluation stage. Evaluation report submitted to the bank for review and no-objection
Financial performance	100%	• 32% disbursed and 70% committed • Ongoing procurements of grid extension, supply and installation of assorted APFs and the re-advertised Batch A and B CARs will increase the project total disbursements including commitments to over 90%

Management explained that they have now put in place measures to ensure that all activities are implemented within the project lifetime.

I advised management to intensify the supervision and monitoring and ensure that the project implementation is fully undertaken within the agreed timelines.

19.3 MARKETS AND AGRICULTURAL TRADE IMPROVEMENT PROGRAMME PROJECT – I

a) Expiry of Loan from Arab Bank for Economic Development in Africa (BADEA) - US$ 10,000,000

According to the loan agreement signed on 16th July 2009 between Government of Uganda and the Arab Bank for Economic Development in Africa (BADEA), the loan amount of USD 10million was meant to construct five markets at Kasubi, Busega, Kansanga (Kampala City), Kimaka (Jinja District) and Nyendo (Masaka District) and the executing Agency was required to acquire land for construction of the markets in the above mentioned locations before disbursement of funds. The agreement indicated that the borrower shall pay interest at the rate of one per cent (1%) per annum on the principal amount of the loan withdrawn and outstanding from time to time. The loan was declared effective on 21st January 2010 and the last disbursement expected on 30th March 2013. The project closure date was scheduled for 31st March 2015.

Out of the total loan amount of $10,000,000, the project has only received UGX.112,428,671 (approximately $40,000 at the prevailing exchange rate of UGX.2,810.72/US$ 1) which was released in the previous financial year (2103/14). The funds were spent on consultancy services to develop architectural designs and supervision of the construction of the five markets.

The commitment fees and interest has accrued on this loan account since its effective date. The delay has also affected the execution of works on Busega and Nyendo markets thus denying service delivery to the beneficiary communities.

Management explained that the loan closing date was again extended from March 30, 2015 to October 31, 2017. Management further indicated that there are still challenges faced in fulfilling one of the major conditions for the design of the markets which was the availability of land owned by the urban councils. There was no evidence of ownership to that effect and as such, designs could not be undertaken. Following the confirmation of availability of land for Nyendo and Busega, detailed designs were prepared, submitted to BADEA and contracts were awarded to the successful bidders. To date, construction of Busega and Masaka markets has commenced and the loan will be disbursed efficaciously. Substantial project time was lost because of the lengthy procurement process.

I advised management to make concerted efforts and ensure that the project is finalised on time.

b) <u>Diversion of GOU Counter-part funding</u>

According to the Provisions of the Loan Agreement, GOU is required to contribute funds towards the implementation of Programme activities. A review of the project budget revealed that a total of UGX.2,070,388,885 was budgeted as GOU counterpart funding. UGX.1,984,172,000 was released for Project activities resulting into a shortfall of UGX.86,216,885 (4%). The funds were provided to enable the project to pay VAT arrears on the construction of MATIP markets. During the year, the project spent UGX 1,970,454,091 under GOU counterpart funding. However all the funds were utilized on unplanned activities despite having VAT liability of UGX. 13,512,049,928 by the close of the year.

Management explained that the funds were partly used to fund other activities under the Community Mobilization Component.

I advised management to endeavor to implement activities according to work plans. In the meantime, the project funds should be refunded by the Ministry.

c) <u>Technical engineering audit of Jinja central market under MATIP project</u>

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. Following the completion of the market and subsequent occupation by the vendors, there were public complaints about its construction such as;

- Allegations that the market was not built as per the plan.
- Major defects such as cracks have been observed in the structure
- Poor drainage in the market.
- Improper electrical wiring and insulation.

Accordingly the OAG undertook a follow up value for money audit (technical /engineering audit) of the construction works of Jinja Central Market in Jinja Municipality.

The overall objective of the audit was to provide an independent assessment as to whether the construction of the market structures was undertaken in accordance with sound engineering principles, agreed designs and specifications. The audit paid particular attention to;

- Assessing whether the works were planned and executed within their agreed timeframes
- Assessing the extent to which the contract costs were managed and controlled by the Project Manager and the ministry.
- Assessing the quality of the works against the agreed contract designs and specifications
- Assessing the functionality of the infrastructure and its facilities.

Originally the preliminary designs for the market considered four floors at an estimated cost of USD. 13.3 Million; however the cost estimate was found to be higher than the project ceiling of USD. 10 million. Accordingly the consultant was instructed to develop designs for only three levels bearing in mind that the existing registered vendors (4,700) had to be accommodated in the final design. The foundation and other support building elements were to be designed to accommodate more than two floors. The market structure built has three floors.

Below is a summary of the key findings arising from the audit; details can be obtained in the detailed report which was issued separately and forms an integral part of this report.

KEY AUDIT FINDINGS

i. <u>Time Delays in project implementation</u>

Generally there was a delay in completion of works; during the time of the first audit in February 2014, the physical progress was 68% against a time progress of 87.5%; at this stage there was outstanding works related to completion of superstructures for the second, third and fourth quarters and mechanical / electrical installations for the first and second quarters. Completion of works was extended by six months to April 2014, however after this date the contractor still requested for time extension without pay to execute the variations. This led to time delays in handover of the market facility to the intended beneficiaries.

In future, management should ensure that design changes and the necessary approvals are expeditiously handled in order not to delay the progress of the work by the contractor. In addition payment of interim payment certificates should be processed within the timelines agreed in the contract. This also calls for the strengthening of the contract supervision and monitoring capacity at the ministry to ensure that the consultant and contractor's progress of works is adequately monitored for compliance against the contractual time obligations.

ii. <u>Works by private developer adjacent to Jinja Central Market</u>

As a result of inadequate enforcement of compliance to building regulations, a private developer adjacent to the Jinja central market is carrying out developments 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 material; 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.

I advised management to follow up the matter regarding the adjacent construction with Jinja Municipal Council and ensure that the instructions given to the Municipality in a correspondence dated 1st April 2015 is fully complied with. The Town Clerk of Jinja municipality is compelled to pursue the developer to correct damages caused to the market structure communicated in letter addressed to the developer dated 2nd November 2015 and cause the opening of the blocked access road.

iii. <u>Quality of works</u>

Verifications 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 destructive testing of concrete using cubes from the fresh concrete done earlier gave results that were above the specified concrete strength for the 7 days and 28 days respectively. However the test results obtained from the destructive testing of the sample of cores now show results which are below the design concrete strength. This could have been caused by Low/ high water content during mixing, Low cement content, Low compaction, Poor curing, Poor mix design or Contaminated materials especially with soil and organic substances.

I advised managed to monitor and observe performance of the structure given the destructive tests results which were below the required specifications; Additionally arising out of the results of the destructive tests observed, further independent investigations should be carried out on other parts of the structure (as they were carried out on a few columns and beams of the structure) for conclusive evidence and confidence on the structural integrity of the structure.

iv. <u>Functionality</u>

By audit-inspection on 9th October 2015, the work was completed and practical hand over was done on 3rd October 2014 and handed over on 26th November 2014. The defects liability period of one year (365 days) had already expired on 3rd October 2015. The business was booming and the market was fully occupied The design for JCM was meant to accommodate 4 floors; however due to funding constraints, only 3 floors were constructed. The available space cannot accommodate all the 4,889 registered vendors implying additional space or market is required to meet the vendor requirements.

I advised management to consider providing an additional floor or a new market structure to accommodate the growing number of vendors. Given the fact that the Market is occupied to full capacity,

19.4 UGANDA GOOD GOVERNANCE (UGOGO) PROGRAMME

a) Compliance with the Financing Agreement and GoU Financial Regulations

It was noted that the Programme management had complied material with Financing Agreement Terms and Government of Uganda Financial Regulations except in the following matters;

(i) Short fall in Counter Part Funding

During the audit, it was noted that out of UGX.700,000,000 expected from the Government of Uganda, however, only UUGX.104,062,000 was disbursed. This led to a short fall of UGX.595,938,000.

Failure to receive funding as per the work plan hinders implementation of UGOGO Programme activities which could lead to the suspension of donor funds.

Management explained that they will continue liaising with Ministry of Finance, Planning and Economic Development to ensure that GOU meets its obligation.

Management follow up on the matter is awaited.

(ii) Budget Performance – non-implementation of planned activities

A review of the budget performance of the year under review revealed that UGOGO project received funding from GOU amounting to UGX.109,000,000 for implementation of planned activities. It was noted that some planned activities were not implemented. Details are in the table below;

Vote Function Output	Item Description	Planned outputs/ Quantity	Amount (UGX) budgeted	Amount Released (UGX)	Actual output/Quantity	Remarks
Project 1286-Uganda Good Governance	132105-strengthening local service delivery and development	• Municipal address system in 12 municipal and 14 town councils procured. • Additional 250	109,000,000	109,000,000	No public address systems were procured	The project received funds but did not carry out all the budgeted activities.

		accountants to professional level trained. • Additional 10 town councils supported with to implement their physical development plans.				

Management explained that the releases were inadequate to fund the key Ministry funded activities and thus the need for utilization of these funds on other unfunded activities.

Management is advised to always seek authority should there be need for any reallocations.

(iii) <u>Diversion of Program funds</u>

During the previous year audit, I noted that a staff of the Ministry of Local Government was loaned UGX.14,270,000 from UGOGO funds to cater for his tuition for a course on Sustainable Local Economic Developments in Netherlands on 19th March 2013. The borrowing was undertaken without authority from the donors.

I noted that the money was refunded by the Ministry of Local Government during the current year. However, instead of refunding UGX.14,270,000 that was borrowed, Ministry of Local Government credited UGOGO account with UGX.149,384,000 on 19th May 2015. Subsequently a sum UGX.135,114,000 was sent back to the Ministry Account without any formal documentation. The intention of refunding more than expected was not explained.

I advised management to explain the anomaly and in future obtain authority for any diversion of funds from the Programme.

b) <u>General Standard of Accounting and Internal Control</u>

A review was carried out on the system of accounting and internal control. It was noted that management had instituted adequate controls to manage project resources except in the following areas;

(i) <u>Accountability and independent confirmation for Tuition Fees</u>

<u>Inadequate Accountability of Tuition Fees for Local Government Staff</u>

UGX.904,754,928 spent in tuition fees for Local Government staff had insufficient evidence to support the student lists attached on the training requisitions. I was not provided with copies of their admission forms, students registration forms from ICPAU and ACCA as well as copies of the examination results to confirm genuineness of the students. My attempt to get direct confirmation from the district did not yield much as only 6 responses were obtained out of more than 112 requests.

Further, I wrote to the CPAU enquiring about the registration of the students and the response was that they did not have students from MoLG. There is a high risk that payments may be made for non-existent students.

Management explained that this submission was done by the respective Local Governments.

I advised Management to ensure that every student benefiting from the programme submits his or her copies of results, letter of confirmation of studentship from the professional body and an admission letter from the training school to the programme management for proper accountability. In the meantime management should undertake investigations on the matter.

(ii) <u>Supporting documents not date stamped "PAID"</u>

Best accounting practices require an entity to stamp PAID all payment vouchers whose payments have been effected. However, during the audit, it was noted that payment vouchers worth UGX.66,735,000 were not supported and the vouchers were not stamped PAID. This exposes the project to the risk of double payment.

Management acknowledged the anomaly and stated that they had now started stamping the documents as evidence that they have been paid.

Management was advised to ensure that all payment vouchers and supporting documents are stamped PAID to reduce chances of making double payments for the same activity. Accountabilities are also awaited.

19.5 DISTRICT LIVELIHOODS SUPPORT PROGRAMME (DLSP) – MINISTRY OF LOCAL GOVERNMENT (MOLG)

(a) Compliance with Financing Agreement and Government of Uganda Financial Regulations

A review of the Programme implementation records revealed that generally there was compliance with the financing agreement and Government of Uganda financial regulations, except for the following:

(i) Government of Uganda (GOU) counterpart funding

A sum of UGX.157,919,000 was received as GOU counterpart funding during the year out of the approved budget estimates of UGX.199,883,115. The receipts were credited to the Ministry of Local Government (MoLG) Treasury Single Account (TSA) and were to be transferred to the Project Account for its implementation. The following were noted during the audit;

Diversion of Project Funds

GOU counterpart funding amounting to UGX.16,543,800 meant for project activities was diverted by the Ministry to fund non-project activities such as per diem and transit allowance on travel abroad. Such a practice undermines the objectives of the project as activities under the project work plan are not fully implemented.

Management explained that they are yet to release the funds to clear off part of the unmet obligations of the project

I advised the Accounting Officer to adhere to the provisions of the funding agreements in respect of project financing. In the meantime, the diverted funds should be refunded to the account.

Non-remittance of withholding taxes

It was noted that Shs.1,402,225,167 deducted as 6% WHT from Project service providers was not remitted to Uganda Revenue Authority. Non remittance of withholding tax is a violation of the Income Tax Act which may result into penalties and fines being imposed on the project by the tax body.

I advised the Accounting Officer to remit the withholding tax to the tax body as required by the Income tax Act.

20.0 OFFICE OF THE PRIME MINISTER

a) Mischarge of Expenditure

A review of the Office of the Prime Minister's expenditures revealed that the entity charged wrong expenditure codes to a tune of UGX 4,611,211,067. This constituted 3.4% of total expenditure for the Office of the Prime Minister. This practice undermines the importance of the budgeting process as well as the intentions of the appropriating authority and leads to financial misreporting.

Management explained that some of these mischarges were occasioned by insufficient allocations to the consumptive items ceilings determined by Ministry of Finance, Planning and Economic Development, which do not take into consideration the unique challenges of OPM that has a broad and unique mandate while others required expenditure of a consumptive nature.

I advised the Accounting Officer to streamline the budget process to ensure that sufficient funds are allocated to each account and budget line codes. Authority should always be sought prior to any reallocations.

a) SECOND NORTHERN UGANDA SOCIAL ACTION FUND PROJECT (NUSAF2)

(a) Compliance with the Memorandum of Understanding and GOU Regulations

(i) Unaccounted for Sub-project Disbursements - UGX. 5,159,940,305

Section 2.2 of NUSAF II Operational Manual requires that at least 80% of previous disbursements are accounted for before replenishment to a subproject. The policy also requires that all funds to subprojects should be accounted for within six months. It was noted that UGX.5,159,940,305 out of UGX.281,974,035,473 disbursed to subprojects remained unaccounted for as at 30th June 2015.

Under the circumstances, I was unable to establish whether the unaccounted for funds were used for intended purposes. Further, the delays in accounting for subproject funds affects Project implementation as the activities are not completed within project timelines.

Management explained that outstanding subproject funds stood at UGX. 53,390,492 as at October 30, 2015 representing 0.07% of total disbursement. These funds outstanding as at 30th October 2015 were for sub projects in Kaboong and Mbale districts which were in the final stages of completion.

I advised management to ensure that all project funds are fully accounted within the project timelines.

21.0 MINISTRY OF PUBLIC SERVICE

a) Unsupported Adjustments in the Cash Flow statement

Included in the Ministry's Cash Flow statement are adjustments in respect of: increase in domestic arrears (UGX.48,213,776), transfer to treasury (UGX.200,000), EFT's unapplied (UGX.2,834,276) and others (UGX.107,039,999). These adjustments were not supported and could therefore not be verified during the audit. It was further noted that the adjustments led to a negative cash position of UGX.(417,559,778) which was also reflected in the Statement of Financial Position as at 30th June 2015. However, given the Treasury Single Account (TSA) arrangement, this scenario should not be expected, as entities cannot be allowed to spend when the TSA has no funds. Accordingly, I am unable to establish the authenticity of the adjustments made by the ministry.

In their response, Management stated that numerous challenges were encountered in the reconciliation process due to large numbers of unapplied EFTs, and that efforts were being made to produce a fully reconciled statement.

However, by the time of writing this report, this had not been provided by management.

I advised the Accounting Officer to ensure that all amounts reflected in the financial statements are always properly supported. In the meantime, I await the outcome of the ongoing attempts to have a proper reconciliation by the ministry.

b) Pension Mischarges - UGX.14,657,510,377

The GOU Chart of Accounts defines the nature of expenditure for each account code, with the intention of facilitating better and consistent classification of financial transactions and tracking budget performance per expenditure item. An analysis of the pension payment file and GOU chart of accounts revealed that out of pension payments amounting to UGX.284,338,103,274 paid during the year, UGX.14,657,510,377 was charged on account codes which do not reflect the nature of the expenditure described in the GOU chart of accounts.

Audit attributed the above scenario to improper budgeting for the pension obligation as well as relaxation of the budgeting controls on the IFMS, which would allow payments on items without sufficient funds. For example, scrutiny of the pension budget provisions revealed the following;

- Certain pension budget items had no funds provided for in the IFMS system, but payments were made. They included; Pension Arrears for Defense, Local Governments, Civil service, and Teachers.
- Certain pension budget items had a lot of funds provided for on the IFMS system, than they would actually need. For example; Emoluments paid to former Presidents and VIPs, and gratuity expenses. This resulted into under or over budgeting in some pension items with an overall under budgeting of UGX.5,673,003,274.

The above implies that the pension budget may not have been properly compiled.

In response, management admitted the mischarges, and attributed them to inadequate budgeting for the various items, and the reduction in the Ministry budget to support MDAs/LGs budgets to facilitate the decentralisation process for pension and gratuity.

I advised the Accounting Officer to strengthen the budgetary processes so as to ensure that realistic budgets are compiled and funded, and that all expenditures are charged on the approved budget lines during budget execution.

c) <u>Outstanding Commitments – UGX.200,252,608,998</u>

It was noted that the Financial Statements reflected an amount of UGX.200,252,608,998 as a cumulative ministry debt as at 30th June, 2015. It was noted that the bulk of this amount (UGX.199,255,907,539) comprised of gratuity and pension arrears which have continued to accumulate uncontrollably (2014: UGX.108,681,159,047). I further noted that the ministry does not have a comprehensive stock of all potential claimants/retired employees as well as an indication of future retirees, to enable it establish the funds that would be needed to sustainably manage the pension liability. This implies that the ministry has to rely on claims submitted by retired employees for it to establish the amount of resources to budget for, which eventually leads to under budgeting for gratuity and pension.

In her response, the Accounting Officer explained that her Ministry has no control over the accumulation of gratuity and pension arrears which forms the bulk of the arrears due to the inadequate budgetary provisions during the year and the preceding financial years.

I have advised the Accounting Officer to devise a comprehensive strategy for the management of gratuity and pension for the entire public service, including a compilation of a complete stock of both retired and current employees which could then be used in determining the expected liability over time. In addition, government could also explore a possibility of establishing a pension fund to guarantee availability of terminal benefits to civil servants, as and when they retire.

d) Payment of Pensioners beyond the Pensionable Period – UGX.11,038,936,918

Section 18 (1) of the Pensions Act, Cap 286, requires that every pension or other allowance granted under the Act, should cease upon the death of the person to whom it is granted. For the avoidance of doubt, it is declared that a pension granted under this section be payable for a period not exceeding in aggregate fifteen years from the date of retirement of the deceased pensioner. Pursuant to the above therefore, all pensioners must furnish the Ministry of Public service with annual life certificates after the expiry of their 15 year pensionable periods as proof that they are still alive.

I noted that UGX.11,038,936,918 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. This similar observation was made in my previous audit report and the recommendations therein were not adhered to. Absence of evidence of continued existence of pensioners in form of life certificates to support pension payments may imply payments to non-existent pensioners.

Although the Accounting Officer stated that the respective life certificates were available to justify the amounts paid out, these were however not availed for verification.

I advised the Accounting Officer to always adhere to the requirements under the Act and obtain life certificates, before making such payments. In addition, the life certificates of pensioners in regard to the questioned payments should be obtained and provided for review.

e) **Discrepancies between IFMS and IPPS Pension Data Files**

The primary source of data for effecting pension payments through the IFMS is the pension payroll generated from the IPPS. In order to minimize manual intervention, an IPPS/IFMS interface was deployed. Effective operation of the IPPS/IFMS interface is highly premised on the requirement that the data from IPPS will be accurate with minimal or no need of correction by the Accounting Officer. Ideally the two systems are expected to be consistent.

I however noted that payments to the tune of UGX.2,607,106,533 were made to beneficiaries who did not have corresponding records on the IPPS pension payroll. This implies that there could have been manual intervention in between the two systems that led to payment of the said funds. There is a risk that the payments were made to non-existent pensioners.

In response, management admitted that UGX.2,607,106,533 was paid out, off the IPPS, and that these were payments of pension arrears and gratuity, ex gratia, payments to past leaders and monthly pension processed on the legacy system before a shift to IPPS. I was however, not availed the relevant documentary evidence.

I have accordingly advised the Accounting Officer to ensure that the IPPS is updated to include all pension information including arrears, to avoid the risky manual interventions on the interface with the IFMS.

f) <u>Multiple Payments to Pension Beneficiaries – UGX. 1,161,382,909</u>

An analysis of the payment file and Bank of Uganda bank statements for the Ministry revealed multiple payments amounting to UGX.1,161,382,909 to various pensioners. Audit noted that monthly pension payments were made to accounts of pensioners who had already received their monthly remittances for the particular months. I also noted particular cases where pensioners were already on the pension's payroll of the previous financial year (2013/2014), but were later paid in the current financial year (2014/2015) categorised as arrears. However, there was no evidence availed to show that the Ministry owed the same pensioners arrears as they were not on the pension arrears list in the previous year.

This was due to the practice of payment of monthly pension prior to payment of the commuted pension gratuity without proper records tracking, and/or due to poor controls in the process of data capture where pensions' staff leave out critical information on the pensions database for categories including army veterans and retirees. 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 noted that less attention is given to this particular category of files since it is assumed that clerical work is done at the vote prior to the files being forwarded to the Ministry for payment.

In response, management admitted the presence of multiple payments totalling to UGX.1,161,382,909, but added that some of the payments could be attributed to unpaid monthly pension for several months for the Ministry of Defence beneficiaries who submitted letters of Administration late during the financial year yet payment had earlier been suspended. I was however, not provided with any documentary evidence to this effect.

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, as well as disciplinary action to whoever is found involved in the practice.

SECURITY SECTOR

22.0 MINISTRY OF DEFENCE

a) Non- produced assets

During the year the Ministry's total expenditure on land acquired amounted to UGX.1,119,388,145. However, it was noted that the government policy of capitalising the acquired land from the financial year 2011/2012 did not give guidance on what to include as cost of land acquired. As such, this amount could not be verified due to lack of guidelines on treatment of land costs in the financial statements. There is a risk of misstatement on the amount captured.

I advised the Accounting Officer to engage the Accountant General and ensure that guidelines are provided to spell out clearly what should be capitalised as land acquired.

b) Payment of Compensation of UGX.1,000,000,000

It was observed that a sum of UGX.1,000,000,000 was paid to an individual as part payment on a claim of UGX.2,958,668,733 for the compensation of 683 cattle and 119 goats which were handed over to 4th Division for safe custody during the insurgency period in 1986. Reviews of the available documents indicate that;

- The Ministry of Defence requested for the original documents from the Solicitor General's Office to effect the payment, instead payment was effected using photo-copied documents on account that the original documents got misplaced.

- It was not possible to confirm whether this claim had not been paid before since it is now 28 years since the purported supply of the animals.

- Available information indicates that the claimant was a quarter master of the Army Division at the time of handing over the animals which implies conflict of interest.

- It also appears that these animals were for various people but instead the compensation was made to one individual

There is a risk of duplication of compensation payments.

In response, the Accounting Officer explained that this payment was based on the advice from the Ministry of Justice and Constitutional Affairs and the Solicitor General who guided that the claim be paid by Ministry of Defence since it was a contractual arrangement between MOD and the claimant. However, I was not availed with any evidence to that effect.

I advised Accounting Officer to ensure thorough scrutiny of documents prior to settlement of the final claim.

c) Anomalies in the Procurement Procedures

During the audit, the Ministry carried out a number of procurements however, in certain instances the procurement procedures were faulted as summarized in the table below;

	Contract number and Amount	Description of the contract	Issues raised
1	MOD/SUPLS/2013-14/00250 Amount UGX.288,139,008	Industrial materials for the renovation of Mubende barracks	• Items were delivered before accepting the bid. The letter of bid acceptance from the Accounting Officer was dated 4/08/2014 and was acknowledged by the supplier on 8/8/2014 after the items had been delivered on 18th July, 26th July, 1st August, and 7th August 2014
2	MD/SUPLS/2013-14/00030 Amount UGX.1,323,240,000	Supply different types of tyres to the Ministry depot at Magamaga	• By the time the Call off order was issued on 18/11/2014 tyres worth UGX.1,323,240,000 had been delivered to lower Mbuya. • Deliveries worth UGX.56,448,847 were made using photocopies.

<table>
<tr><td>3</td><td>USD.842,599.60 equivalent to UGX.2,467,974,228.4</td><td>Supply of assorted clothing</td><td>By the time of signing the contract on 3/11/2014, items worth USD 948,681 equivalent to UGX.2,778,686,648 had already been delivered.
<table>
<tr><td>Date of delivery</td><td>Amount (US$)</td></tr>
<tr><td>1/5/2014</td><td>200,709</td></tr>
<tr><td>8/3/2014</td><td>18,410</td></tr>
<tr><td>-</td><td>570,317</td></tr>
<tr><td>1/6/2014</td><td>169,000</td></tr>
<tr><td>1/7/2014</td><td>190,153</td></tr>
<tr><td>Total</td><td>948,681</td></tr>
</table>
The letter of bid acceptance which was signed on 24th July 2014 and the Call off Order issued on 29th January 2015 were both signed after the delivery of the different items.</td></tr>
<tr><td>4</td><td>Contract sum of UGX.2,122,858,703</td><td>M/S Kent Uniforms Ltd to supply 30,000 pairs of Digital BDU and Assorted Cap Budges for UPDF.</td><td>Items worth USD.252,000 equivalent to UGX.690,480,000 had already been supplied to the Ministry on 11th April 2014, and yet the contracts committee sat on 22/4/2014 to approve the contract to supply uniforms.
All the items supplied before the award of the contract did not have a Call of Order which is an indicator that the procurements were not authorized by the Accounting Officer.</td></tr>
</table>

I explained to the Accounting Officer that undertaking procurements in noncompliance with the PPDA laws could mean that value for money may not have been achieved from on the procurements.

The Accounting Officer attributed these anomalies to the unique nature of the Ministry and promised in future to work within the provision of PPDA Act. I await the Accounting officer's action on the matter.

d) Un-reconciled UMEME Payments

In my report to Parliament for the year ended 30th June 2014, I recommended that before any further payments are made to UMEME the Ministry should reconcile with Ministry of Finance, Planning and Economic Development and establish how much money was paid from Escrow Account to settle the Ministry electricity debt.

The Accounting Officer explained that the Ministry had communicated to PS/ST about the outstanding debt and promised to offset the amount paid from the Escrow account prior to making any payment. However, the Ministry with the approval of Ministry of Finance, Planning and Economic Development paid a sum of UGX.40bn from the classified vote to UMEME to offset the outstanding bills.

I noted that that after effecting payment no follow up has ever been made with the money paid from the escrow account. Besides, I was not availed with the reconciled outstanding amounts at the year end.

Management noted the matter and promised to follow it up. I advised the Accounting Officer that reconciliation for payment from the Escrow account should be undertaken in liaison with the MoFPED to establish the outstanding amounts.

e) Breach of Contract for Construction Works

The Ministry signed a contract with a local company on 14th June 2013 for the construction of a maintenance workshop at Moi Brigade headquarters, Nakasongola at a contract price of UGX.1,507,894.518. The contract was an admeasurement contract where interim payments are made based on certified works and was expected to be completed by 30th June 2014.

A review of the available documents revealed the following anomalies;

- Cumulative amount of UGX.533,493,648 representing 35% had been paid, however, the corresponding certificates for the works done were not availed for audit.
- For the year under review UGX.167,823,272 was paid to the firm as part payment for the construction works without a record of certified work.
- An inspection carried out on 24th September 2015 revealed that the project had not been completed and was behind schedule by one year and 3 months. The contractor has been onsite for more than two years and this may result into unnecessary extension costs.

Management attributed the delays to complete the project to inadequate funding.

I advised the Accounting Officer to enhance supervision of this contractor and have the works certified and completed.

f) Land Compensation at Kabamba Barracks

A total of UGX.65,000,000 was paid on 23rd October 2014 as part payment on a claim of UGX.3,135,792,749. Documents available indicate that Ministry of Defence signed a Memorandum of Understanding on 25th September 2014 to compensate interests and all developments of the owner of the land taken over by the Ministry. The following issues were noted;

- The land in question is government land (Kabamba Barracks) which was erroneously leased out to an individual by Mubende District Land Board. By the time the lease was offered, Ministry of Defence had already occupied the land. It is not clear why the District leased out land which was already occupied.
- The lease agreement between the District Land Board and the Land Lord was not availed to enable me review the terms under which they acquired the land.
- The specific conditions for government leases do not permit the lessee to change the land use without the consent of the lessor. It appears the land use was changed without the consent of Mubende District Land Board.
- The signed Memorandum stated that compensation was to cover the interest and development on the land but the Landlord never took possession of the

land and therefore no development was made. There is a risk that government is compensating for development that never existed.

- The method used to arrive at the amount of UGX.3,135,792,749 to be compensated was not clearly defined and the Ministry did not raise any objection.

In response the Accounting Officer stated that the Land Lord had acquired the land before MOD took possession. The Chief Government Valuer valued the land and it is on this basis that the Ministry is settling the obligation.

I advised the Accounting Officer to seek advice from the Solicitor General on matters of acquiring leased land prior to effecting further payments.

g) **<u>Rental Arrears of UGX.2.01 Billion</u>**

In 1988, Government took a decision that all land including houses overlooking Entebbe Air base be taken over by Ministry of Defence and that owners be compensated. By March 1989, all properties taken over by the Air force in Entebbe had been paid for by Government. However, National Housing and Construction Company (NHCC) after 17 years has now come up with a claim of UGX.2.01 billion in respect of rent arrears for the purported company property. I was not availed a tenancy agreement to determine the value. Besides, there was no supporting document for the ownership of the property but the Ministry of Finance, Planning and Economic Development has committed to avail the funds.

In response, the Accounting Officer explained that Ministry of Defence occupies twenty five (25) housing units at Bulime in Entebbe Municipal Council which belongs to National Housing and Construction Corporation Ltd and the Ministry was paying up to 2005.

I explained to the Accounting Officer the risk of paying rental arrears for the property that were taken over long ago and compensation effected and advised her to cross check the records before committing more funds.

23.0 OFFICE OF THE PRESIDENT

a) Lack of Land Titles

The Office of the President (OP) has land in Districts of; Dokolo, Nwoya, Sheema, Mitooma, Abim, Amuru, Butaleja, Kalangala, Kamuli, Napaka, Mayuge, Sironko, Kyenjojo, Kamwenge and other districts. However, it was noted that there were no land titles which expose the land to encroachment by private developers.

The Accounting Officer explained that efforts are being made to have the land titles processed from Ministry of Lands and the District Local Governments. Some deed plans have been produced and forwarded to ULC to process the titles.

I await the Accounting Officer's efforts on the matter.

b) Irregular rental of office Premises

Uganda Land Commission signed a tenancy agreement with a local company on 28th April 2014, for the rental of office premises for Uganda Media Centre at a monthly rate of UGX.11,000,000 exclusive of VAT. However, there was no procurement file to ascertain how the company was selected to provide rental premises. Management did not follow the PPDA regulation in the circumstance.

In her response, the Accounting Officer explained that there was no procurement files for this transaction because the premises were acquired on the recommendation from the then Director, Uganda Medical Centre. However, rent is paid basing on the Chief Government Valuer's report.

I advised the Accounting Officer to follow PPDA regulations when entering into such engagements.

c) Unutilised Gratuity funds

During the financial year 2014/15, the Office of the President received a total of UGX.2,022,221,669 to pay gratuity and pension for several employees on contract and those who had retired during the year. However, only UGX.1,632,498,668 was paid out to some of the beneficiaries. Forty seven (47) employees whose gratuity amounted to UGX.395,416,075 was not paid and the funds were subsequently returned to Treasury.

The Accounting Officer attributed the failure to pay gratuity to 47 employees on the late release of gratuity funds at the end of the financial year. Funds were released on 26th June 2015 and Accounting Warrant approved a day later. Before payment could be processed, the operations of the IFMS were frozen. All efforts are being made to ensure that the beneficiaries who missed their money are paid.

I await the confirmation of payment of the employees.

d) **Ageing Fleet of Motor vehicles**

It was noted that most of the motor vehicles used by the RDCs and DRDCs have gone beyond the government recommended usage of five years but are still in use. Most of these vehicles operate in areas with difficult terrain across the country which increase maintenance and repair costs as they age. Continued use of such old vehicles greatly affects the monitoring and evaluation of government programmes in the districts. This has further worsened due to the creation of new Districts which requires more vehicles. There is a risk that the OP will continue to incur high vehicle maintenance costs if no action is taken.

In response, the Accounting Officer explained that the Ministry requires (20) twenty new double cabins annually to replace the ageing field vehicles but the current budget ceilings can only allow procurement of ten (10) new double cabins annually.

I advised the Accounting Officer to liaise with MoFPED in order to solicit for more funds to procure new vehicles.

e) **Unpaid Utility bills**

On 1st July 2013, Office of the President and Office of the Prime Minister signed a Memorandum of Understanding to manage common services for the new office blocks equally. The common services shared include electricity and water, standby generator, conference hall, canteen and compound maintenance.
It was however, noted that before handing over the office blocks and the signing the MoU, there were accumulated outstanding bills of UGX.222,440,800 for electricity and UGX.5,061,311 for water. The responsibility of paying for utility expenses was put on Government of Uganda as per bilateral agreement between the Governments of China and Uganda during the construction period. Subsequently, the signed MOU required the bills to be shared equally between the two entities. A review of the Utilities Register indicated that UGX.724,791,678 and UGX.71,526,566 was still outstanding for electricity and water respectively at the end of the financial year. I was not availed with the settlement plan on how the OP intends to pay the outstanding bills.

I advised the Accounting Officer to carry out a joint reconciliation with Prime Ministers' Office and have this outstanding amount settled.

f) Understaffing

It was established that Office of the President had an approved establishment of 664 staff; however, only 451 posts were filled leaving a balance of 213 posts vacant. Understaffing affects service delivery and performance of the entity.

The Accounting Officer attributed the vacant posts to inadequate wage allocation to the Office of the President by MoFPED and promised to declare the vacant posts as soon as funds are allocated.

I advised the Accounting Officer to continue following up the matter with MoFPED for the required resources.

g) **Non-remittance of taxes**

Section 103 of the Income Act, requires that tax charged in any assessment shall be payable within forty-five days from the date of service of the notice of assessment. It was observed that the entity did not remit PAYE for the months of April, May and June 2015 worth UGX.494,720,625 to the tax Authority. This may attract fines and penalties which will affect the planned activities.

The Accounting Officer explained that the delay was occasioned by insufficient cash releases. The matter was however taken up by the MoFPED who have promised to resolve the matter.

I await the outcome of management action.

24.0 STATE HOUSE

a) Rent arrears for Okello House

State House has been occupying Okello House for many years with a tenancy agreement that expired in 2013. However, it was observed that State House has not renewed the tenancy agreement and no rent payments have been made to the landlord despite continued occupancy. At the close of the financial year, a sum of UGX.1.272,363,507 was outstanding in rental arrears.

I explained to the Accounting Officer that there are risks involved with the continuous stay in the premises without a valid tenancy agreement which could involve paying higher amounts with interest.

The Accounting Officer explained that it has not been possible to finalise the tenancy agreement as a result of a mortgage dispute between the landlord and the lender. Until this dispute is resolved, State House cannot enter into any tenancy agreement.

I await the outcome of the Accounting Officer's action.

b) <u>Plot of land for National Housing and Construction Corporation</u>

National Housing and Construction Corporation owns properties on Plot 1 Kyagwe Road–Nakasero which is currently occupied by State House. Documents indicate that National Housing has been demanding arrears of UGX.201,100,000 from State House. These arrears have not been reflected in the financial statements.

In response, the Accounting Officer explained that this plot of land is enclosed within the perimeter fence of State House Nakasero. Initially State House had offered to purchase the plot of land but it was overvalued making it prohibitive to procure. This matter was then referred to the Solicitor General with the view of acquiring the plot compulsorily.

I advised the Accounting Officer to follow up the issue with the Solicitor General and have this matter resolved to its logical conclusion.

AGRICULTURE SECTOR

25.0 MINISTRY OF AGRICULTURE, ANIMAL INDUSTRY AND FISHERIES

a) Mischarge of Expenditure

The Parliament of Uganda appropriates funds in accordance with the needs of the country and this appropriation is implemented through the budget in which funds are tagged to particular activities and outputs using authorised account codes. However, expenditure totalling to UGX.379,633,600 was inappropriately charged to budget lines to fund activities that were not planned without authority.

I explained to management that mischarge of expenditure undermines the intensions of the appropriating authority as funds are not fully utilised for the intended purposes.

In response management committed to ensure that the budget process is streamlined to ensure sufficient funds are consistently allocated to significant account areas.

I await the outcome of management's commitment.

b) Nugatory Expenditure

(i) Interest Paid to a Construction Company – Rwenjubu, Makukulu, Lyantonde and Dyangoma dams

A construction company was contracted to rehabilitate 5 dams in August 2008 namely Rwenjubu dam at Isingiro District, Makukulu dam at Lyantonde District, Kibanda dam at Rakai District, Dyangoma dam at Mubende District and Kasejere dam at Kiboga District at a contract sum of USD 8,095,704.56. The contract intended completion date was eight (8) calendar months from start date (26/6/2008). Due to inadequate releases, the Ministry could not clear all the outstanding balance on this contract and hence an outstanding balance has been attracting compounded interest. During the year under review; the Ministry paid interest to the tune of UGX.12,312,392,823 as a result of delayed payments of outstanding contractual obligations. I noted that the expenditure could have been avoided with adequate planning and budgetary provision.

In response, the Accounting Officer explained that the Ministry has been paying this claim as and when funds were available but because of inadequate releases all the outstanding balances on this contract could not be paid in time. It was also explained that the contractor was stopped from proceeding with the works by a court case over the ownership of land at Rwenjubu dam. The contractor then lodged in a claim for time extension and the Ministry sought guidance of the Solicitor General (SG) who advised that the contractor had a right to claim the extension with costs.

I advised the Accounting Officer to always make timely follow up with Ministry of Finance, Planning and Economic Development to avoid accumulation of Interest on outstanding contractual obligations.

(ii) <u>Interest Payment to a Construction Company – Atar and Wangwoko dams</u>

Another construction company was contracted to rehabilitate Atar dam in Apac District and Wangwoko dam in Kitgum District under the National Livestock Productivity Improvement Project (NLPIP) at a contract sum of US$.2,772,352.70 in June 2008. According to available documentation the company had been paid a sum of US$.2,491,712.85 as at the time of this report. Documents reviewed further showed that there were delays in payment of the Government of Uganda (GOU) component of the contract due to inadequate releases and consequently the delays attracted interests for which the Contractor is demanding US$.647,679.40. During the year under review, the company was paid UGX.295,116,201 as payment of interest on outstanding obligations for rehabilitation of the two dams. This interest could have been avoided had payments been made on time.

In response, the Accounting Officer explained that delays in payments of the GOU component left a balance of US$.280,639.15. These delays on payments attracted and will continue attracting interest overtime as per the terms of the contract for which the contractor is now claiming an amount worth US$ 647,679.40. At the time of this report, interest element had accumulated to US$.367,039.49.

I advised the Accounting Officer to take follow up the matter with Ministry of Finance, Planning and Economic Development to avoid further accumulation of interest charges.

c) Failure to charge liquidated damages

A construction company was contracted to construct a fish landing facility at Kiyindi and Lwampanga landing sites at a contract sum of UGX.11,087,327,613 on 11th December 2007. According to available documentation, the contractor had been advanced UGX.2,408,014,853, however, works were not completed within the agreeable time and there was an extension for extra 164 days. The contract was subsequently terminated without management charging liquidated damages amounting to UGX.1,200,042,088 as per clause 49.1 of the conditions of the contract.

I advised the Accounting Officer to always follow the contractual clauses to avoid losses.

d) Status of Land Title Acquisition

During the year, a sum of UGX, 16,200,000,000 was paid by the Ministry for acquisition of land to be leased for palm oil development under Vegetable Oil Development Project (VODP). Out of the 42 titles that had been procured during the year, 32 titles were verified but had not been transferred in the names of Uganda Land Commission. The remainder of unspecified 10 land titles were reported to be in possession of the consultant and by the time of reporting, the process was still on going.

It was further observed that a title for block 49, plot 2 measuring 640 acres was still under caveat which is likely to delay the transfer process. The Accounting

Officer explained that the process of transferring the remaining titles in the names of ULC is on-going. The process of removing the caveat is also on-going.

I advised the Accounting Officer to follow up the process closely to ensure the transfer process is finalised.

e) Staffing gaps

During the review, I noted that the ministry was critically under-staffed. Out of the total approved structure of 432 posts; 108 (25%) were filled reflecting under-staffing gap of 324 (75%) vacancies. I explained to management that this leaves a significant leadership and technical gap that creates more work load on the existing workforce given the Ministry's nature of operations that cover the whole country. Under-staffing generally impacts negatively on the service delivery of the Ministry.

I advised the Accounting Officer to take up the matter with the Ministry of Public Service and have the gaps filled.

f) Review of the operations of the Uganda China Friendship Agriculture Technology and Demonstration Centre (UCFATDC) Project

The Uganda China Friendship Agriculture Technology and Demonstration Centre (UCFATDC) project is located at the NAFIRRI Institute - Kajansi Centre by the Chinese firm SICHUAN HUAQIAO FENGHUANG Group Co. Ltd. The operation of this Demonstration Centre started after the signing of the protocol between the GOU and the Peoples’ Republic of China (PRC) on Cooperation of the Establishment of the Agricultural Technology Demonstration Centre for Uganda on the 27th of June 2008. This followed the Agreement on Economic and Technical Cooperation between the two Governments signed on the September 18th 2007. The operationalization of the project by the Chinese company in Uganda started in October 2011. During the review of the project operations; I noted the following shortcomings;

Status of Implementation of Protocol Obligations

(i) <u>Funding of the Project</u>

The protocol agreement indicated that RMB Yuan 50,000,000 was to be provided as total grant aid by the Government of the People's Republic of China. The components included training and office buildings, residence for Chinese experts, hatchery workshop, feed factory, fish ponds and supply of necessary apparatuses and other equipment. However, I was not provided with financial records indicating how the funds were utilised. As such it was difficult to establish whether the funds were all dully received and accounted for.

In response; the Accounting Officer acknowledged that the project total grant was RMB Yuan 50,000,000 and the related expenditure breakdowns in areas of the activities undertaken at the centre were not available with MAAIF but could only be accessed from the Chinese Embassy.

I advised the Accounting Officer to ensure financial records of the project are in place.

(ii) <u>Un-tarmacked road</u>

During the review, I noted that GOU had not yet tarmacked the road from the demonstration centre to the main Entebbe road. Management explained that the ongoing Southern bypass road works by UNRA hampered progress in tarmacking the road and was still hampering implementation of the planned projects at this research center. MAAIF further indicated they plan to engage UNRA on the best actions.

I advised the Accounting Officer to honour the protocol obligations

(iii) <u>Lack of accounting records</u>

Review of the summary report of statistics of expenditure and income of UCFATDC from 2011 to Feb.2014 availed, showed that the project incurred expenditure to the total of UGX.3,395,065,128 and income totalling to UGX.2,411,697,770 reflecting a deficit of UGX.983,367,358. Article III of the Agreement on Economic and Technical Cooperation provided that detailed accounting procedures for the implementation of this agreement were to be signed subsequently between the Bank of Uganda and the China Development Bank.

However, I was not availed with the accounting procedures followed in the keeping of books of accounts. There seems to have been lack of follow up on the issues.

I advised the Accounting Officer to enforce the monitoring of revenue and expenditure through dully approved procedures.

(iv) <u>Lack of operation regulations</u>

According to the Protocol on Cooperation of the Agricultural Technology Demonstration center, the Institutions designated by both Chinese and Ugandan sides shall negotiate the specific matters on the operation and commercialization of the Demonstration Center after the expiration of 3 year technical cooperation as soon as possible. It was indicated that a separate agreement would be signed to provide regulations.

I noted that no separate agreement was drawn to clearly define the details of the operations and sustainability of the center. There is a risk that the Centre may not be operated in the interest of government. In response the Accounting Officer acknowledged the shortcoming and explained that the ministry will ensure that the existing project status is reviewed and an agreement drawn to clearly define new operations of the centre.

I await the outcome of the Accounting Officer's commitment.

(v) <u>Lack of supervision of the Project</u>

Article IV provides that GOU has a right to supervise the revenue and expenditure of this project and the Chinese Executive enterprise is duly bound to provide the financial report of the project to the GOU at regular Intervals. I noted that since inception of the project; the revenue and expenditure was not supervised by the ministry besides; there were no financial reports availed for review.

In response, the Accounting Officer explained that this shortcoming was attributed to lack of detailed accounting procedures concerning implementation of this agreement which were to be signed subsequently between the Bank of Uganda and the China Development Bank.

I advised the Accounting Officer to ensure supervision of the income and expenditure.

(vi) <u>Revenues and expenditure of the Centre</u>

I noted from the review of the minutes of the meeting on the Project of China-Aid Fishery Technology Demonstration Center for Uganda between the GOU and the PRC under number 6 others; that Ugandan Government promised that the profits earned by the company are allowed to be remitted outside of Uganda freely.

I explained to the Accounting Officer that surrendering the transfer of profits to move freely to the RPC meant that GOU has no stake in the Enterprise. In their response, management explained that the schedule of profits so far remitted to the PRC if any; is not available with MAAIF and follow up would be undertaken. It was indicated that MAAIF will work with NaFIRRI and the office of the Solicitor General to review the above clause to ensure both partners benefit from the profits reaped if any.

I advised the Accounting Officer to ensure both partners benefit from the venture.

(vii) <u>Lack of a detailed Contract between the parties</u>

Article VII of the Protocol provides that the detailed matters of the Project shall be stipulated in the contract which would be signed by the Institutions designated respectively by the Governments of Uganda and China. I noted that there was no evidence of another contract signed that details the matters of the project and the current position puts the assets of the project at risk.

Management explained that the ministry will ensure that the existing project status is reviewed and an agreement drawn to spell out details of the operations of the project to ensure safety of the assets of the project including land.

I await the outcome of the Accounting Officer's commitment.

(viii) Provision of free land

Article VIII provides that in order to support the Chinese enterprise to develop the market–oriented operation for the sustainable development of the Centre, the Uganda government shall provide additional land free of charge for production (or lease/sale the land in favourable conditions), and provide facilities and preferential policies of the investment in their market-oriented activities.

However, I was not provided with the detailed terms and conditions for the give-away or intended give away of the land.

I explained to the Accounting Officer that there is a risk that land could be acquired unfavourably since terms are not well defined.

The Accounting Officer responded that anomaly on the land issue highlighted above is to be reviewed in line with the new PPP law to avoid any unforeseen risks that could arise.

I await the Accounting Officer's plan of action.

(ix) Open ended protocol

Article IX provides that the Protocol shall come into force from the date of signature (27th June 2008) and remain valid until the fulfilment by the two sides of all their respective obligations under the protocol.

I noted that the protocol is open-ended and this could lead to disagreements as the partners implement the provisions in the agreements.

The Accounting Officer acknowledged that the protocol is open-ended and indicated that it is to be reviewed to avoid any unforeseen misuse of GOU land and other assets.

I await the outcome of the above.

(x) Other related issues

- There was no evidence of tracking the fulfilment of GOU obligations;
- The project was open ended and did not consider how the project would continue without the Chinese funding if the profits mentioned are not reaped.
- I noted that currently the status of operations of the project is not clear as there seems to be no one responsible for the operations of the centre since the expiry of the 4th year of the protocol April 2014.

The Accounting Officer responded as follows:
The project is open ended and MAAIF is to review the project sustainability to ensure continued operations without the Chinese funding and if the profits mentioned are not reaped.

It was further stated that MAAIF will work with NARO to ensure Clear terms are structured and the operations of the centre clearly defined/spelt out and responsibilities for all relevant Authorities.

I advised the Accounting Officer to ensure clear terms for the operations of the project are adequately structured and streamlined.

g) Bukalasa Agricultural College

(i) Legal Status of the College

Bukalasa Agricultural College operates under Universities and Other Tertiary Institutions Act 2001 and as a result, the College should be under the policy and supervision of the Ministry of Education and Sports since it is a training Institution. I however noted that the College is currently answerable to the Minister of

Agriculture, Animal Industry and Fisheries (MAAIF). All activities/plans (budget) are consolidated in the vote of MAAIF and hence the College implements policies of MAAIF and not that of Ministry of Education.

The Board/Governing council is appointed by the Minister of Education but reports to the MAAIF. I further noted that the College operates like a standalone institution to the extent that it formulates its own curriculum, contrary to other tertiary institutions that are controlled by separate examination bodies. I was not availed with evidence that the College is accredited to any supervisory Institution/Authority of higher learning. I explained to management that the college credibility is under risk and its output could be doubted with time as it does not seem to be having quality assurance reviews at the moment.

Management explained that in April 2010, Government transferred the Institution back to MAAIF, the transfer had a number of gaps. In an attempt to rectify these gaps the ministry has made various correspondences with other stakeholders since then. The Governing Council is currently holding meetings to review Policies meant to identify and highlight those laws and policies affecting the operations of the college. It is hoped this will allow MAAIF to play its statutory roles of providing an oversight watch over the college properly including the appointment of the Governing Council.

I advised the Accounting Officer to continue engaging the relevant authorities with a view of having the college legal status rationalized to avoid future challenges.

(ii) <u>Non-payment of Rent</u>

It was established that the college has quarters that are occupied by staff and non-staff. Some of the occupants who are not staff of the college were reported to be staff of Luwero District Local Government while others included the retired civil servants. Except for the college staff, I noted that all others are occupying the college premises illegally. I noted that no rental income has been collected from the tenants since their occupancy. Further, there was no housing policy that guides the College management on management of the College facilities. Lack of a housing policy makes it difficult for the college to control those who occupy its houses and leads to continuous loss of income to the College.

Management explained that a committee was put in place to start formulating the Housing Policy and once they are finalised, the draft will be forwarded to the council for approval.

I advised the Accounting Officer to expedite the formulation of the policy and have it approved before its implementation.

(iii) <u>Poor State of the College Premises</u>

During inspection of the college premises it was noted that some houses were dilapidated and not attended to as reflected in the picture below.

Management explained that the college premises were in a poor state, majorly due to budgetary constraints. Management also indicated that they are lobbying for funding and the Ministry is yet to be allocated some funds for infrastructure development.

I await the outcome of the Accounting Officer's commitment.

(iv) <u>Lack of Kitchen facilities</u>

I noted that the college lacks sufficient kitchen facilities. The existing old facilities like boilers are currently out of service and management improvised by using a makeshift structure as shown in the picture below;

There was no indication that management has a plan of constructing a kitchen structure soon. The current situation puts the college at risk of health challenges.

I advised the Accounting Officer to seek urgent financing so as to undertake infrastructure development.

(v) <u>Land Issues</u>

Inspection of the College premises revealed that there is continuous encroachment on the college land by Luwero District Local Government that also claims ownership of part of the College land. Review of the available records showed that the College was granted title for approximately 400 acres by the colonial government way back in 1931 however, subtitles have since been curved out and issued in the names of Luwero District Land Board within the same block of land occupied by the college.

I further noted that a washing bay and a parking yard were operating within the environment of the college without express authority of the College administration, allegedly with authority of Luwero District. Allowing unauthorised persons to operate and occupy some college properties raises security concerns to the college staff and students and exposes the college land to encroachment

The Accounting Officer explained that a fence will be raised across the land and with the support of police patrol, the illegal encroachment will be stopped. As regards illegal occupants, a case has been opened against them and is before court.

I advised the Accounting Officer to ensure ownership of its land and ensure occupancy is regularised. Illegal occupants should be evicted henceforth.

(vi) Staffing Gaps – 49 Vacant posts

I noted that the college has a staffing gap of 49 positions against the approved structure of 163. Some of the positions not filled are critical to the operations of the college such as a Procurement officer. I explained to management that under staffing impacts negatively on service delivery and general performance of the college.

The Accounting Officer explained that interviews to fill up vacant posts were soon to be conducted. I advised the Accounting Officer to expedite the process.

25.1 VEGETABLE OIL DEVELOPMENT PROJECT PHASE II

(a) Compliance with Financing Agreement and GOU Financial Regulations

A review was carried out on the project compliance with the loan agreement provisions and GOU financial regulations and it was noted that the project complied in all material respects with the provisions in the agreement and applied GOU regulations except in the following matters:

(i) Status of Un recovered Loans from Small holder growers - UGX.32.4bn

A review of the status of Kalangala Oil Palm Growers' Trust (KOPGT) loan Portfolio showed that as at 30th June 2015, a total of UGX.37,373,918,589 had been disbursed to the farmers as cash and input loans to support the farmers for oil palm growing activities. During the year, a sum of UGX.1,691,928,151 was recovered from smallholder growers reflecting cumulative total recoveries of UGX.4,949,465,054 leaving the unrecovered loan balance of UGX.32,424,453,535 (86.7%). Although the recovery period is 15 years after planting, the recovery of the outstanding loans seemed to be very slow. The slow recoveries could disadvantage other farmers from benefiting from the intended objective of poverty reduction.

In response, management explained that the oil palm plantations have not all yet reached maturity for harvesting and therefore the loan recovery have not commenced. It was further indicated that recovery of the loans from the oil palm farmers is linked to the harvesting and sale of oil palm fresh fruit bunches by the farmers and as part of the project design, the farmers sell to the palm oil mill owned by Oil Palm Uganda Limited (OPUL), through KOPGT; where recovery of the loan is deducted at source after sale.

The speed of loan recovery is dependent on the yield which is influenced by age and agronomic management of the plantation; and the price at which the oil palm fresh fruit bunches are sold is influenced by international crude palm oil price.

I advised the Accounting Officer to ensure adequate monitoring and supervision of the project for timely recovery of loaned funds.

(ii) Under absorption of Released funds - UGX.12,519,116,730

During the year under review, the project received UGX.35,598,741,299 for purposes of undertaking planned project activities, however, UGX.23,079,624,569 was spent leaving UGX.12,519,116,730 unutilized representing a 35% underperformance. I noted that some planned activities were not implemented which included; designing of the MIS software for the Project, acquisition of a heavy duty scanner and a 12-14 seater motor boat. I explained to management that underutilization of the available funds could lead to unnecessary project extension costs because of failure to execute the planned activities timely.

In response, management explained that the procurement of speed boat was deferred due to the need to agree on the specifications with the Kalangala farmers while for the heavy duty scanner was due to inadequate provision of funds in the budget. The MIS was not procured because of change in the technical specifications and requirements by the user. This procurement process took long and thus affected the use of the funds under the oil seeds development component.

I advised the Accounting Officer to plan adequately and ensure uncompleted activities are handled within the stipulated time.

(b) General Standard of Accounting and Internal Control

A review of the system of accounting and internal control was carried out and in all material respects, the internal control system and measures to ensure proper accountability for the project funds put in place by management was satisfactory.

Status of Project Implementation

A review of the status of project implementation revealed the following;

(i) Status of Acquired land (Acquisition of Land title) - UGX. 5,271,012,599

Expenditure totalling to UGX.5,271,012,599 was made to purchase 1,174.32 hectares of land for implementation of project activities in Buvuma Island in the period under review however at the time of reporting; land titles of the procured land had not been secured. Below is the status of possession of the highlighted land.

S.No	Land	Registered Proprietor	Delivered Hectares	No. of tenants	Tenant compensation (UGX)	Status of title
1	Plot 3, Block 28, Buluta, Buvuma	Kato Sekabanja P.O. Box 2064, Kampala	412.193	202	767,467,726	In consultant's custody
2	Plots 1&4, Block 35, Bubale, Buvuma	George William Muwonge P.O. Box 123, Mukono	359.000	128	576,181,968	In consultant's custody.
3	Plot 1 Block 6 Bukaibale - Buvuma District.	Stephania Kyazike and Nansubuga Jane- Administrators Of The Estate Of The Late Atanansi Kirakasoro	77.1	82	454,912,800	In Consultant's Custody
4	Plot 1, 2 & 3, Block 25 Nsese Buvuma.	Fred Luyombya, Simon Kivumu and Mike Kaggwa, Administrators of The Estate of The Late Sefatiya Katamba	198.33	158	1,050,060,362	In consultant's custody

6	Plot 19 Block 6 Bukwaya	Kiyimba Edward - Administrators of the Estate of the Late Muhammad Mukasa	181.30	103	1,295,493,260	In consultant's custody
7	Plot 9 Buvuma Block 1 Bunyiguza-Galigatya	Daniel Wandabula	20.23	22	98,754,305	In consultant's custody
8	Plot 1 Buvuma Block 3 Bukaibale--Galigatya	Kibalama Joseph and Kalenzi David - Administrators of The Estate of The Late Barnabe Katte	46.54	39	374,408,045	In consultant's custody
	Plot 5B land at Buyengo FC 24659	Sekanjako Saul	80.12	70	653,734,133	In consultant's custody
	Totals		1174.32	1039	5,271,012,599	

I explained to management that the delay to acquire land titles slows down the progress of implementation of the project activities.

In response, management explained that the land titles for the specified land above were handed over to the project with transfer forms dully signed by the vendors, transferring the land to Uganda Land Commission (ULC) and these were handed over to the land consultants to start the process of transfer to ULC. Management further explained that as a control; these have been caveated to protect the land from any transfer without the knowledge of the project.

I await the outcome of the Accounting Officer's actions.

(ii) Outstanding land compensation claims

I noted that a total of UGX.3,804,475,474 was outstanding in land compensation claims in favour of a claimant. Although funds were available and the valuation process already undertaken, the claimant had not been paid as at the time of reporting in December 2015.

I explained to management that unpaid claims may lead to litigation challenges that impact negatively on the project. Besides, it slows down the oil palm growing due to lack of adequate land.

Management explained that the payment in question is pending verification and due diligence of tenants on the land and payment will be effected thereafter.

Management effort to expedite the process is awaited.

(iii) <u>Failure to hand over 5,000 hectares of land for oil palm nuclear estate</u>

In the project work-plan for the year under review; I noted that management planned to procure and clear all encumbrances on the 5,000 hectares of land in Buvuma district and hand it over to BIDCO Uganda Limited (BUL) to establish the oil palm nursery and begin setting up the nucleus estate. However; review of the activities carried out showed that this was not achieved.

In addition, management planned to identify and procure the remaining 1,500 hectares of land to achieve government commitment of 6,500 hectares for the nucleus estate to BUL however I noted that only 4,780 hectares were procured leaving a balance of 1,720 un-procured. At the time of reporting in December 2015, no land had been handed over to BIDCO. Consequently, no oil palm growing activity was undertaken including the planned establishment of the 10,000 oil palm nursery for seedlings of the small holder farmers. Failure to deliver as agreed could result into non-attainment of project objectives in the scheduled timelines.

In response, management explained that the process of land acquisition has been slowed by lack of updated documents like land titles; multiple claims on a piece of land, tenants and licensees; and dealing with absentee landlords. In order to hand over land to BIDCO, a total of 6,500 hectares of plant able land has to be available and efforts to acquire all the required land are on-going.

I advised the Accounting Officer to expedite the procurement process and hand over the said land to the company to enable it commence.

(iv) <u>Failure to establish Buvuma Oil Palm Growers Trust</u>

I noted that management planned to establish the Buvuma Oil Palm Growers Trust during the year and the recruitment process of the skeleton staff including recruitment of 250 smallholder farmers to start the smallholder oil palm scheme to facilitate modern oil palm growing. However, a review of the project performance showed that the trust was not established. Besides; the recruitment process of the skeleton staff has also not started. I explained to management that failure to start up the trust could affect the cultivation of oil palm activities as expected leading to failure to achieve the intended project objectivities.

Management explained that the smallholder farmers oil palm activities in Buvuma are tagged to the private sector partner BIDCO starting activities on the Island. Because hand over of land has not yet taken place in Buvuma, all the other activities are on halt, including recruitment of farmers to the smallholder oil palm scheme and setting up of the Buvuma Oil Palm Growers Trust.

I advised the Accounting Officer to ensure follow up and have the trust set up.

(v) <u>Buvuma-Land encroachment</u>

During inspection; it was noted that there were reported cases of land encroachment on the project land. People have built up temporary structures and many gardens have been established. It was noted that there are no sign posts installed across the entire land that would clearly show or demarcate the project land.

I explained to management that allowing such activities to be carried out on the project land accelerates encroachment and land grabbing besides; there is a possibility that this could lead to litigation challenges while evicting the encroachers which may affect and or delay implementation of the project activities.

In response, management explained that in order to protect the acquired land from further encroachment, the project has started opening boundary roads around all the acquired land. All the tenants that have been compensated have been asked to vacate the land and from the compensation provisions, these tenants are expected to vacate the land within six months from the time of compensation. The project has also initiated procurement of security services to help undertake surveillance around the land to protect it from encroachment. In the meantime, the police were helping to protect the land by undertaking surveillance and inspecting the lands for any further encroachment.

I advised the Accounting Officer to speed up the exercise of acquiring the required hectares of land and hand them over to BIDCO as agreed.

(vi) <u>Un-implemented activities under KOPGT</u>

I noted that the planned road maintenance (civil works) that was scheduled to be carried out under KOPGT during the year was not implemented. Failure to execute planned activities could affect fulfilment of project objectives in the project scheduled time and may cause project extension costs.

Management explained that the road works were affected by the breakdown of road equipment and indicated that the procurement process for repair was ongoing. A no objection from IFAD has already been granted to have the repairs done.

I advised the Accounting Officer to follow up the procurement process to ensure that the activities are implemented timely.

26.0 NATIONAL AGRICULTURAL RESEARCH ORGANISATION (NARO)

a) Mischarge of Expenditure - UGX.66,500,000

The Parliament of Uganda appropriates funds in accordance with the needs of the country and this appropriation is implemented through the budget in which funds are tagged to particular activities and outputs using account codes and MTEF codes. A review of the Organization's expenditures revealed that the entity charged wrong expenditure codes to a tune of UGX.66,500,000. The practice is contrary to the intentions of the appropriating authority and leads to incorrect financial reporting.

I explained to management that the practice may result into diversion of funds and misrepresentation of expenditure balances in the financial statements.

Management explained that NARO sought for a research code from the Accountant General which has not been granted and indicated that other mischarges arose from work plan and the budget mismatch.

I advised the Accounting Officer to continue following up the matter with Accountant General to ensure a research code is set up.

b) Status of NARO Ownership of Land

It was noted that NARO did not have certificate of land titles as evidence of ownership for most of the land located at Research Institutions country wide. The land has either been encroached on or has been taken away illegally with ownership claimed by other people. In my previous audit reports; I indicated the status of land highlighting the extent of encroachment as summarised below;

	Institute	**Observation**
A	NAFORRI	Untitled Land. 425 hectares of land with no evidence of legal ownership.
b	Coffee Research Center (COREC) - KITUZA	2 acres of land not titled.
C	MBAZARDI, ABIZARDI KAZARDI, BUZARDI	Lack of land Titles and land encroachment challenges. It was noted that there was no proof of land ownership for Mbazardi, ABIZARDI, KAZARDI, BUZARDI and Kakumiro land. The Mbazadi land has continued to get encroached on.
D	BUZARDI	Land at Kakumiro; This land is held in trust by the Land Commission. It was noted that this land has been encroached on. Other challenges included; Land Commission (ULC) parcelling out pieces of land and allocating it to private developers.
E	NaFIRRI	Land for construction of a pier Institute operates from a pier that belongs to Rift Valley Railways (RVR) but there was no MoU between the two Institutions. Other challenges included Irregular allocation of NAFIRRI Institute land to private developers:

f	<u>NaLIRRI</u>	Irregular use of NaLIRRI's property (Plot 48 Osukuru Road)
G	BUGINYANYA (BUGIZARDI)	Encroachment on the Institute's land. Land measuring approximately 270 acres has triplicate title deeds in different individual names and the land was under threat of encroachment.
H	NASARRI SERERE	Land Grabbing by Local community. Some encroachment was reported on the Institute's land situated at Serere by the local community. In Kumi Town Council; un known persons had started putting up permanent structures.
I	Nabuin NABUZARDI	Un-Surveyed land/Lack of a title deed. All the land occupied by the Institute estimated to be 1,300 acres has never been surveyed and hence no title deed to the same land.
J	Ngetta Nge ZARDI	Land Ngetta Institute has land measuring approx. 540 acres. It was noted that the eastern side of the land that was formerly used for animal rearing has been encroached on.

I further noted that land encroachment has continued to increase hence threatening the existence of Organisation's land country wide. Below is a summary status of land that has been encroached on and or given out under unclear circumstances.

INSTITUTE /ZARDI	LOCATION	AREA (Block)	AREA AND NATURE OF ENCROACHMENT	Registered proprietor
NARL	Kawanda	Block 1: 399 ha	55 ha; Stone quarrying by private individuals.	NARO Kawanda
		Block2: 750 ha Botanical Gardens-Entebbe Block 260 Plot 8 Busiro;-Ssenge	450 ha; Establishment of a market and commercial centre by war veterans. Part of Plot 2 Berkeley Road allocated to M/s Shaol Group of Companies This land is under conflict with Akright projects limited, Kaddu Godfrey & Walusimbi' family CS no. 211 of 2012	NARO Kawanda ULC
NaCRRI	Namulonge		There is a threat of over 900 acres leased to Premier Roses	ULC
NgeZARDI	Kitgum	79 ha	20 ha; Land allocated to private developers by Kitgum District Land Board	ULC
MbaZARDI	Mbarara	590 ha	18ha; M/s Ngabo Academy under Captain Bashaija of UPDF., 46.1 hectares leased to Hajuni Investments Ltd	ULC
BugiZARDI	Mayuge	97 ha	97ha; Clan of Mambala of Baise Magumba.	ULC
MuZARDI	Mukono	45.5 ha	Lease expired, with UCU holdings threatening to evict	Church commission

			the institute. A court injunction has been obtained, but safety not guaranteed.	hitherto represented by UCU Holdings
NaFIRRI	Jinja			ULC
	Nile Crescent	Area not determined	All Land allocated by the Uganda Land Commission to private developers.	ULC
	Plot 15B Nile Crescent	Area not determined	All Land allocated by the Uganda Land Commission for private developers.	ULC
	Acacia Close	Area not determined	All Land allocated by the Uganda Land Commission to private developers.	ULC
	Plot 76-82 Magwa Crescent	1.208 ha	1.208 ha; land allocated by the Uganda Land Commission to private developers.	ULC
SERERE	Soroti	1650 ha	20 ha; Private individuals	ULC
NaLIRRI	Lugara	777 ha	250 ha; Private individuals	ULC
BuZARDI	Kigumba	1735acres	12 acres leased to private individuals by ULC	ULC

Besides, NARO does not have an updated register of land that clearly shows the status and type of ownership of land. Details such as the expiry of leases and actual sizes are readily available. I explained to management that there is a possibility that more land could get irregularly taken and or encroached on if appropriate measures are not established to secure the ownership of the land.

The Accounting Officer explained that NARO has compiled an inventory of all land and submitted to Uganda Land Commission to have them titled in the names of NARO. In the interim, the land audit is currently going on with a view of applying for allocation of the land and transfer.

I advised the Accounting Officer to ensure the issues of the titles for the institutes land are followed up immediately to its logical conclusion to avoid more loss.

(i) <u>Lack of mark stones for land at Kutuza, Mukono</u>

I noted that NaCORI - Kituza institute has land measuring 195.461 hectares with land title in the names of Uganda Land Commission located in Kyaggwe, block

259, plots 17 and 19. Physical inspection of the land revealed that management did not know exactly where the land boundaries were located as the boundary mark stones could not be seen. The land was not fenced and there were crop gardens and tree planting activities carried out by people neighbouring the institution. The land appeared to have been encroached on.

I explained to management that failure to understand the boundaries of land that NARO owns is a big weakness that facilitates land grabbing and encroachment.

In response, the Accounting Officer explained that NARO has planned to open boundaries and survey all its land during the FY 2015/16 in preparation for acquiring the land titles. The land audit exercise will be done first as advised by Solicitor General.

I advised the Accounting Officer to plan urgently and ensure the land boundaries are open to curb down the encroachment and grabbing of the institution's land.

(ii) Irregular Lease of Land at Namulonge (NaCCRI)

It was observed that part of NARO land at the National Crops Resources Research Institute (NaCRRI) - Namulonge measuring approximately 357.779 hectares on Volume 4542 (folio 4) plot 651 Kyadondo block 158 Wakiso was leased to Premier Roses Ltd for 99 years by the Commission.

A review of correspondences indicated that a lease was signed between ULC (the Lessor) and Premier Roses Ltd (the Lessee) on the 18th June 2015 for a term of 5 years effective 1st June 2015 for a consideration of UGX.440,000,000 which payment had been effected on 16th June 2015. As per the lease term;

- During the said term of 5 years, the yearly rent of UGX.22,000,000 is payable by two (2) equal half –yearly payments in advance on the 1st day of January and the 1st day of July in every year.
- Rent payable is revisable by the lessor at any time after the expiration of the first 5 years of the said term and at intervals of not less than 10 years thereafter.

- Land is for commercial, agriculture, horticulture, floriculture and educational purposes.
- Lessee is required to erect buildings on the said land and to complete the said buildings for occupation and use to the satisfaction of the lessor on or before the 31st day of May the year 2029.
- When the lessee shall have complied with the building covenant therein and if there shall not at the time be any existing breach or non-observance on the part of the lessee of any of the covenants and conditions in the lease whether expressed or implied, the said term shall be enlarged to 99 years from the 1st day of June the year 2015 automatically and the lease shall thenceforth be read and construed as if the said term of 99 years had been originally granted thereby.

I was not availed with a procurement file on grounds that the file had been taken away by other authorities. In the circumstances I could not therefore obtain adequate information on the matter. A review of scanty information revealed the following anomalies;

- **Consultation with NaCRRI**

Procedure No.5 of the ULC for leasing land states that the Commission after establishing that it is government land will further establish the user department and seek a no objection from that department. However this was not the case. There was no evidence to confirm that a no objection was sought from NARO NaCRRI over the sale of Namulonge Land. It is highly likely that the firm operations could encroach on the existing crops and structures and yet there was no indication of compensation to NARO Institute on the existing developments including crops.

- **Lack of MoU**

There was no MoU between ULC and NARO in reference to this lease before processing of the transaction. I was not availed with the Council minute nor any correspondence between ULC and NARO over the decision to lease this land since NARO had exclusive rights of use.

- **Irregular issuance of lease**

There was no evidence that the status of the previous lease was reviewed before issuing this current lease. Interview with management of NARO showed that the original lease had a balance of 29 years to expire. I explained to management that issuing a land title while there is another title of the same land is irregular and may lead to litigation challenges that could cause financial loss to government. I could not confirm the balance of years remaining as the copy of the original title was not availed for review.

- **Valuation of land**

The consideration of 440m and the annual rent of UGX.22m were not supported with the valuation report. I could not therefore confirm how the consideration was arrived at in view of the size of the land.

- **Revision of offer**

A review of correspondences on file indicated a proposed lease of 49 years however I noted that the lease offered was revised to 99 years on grounds that the lessee does not breach the terms of the 1st term of 5 years. The basis of leasing out the land for the 99 years could not be established.

In his response; the Accounting Officer explained that a meeting with the Chairperson ULC, Commissioner Land Registration, Director Land and MAAIF was held. The meeting was informed that the title that had been issued to a flower company was made in error and it was recommended for recall and termination.

I await the outcome of the above decision.

c) Shortfall of Government Release - UGX. 6,037,756,000

During the year under review, NARO budgeted to receive UGX.46,805,126,000. However, a sum of UGX.40,767,370,000 (87.1%) was released by the Treasury. This left a funding gap of UGX. 6,037,756,000 (12.8%). The non-tax revenue was the least performing item reflecting a shortfall of 60.1%.

In response, management explained that they projected a receipt of compensation of over UGX.2,000,000,000 from Uganda Electricity Transmission Company Ltd (UETCL) for the land occupied by electricity line in Kawanda and the payment was halted due to the land wrangles and awaiting court ruling. Further income worth UGX.1.836bn for compensation of land affected by the road works of Mbarara bypass by UNRA was also not received. It was reported that negotiations for the compensation were still on-going.

I advised the Accounting Officer to strengthen measures in collection of NTR.

d) Uncollected NTR in Rent UGX 109,600,000

(i) Non Payment of Rent Bills by Gulu University

NARO entered into a Memorandum of Understanding (MoU) with Gulu University to utilise NARO Facilities for teaching and instruction of students in various fields including maintaining the premises. Section 4 of the MoU requires the University to pay a consideration of UGX.5,500,000 per month to NARO.

I noted that Gulu University owes NARO rent arrears to the tune of UGX.99,000,000. Further, it was noted that the University violated the terms and conditions as set in the MOU by failing to pay rent for 18 months equivalent to UGX.99,000,000.

Unless urgent action is taken, there is a possibility that the Institute could lose the stated revenue.

In response, the Accounting Officer explained that management made several and unsuccessful attempts to collect rent from Gulu University and has already communicated the intention to seek legal redress from courts of law.

I await the outcome of the Accounting Officer’s action.

(ii) Non Payment of Rent by a tenant - UGX.9,600,000

A tenancy agreement was entered into in April 2003 between NARO and a tenant who occupies premises at Kitgum Station falling under Ngeta ZARDI at a monthly fee of UGX.80,000.

I noted that for the last 10 years, the tenant has never paid rent and he continues to occupy the premises resulting into accumulated rent arrears of UGX.9,600,000. I explained to management that failure to collect outstanding rent adversely affect revenue and implementation of some activities by the ZARDI.

In response, The Accounting Officer explained that administrative measures have been taken to collect the rent but the tenant has failed to effect payment. It was indicated that the tenant has been served with the communication of intention to sue.

I await the outcome of the Accounting Officer's action.

27.0 EASTERN AFRICA AGRICULTURAL PRODUCTIVITY PROJECT (EAAP)

a) Mischarge of Expenditure - UGX. 348,106,800

During the year, expenditure totaling to UGX.348,106,800 was spent on various project activities but charged on wrong expenditure codes contrary to the project guidelines and GOU financial requirements. The practice resulted into misrepresentation of expenditure balances in the financial statements.

Management explained that mischarges were attributed to research expenditures that lack research code. Efforts have been made to obtain a research code from the Accountant General's Office with limited efforts.

I advised management to continue liaising with the Accountant General so as to service a research code. Should there be need for reallocation, authority for the virement should be sought prior to any reallocations.

b) <u>Under absorption of funds - UGX.10,358,052,524</u>

The statement of receipts and payments indicated that the project had funds totalling to UGX.31,467,432,256 available for the year's operations however; I noted that UGX.21,109,379,732 was spent leaving UGX.10,358,052,524 un-utilized which reflects a 32.9% under absorption capacity. As a result; the following activities were not completed.

- The Generator house at NACCRI that is currently under Construction. Works were estimated to be completed in November 2015. The Generator is not yet fixed waiting to be installed.
- Extruder and mixer equipment at NARL Kawanda awaits completion of the Food Bio-Sciences Laboratory where six product lines have been created upon which the equipment will be installed. (The Extruder –mixer is safely kept in store at NARL , Kawanda).
- Laboratory Construction of Nakyesasa where works were estimated at 50% complete.

The slow rate of absorption of funds may lead to unnecessary extension costs that would be avoided if planned activities are completed within the scheduled time.

In response, the Accounting Officer explained that most of the remaining funds are for construction works at the Institutes/centres that have been completed and are awaiting handover. All payments will be exhausted by the end of December 2015.

I advised the Accounting Officer to closely monitor the implementation of project activities to ensure timely completion.

ENERGY SECTOR

28.0 MINISTRY OF ENERGY AND MINERAL DEVELOPMENT

a) Review of Karuma and Isimba Hydro Power Projects (HPP) works

Government of Uganda (GOU) is undertaking the construction of two hydro Power dams; Karuma Hydro Power Dam (600MW) and Isimba HPP (183.2 MW) at a cost of USD.1.65bn and USD.570m respectively. The two projects are jointly funded by GOU and a loan from EXIM Bank of China in the ratio (15:85).

I noted the following;

(i) Direct procurement of EPC contractors

I noted that Government undertook the procurement of an EPC contractor for Karuma through an International bidding process, evaluation was undertaken and one company, China International Water & Electric Corporation was evaluated as the best bidder. However, following challenges in the procurement process, certain executive decisions were taken and M/s Sinohydro Corporation Limited was procured through direct method to construct both the Karuma Hydropower Dam and the associated Transmission Lines, at USD.1.65bn.

Relatedly, the EPC contract for Isimba Hydropower Dam was awarded to China International Water & Electric Corporation at a cost of USD.567m (inlc USD.27.7m for transmission lines and substations) through the same method of procurement (Direct), but the following were noted:-

- There was no tendering undertaken and therefore no bidding done. The bidding process would be used by Government to evaluate the technical abilities of various bidders to identify the most capable firm to undertake the works. There is no evidence that this firm had the technical capacity to construct the dam.
- Since there was no bidding, the contract price of USD.567m had no basis and I could not satisfy myself that this amount was arrived at in the most frugal way. There is a risk that the project costs for Isimba Hydropower project could be exaggerated

- Information available indicates that the firm, China International Water & Electric Corporation had been blacklisted by the World Bank because it had previously engaged in "sanctionable practices" in a hydropower project in Africa. Similarly the Inspectorate of Government and the High Courts of Uganda had established that the firm had misrepresented facts in their bid for the Karuma Hydropower project. I was not availed with evidence that management undertook appropriate due diligence to determine whether such practices would not affect the firm's ability to undertake the Isimba Hydropower project.

There was no evidence that the direct procurement method used followed the requirements prescribed by the procurement law.

Management explained that the Karuma procurement was characterized by so many complaints from different parties including whistle blowers, "concerned citizens", bidders as well as stoppages of the procurement process through court injunctions which spread for a period of more than two years. The process was then halted by IGG and later, Government made a strategic decision to finance the project using funds borrowed from the Government of the People's Republic of China, and have M/s Sinohydro Corporation Limited directly procured to construct both the Karuma Hydropower Project and the associated Transmission Lines.

Management further explained that in the same vein, it was decided that China International Water & Electric Corporation should be directly procured to construct the Isimba Hydropower Project.

I advised management to ensure transparent and competitive processes to avoid possible costly and substandard projects. I also informed the accounting officer that direct procurements have procedures to be followed as per the PPDA laws and regulations.

(ii) Payment of commitment and management fees

I noted that the Ministry paid a sum of UGX.39,981,847,650 to Exim Bank of China in respect of loan management fees and commitment fees from its vote yet the current budget framework mandates Treasury operations vote 130 to budget and pay for those government obligations under expenditure item 241001 and 241002. The implication therefore is that funds appropriated for other specific project activities were diverted to pay obligations which fall under the mandate of another vote.

Besides, the obligation was also being reflected in the debt management and Financial Analysis (DMFAS) system, operated by Treasury department, creating a risk of double payment.

Although management explained that the funds for management fees were part of the Ministry's budget therefore no funds were diverted to pay management fees for both projects, this was not reflected in the MoFPED DMFAS system. The PS/ST has subsequently promised to adjust the obligations in the DMFAS system to exclude the obligations.

I advised management to follow up that commitment.

b) Planned generation vis a' vis Demand and Uptake Infrastructure

Over the years government has invested a lot of funds in expansion of the generation capacity, which has grown by 8.45% since 2009/10, with the current generation estimated at approximately 685 MW as indicated in table 1 below;

Table 1 showing generation capacities per company

NO	Generator	MW at Peak
1	Kiira & Nalubaale	215
2	Bujagali	250
3	Embedded-hydro max, Tibet etc	61
4	Thermal (Capacity)- Jacobsen (50), Electromax (68)	118
5	Tronder Power	13
6	Mpanga	18
7	Eco Power Isasha	6.5
8	Nyagak HPP	3.5
	Total (approx.)	**685**

Source: ERA financial statements 2014/15

According to the ERA performance report 2014/15 the Authority expects an additional 1,217MW by 2019 (Karuma, Isimba, Ayago etc. I however noted that this capacity has not yet matched the anticipated demand. Current peak demand is approximately 550MW creating a current excess capacity of 135MW. The report further confirms that the projected growth in supply is likely to exceed demand. This challenge has been mainly attributed to low demand and limited distribution and transmission networks.

The implication is that most power plants are not producing at full capacity, yet this idle capacity (also known as deemed energy) is paid for through tariffs and government subsidies. Below are examples of such deemed energy charged.

Table 2: Sample of power generating plants that are unable to sell their excess power

Power plant	Installed capacity (MWs)	Deemed power (MWs)
Kabalega mini hydro power plant (Hydromax)	10.0	6
Kinyara Co-Generation power plant	14.5	5.5

Thermal plants (Electromax, Jacobsen)	118	7 (maintenance)
Total	142.5	18.5

Source: OAG analysis

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, with a capacity of 118 MW, government continues to pay capacity charges amounting to approximately UGX.68bn annually for the last two financial years, through UETCL, yet they are only contributing 7 MW power to the grid. One of the thermal plants is supposed to be taken over by government on expiry of the contract.

Also committing government into investment projects without first analyzing 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.

Management acknowledged the concerns and together with MoFPED and other sector players are already evaluating the requirements to ensure that the generated power reaches the consumers through expansion of the grid network.
A technical team headed by the Electricity Regulatory Authority was carrying out the analysis on the matter and will be tabling its findings shortly.

Through the Northern Corridor framework, possibilities of regional power exports are also being pursued.

I await the findings and outcome of the study. Meanwhile I advised management to ensure that government initiates aggressive programs to stimulate growth in demand and also address the infrastructure constraints in the distribution and transmission sectors.

Furthermore, in light of the new anticipated investments in the cheaper hydroelectric power, government could review the licensing policy of such costly thermal plants, only when there is enough demand to accommodate the produced energy.

c) <u>Mining Sector Anomalies</u>

(i) <u>Irregular hire of equipment</u>

Treasury Accounting Instructions require opening up a loan/hire register where details such as the identity of the person hiring, amount of revenue paid and the agreed date of return and authority are recorded.

During the year under review, the Ministry purchased Geophysical equipment worth UGX.1, 515,745,000 from Ms. PHOENIX Geophysics Limited which was delivered to the Department of Geological Surveys and Mines. During the stores inspection, I noted that some of the equipment had been hired out to a private individual soon after the equipment was delivered. There was however;

- No hire register maintained to record details and terms of the hire
- No evidence of payment of fees for hiring
- No date of return
- Particulars of the person to whom equipment was hired were scanty

I further noted that equipment had left the stores before being engraved.

There is risk of loss of revenue from hiring, loss of equipment and or high maintenance cost transferred to government after private use of the equipment.
Management in response explained that DGSM received a request from one of its licensees (GIDS Consult Ltd) to have the geothermal equipment deployed to carry out MT and TEM geophysical exploration surveys in Bundibugyo and considered this request as an opportunity to have its staff have a hands practical training and application of the new equipment in a practical environment.
Therefore DGSM accepted to the request and attached 2 Geophysicists to operate the equipment and collect the data during the field surveys. In return, DGSM benefited by testing the functionality of the equipment in the real geothermal field

(Buranga), staff trained and shared experiences with the Kenyan Geothermal Development Company Geophysicist experts that had been hired by the Licensee and shared geophysical data collected with GIDS Consult Ltd.

Although management stated that all the equipment was returned to DGSM Stores in sound condition, on completion of the geophysical surveys, there was no evidence to prove this.

I advised management to ensure that government property is not used for commercial and private use. Meanwhile, I advised management to draft a transparent asset hiring policy to address issues such as procedures for hire, rates, and operation and maintenance of such equipment.

(ii) <u>Non Operational laboratory equipment</u>

In 2012 the department (DGSM) acquired an X-ray fluorescence (XRF) machine and an atomic absorption spectrophotometer (AAS) at a combined cost of USD.421,066. However, during an inspection of the laboratory, I observed that these machines were not operational. From a review of correspondences, it was noted that these had broken down.

Management attributed the breakdown of these machines on power fluctuations and lack of sufficient funds for the maintenance of the above equipment. Without a maintenance policy such expensive procurements are exposed to early wear and tear (damage).

On further review of the correspondences and status reports at the Ministry of Energy and Mineral Development, I also noted that the Department lacked a laboratory policy and a laboratory information system (LIMS) which are very important in the running of a well maintained laboratory.

Management explained that the supplier for XRF had diagnosed the problem and made a report while the procurement process to address the challenges of AAS were underway. Management further stated that the LIMs will be upgraded to suit the digital and electronic laboratory.

I advised management to ensure that appropriate budgets are drawn for maintenance of assets to avoid premature deterioration.

(iii) Under collection of revenue

During the financial year I noted that out of UGX.8, 903,015,816, the Ministry had assessed as minerals taxes/fees only UGX.8,402,704,787 was received indicating that an amount of UGX.500.311.029 remained outstanding. Failure to collect all assessed fees results into loss of revenues to government.

Additionally, during field inspections I noticed that a mining company (African Panther) had not declared to the Minstry 3.5m tonnes of Cassiterite (TIN) which it had mined contrary to the Mining Act. Such undeclared production denies the government it's much needed revenue (royalties).

The Accounting Officer explained that management recognizes the gap within the revenue assessment and the collection system caused largely by lack of reconciliation between assessed BPAFs and unpaid BPAFs and promised to put in place corrective measures to recover Non Tax Revenue.

In addition, the defaulters' names were published with their amounts due to government.

I advised management to ensure that all revenues due to government are collected through vigorous measures which could also involve penalties and non-renewal of licenses, for any defaulting firms.

(iv) Inspections of mining activities

Four mining areas were visited during the inspections and I noted various anomalies which are contrary to the Mining Act. These included; lack of protective wear for the workers exposing them to health risks and injury, Lack of mining records on site resulting into inaccurate information and assessments, Inadequate safety measures, Lack of environmental performance bonds, lack of financial guarantees which lead to speculative miners and non-submission of Geological information.

Such noncompliance leads to health risks, environmental damage and inadequate information for the Ministry.

I advised management to ensure that the miners strictly adhere to the provisions of the Mining Act 2003.

d) <u>Management of the Government Petroleum Strategic Reserves</u>

<u>Jinja Storage Reserves:</u>

In 2012, the Government of Uganda and M/s Hared Petroleum Limited (Operator) entered into a concessional agreement to refurbish, restock maintain and manage the petroleum strategic reserve facility at Jinja. According to the agreement the Operator was required to manage the facility for a period of 10 years. The operator committed to building up the government reserves in a period of 6 months from the signature date. During the year I noted the following;

(i) <u>Failure to Stock the Strategic Reserves</u>

Despite the Concession obliging the operator to ensure that 40% (12million litres) of the storage capacity of the products is available at all times as a strategic reserve and this to be released whenever there is a national petroleum supply shortfall the operator, at the time of inspection, in September 2015, there was only 274,000 litres of petrol and 331,000 litres of diesel in stock.

From an analysis of the total amount of petroleum in the tanks since commissioning I noted that the tanks have never had the 40% strategic reserves at any one time as shown in the table below.

Table 6 showing monthly stock levels

Month	Required Stock levels/litres		Closing Monthly stock levels/Litres		% Deficit	
	Diesel	**Petrol**	**Diesel**	**Petrol**	**Diesel**	**Petrol**
November 2014	20,000,000	10,000,000	350,004	458,077	98%	95%
December 2014	20,000,000	10,000,000	326,139	491,230	98%	95%
January 2015	20,000,000	10,000,000	481,660	265,444	97.6%	97%
February 2015	20,000,000	10,000,000	468,519	319,365	97.7%	96.8%
March 2015	20,000,000	10,000,000	469,698	319,282	97.7%	96.8%
April 2015	20,000,000	10,000,000	314,383	237,958	98.4%	97.6%
May 2015	20,000,000	10,000,000	346,788	307,928	98.3%	96.9%

From the above analysis it is evident that stock build up is not being achieved and consequently the national petroleum reserves are not serving the purpose for which they were established.

Management explained that the operator's ability was constrained by unforeseen increased level of investment in the refurbishment that doubled and the challenges associated with the supply route of Mombasa. Management is also pursuing the option of capitalising the strategic reserve.

I advised management to review the terms and conditions of the agreement to streamline the operations of the reserves in view of the limited capacity of the operator.

(ii) Delayed Contract Implementation

According to the concession agreement the operator (M/s Hared Petroleum Ltd) was to complete the refurbishment and restocking within a period of 6 months from the signature date (13th March 2012). However, the facility was commissioned on 31st October 2014 after the refurbishments, implying 2 years of delay.

According to the projected cash flow analysis in the agreement, it was estimated that the Government would earn USD.974, 659 in concession fees every year. The two years delay instead caused loss to Government worth USD.1,949,318. No written notice was on file to justify the delay as required by Par 19.6 of the agreement.

Management explained that, on handover of the facility, it was noted that the facility had deteriorated which changed the value and scope of the phase I-refurbishment of the facility hence the extension of time.

I informed management that is an indication of inadequate feasibility study undertaken before award of contract and to ensure that in future adequate scoping and needs analysis is undertaken before such major strategic alliances are undertaken.

e) <u>Mischarge of expenditure</u>

Treasury Accounting Instructions, 2003, require all virements to be approved in advance by the Minister (Secretary to Treasury) and that funds available under one item or sub-item of expenditure may not be transferred to another item or sub-item save on the authority of a virement warrant.

However, contrary to the above, a total of UGX.787,474,716 was charged on inappropriate budget lines. The bulk of the funds were diverted from Transfers to other government units, Engineering and Design studies, other structures, land and non-residential buildings. This practice is irregular and undermines the intentions of the appropriating authority.

Management attributed the anomaly to spending pressures for which a reallocation could not be made as the resources had already been warranted.

I advised management to always ensure that budget lines are allocated sufficient amounts of funds to undertake planned activities.

f) Understatement of payables

I noted that a total of UGX 291,133,616 which related to amounts outstanding to a contractor were not included in the payables amount in the financial statements. The payables were thus understated by that amount.

I advised management to make necessary adjustments in the financial statements to ensure payables are stated at correct amounts.

Another UGX 549,764,670 in respect of gratuity for 164 contract staff which was still outstanding by the end of the financial year had not also been included in the payables figure. It was however established that, as of March 2015, the payment had not been effected. This is a breach of contract terms of employment and this is likely to affect staff morale and thus affecting their performance.

Management explained that the delay to pay Staff gratuity was as a result of lack of funds and had written to the Ministry of Finance, Planning and Economic Development requesting for additional funds.

I advised management to ensure all outstanding obligations are included in the financial statements to enhance follow up and tracking.

28.1 ELECTRICITY SECTOR DEVELOPMENT PROJECT – MEMD

a) Under-absorption of loan funds

The Government of Uganda obtained a loan from the International Development Association equivalent to USD.120 Million for Electricity Sector Development Project (ESDP) on 2nd September 2011 with the objective of increasing the access of electricity supply in the south western region of Uganda. A review of the loan status revealed that the loan whose closing date is projected to be 28th February 2017 has had a low disbursement rate. Of the loan amount of USD.120 Million, only USD.12,990,465 (10.83%) had been disbursed by end of the current financial year.

It was also noted that in the year under review, USD.1,026,987 remained unutilized from the funds already disbursed. The underutilization of funds negatively affects project implementation. Government also continues to incur unnecessary costs in commitment fees for any outstanding loan balances.

Management acknowledged the need to expedite project implementation and explained that all project Consultants had already been procured and contractors were being procured for the works that constitute 74% of total project activity costs. Management anticipated that the actual absorption is projected to greatly improve when the civil works commence.

I have advised the project management to expedite the implementation of the outstanding activities so as to improve on funds absorption and thus disbursement rates, so as to attain the project intended objectives.

28.2 ENERGY FUND

a) Delayed compensation of Project Affected Persons for the Isimba Hydro Power Project

The Ministry of Energy and mineral development (MEMD) is undertaking the construction of the 183.2MW Isimba Hydro Power Project. A consultant was engaged to implement the Resettlement Action Plan (RAP) and related services for the Project Affected Persons (PAPs). During the year under review, management paid a total of UGX.24,808,050,208 to the PAPs leaving an outstanding sum of UGX.1,343,968,977.

Delayed compensation may result into contestation of the initial assessments owing to inflation and other factors. Additionally, taking into consideration the fact that the contractor has already started construction, such delays may lead to slow implementation of project works resulting in extra costs related to commitment fees and interest.

Management explained that many people did not disclose their land titles at the valuation stage so their land was valued as customary land. However during the verification and disclosure exercise, they presented land titles and did not agree to be paid at the lower rates. Compensation of such claimants is awaiting the valuation report from the Chief Government Valuer.

I advised the Accounting Officer to expedite the compensation process to enable smooth implementation of the project.

28.3 ENERGY FOR RURAL TRANSFORMATION PROJECT II

a) Compliance with financing agreement provisions and GOU financial regulations

It was noted that Management had in all material respects, complied with the Financing Agreement provisions and Government of Uganda financial regulations except for the following matters:

(i) Use of donor funds to pay taxes

Article IV of the funding agreement requires that the Agency uses GOU counterpart funds to defray any customs duties, sales taxes and other taxes, fees and levies on all equipment, materials and supplies financed by the grant and imported into Uganda for the benefit programme.

It was however noted that the Agency used UGX.4,235,457,988 from the donor funding to pay for taxes contrary to the financing agreement guidelines. Included in this figure is UGX.2,988,066,465 which has been outstanding from the previous financial year. Diversion of donor funding delays implementation of planned activities and may result into sanctions.

Management explained that the donor had agreed to the proposal to utilize the outstanding GOU counterpart funds on the extra construction works.

I await the outcome of Management's commitment in this regard.

(ii) Failure to remit the GOU counterpart funding

The financing agreement required that the GOU provides the financial and other resources required in addition to the grant for the successful implementation of the project.

It was however noted that no funds were provided by GOU for the current and previous financial years towards the implementation of the project. Failure to provide the required counterpart funding demonstrates non commitment by the government towards counterpart obligations resulting into project implementation challenges and delays.

Management explained GOU was funding counterpart activities from the 5% transmission levy, and that these activities included; project monitoring, consultancies for wayleaves assessments and taxes.

I advised Management to ensure that GOU Counterpart funds are budgeted for and promptly released to the project to meet project expenditures.

HEALTH SECTOR

29.0 MINISTRY OF HEALTH

a) Expenditure over and above the available cash in the TSA

Review of the financial statements revealed that the Ministry spent UGX.2,356,211,612 well above the Transfers received from the Treasury in the Treasury Single Account (TSA), as shown below;

Ser. no.	Particulars	Amount in 'UGX'
1	Transfers received from the Treasury	46,747,991,915
2	Total Operating expenses	49,104,203,527
	Excess expenditure over revenue	**2,356,211,617**

The position affected the statements of financial performance, the cash flows, the financial position, and the statement of changes in Equity.

Further review of the payments file on IFMS revealed that invoices worth UGX.2,815,539,282 were entered and processed for payment between 29th June and 30th June 2015, contrary to the end of year closure procedures issued in May 2015 which among others advised the Accounting Officers not to process any EFT payment instructions after 25th June 2015 and to have submitted all invoices to Treasury by close of business on the same day. This followed the issuance of an additional quarter cash limit of UGX.2.6bn.

The processing of invoices and posting of EFTs after the set date led to reporting of negative balances in the financial statements. Negative balances portray acquisition of overdrafts which are not permissible in the TSA arrangement.

In response, the Accounting Officer explained that the invoices were paid by the end of 30th June 2015 and posted in the General Ledger and the accounting for these payments was done before the end of the Financial Year. Funding of the TSA was done in July and payments were honoured on 3rd July 2015. The payments were for Interns' Allowances, Recruitment of Health Workers and other outstanding commitments.

No further justification was given as to why the invoices and payment processing had to wait for the last day of the financial year. There is a risk with the last day invoices and payments as the practice can be used to slot in fictitious invoices.

I advised the Accounting Officer to always comply with the end of year closure procedures and avoid last minute invoice processing to avoid possible abuse.

b) <u>Outstanding Payables</u>

Reported in the financial statements were payables of UGX.10,760,867,661 out of which UGX.10,443,672,449 had been outstanding for more than one financial year while UGX.317,175,212, in trade payables, was incurred during the financial year under review contrary to the commitment control system. Among the payables were: Umeme (UGX.3,131,972,718), NWSC (UGX.61,389,202), NMS (UGX.3,771,617,043), JCRC (UGX.1,198,080,000), Rent – Bageine Co (UGX.71,064,578), UTL (UGX.127,958,907), Carl Bro International A/S (UGX.132,282,720) and others which remained outstanding through the year. Late settlement of outstanding obligations may attract litigation and associated costs. In addition another UGX.3.9bn relating to outstanding salary arrears for bonded and non-bonded health workers was not included in the payables figures in the financial statements thereby understating the liabilities.

In response, the Accounting Officer explained that the Ministry had not been provided with resources from MoFPED to clear the Liabilities. It was further explained that arrangements were being made to switch the entity to the pre-payments system as a way of curbing utility bills. Meanwhile the outstanding salary arrears were not recognised in the accounts as reconciliations between the Ministry and the districts regarding the staff were still on going. However a disclosure had been made in the commentary to the accounts.

I advised the Accounting officer to conclude the reconciliation expeditiously and subsequently include the entire amount of the salary arrears in the financial statements. Meanwhile, I await the outcome of the implementation of the pre-payment system for utilities as directed by PS/ST.

c) Refund to Global Fund

During the year an amount of UGX.3, 198,224,060, equivalent to USD.1, 363,024, was paid as a refund to Global Fund due to prior years' loss of donor funds through fraud. Although the refund was authorised by PS/ST, this amount should have been recovered from the individuals involved in the fraud. I consider this a loss.

The Accounting Officer stated that although UGX.3,198,224,060 had been refunded, investigations revealed that only UGX.1,895,617,227 was refundable and a total of UGX.23,479,000 had been recovered from the individuals involved and remitted to the Consolidated fund. The balance of UGX.1, 872,138,227 is still outstanding with the beneficiaries still insisting that activities were actually undertaken.

I urged management to ensure the position is reconciled and harmonised with the donor to have this matter closed. All outstanding funds should be investigated and recovered as appropriate.

29.1 UGANDA GLOBAL FUND TO FIGHT AIDS, TUBERCULOSIS AND MALARIA PROJECT - TUBERCULOSIS COMPONENT

a) Unexpended Balances

A review of the Fund Accountability statement revealed that the TB component had unutilized funds amounting to UGX.2, 625,487,180 brought forward from the previous year. During the year, funds totaling UGX.18,131,924,330 were received resulting into a total of UGX.20,757,411,510 available for use, of which UGX.14,898,067,350 was spent leaving UGX.5,859,344,160 un-utilized.

Failure to utilize the funds in accordance with the work plan hinders achievement of the project objectives and this may be attributed to laxity of management.

In response, the Accounting Officer attributed the anomaly to protracted procurement processes and delays in disbursement of the funds to the project.

I advised the Accounting officer to enhance supervision of the procurement process and to liaise with Global Fund headquarters regarding timely disbursement of the budgeted funds.

b) <u>TB Prevalence Survey</u>

Review of Minutes of the TB Prevalence Technical Committee meeting held on Thursday 15th Jan 2015 and the review of the survey agreement that was signed on 05/06/2013 between the Ministry of Health and Makerere University School of Public Health (MUSPH) revealed various weaknesses as follows;

- Whereas the survey was scheduled for completion by 30th July 2014, it was on-going in July 2015 indicating a delay of 1 year.
- There were low pre-visits to the survey sites and that the report for the quarter September-October 2014 was too shallow;
- Some results showed abnormal chest X-rays yet no sputum was taken for the particular clients. The minutes of the 31st meeting held on 1st January 2015 refer.
- There were inconsistencies in data given from labs without explanations and data storage was not proper as indicated in minutes of the 39th meeting of 27th March, 2015 and that there was a lot of late contamination of the TB specimens and high use of hydroxide.
- Cultures were not available within three weeks and multiple samples were submitted by particular clients as per 37th meeting minutes of 13th March 2015.

Delay in implementation of the project milestones hinders healthcare services delivery and negatively impacts the achievement of the overall project objectives. Additionally, inaccurate data and poor data management may affect the results of the research.

In response, the Accounting Officer explained that;

- This was a unique national study, the first of its Kind in Uganda with the aim of assessing and getting the best TB disease burden among adults (15 years and above). The study had a lot of multinational interests from WHO, CDC and Government of Uganda and not a routine activity.
- The study tools needed to be first approved by the relevant government and international structures, quality assurance standards and a lot of preparations had to be made, piloted, and procurements had to be made and all the study team had to be recruited oriented by both local and international experts before actual measurement could start.
- Once the final protocol was approved and all supplies were in place, the implementation ran smoothly.

I advised the accounting Officer and the project management to always ensure that adequate management and quality assurance procedures are put in place prior to commencement of the agreement to ensure timely achievement of research objectives.

29.2 UGANDA HEALTH SYSTEMS STRENGTHENING PROJECT (UHSSP)

a) Rejected Medical Hospital equipment

A review of the progress report and the Aide Memoire of 18th May 2015 showed that there was delayed removal of the rejected medical equipment from the health facilities contrary to what was agreed upon earlier in the IDA Mission. It was noted that medical equipment estimated at a cost of USD.1,927,194 had been rejected and suppliers asked to remove and make good of this equipment within a period of five months from March 2015.

It was noted that one firm complied while the other one was declared bankrupt after the equipment had been rejected. Although the Accounting Officer indicated that the official receiver of the bankrupt firm had been appointed to collect the rejected items, this has not been done.

There is a risk that the bank may demand for refund of the money involved if no action is taken.

I advised management to expedite the implementation of the agreed actions to avoid negative consequences that may arise if the bank takes recovery measures. The suppliers should be compelled to make good of the rejected equipment.

b) <u>Non implementation of planned activities</u>

Schedule 1 of the Financing Agreement for the Uganda Health Systems Strengthening Project describes the overall project objective of delivery of the Uganda National Minimum Health Care Package to Ugandans, with a focus on maternal health, new born care and family planning to be achieved through improving human resources for health; physical health infrastructure; management, leadership and accountability for health service delivery". Part B of the Schedule describes the activities to be undertaken under Improved Infrastructure at Existing Health Facilities component.

Project management then planned for 9 hospitals (Anaka, Nebi, Moyo, Kiryandongo, Nakaseke, Mityana, Entebbe, Iganga and Moroto) to be constructed at UGX.69, 760,000,000. 13 other hospitals, (Pallisa, Kitgum, Apac, Bugiri, Abim, Atutur, Kitagata, Masindi, Buwenge, Bukwo, Itojo, Mubende and Moroto) and 27 Health Centre IVs (Kasanda, Kiganda, Ngoma, Mwera, Kyantungo, Kikamulo, Kabuyanda, Mwizi, Kitwe, Rubare, Aboke, Aduku, Bwijanga, Buliisa, Padibe, Atyak, Obongi, Pakwach, Buvuma, Budondo, Ntenjeru-Kojja, Buyinja, Nankoma, Bugono, Kiyunga, Kibuku and Budaka, were scheduled for rehabilitation using an additional USD.90 million.

However, the request for the anticipated USD.90 million had not been approved by end of year and construction works had only been partly done using the available but insufficient funds. This is likely to leave the incomplete works in abeyance and at the risk of loss of the investments already made in these works.

The Accounting Officer explained that negotiations had been concluded with passing of the Anti-homosexuality Law, the loan was deferred and no official communication was received as to whether the Application would be considered or was cancelled. However, using the savings within the current project, funds were mobilized to renovate part of the 26 HC IVs and works were ongoing. Efforts to mobilize funds to renovate the 13 Hospitals' progress were limited since 2012.

I advised the Accounting Officer to look for funding from other sources for the completion of the works already started on to avoid loss of investments already made and to also renovate all the hospitals that had been planned under this loan.

29.3 MULAGO NATIONAL REFERRAL HOSPITAL SUPPORT TO THE DEVELOPMENT OF A SPECIALIZED MATERNAL AND NEONATAL HEALTH CARE UNIT IN MULAGO NATIONAL REFERRAL HOSPITAL (MULAGO III) PROJECT

a) Delay in procurement activities

(i) Civil works and Supervision of works

During a meeting held on 17th July 2014, between SMNHUP Project Management Unit (PMU) and the Islamic Development Bank (ISDB) Project Implementation Assessment and Support (PIAS) Mission, it was agreed that the major procurement of consultants for supervision of works be finalized by December 2014 and civil works for the project commence by January 2015 latest. However, I noted that the contracts for supervision and civil works were signed on 19th May 2015 (4 months after the deadline period of January 2015) and Civil works commenced in June 2015.

Despite Management attributing this delay to a change in the ISDB procurement guidelines which required projects above USD 10 million to undergo a pre-qualification process before the bidding process, no correspondence relating to this change was availed for review.

(ii) **<u>Medical Equipment, Furniture</u>**

According to the work plan, draft specifications and tender documents should have been prepared and approved by the Ministry of health Contracts Committee by February 2015. However by the time of reporting, no work had been done in relation to this activity.

Management explained that the delay in civil works had a spillover effect on other activities like procurement of medical equipment, furniture since there would be no space to store these items once purchased and that they expect to begin the procurement process in the 3rd quarter 2015/16.

(iii) **<u>Specialized Training</u>**

According to the work plan, the detailed training plan and solicitation for offers from potential providers (Universities/Hospitals) clearance and No-objection letter from the Bank should have been finalized by June 2015. However, I noted from the correspondences between the Bank and project management, that the project had not yet obtained a no-objection letter from the Bank by that time.

The correspondences further reveal that 12 health workers who had been selected to attend training in Urogyneacology and Perinatology in Cairo, Egypt scheduled for September 2015, only travelled in the latter part of October 2015. Management indicated that they were waiting for security clearance and that though the bank's contribution of 40% towards this training was already availed; GoU still faced a challenge of funding its 60% of the training budget as per the Grant agreement.

I explained to management that these delays may impact negatively on the project implementation and attainment of project objectives.

I advised management to ensure that the project implementation timelines are adhered to for the attainment of project objectives.

29.4 MULAGO KAMPALA CAPITAL CITY AUTHORITY PROJECT (MKCCAP) 30th June 2015

a) Other unfulfilled agreements between the bank and the GOU

(i) Government contribution and payment of VAT

The Ministry of Health signed a contract with a Construction Company for the rehabilitation and upgrading of the Lower Mulago Hospital at contract price of USD.29,617,820.64 inclusive of Value added tax of USD.4,517,972.67 on 17th October 2014. Under the financial agreement, the government of Uganda is to contribute USD.1,358,069.88 (5.4%) to the construction cost and the VAT component of USD.4,517,972.67.

It was noted that GoU through the Ministry has not paid its counterpart funding of 5.4%. Outstanding VAT obligation by the contractor had also not been settled by Government. The outstanding VAT obligation by the contractor with URA which was an indication that GoU did not honour its contribution to the project. Non-contribution by GOU and delays to settle the VAT obligations are likely to delay the project implementation.

The Accounting Officer explained that the Ministry of Health was liaising with the Ministry of Finance Planning and Economic Development to ensure the VAT component of project contracts and the Government of Uganda co-funding to the Mulago contract are incorporated in the sector budget for financial year 2016/17.

I await the outcome of the Accounting Officer's undertaking with the Ministry of Finance and Economic Development.

b) Failure undertake adequate due diligence

Section 186 (1b-i-iv) of the PPDA Act requires a bidder to be eligible to participate in public procurement. However, an International firm was procured to supply and install Endoscopy and Urology Equipment at a cost of Euros 836,994 by end of May 2015. An advance payment of Euros 167,398.80 (20%) was paid to the firm but at the time of audit, only 3.3% of equipment worth Euros 27,620.80 had been delivered. Details available show that the supplier was declared bankrupt in April 2015.

Although the advance payment was fully recovered from outstanding payments to the firm and cashing of the performance guarantee, awarding a contract to a non-going concern firm is an indication that no adequate due diligence was done on the firm. As a result, the procurement process had to be re-done leading to loss of time.

I advised the Project Management to always ensure that they undertake adequate due diligence on the firms before they awarded big contracts to avoid a repeat of the above scenario.

c) Non-Compliance with delivery dates for front loaded equipment

It was noted that Contrary to the provisions of the contracts which specified delivery dates, there were delays in delivery for following procurements;

- Philips Pharmaceutical Ltd/Critical Care Solutions Ltd was procured to supply Intensive Care Unit Equipment at a cost of USD.1,331,864.11 by May 2015. However, by the year end, only 50% worth USD.665, 920 of the equipment had been delivered.

- Global Scientific Supplies Ltd was awarded contract to Supply and Install Physiotherapy and General Medical equipment worth USD.387,837.45. Only 90% worth USD.349,053.70 of the equipment had been delivered.
- Rima (E.A), Ltd was awarded a contract to Supply and Install Workshop Tools (Lot 9-), at USD.587,062 by May 2015. The firm promptly delivered 95% of the goods worth USD.557,708.90 while items worth USD.29,353.10 (5%) had not been delivered by June 2015.

Non-compliance with the contract terms (delivery dates) by the respective firms amounts to breach of contract.

Although the Accounting Officer explained that all the outstanding items had been delivered by the respective suppliers, non-delivery within the agreed timelines can lead to delays in the implementation of the project, increases the costs of inspection at delivery and can lead to supply of incompatible items especially where the equipment has to work as a unit.

I advised the project management to ensure that that the contract terms on delivery dates are complied with to avoid unforeseen financial losses due to delayed deliveries.

d) <u>Un-resolved Land dispute at Kawempe Hospital Site</u>

A review of the Aide Memoire dated for March 2015 and other project documents revealed that the General Referral Hospital at Kawempe was constructed on two disputed pieces of land comprised on plots 3883 and 1305. Details arising from the records of meeting between various stakeholders show that plot 3883 had an extra 10 decimals in excess of the size of the plot while plot 1035 had not been sold to KCCA. As a result, the family members and owners of the disputed land were threatening to sue KCCA.

If the land ownership issues are not solved, the implementation of the project is likely to be affected and the development could be a waste of government resources.

The Accounting Officer explained that the land matter was being handled amicably with the claimant in order to resolve it so as not to halt the hospital construction works already on going. He also indicated that the Ministry of Lands had provided documents from the Land Registry that clearly showed KCCA as the rightful owner of the Land on which the hospital was being constructed.

I advised the Accounting officer to ensure the land disputes are resolved urgently to avoid loss of government investments.

e) <u>Slow implementation of project activities</u>

(i) <u>General activities implementation level</u>

The financing agreement signed between Government of Uganda and ADB stipulated the overall project start and end dates and various timelines within which specific activities were to be implemented. A review of the progress reports on the implementation status per project expenditure component and categories according to the mission report of 23rd to 27th March 2015, showed that implementation was at an average of 30%. This is relatively low compared to the remaining implementation period. Slow activity implementation rates may result in inability to achieve the project targets and objects.

I advised the accounting officer to enhance monitoring and supervision so that the planned activities are implemented in the stipulated project period.

(ii) <u>Delayed procurements for Goods, Services and Works</u>

Although the procurement processes for most of the Civil Works, Goods and Services had been concluded at the time of audit, various activities were still in progress. Some of these had implementation completion dates scheduled between December 2014 and December 2015 but had either delayed or were still on-going. The delays could have been mostly due to procurement procedures.

The Accounting Officer explained that management was to expedite implementation of all project activities that were on-going so as to achieve the project objectives within the project implementation time frame.

I await the outcome of the accounting Officer's undertaking to avoid project time overruns.

29.5 UGANDA SANITATION FUND PROJECT 30TH JUNE 2014

a) Funds not accounted for

(i) <u>Advances to EA for operational funds and sub-grantees</u>

Treasury Accounting Instruction S217 requires that advances not accounted for within 60 days from date of payment shall be deducted from the monthly salary of the person to who/m the advance was made and that instructions shall also be given not to give a new advance to anybody with unsettled advance.

However, UGX.274, 961,905 advanced to various project staff and sub-grantees remained unaccounted for. The schedule below refers:

Item(s)	Amount (UGX)
Advances to Project staffs (EA) – Management costs	75,413,300
Advances to Sub – grantees - Bukedea	144,988,605
Inadequate accountabilities of funds to sub – grantees (Various)	54,560,000
TOTAL	**274,961,905**

Delayed accountabilities may result in falsification of falsification of documents.

I advised the Accounting Officer to obtain accountabilities for verification or recover the funds accordingly.

(ii) Doubtful accountabilities

Paragraph 120 of the Treasury Accounting Instructions, 2004 stipulates that all payment vouchers must be properly supported with appropriate documents or sub-vouchers.

However, a review of the project accountability documents for UGX.70,180,000 revealed the following anomalies.

- The activity reports attached lacked key information such as names of staff, signatures, number of field days and corresponding rates.
- UGX.23, 895,000 was paid to M/s Akello Hotel Ltd of Soroti town for training of Community Led Total Sanitation (CLTS) for five days from 18th to 22nd June 2014 per expenditure voucher ST-13/6/2014, procurement reference no 00230 and LPO no 5123 had attendance lists that did not state the specific days/ dates when the training took place; instead, each attendance list had a date of 18th-22nd August 2014. Table below refers.

Dates	From whom	Purpose	Amount (UGX)	Remarks
19th August 2013	Ibuyat David	Technical support in the districts of Bukedea, kumi, Ngora	2,315,000	Report not addressed to anybody, no writers name and signature
14/04/2014	Nakiboneka Priscilla	Monitoring visits in kibuku and Pallisa	1,590,000	Report not addressed to anybody, no writers name and signature
19th August 2013	Ibuyat David	PCM monitoring	2,480,000	- As above-
25/6/14	Otai John Justin	CLTS training	10,370,000	Report not addressed nor

				signed by the originator. Per diem days not specified
25/8/2014	Ibuyat David	Sanitation week	3,423,000	- As above-
13/05/2014	Ibuyat David	Technical support supervision for Amolator, Dokolo,Kaberamaido	8,468,000	- As above-
25/3/2014	Nakiboneka Pricsilla	Accompanying Global sanitation team	2,070,000	- As above-
6/3/2014	Ibuyat David	Capacity building of districts on reporting	4,589,000	- As above-
10/3/2014	Ibuyat David	Pre visits to the districts	10,980,000	- As above-
	M/S Akello Hotel Ltd	Attendance list did not state days/dates when training for Community Led Total Sanitation took place between 18-22 June 2014.	23,895,000	-
TOTAL			**70,180,000**	

With the above cases of inadequate documentation, it was difficult to ascertain whether the funds were put to proper use and whether the targeted goal was achieved.

I advised the Accounting Officer to provide an explanation to the above anomalies or recover the funds.

b) <u>Review of financial statements</u>

(i) <u>Excess Expenditure on Grants & Procurements</u>

A review of the USF Programme annual report for the period revealed that, since project inception July 2011, the project had received a total of USD.1,885,625 for purposes of Grants and Procurements. The corresponding cumulative expenditure however amounted to USD.2,417,609.28 creating an excess expenditure of USD.531,984.28. The source of funding for this excess could not be ascertained.

I explained to the Accounting Officer that excess expenditure without known source of funding not only renders the expenditure doubtful, but also lowers the integrity of the financial information. No response was made by the project management.

Meanwhile, I wait for the necessary explanation of the excess expenditure other-wise recovery may be the option.

(ii) <u>Incorrect format of financial statements</u>

Chapter 5.1 (ii) of Grant Support Agreement (GSA) between the United Nations Office for Project Services (UNOPS) and the Government Of Uganda for the Global Sanitation Fund Programme in Uganda requires that financial reports, (Quarterly, semi-annual, annual and final financial reports of receipts and expenditures), certified and signed off by the authorized representatives of the Recipient and the executing agency (EA), shall be provided to the Country Programme Monitor (CPM) and to UNOPS in the form set out in Annex G.

A comparison of the annual report revealed that the following anomalies;

S/N.	Statement	Specific anomaly
1	Letter forwarding the accounts	The format and wording of the letter differs from that in the GSA- incorrect formats for presentation of financial statements
2	Income and expenditure statement	The GSA template was not the same as that of the final accounts
3	Cumulative expenditure analysis including the budget	The format was not adopted at all
4	Current year expenditure analysis including the budget	The format was not adopted at all

Failure to comply with the prescribed formats was attributed to staffing issues.

I advised the Accounting Officer to ensure that the financial statements conform to the format prescribed in the GSA.

(iii) Omission of incomes in the Executing Agency (EA) financial statement

A review of EA financial statement revealed that USD. 360,000 was excluded from the cumulative income of the program resulting into understatements of revenues.

My advice to the Accounting Officer is to make the necessary adjustments to the financial statements was not taken.

(iv) Failure to make an attestation disclosure in the annual financial report

Chapter 10.3 of the Uganda Sanitation Fund (USF) Executing Agency Terms of Reference stipulates that the Executing Agency (EA) must attest that the annual financial report does not contain any untrue statements or omission of any material information necessary for an accurate understanding of the financial status of the programme. However, a review of the Project annual financial report indicated that the EA did not make these disclosures contrary to the donor requirement. The anomaly was attributed to a change in the composition of the accounting staff who were still in the learning phase of donor requirements.

I advised the Accounting Officer to attest to the financial statements prescribed in the Executing Agency Terms of Reference.

30.0 BUTABIKA MENTAL REFERRAL HOSPITAL

a) Mischarge of Expenditure

The GoU Chart of accounts which the hospital uses defines the nature of expenditure for each item code. The Chart of Accounts is intended to facilitate better and consistent classifications and also Track budget performance per item in line with the approved budget. During the budgeting process, funds are tagged to particular activities and outputs using the account codes and appropriated accordingly.

On the contrary, UGX.114,382,050 (1.3%) was wrongly charged on budget lines for activities that are not provided for under those particular budget lines. This practice undermines the importance of the budgeting process as well as the intentions of the appropriating authority. It is also an indication of lack of budgetary management discipline.

The Accounting Officer regretted the anomaly but attributed it to inadequate budgeting under the allowances item code for the private patients service where staff are paid per shift.

I advised the accounting Officer to ensure that all financial transactions are correctly charged on the expenditure codes to allow proper tracking of budget performance.

31.0 UGANDA HEART INSTITUTE

a) Inadequacies in the management of Non-Tax Revenue (NTR)

(i) Discrepancies in Revenue collected and banked

Para.344 of the Treasury Accounting Instructions 2003 requires that all government Revenue Collectors bank their revenue collection intact on the same day of collection or the day following that of collection or the next banking day. The following discrepancies were noted;

- A review of revenue collection receipts and banking-in-slips revealed that out UGX.2,378,813,820 that was collected in cash form, only UGX.1,914,727,940 was banked leaving a balance of UGX.464,085,880 unaccounted for. There were no records to show how unbanked money was used.

- A review of the revenue records availed for audit revealed that UGX.3,301,768,752 was collected by the institute but only UGX.3,037,797,976 was reported in the financial statements implying that UGX.263,970,776 remained unaccounted for.

In another development, review of the handover report by the cashier who was proceeding on maternity leave showed that UGX.118,352,300 that was collected between 7th and 15th May 2015 was not banked. However, a loss of cash by the cashier for UGX.117,678,820 has been reported in the financial statements. There was no evidence that the case was being pursued in the Courts of law to recover the money from the cashier.

I advised the Accounting Officer to strengthen controls surrounding cash collections, including improved supervision of the cashiers and; automation of the billing and receipting processes.

Meanwhile, the case for loss of cash should be pursued in the Courts of law to its logical conclusion.

(ii) <u>Weaknesses in internal controls surrounding NTR collection</u>

I also noted that there were a number of internal control weaknesses that could have led to incomplete accountability of all revenue collections. These include;

- It was noted that there were no segregation of duties as the cashier who collected and receipted the money was at the same time responsible for banking it and posting entries in the cashbook. There were also instances where the reconciliations were done by the same person. There was also inadequate supervision of the cashiers by a senior person, making it conducive for the cashiers misuse the cash collected.

- Improperly posted cash books by not including all the required details of the receipts. Leaving out details of receipts while posting in the cash book could be used to hide potential omissions and commissions.

- The cash books were not always balanced off and bank reconciliation statements were lacking.

- A number of payment vouchers had also not been posted to the cash book at the time of audit.

I advised the Accounting Officer to cause investigations into the discrepancies between the revenue records figures and the reported amounts in the financial statements.

b) <u>Staffing gaps</u>

A review of the approved staffing position for the Institute revealed that out of the 192 posts, only 112 were filled leaving 80 (41.1%) vacant. Out of the unfilled staff, 57 relate to medical personnel.

Inadequate staffing hinders the Institute's ability to effectively achieve its strategic objectives and affects the level and quality of service delivery at the Institute and the clients.

Management attributed the staffing gaps to Health Service Commission not recruiting in time all the required staff to access the payroll within the stipulated financial year. The Accounting Officer also indicated that some positions do not attract applicants and have to be re-advertised the Commission recommending for re advertisement which does not beat the financial year deadline.

I advised the Accounting Officer to liaise with relevant stakeholders in the section i.e Ministry of Public Service and Health Service Commission to have the existing vacancies filled.

32.0 MULAGO REFERRAL HOSPITAL COMPLEX

a) <u>Mischarge of Expenditure</u>

The GOU Chart of accounts, which the hospital uses defines the nature of expenditure for each item code. The Chart of Accounts is intended to facilitate better and consistent classification of financial transactions and to also track budget performance per item in line with the approved budget. During the budgeting process, funds are tagged to particular activities and outputs using the account codes and appropriated accordingly. I noted that UGX.570,405,506 was wrongly charged on budget lines as shown below;

Account Code	Description	Amount Allocated	Amount mischarged	Activities to which funds were diverted
221001	Advertising and Public Relations	112,500,000	53,389,000	Payments for Cookers and night allowances.
221003	Staff Training	267,100,000	106,269,178	cookers, stationery and sitting allowances
221007	Books, Periodicals & Newspapers	12,700,000	2,194,000	Sitting allowances were paid off this item.
221009	Welfare and Entertainment	243,200,000	22,464,593	Allowances to staff and hotel services
221011	Printing, Stationery, Photocopying and Binding	258,000,000	3,334,000	Advances and sitting allowances were charged off this item.
221012	Small Office Equipment	32,400,000	2,851,000	Sitting allowances
221016	IFMS Recurrent Costs	30,000,000	14,820,000	allowances to staff
221020	IPPS Recurrent Costs	25,000,000	2,973,901	Advances and allowances to staff
222003	Information and communications technology (ICT)	56,400,000	13,045,782	Clearing of imported items and allowances to staff
224005	Uniforms, Beddings and Protective Gear	112,900,000	29,206,000	Advances to staff and allowances
228001	Maintenance – Civil	825,200,000	137,924,000	Sitting allowances
263106	Other current Grants	98,000,000	31,934,092	stationery, repairs and other costs
225001	Consultancy services short term	2,205,909,000	149,999,960	electrical repairs, plumbing, purchase of stationery and other items
			570,405,506	

The practice of mischarging expenditure undermines the importance of the budgeting process as well as the intentions of the appropriating authority.

The Accounting Officer attributed the mischarges to activities that had to be attended to irrespective of whether funds were available under the particular code items or not.

I advised the Accounting to always undertake adequate planning and budgeting and ensure that all budget activities are given adequate funds.

b) Drugs Supplied to Mulago Hospital

(i) Fixed Budget Allocation for Essential Medicines and Health Supplies

I noted that the annual budget allocation of UGX.11,365,600,000 for essential medicines and health supplies for Mulago National Referral Hospital had remained constant since financial year 2011/2012 despite the remarkable increase in the number of patients over the same period from 1,356,870 to 1,641,390 (21%) as shown in the table below;

	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
Inpatients (On admission basis)	727,044	788,086	799,007	761,573
Outpatients	629,826	684,763	755,022	879,817
Total	**1,356,870**	**1,472,849**	**1,554,029**	**1,641,390**

As a result, the hospital continuously experienced shortages of drugs which affect service delivery. The Accounting Officer explained that the current budget was too small for the Hospital and is expected to worsen when the hospital becomes fully specialized and start providing services like Kidney and other organ transplants where drugs and sundries are very expensive. He further stated that they were liaising with the Ministry of Finance and other key stakeholders in the Health sector to improve on the current budget provision for drugs.

I advised the Accounting Officer to liaise with the respective stakeholders especially Ministry of Finance and National Medical Stores to provide adequate funding for the essential medicines and also plan for the upcoming change in the status of the hospital.

(ii) Under delivery of Drug Supplies from National Medical Stores

The mandate of Mulago National Referral Hospital is to provide quality super specialized health care services as stated in its vision and mission. For the year under review UGX.11,366,157,000 was allocated to National Medical Stores (NMS) to procure, store and distribute essential medicines and health care supplies to the hospital. However, details at the hospital showed that medicines worth UGX.5,607,963,285 were requisitioned and only UGX.4,125,495,171 were received from NMS leaving a balance of UGX.7,240,661,829 worth of drugs. Of the orders placed, medicines worth UGX.1,482,468,115 were not delivered by NMS.

In his response, the Accounting Officer indicated that the Hospital placed orders for the medicines but National Medical Stores did not fully deliver

I advised the Accounting Officer to liaise with National Medical Stores management so that drugs allocated to Mulago National Referral Hospital are always delivered in their entirety.

c) Inadequate Staff Establishment

Section (A – c) 3 (a) of the Government of Uganda Public Service Standing Orders 2010 require appointments in the public service to be subjected to availability of a vacancy in the approved staff establishment. According to the 1999 approved staff structure, the hospital ought to have 2,166 staffs of which 2,181 are in place implying overstaffing by 15 positions. However, the hospital 5 – year strategic plan covering the period 2015/16 – 2020/2021 proposed 2,661 staffs owing to factors including new facilities such as kidney transplant which are under development.

The Accounting Officer explained that the hospital was still awaiting a new approved staff establishment from the Ministry of Public Service.

I advised Management to liaise with the stakeholders such as; Ministries of Health and Public Service, Health Service Commission, to have the staffing needs of the hospital assessed especially in view of the new facilities being developed.

d) Advances to Personal Accounts

Although the Ministry of Finance, Planning and Economic Development restricted payments of cash to individuals to undertake activities such as constructions, repairs and printing, it was noted that out of UGX.1,100,300,050 advanced to various individuals to undertake activities which would normally require contracting of private firms (providers), UGX.230,048,350 remained un-accounted for although the Accounting Officer stated that all transactions had been accounted for. These activities included civil works, repairs and printing services.

In other incidents, funds for allowances to third party individuals were being advanced to an individual to pass them over to the 3rd parties for example salaries of Private Patients' staff, Interns allowances and security personnel allowances.

There is a risk of such funds not reaching the intended beneficiaries. Besides, part of the advances had not been accounted for, contrary to the provisions of the Treasury Accounting Instructions which require advances to be accounted for within 60 days.

In response, the Accounting Officer explained that;

- Advances to individuals were always in relation to micro procurements that in most cases were of emergency nature especially to staff under the engineering section and were mostly for sewage leakages, small civil works like roof replacements, electric and plumbing fittings and frequent pipe bursts while others were for activities conducted directly by the respective officers.
- Some of the payments in respect of third parties were advanced to officers because most of those beneficiaries keep being changed for example security guards and casual laborers.

- These payments would drastically reduce after the general renovation works had been finalized.

I advised management to minimize the use of advances, and explore the possibility of having framework contracts with service providers.

REGIONAL REFERRAL HOSPITALS

33.0 ARUA REGIONAL REFERRAL HOSPITAL

b) Over Payment of Salaries

Section (B-a) of the Public Service Standing Orders, 2010 requires salaries to be paid correctly, in accordance with the approved salary structure for the Public Service. However, Payroll analysis carried out revealed that 125 members of staff who were supposed to earn salaries amounting to UGX.54,764,038 according to their scales were instead paid UGX.98,707,208 resulting into a salary overpayment of UGX.43,943,170 as detailed in appendix 1.

The Accounting Officer explained that some overpayments were due to IPPS/IFMS interface errors, while other payments were normal and arose from various factors. The Accounting Officer stated that for overpaid salaries recovery schedules were made.

I advised the Accounting Officer to ensure the recoveries are made without delay.

c) Un-credited Government Grants to the General Account

Paragraph 47 of the Treasury Accounting Instructions, 2003 states that on receipt of the cash release the Accounting Officer shall credit domestic government transfers.

However, a reconciliation of the Cash Release/ Treasury Credit Advices slips from Ministry of Finance, Planning and Economic Development against the Hospital general fund account revealed that UGX.253,245,434 was not credited on the Hospital bank account contrary to the regulations.

The Accounting Officer explained that the funds were not credited into the Hospital General Fund Account and on consultation with the Ministry of Finance, Planning and Economic Development they were informed that the funds were meant for pension gratuity.

I advised the Accounting Officer to follow up the funds with Ministry of Finance Planning and Economic Development to find out the whereabouts of the funds.

d) <u>Service Delivery</u>

The Audit inspection on hospital infrastructure revealed the following shortcomings:-

Facility	**Current state**
Hospital Main Laboratory	• Two fridges were non-functional • Blood was kept in the same fridge with other reagents hence exposing both to contamination
X-Ray Machine(Duo Diagnostic Machine)	• It has not been operational for the last two years

I advised the Accounting Officer to liaise with the Ministry to ensure that the issues are addressed.

34.0 <u>MBALE REGIONAL REFERRAL HOSPITAL</u>

e) <u>Unaccounted for Advances</u>

Paragraphs 214(a) and 215(a) of the Treasury Accounting Instructions, (TAIs) 2003, require an Accounting Officer prior to approving an advance to staff to ensure that the concerned staff has settled any old advances and that the advance must be accounted for without delay.

However, it was observed that UGX.111,387,226 advanced to various staff for various activities remained unaccounted for by the end of the Financial Year.
This was attributed to absence of established controls over grant of and retirement of the funds advanced.

Consequently, I was not able to confirm that the funds were properly utilized.
I advised the Accounting Officer to ensure that the funds are properly accounted or else recovery be made from the responsible officers.

35.0 KABALE REGIONAL REFERRAL HOSPITAL

f) Utilization of Non-Tax Revenue without Authority

Paragraph 94 of the Treasury Accounting Instructions (TAI), 2003 requires Non-Tax Revenue to be utilized at source with the authority of the Accountant General. It was observed that UGX.151,485,500 collected from the private wing was spent at source without authority.

The Accounting Officer admitted the shortcoming and promised to seek authority from the Accountant General.

I advised the Accounting Officer to comply with the regulation.

g) Lack of Hospital Management Board

According to Section 5 Paragraph 3 Part III, of the Ministry of Health National Hospital Act 2006, all hospitals ought to have hospital management boards. The board is required to provide strategic guidance to the hospital management team, review and approve the budget, monitor the use of the funds, approve re-allocation, ensure accountability is submitted to Ministry of Health and also that funds are not diverted to unapproved activities. However, it was observed that the hospital has been operating without a Board of Directors.

The Accounting Officer admitted the shortcoming and explained that there was a challenge of getting nominations from the districts to constitute the board.

I advised the Accounting Officer to follow up the matter with the relevant stakeholders and ensure that the Hospital Board is constituted.

36.0 GULU REGIONAL REFERRAL HOSPITAL

h) Funds not accounted for

Paragraph 215 (a) of Treasury Accounting Instruction (TAI) 2003 requires advances to be accounted for without delay. It was however, observed that an amount of UGX.50,068,000 was not accounted for. Consequently, I was unable to confirm that the funds were utilized for the intended purposes.
Delayed accountability may lead to falsification of documents.

I advised the Accounting Officer to ensure the funds are accounted for or else enforce recovery from the responsible officers.

i) Payables

Included in the Balance Sheet are payables of UGX.1,605,368,882 comprising of sundry creditors (UGX.598,600,156) and Committed creditors (UGX1,006,768,726).
It was observed that the payables had remained outstanding since the previous years. Besides, the details of the payables were not disclosed in the financial statements as a schedule.

Non setlement of payables may lead to litigation and costs.

I advised the Accounting Officer to make arrangement for settling the creditors without delay.

37.0 MBARARA REGIONAL REFERRAL HOSPITAL

a) Expired Term of Office for the Hospital management board

Section 4.4 of Guidelines on Hospital Management Board for Referral hospitals (2003) requires that the Chairperson or any other member of the hospital board shall hold office for a term of not more than three years. The term of office for the hospital management board expired in December, 2014 and has since then not been renewed.

Lack of a hospital board may hamper decision making in hospital management.

The Accounting Officer explained that communication had been made to the Permanent Secretary, Ministry of Health to bring it to the attention of the responsible Minister for appointment of the Board and his action is awaited.

I advised the Accounting Officer to follow up the matter with the Ministry and ensure that a new board is constituted.

38.0 FORT PORTAL REGIONAL REFERRAL HOSPITAL

a) Diversion of Funds

Paragraph 156 of TAI 2003, Part I – Finance states that, Funds available under one item or sub-item of expenditure may not be transferred to another item or sub-item save on the authority of a virement warrant, nor may expenditure be charged to an item/sub-item merely because funds are available under that item/sub-item.

However, it was noted that UGX.41,214,270 was diverted from one sub-item to another without authority. This leads to under performance in the affected units due to insufficient funds as shown in Appendix IV.

This is also indicative of poor budgting and lack of budgetary control on the part of management.

The Accounting Officer explained that UGX.93,621,149 were not expenditures but inter Account Transfers of the same entity for management purposes. However, on verification the above balance remained outstanding as they were transfers to other items without authority.
The practice is an indicator of budgetary indiscpline on the side of management and warrants expenditure without direction.

I advised the Accounting Officer to provide authority allowing the diversions and in future seek authority before diverting funds of one item to another.

39.0 JINJA REGIONAL REFERRAL HOSPITAL

a) Payables

Regulation 411 of TAI 12004, states that It is the duty of all officers authorized to incur expenditure to watch the amount incurred, and the commitments entered into and to report at once to the officer from whom the authority was received whenever it may appear that the amounts provided will prove insufficient for the service of the year to which they relate.

However, a review of the financial statements revealed that the Hospital had outstanding payables of UGX.1,608,563,495 at the close of the year. The Accounting Officer explained that UGX.204,808,215 of the payables figure relates to a ganish order by URA on the Hospital accounts in standard chartered bank.

The Accounting Officer further explained that URA issued the notice in error due to failure to migrate the money from the manual system to the e-system. Currently, there is reconciliation between URA and the hospital administration. The outcome was still awaited.

Consequently, the amounts owed to a creditor has so far accrued interest of UGX.9,035,638.

I advised the Accounting Officer to vigorously follow-up the issue with URA to its conclusion and have the creditors settled.

b) Lack of Land Titles for Plots

Regulation 58 (4) of the Local Governments Financial and Accounting Regulation (LGFARs) of 2007 requires that the properties and assets of a Local Governments including land be properly registered and titles issued.

It was observed that the Hospital does not have land titles for its land located in the following areas;

- Plots 31-39 Nile Avenue (M-16):
- Plot 26-32 Nalufenya Road:
- Plot 34-40 Nalufenya Road:
- Plot 52 Gabula Land:
- Plot 47 Nile Garden known as School lane:

Lack of land titles exposes land to encroachment and disputes.

The Accounting Officer explained that applications have been made for titles but no response had been received from the district land commission and the Uganda Land Commission.
I advised the Accounting Officer to follow up the matter to ensure that land titles are secured.

40.0 SOROTI REGIONAL REFERRAL HOSPITAL

c) Private Wing Remodeling

The Soroti Regional Hospital contracted a local firm for remodeling a building that was formerly constructed as a TFC into a private wing of the hospital at a contract price of UGX.206,991,710.

By the time of inspection in June 2015 an amount of UGX.176,509,557 (85.3%) of the total contract price had been paid.
However, it was observed that 18 months after the estimated completion date the civil works were still incomplete as shown below;

- Painting not done
- No rubber sealant as water barrier between the floor and the metal
- No guard rails fixed on ramps
- Site not cleared

Delays to complete the civil works may lead to extra administrative costs.

The Accounting Officer explained that the Hospital had terminated the contract and the procurement process is on-going to engage another contractor to complete the project.

I advised the Accounting Officer to ensure that works are completed.

41.0 MUBENDE REGIONAL REFERRAL HOSPITAL

a) Failure to fully constitute the Hospital Board

Guideline 3 of the guidelines for Hospital Management Boards, 2003 for Referral Hospitals on composition of the Board provides that the board shall comprise of 9 members. It was however observed that only 8 out of the 9 members of the board had been appointed. Failure to fully constitute the Board denies the hospital the oversight function of a full board.

The Accounting Officer explained that submissions had been made and the hospital was waiting for the Minister's approval.

The Accounting Officer was advised to follow up the matter and ensure that the Board is fully constituted.

42.0 MOROTO REGIONAL REFERRAL HOSPITAL

a) Staffing Gaps

The hospital has an approved structure of 395 positions. However, only 162 (41%) were filled leaving 233 (59%) posts vacant.

The hospital also has only one consultant and no medical officer special grade who are key medical personnel.

Understaffing negatively affects service delivery.

The Accounting Officer explained that Council has made several correspondences with the line Ministries to have the gaps addressed.

I advised Accounting Officer to continue liaising with the relevant authorities and ensure that the vacant posts are filled.

43.0 CHINA-UGANDA FRIENDSHIP HOSPITAL NAGURU

a) Irregular Withholding Tax payments

A review of the hospital payment records and the IFMS data revealed that a number of suppliers were paid gross invoice amounts of UGX.726, 850,450 without deducting the 6% WHT. However, the hospital management later paid URA the equivalent of 6% WHT amounting to UGX.43, 611,027 as an additional cost to the hospital in respect of the affected suppliers resulting into total irregular outflow of UGX.87,222,054.

There was no justification for this action as the tax credits from WHT benefit only the suppliers.

Relatedly, UGX.662, 979,307 was paid to suppliers without withholding tax of UGX.39,778,758 contrary to Sec 123 of the Income Tax Act. Besides, there was no evidence that the firms were exempted from WHT.

Non deduction of WHT attracts penalties and/or fines against the entity.

The anomalies were attributed to weaknesses in internal controls over the payments.

I advised the Accounting officer to ensure that the extra payment to the providers are recovered without delay and that outstanding taxes be recovered and remitted to the tax authority.

b) <u>Underperformance of the Budget</u>

A review of the statement of Appropriation (based on services approved by Parliament) revealed that the Hospital had an approved budget of UGX. 5,413,628,891 out of which only UGX 4,528,632,262 was received resulting into shortage of UGX 884,996,629 (16%). Consequently, planned activities such as recruitment of more medical personnel were not implemented.

In response, the Accounting Officer explained that although all funds for the wage bill had been allocated to the vote, staff recruitment was hindered by restriction by Ministry of Public Service.

I advised the Accounting Officer to liaise with Ministry of Finance, Planning and Economic Development to ensure that all budgeted funds are released to enable implementation of planned activities.

c) <u>Payments for construction works without a payment certificate</u>

Review of the contract for construction of the drug store together with the payment records revealed that a sum of UGX.453,849,200 representing 60% of the contract sum was paid for works estimated at only 30%. The over payment was attributed to lack of certificates of works done. It was further noted that;

The works stalled after the KCCA authorities stopped the construction because of lack of approved plans.

There is no evidence that the advance payment was recovered since the payment was not based on payment certificate.

Further review revealed that architectural plans had not been approved by KCCA and the contract had expired.
In response, the Accounting Officer explained that;

- the payment was based on progress reports by the contract manager.
- the contract had expired but emphasized that the contractor would be re-engaged upon getting approval from KCCA.

I advised the Accounting Officer to liaise with all the relevant stakeholders and have the necessary approvals made. In addition, all payments should be supported with payment certificates. Any over payments should be recovered accordingly.

d) <u>Lack of a Hospital Board</u>

According to paragraph 6.2 (e) of the Health Sector Strategic Plan III (2010/11-2014/15), all Referral hospitals ought to have hospital Management Boards. The hospital Management Board is meant to provide strategic guidance to the hospital. However, it was observed that the Hospital Board has never been constituted in the case of China Uganda Friendship hospital there by impairing strategic leadership in the Hospital.

In response, the Accounting Officer explained that management had communicated to the relevant authorities on the matter and a response was awaited. In the meantime, efforts were underway by the entity to identify suitable Board Members to be appointed by the Ministry of Health.

I await the results of management action in this regard.

EDUCATION SECTOR

44.0 MINISTRY OF EDUCATION AND SPORTS

a) Mischarge of Expenditure

The GoU Chart of Accounts, which the Ministry uses, defines the nature of expenditure for each item code. The Chart of Accounts is intended to facilitate better and consistent classification of financial transactions and also track budget performance per item in line with the approved budget. During the budgeting process, funds are tugged to particular activities and outputs using the account codes and appropriated accordingly.

On the contrary, UGX.3,399,286,780 (4.6%) was wrongly charged on items that are not provided for under those particular budget lines. This practice undermines the importance of the budgeting process as well as the intentions of the appropriating authority. It is also an indication of lack of budgetary management discipline.

The Accounting Officer explained that funds were not released as budgeted, warranting the use of the available limited resources to deliver services.
I advised the Accounting Officer to ensure that all financial transactions are correctly charged on the expenditure codes to allow proper tracking of budget performance.

b) Schools land ownership

The Government Policy on Universal Education aims at investing heavily in Uganda child Education through UPE and USE programmes. This is confirmed by the Government continued investment in the school infrastructure and facilities like classrooms, laboratories and Teachers house. It was however noted that the huge investments are done on land where the Government has no legal ownership.

As a result a number of Government funded schools are faced with land challenges like; evictions, encroachment, land giveaways, while some schools are being demolished with the support of the District Land Boards and the Uganda Land Commission. These bodies do not seem to be acting in the best interest of the Government and citizens.

The Accounting Officer indicated that a land committee had been formed in the Ministry to handle Education Institutional land matters and advise on a new policy for the management and protection of school land.

I advised management to ensure that appropriate action is taken to secure ownership of the school land in the whole country and put in place measures to protect against encroachment and give away.

c) **Expenditure on rent**

For lack of its own home (headquarters) the Ministry continues to rent various premises in Kampala to house the various departments. A total of UGX.2,937,116,784 is incurred annually as rent payments for these premises as indicated below;

Ministry departments	**Service Provider**	**Annual Rent**
Several Ministry Departments	Rutungu Investments-Legacy House	1,997,187,615
APL 1	PDM U LTD	126,112,135
Physical education and sports	Social security house	129,434,305
ADBIV,U Korean IV project	Social Security House	79,556,729
Higher education students financing Board		238,000,000
UBTEB		130,000,000
UAHEB		103,986,000
UNMEB		132,840,000
		2,937,116,784

It was however noted that despite the Ministry budget being in local currency, the rental agreements were drawn in US Dollars whose movement against the local currency is unpredictable. This makes implementation of the budget difficult. The huge expenditure on rent also stifles the implementation of other activities.

It is not clear why contracts with local service providers should be quoted in a foreign currency.

Management explained that the determination of the currency in which rent is paid is market driven and during the bidding process, bidders were allowed to bid in the currency of their choice.

I advised management to put in place mechanism to address the rent challenge.

d) <u>Delayed review and operationalization of the Ministry Macro Establishment Structure</u>

Review of various correspondences revealed that an exercise was undertaken to review the organization structure, functions and operational systems of the Ministry with a view of recommending a rational and appropriate structure.

However, the following matters were noted;

- The approved structure did not include bodies created by the Business, Technical Vocational and Training Act of 2008 namely UNMEB, UAHEB, and UBTEB.
- Recruitment of staff could not proceed due to investigations and intention to sue arising out of the concerns of the need to review the 2010 organizational structure and the new portfolio of Science and Technology.
- Vacancies are still existing in the approved structure. Out of 433 approved positions, only 317 (73%) were filled leaving 116 vacancies.

Inadequate staffing leads to work overload on the existing staff and limits the ability of the Ministry to effectively deliver on its mandate.

The Accounting Officer explained that the restructuring had started but due to interferences it was halted. The process to fill the vacant posts, had delayed because of the investigations by investigating Agencies.

Management further stated that for non-contentious posts in the Ministry, approval was given and Education Service Commission had scheduled Interviews.

I advised the management to continue liaising with the relevant authorities to ensure that the staffing challenges are addressed to enable the Ministry deliver effectively on their mandate.

e) <u>Lack of contract Managers</u>

Regulation 51 (1) and (3) of PPDA (contracts) Regulations 2014, requires the accounting officer to appoint contract manager from the user department for each contract/procurement, who are expected to prepare contract management plans using Form 49 in schedule 2 and forward copies to the PDU for purposes of monitoring. The contract managers are also required to ensure that all contract managers to ensure all contract management records are kept and archived.

However, from a sample of contracts worth UGX.21,551,360,306.34, and USD.2,519,964.55, it was noted that they lacked contract managers, contract management plans and related contract management records such as progress reports, monitoring reports and copies of payments made among others.

I explained to Management that absence of Contract Management records makes it difficult to confirm whether supervision and monitoring of the contracts was carried out in accordance with the specified terms of agreement.

Management explained that the ministry had limited human resource capacity to effectively implement the Regulation and promised to build capacity in contract management.

I advised Management to always ensure compliance with the Regulations in this regard.

f) Emergency constructions in Primary schools

The Ministry runs an Emergency construction program of Primary schools which started way back in 2005 with the following objectives;

- To rehabilitate and strengthen primary schools damaged during disasters;
- To supplement and support local initiatives by parents in the rehabilitation and construction of schools in order to achieve universal primary education;
- To improve the pupil to classroom ratio.

During the financial year under review, the Ministry budgeted for UGX.1,754,900,000 in respect of the programmes. Accordingly, 19 primary schools were planned to be constructed.

Review of the records revealed the following matters:

- The selection criteria does not address the most critical objective of emergency response. It was noted that primary schools which are hit by disasters/emergencies do not get immediate assistance and can take more than two financial years before they are assisted. Out of UGX.1,754,900,000 budgeted for construction and rehabilitation during the financial year, only UGX.1,720,000,000 was provided to assist only 14 out of the planned 19 primary schools.
- The transfers lacked acknowledgement at the time of writing this report yet they were fully expensed under non-residential buildings.
- Audit noted that the Emergency construction of primary schools unit does not have a data bank of requests received, the assessments made and the schools that have been assisted overtime under this arrangement.

Management explained that the schools do not get immediate response mainly because of budgetary constraints. They also indicated that the e-data bank for the requests, assessments made and the schools that have been assisted overtime under this arrangement would be put in place.

I advised management to liaise with MoFPED to improve on the funding for Emergency Construction Programme. Furthermore I advised the Accounting Officer to ensure the transfers to the beneficiary schools are accounted for or else enforce recovery.

I also advised the Accounting Officer to streamline the processes of identification, assessment and funding of the emergency constructions in the affected schools and to ensure that funds are properly accounted for.

g) Verification of delivery of Instructional Materials

During the Financial Year 2012/13, Government of Uganda represented by Ministry of Education and Sports signed contracts with several local publishers indicated in the table below, to supply and Delivery of Text Books for upper primary (P.5 - P.7). The structure of payment provided that the suppliers were to be paid 20% on presentation of advance payment guarantee, 60% on presentation of complete set of shipping documents and 20% upon verification of delivery.

Contractor and contract details	**Contract sum (UGX)**	**Contract date**	**Expected date of discharge (120 days)**
M/S Longhorn publishers.(supply of p.5,p6& p.7 text books)	7,057,673,400	30/5/2013	30/9/2013
M/S East Africa Educational publishers. (supply ofP.5 Swahili text books)	519,135,760	30/5/2013	30/9/2013
M/S St.Bernard publishers.(supply of p.5 math text books)	500,916,000	30/5/2013	30/9/2013
M/S Fountain Publishers. (Supply of p.5, p.6 & p.7 text books).	2,588,953,878	30/5/2013	30/9/2013
M/S M.K Publishers Ltd, (supply of p.5,p.6 & p.7 text books)	3,433,484,300	31/5/2013	30/9/2013
M/S Mukono Book shop Printing and Publications (supply of p.5,p.6 & p.7 text books)	1,779,351,990	29 /5/2013	30/9/2013

In my prior year audit report to Parliament I indicated Lack of Contract Management Records. A follow-up audit on the supply and delivery of the instructional materials in various schools revealed the following matters;

(i) <u>Supply of Kiswahili Text books</u>

Kiswahili text books were supplied to almost all primary schools. However, most of the schools lacked trained Kiswahili instructors/teachers and therefore the books are not being used. The rationale for procuring Kiswahili text books without first training and posting instructors to the schools was not explained by management. This is an indication of lack of proper planning and also failure to sequence the activities of training instructors and procurement of Kiswahili books on the part of the Ministry.

Management explained that the procurement of Kiswahili books was done in preparation for the training of teachers in readiness to teach the subject. They however indicated that the activity had been hampered by budget constraints.

I advised Ministry Management to plan for training of the Kiswahili instructors before further investments in the instructional material are procured. Alternatively the programme should be phased in schools that already have the instructors for the Kiswahili language.

(ii) <u>Inadequate supply of books to schools</u>

It was noted that copies of books distributed in Schools were not enough for all the pupils. For example 5 copies of P.5 Islamic Religious Education were supplied to a school with 60 pupils and were expected to be shared amongst themselves in groups of 12 pupils per book. As a result most Head teachers had not issued out the books for lessons.

I explained to management that inadequate supply of books does not only affect the performance of pupils but also makes it difficult for the school administrators to use the books during teaching.

Management explained the number of books supplied per school is what was planned for given the small resource envelope.

I advised Management to source for more funding and ensure adequate supply of instructional materials in schools to ease the teaching, learning and for better performance of pupils.

(iii) Non-Involvement of the stakeholders during delivery of books

During the field inspection visits, it was noted that teachers, Head teachers and the District Education Officers (DEOs) were not consulted before the procurement of the books was carried out. This implies that the deliveries could have been carried out in an improper manner and not based on proper enrolment statistics.

Management explained that the stakeholders were consulted during the development of the curriculum and that the procurement was based on the developed curriculum developed by NCDC.

I advised management to always ensure full involvement of all stakeholders at all stages of procurement and delivery of instructional materials.

(iv) Books written in different local languages

It was also noted that areas such as Kaberamaido, Sironko and Amudat received books written in languages not compatible with their local languages. For instance Amudat received Akaromojong books and yet they use the pokot Language, Kaberamaido got Ateso books and yet their local language is Kumam while schools in Sironko received Lugisu books and yet their Local Language is Ludadiri. In Nebbi, schools received books written in lugbar instead of Alur. This therefore indicates that the Ministry did not carry out proper needs assessment prior to procurement as the books supplied cannot be used by schools in these communities. There is a risk that the schools in areas using the languages did not get numbers of the books and yet they are lying idle where they were delivered.

Management explained that the Ministry embarked on use of local language as a medium of instruction following the roll out of the reformed primary school curriculum in 2007. Out of about 56 local languages in Uganda only 27 local languages have orthography while the rest are dialects.

I advised management to liaise with the relevant stakeholders in the affected communities for development of appropriate teaching materials in the dialects where the 27 languages are not readily acceptable or even understood.

(v) <u>Poor documentation</u>

Best practice requires that all schools should maintain, keep and update all records regarding receipt of deliveries, and issues out of the books for proper accountability and programmed usage.

Physical inspection of a sample of schools, (Oturgang Boys P.S, Orturgang Girls P.S, Nguthe P.S, Jopmwocho P.S, Ojigo P.S and Lwaboba P.S) revealed that they lacked proper records for the text books received. This makes it difficult for management to keep track of movement of books at different times. There seems to be lack of guidance from the Ministry to the school administration for them to appreciate the importance of record keeping and inventory management.

Management explained that the Ministry had developed the Instructional Materials usage manual and issued to all primary schools. There were plans in the next financial year to develop the capacity of school managers in inventory management.

I await management action in this regard.

(vi) <u>Lack of proper storage facilities</u>

It was also noted that certain schools like Ojinga P/S, Ssunga P/S, Ali Ragem P.S, Kaya P.S had text books stored at Head teachers home due to lack of adequate storage facilities at the schools. This exposes government property to the risk of misappropriation by unscrupulous staff and pupils through regular movements from classrooms to the head teacher's residences.

Management indicated that the construction design for new facilities under Global Partnership for Education includes a book store.

I advised management to ensure that all schools have proper books storage facilities to minimize the risk of loss and spoilage during their movements to and from the undesignated storage areas.

(vii) <u>Unutilized Books</u>

The objective of procuring the books was to ensure that they are incorporated in the schools curricular and utilized on a day to day basis. However during the audit inspection, it was noted that a number of the books delivered in year 2012/2013 were still packed in boxes unutilized which casts doubt as to whether the objectives for the purchase of books will be achieved.

Management explained that the Ministry is experiencing a big challenge in effective usage of instructional materials in schools. Teachers do not include reference to text books as a lesson activity in the lesson plans.

I advised management to ensure the teachers are sensitized on textbook usage in the lesson plans.

(viii) <u>Non-Delivery of Instructional Materials by one supplier</u>

Among the publishers that signed contracts with the Ministry, one was required to supply 323,742 text books for P.5, P.6 and P.7 of UGX.1,779,351,990 within 120 days.

Although the Publisher was paid UGX.1,155,870,398 being part of 20% and 60% payment on presentation of bank guarantee and shipping documents respectively, the books had not been delivered to the schools at the time of audit inspections in

July 2015, (two years after signing the contract). This action tantamounts to refinancing of the Publisher who may have used the money to finance his other activities.

Management explained that the contractor had financial difficulties earlier on and when the Ministry pursued the matter, the deliveries were being made.

I advised Management to always ensure that terms and conditions of a contract are always complied with by suppliers. I also advised the Accounting Officer to ensure that the Publisher delvers all the text books to the schools without further delay.

h) Kololo SS

(i) <u>Unvouched Expenditure</u>

Para 119 of TAI Part 1 2003 requires all payments to be vouched on Treasury forms 34A and 34B for cheque and cash payments respectively and Para 120 requires that all payment vouchers must be properly supported with appropriate documents or sub-vouchers before they are passed for payment of any form of expenditure.

Contrary to the above provisions, UGX.285,850,000 was paid to Kololo Secondary School on EFT NOs 2158922 and 2158904 for catering and accommodation for SESEMAT in service training for Central and North western without relevant supporting documents. In addition the funds remained unaccounted for by the time of writing this report.

Delayed accountability may lead to falsification of documents.

I advised the Accounting to ensure full adherence of the TAI requirements while effecting payments. Furthermore the Accounting Officer should ensure that the funds are accounted for or else enforce recovery.

45.0 UNIVERSAL POST PRIMARY EDUCATION AND TRAINING PROJECT

a) Funds not accounted for

Contrary to Guideline 4.18 of the School Based Procurement and Implementation Manual for Civil Works 2012 which requires accountability returns to be submitted to Ministry within one month after utilisation of funds, a total of UGX.7,096,791,549 is reported in the financial statements as outstanding advances to Schools as at

30th November 2014. This had only reduced to UGX.5,552,114,659 by March 2015, implying that there was slow accountability by the schools. I explained to management that without supporting documents I could not confirm whether the funds were properly utilized. Further more delayed accountability may result into falsification of documents and possible loss of funds.

Management explained that the matter was being investigated by CIID and IGG and that the Ministry was awaiting for the conclusion of the investigations by the two bodies.

I advised management to continue engaging all the relevant stakeholders to follow up on the accountability with the school administrators.

b) Outstanding Accounts Payable

During the course of my audit I noted that UGX.3,315,697,874 an equivalent of USD.1,365,755 was returned to IDA Bank in New York on 20th January, 2015 as balances on both the operational and designated account. However at the project end, payables amounting to UGX.1,454,952,192 were outstanding despite the project having been granted an extension of four months to clear all the outstanding dues. I explained to management that failure to settle the outstanding obligations could result into litigations and their attendant costs.

Management explained that by the time the project closed most of the outstanding Payables did not have supporting documents to initiate the payment process and therefore payments could not be processed.

I explained to management that payables without supporting documents casts doubt on the authenticity of the figures reported.

I advised Management to establish the authenticity of the payables and devise means of settling them to avoid possible litigations with their attendant costs.

c) Project implementation status

By 31st July, 2014, USD.139,255,886.51 (92.8%) of the credit had been disbursed and at the time of project closure a total USD.8,087,007.95 (5.4%) was cancelled. Another USD.2,657,105.54 (1.7%) from the disbursed portion of the loan was refunded to the bank. Although both the Government and the World Bank performance rating was indicated as satisfactory, 86 of the planned schools were not constructed.

In the circumstances, the project did not fully attain the desired project development objectives.

Management explained that the implementation modality adopted by the Ministry and the World Bank regarding civil works was new and required strict adherence to procurement processes and preliminary activities which in effect led to the delay in project implementation. They indicated that 86 schools had been taken on by GoU and were to be completed in a phased manner starting this FY 2015/16. Already 25 schools had received funds for completion.

I advised management to study the challenges encountered during the project implementation under phase 1 and address them in the subsequent phases.

I await management's commitment to the completion of the remaining schools.

d) Review of the Project Performance by Internal Audit

Internal Audit sampled 243 schools with outstanding advances exceeding UGX.40,000,000 to establish the status of civil works completion, accountability and the amount of residual funding balances to be refunded to the Ministry Project Account in the selected schools. General and Specific findings indicated a number of anomalies regarding project implementation in these schools. These included among others, lack of contract documents, lack of bank statements, overpayments to contractors, abandoned works, unaccounted for works, unrecovered advance payments, unremitted WHT deductions, diversion of works, undelivered furniture, unutilized funds, payment for irregular certified works, possible misappropriation of funds, unsupported extra works etc. However, there was no evidence that the internal audit recommedations had been implemented.

I advised the Accounting Officer to ensure that the internal audit recommendations are implemented.

46.0 MAKERERE UNIVERSITY

a) Un-accounted for Funds – UGX.511,171,395

Section 4.6.4 of the Makerere University Finance Procedures Manual, 2014 requires that advances should be accounted for within 14 days following the completion of the exercise, but in any case not later than 60 days. I however noted that accountabilities totaling to UGX.511,171,395 of which UGX.219,399,310 were personal advances to staff which had remained outstanding for a period of more than one year, and UGX.291,772,085 as administrative advances remained outstanding. The funds were advanced to staff to carry out various activities of the University. In the absence of the relevant accountability documents, it was not possible to confirm that the funds were used for the intended purposes.

In his response, the Accounting Officer promised to follow up on all outstanding advances and where necessary, institute recovery measures, in case of total failure to account by the responsible staff.

I advised the accounting Officer to strengthen controls over advances to staff and ensure adherence with the University policy regarding accountability for funds.

b) Non-Disclosure of Donor Grants

During the year total donor grants reported amounted to UGX.10,983,905,581. However, this only related to the SIDA – SAREC projects. All other non-bilateral donor grants/projects, such as; Africa Centre for Systematic Reviews & Knowledge Translation, Post Abortion Care Study, among others were not disclosed. Without proper disclosure of donor funding, I could neither ascertain how much the university received from other donors, nor confirm if those funds were used for the intended purposes.

In their response, Management explained that the university only discloses grants from bilateral sources.

I advised the Accounting Officer to make a complete disclosure of all donor funding received by the University, in line with the requirements under Section 43(1) of the PFMA, 2015 that requires that all expenditure to be incurred by Government on projects which are externally financed, in a financial year have to be appropriated by Parliament.

c) <u>Management of Pension Liabilities</u>

During the year, outstanding pension liabilities of the university had decreased from UGX.30,406,365,541 to UGX.29,927,548,933 indicating a meager payment of pension arrears of only UGX.478,816,608. However, the pension liability has taken long to be settled, yet it is amongst the reasons leading to staff strife at the University. It was noted that this has been outstanding for over 10 years.

The Accounting officer in his response stated that, several appeals and requests were made for these arrears to be settled by MOFPED. Besides, the University was taken to the Industrial Court and there is high risk of interest and penalties being charged if this obligation is not settled.

I advised the Accounting Officer to continue liaising with all the relevant stakeholders to ensure that the obligation is settled without further delay with a view of saving the government from unnecessary legal costs.

d) Transfers to Personal Bank Accounts – UGX.776,009,229

Treasury Accounting Instructions (TAI) part I (227-229) requires all payments to be made by the Accounting Officers directly to service providers and where it is not convenient, an imprest holder should be appointed by the Accounting Officer with the approval of the Accountant General to carry out such payments.

Contrary to the above provisions, it was noted that payments totalling to UGX.776,009,229 were made by various collages for supplies, and meeting costs of different activities through staffs personal bank accounts. There was no evidence to show that the staffs were appointed as imprest holders, and no reasons were given to justify the payments to the individuals' bank accounts. The table below refers;

College	Amount (UGX)
CAES	99,487,467
CHUSS	126,878,000
CONAS	220,901,120
CEDAT	139,130,130
CEES	88,408,252
COBAMS	95,501,260
COCIS	5,703,000
TOTAL	**776,009,229**

I informed management that, the practice of depositing funds on personal bank accounts is not only irregular, but also exposes the University funds to a risk of loss, since the Colleges did not have any control over staff personal bank accounts.

The Accounting Officer in his response stated that these payments were for activities which are field based. I advised management to desist from such practices and adhere to the requirements under the Treasury Accounting Instructions.

e) Leasing of University Land at Kololo

According to Section 87(1c) of the PPDA, a procuring and disposing entity shall not dispose of any strategic asset, without the prior approval of the Minister. Contrary to this provision, it was established that the University leased out land located on Plots 34–36a on Prince Charles Drive, Kololo, to a private investor at a cost of UGX.1,500,000,000 without the full knowledge of the Minister. It was noted that the proceeds from the transaction were transferred directly to the university expenditure account and expensed. I further noted that this transaction was not disclosed and reported in the financial statements under the memorandum statement of disposal of physical assets. In absence of proper disclosure and respective reporting of the transaction, there is a risk that the proceeds from the transaction may not have been put to proper use.

In response, the Accounting Officer stated that, the transaction was approved by the University Council and that its respective proceeds were used to finance university pressing needs.

I advised the Accounting Officer to always adhere to the requirements under the Law, while disposing any University asset. For completeness and full disclosure, the disposal of such a strategic asset should in future be disclosed and reported on accordingly.

47.0 MAKERERE UNIVERSITY BUSINESS SCHOOL

a) Irregular Payment of Work Related Allowances - UGX.582,225,925

According to Section 5.5.3 (g) of the School's Human Resource manual, employees granted permission to pursue residential long term study programs abroad should forfeit work related allowances such as top up and administrative allowances.

A review of a sample of personnel files and the school's payroll revealed that some staff pursuing residential long term study programs abroad continued receiving work related allowances in contravention of the provisions of Section 5.5.3 (g) of the School HR Manual. It was further ascertained that the said staff enrolled for the different study programs in the earlier financial years, but continued receiving allowances for an average period of over 10 months before they could be put off the payroll. Consequently, a total of UGX.582,225,925 was irregularly paid out to staff by the University. This amount is recoverable, as it was paid for no services rendered to the University.

In their response, Management explained that they stopped the payment of top-up allowances to staff pursuing residential long-term study programmes and has accordingly instituted recovery measures from the concerned staff. In addition, management has opened up advance accounts in the names of the concerned staff to facilitate recording of the recovery of the same. I await the outcome of this commitment by management.

b) <u>Cash Payments to Suppliers- UGX.61,104,000</u>

Section 3.7.1 of the MUBS Finance Policy and Accounting Manual states that apart from petty cash and other payment from petty cash accounts, the normal method of payment of money due shall be from the School's Bank account. Section 3.7.2 (2) of the MUBS Finance Policy and Accounting Manual further stipulates that, with exception of petty cash items, all payments against properly rendered invoices will be made by cheque.

Contrary to the above, it was noted that a total of UGX.61,104,000 was drawn in cash by Cashier to pay for different goods and services supplied to the University. Cash withdrawals and payments are inherently risky and prone to abuse. Given that some of the cash payments were not appropriately accounted for since there was no evidence of Goods Received Notes, delivery notes, invoices and receipts from suppliers, audit could not confirm whether the amounts were expended on the intended purpose. There is a risk that the amount in question was not put to proper use.

Furthermore, there was no evidence that Withholding taxes were deducted from these payments as required by the Income Tax Act. This exposes the School to a risk of imposition of penalties by URA.

In their response, Management did not provide satisfactory accountabilities for the cash payments made to suppliers.

I advised the Accounting Officer to limit cash withdrawals and payments as a measure to avoid the likely loss of money and/or manipulation of accountabilities. In addition, all the amounts should be accounted for.

c) Irregular Employment of Graduate Assistants

The Human Resource function of the university is regulated by the University and Other Tertiary Institutions Act 2001, the MUBS Terms and conditions of service 2009 and the Public Service standing orders 2010. Accordingly, all permanent or temporary appointments into the University should be by the Appointments Board based on terms and conditions that may be determined by the University Council.

A review of the University's personnel function for the period under review revealed that the University employed "Graduate Assistants" to assist the Academic staffs in conducting lectures, research and outreach to the community in line with the mission of the school and these were issued with letters of offer signed by the Human Resource Manager. A detailed scrutiny of the letters of offer showed the following terms and conditions of service, among others;

- The Graduate assistants are entitled to receive a scholarship to pursue Masters Programs in MUBS/any other place justified by the respective faculty Deans, at various rates.
- They are also entitled to a monthly stipend allowance of UGX.900,000.
- They were also supposed to teach 10 hours per week under the guidance of the Head of department.

The following anomalies were however noted;

(i) Absence of a clear policy on the recruitment of Graduate Assistants

The School had no policy in place on the recruitment and employment of Graduate Assistants. As such the recruitment was therefore irregular, as it was based on a mere minute of the Appointments Board of MUBS.

(ii) Payment of Stipend Allowances - UGX.1,283,282,000

It was observed that, consequent to the irregular recruitment and employment of graduate assistants for the period under review, the University paid a total of UGX.1,283,282,000 as stipend allowance to the graduate assistants at a monthly rate of UGX.900,000 per person.

However, this allowance is not provided for in the approved payable allowances of the University as detailed in the MUBS Human Resource Manual, as well as, the Public Service Standing Orders, 2010. It also lacked approval from Council. This implies that the payment was irregular.

I accordingly advised that management discontinues payment of this allowance or else consider taking steps to have it regularized, by amending the Schools Human Resource Manual to define and give circumstances where it can be paid.

(iii) Monitoring performance of the graduate assistants

I further observed that the process of monitoring the services provided by Graduate Assistants is not adequate. I did not obtain any evidence that the lectures delivered by the Graduate Assistants are closely monitored and recorded. Failure to monitor the lectures may lead to payment for undelivered services.

I advised management to closely monitor and record the delivery of the lectures.

(iv) Non-deduction of Statutory Obligations - UGX.384,984,600

It was noted that the stipend allowance was not an activity based allowance and therefore was subject to PAYE tax at a rate of 30%. However the University did not deduct PAYE amounting to UGX.384,984,600. Non-remittance of statutory deductions is an offence which may attract penalties against the school by the Uganda Revenue Authority.

In their response, Management explained that the position of Graduate Assistant is a Studentship position and as such not required to subscribe to PAYE. I found this explanation not satisfactory, since the graduate assistants are no longer students of the University at the time they are engaged.

I accordingly advised management to engage the Uganda Revenue Authority to establish the tax status of the graduate assistants.

(v) Irregular Sponsorship for Master's degrees

According to Section 5.5.1(b) of the Human Resource manual, a newly recruited employee is eligible for school sponsorship to undertake a long term academic training program, after serving for at least two (2) years, and must serve for at least 2 years on return. However a review of personal files of graduate assistants revealed that they were granted sponsorship before completion of two years in the school service.

Further scrutiny of the personal files of graduate assistants revealed that the school never bonded the graduate assistants who were sponsored to undertake masters programs. Given the circumstances, the school was exposed to a risk of loss of funds in situations where the graduate assistants left after completion of their courses. This constitutes wasteful expenditure incurred in training these staff.

I advised management to ensure that all recruitments of graduate staff as well as their subsequent training is guided by the existing regulations. In addition, the School should introduce bonding programmes as conditions for funding these trainings.

g) <u>Staffing gaps</u>

A review of the approved University staff establishment revealed that out of 1,152 posts, only 913 (79%) were filled leaving 239 (21%) posts vacant. A detailed review of the structure revealed that the category of academic staff was the most affected. Out of 552 required academic staff, only 345 (63%) posts were filled. This implies that the University does not have the requisite number of academic staff despite the fact that teaching is its core activity.

Further analysis shows that the most affected positions were those above lecturers, implying that the university is facing additional challenges of supervising academic work at a senior level. This negatively impacts on the university research initiatives.

Inadequate staffing further undermines the achievement of the strategic objectives and affects the level and quality of service delivery at the University, as well as, stretching the existing staff, thereby affecting their performance.

In their response management acknowledged the staffing gap but attributed it to government's contribution to the wage bill of only 20% leaving the rest to be financed by the Internally Generated Funds (IGF). Management further indicated that they had continuously sought Government subvention towards additional funding to fill the academic staff establishment stemming way back to the FY2011/12 following a promise made by the Ministry of Finance Planning and Economic Development.
Despite the several reminders on the promised funds to enhance the academic staff establishment, a response is yet to be received. MUBS Management has continued to liaise with the relevant authorities over the matter.

I advised management to continue engaging the relevant authorities to ensure that the staffing gap challenge is brought to their attention and accordingly addressed.

48.0 UGANDA MANAGEMENT INSTITUTE

a) Receivables not collected

Receivables worth UGX.309,793,221 was collected out of UGX.7,642,135,737 that were outstanding at the close of the previous year. Receivables of UGX.419,132,192 were accrued during the year under review. This resulted into the outstanding receivables balance of UGX.7,751,474,711. Included in these receivables is UGX.7,522,871,142 from student debtors. The receivables have been accumulated over a period of seven years, as shown below;

Financial Year	**Amount (UGX.)**
2008/2009	14,935,609
2009/2010	590,067,836
2010/2011	740,715,549
2011/2012	894,945,449
2012/2013	2,961,757,405
2013/2014	1,422,379,590
2014/2015	1500,962,440
Total	**8,125,763,878**

The accumulation of student debtors was attributed to their non-management in accordance with the Institute Credit and Debtors Management Policy that requires full payment of fees before writing examinations.

I informed management that an inadequate cash position undermines the settlement of liabilities as and when they fall due.

b) Accumulation of payables

Payables worth UGX.6,663,878,000 out of UGX.6,831,472,117 that were outstanding at the close of the previous year were settled while payables amounting to UGX.5,368,014,791 were created during the year under review. This resulted into a new outstanding payables amount of UGX.5,535,608,908 at the close of the year under review. The outstanding payables are made up of Taxes (UGX.1,134,433,332), NSSF (UGX.45,863,786), Gratuity (UGX.1,335,742,180), LST (UGX.46,975,000) and Sundry Creditors (UGX.2,972,594,610). Payables expose the Institute to risks of litigations and the attendant costs.

Besides, there was no payables management policy to enable the Institute monitor and pay its creditors.

Management acknowledged the lack of payables management policy but said was in the process of developing the Payables Policy.

I advised management to expedite the development of a Payables Management Policy to enable timely settlement of obligations.

c) <u>Suspected payroll fraud</u>

Best practice requires an entity to have a fraud management policy that provides a framework for employees in the prevention, detection, reporting and management of fraud.

During the year under review, the Director General sanctioned a special audit by internal audit to establish the extent, to which the former Senior Accounts Assistant remitted staff allowances to his personal Standard Chartered Bank account between July, 2012 and December, 2014. The details of the report indicate that;

- Staff allowances for trainers ofUGX.56, 087,334 were diverted to Senior Accountant's personal bank account.
- Staff allowances worth UGX. 9,973,012 were paid to non-institute staff
- Staff allowances in excess of the approved amounts of UGX.1,680,000 were paid to two staff.
- Payment documents for Associate Consultants for April and September 2013 could not be traced.

This was caused by inadequate supervision of the Accounts assistant and the absence of a fraud management policy. I explained to management that there is a possibility that more funds could have been lost given the limitation of scope in respect to payments for Associate Consultants for April and September 2013.

Management stated that the case was referred to Jinja Road Police Station (ref CRB 119/2015), and all the necessary information provided to the Police to fast track prosecution. They indicate that the case was before the Director of Public Prosecutions (DPP). Management further said that it had designed and developed a Risk Management Policy pending approval by the UMI Council.

I advised the Accounting Officer to track the prosecution of the former Senior Accounts Assistant and putting in place the fraud management policy.

49.0 MBARARA UNIVERSITY OF SCIENCE AND TECHNOLOGY

a) Outstanding Receivables

Management reported a receivables balance of UGX.451,477,415 in the statement of financial position as at 30th June 2015. Review of the supporting schedule revealed that the debts were owed by sponsors of private students. Also noted was that some students sat exams without settling tuition fees contrary to the existing University policy. This is an indication of laxity on the part of the University administration to enforce the debt collection policy.

Accumulation of receivables hinders availability of funds for University operations.

Management explained that the University had introduced mechanisms for tracking defaulters which were expected to mitigate the problem. I await the outcome of management's intervention in this regard.

b) Advances to Personal Bank Accounts

TAI 217 of TAI part I 2003 which requires advances to be accounted for within 60 days from date of payment.

During the course of audit I noted that out of a total of UGX.495,673,182 paid to various staff through transfers to their personal accounts UGX. 52,281,500 remained outstanding beyond the prescribed number of days.

The practice exposes Government funds to risk of loss since staff may be tempted to divert such funds for personal gain and the University does not have any control over funds deposited on personal accounts.

In response, the Accounting officer explained that these were advances to staff to facilitate students on internship and other staff who did not have bank accounts.

I advised the management to ensure that funds are paid directly to the intended beneficiaries and that the funds should always be accounted for, within the stipulated time.

50.0 KYAMBOGO UNIVERSITY

a) Unsupported adjustment of domestic arrears

The University management adjusted the audited balance of UGX.4,983,181,363 by UGX.7,080,137,441 for domestic arrears through the statement of changes in reserves. However, I was able to verify only UGX.4,638,629,950 leaving a balance UGX.2,441,507,491 not supported with adequate documentation. I was also not availed with the supporting documents for the newly accrued payables of UGX.8,855,923,344 during the year.

In the absence of supporting documents I could not confirm the correctness of the adjustments and accrued payables during the year.

There is a risk that fictious claims can creap through the system and they are paid as domestic arrears.

There appears to be no systematic approach of compiling and documenting all the payables at the end of the financial year.

I advised the Accounting Officer to put in place proper procedures of tracking and recording all unpaid claims and invoices for their proper management and eventual settlement.

b) <u>Unauthorized Excess expenditure</u>

Paragraph 3.18 (5) of the Kyambogo University Management Manual 2014 states that "The vote holder in consultation with the University Bursar, are responsible for monitoring their expenditure to ensure that the budget limits of their Administrative departments or Faculties are not exceeded and to initiate requests for virement, reallocation and /or supplementary provisions when their budget limits are about to be used up".

Review of the budget estimates and the actual expenditure revealed that a sum of UGX.4,987,135,363 was incurred well above the budgeted expenditure without the requisite approval of the Council and other relevant authorities.

I explained to management that over expenditure on one budget item suffocates the implementation of other planned activities. The practice also undermines the intentions of the authorities which approved the budget.

In response management indicated that the excess expenditure was due to inadequate budgeting. The expenditures were particularly on teaching and learning budget, arising from pressures to settle domestic arrears for this category of expenditure.

I have advised the Accounting Officer to always budget properly and avoid overspending by obtaining appropriate authority and adjusting the budgets where expenditure is expected to exceed the initial budgeted amounts.

c) <u>Management of Receivables</u>

The University fees policy and Examinations regulations require that for any student to sit for University exams, he/she must have fully paid up all tuition and functional fees and duly registered with the University. Strict implementation of the policy would mean that no debtors would arise from unpaid fees. I noted however, that the University reported receivables of UGX.4,809,987,553 relating to student's fees. According to Note 18 to the Financial statements, UGX.3,482,873,320 has been outstanding for more than one year.

I explained to management that failure to collect tuition fees cripples the University's ability to implement planned activities and impacts negatively on servive delivery.

In response management explained that there was a reduction in the receivables accrued during the year compared to the previous years. They attributed this to the operationalization of the financial manual and introduction of revenue collection system E-kampus.

I advised management to collect the outstanding receivables and also implement the University fees policy with the aim of ensuring that all students pay their tuition fees before sitting for the university exams.

d) Accumulation of Payables

Contrary to the Government commitment control system which requires the Accounting Officers to commit the Government entities to the extent of funds availability, payables amounting to UGX.8,855,923,344 accrued during the year as shown in the table below;

ITEM	New outstanding Commitments Incurred during the Year	Cumulative Outstanding commitments 30 June 2015
Employee costs	4,915,927,602	8,802,292,578
Goods and Services Consumed	3,939,995,742	4,830,873,682
	8,855,923,344	**13,633,166,260**

With the current level of revenues collected by the University, It is highly unlikely that the payables will be settled in the near future.

I explained to management that failure to adhere to the commitment control system does not only violate the laid down Government policies, but also exposes the University to the risks of litigations with their associated costs and also to the possibility of industrial/labour strikes by unpaid staff members.

Management attributed the increase in payables to mandatory expenditures due to the nature of the University operations whereby some activities are implemented across the financial years, uneven cash flows as result of delayed students' fees payments and spill over effect of students' and staff unrest in the previous financial year.

I advised the accounting officer to adhere to the Government Policy and ensure that commitments are only allowed to the extent of the available funds.

e) Under-funding of University Capital Development budget

Review of the University budget performance report revealed that the University has been grossly underfunded in terms of capital development over the last six year. Analysis of capital budget performance for the six financial years revealed that for these years, only UGX.16,060,057,000 has been allocated for capital development by both the central Government and the University through the annual budget allocations and Non-tax revenue respectively as shown in the table below; (figures in thousands).

Financial Year	GoU Contribution to Capital Development	NTR Contribution to capital Development	Total	Total %ge of GoU Releases	Total %ge of NTR Collection
2009/10	222,844	702,080	924,924	1.2	2.3
2010/11	167,133	2,077,838	2,244,971	0.7	5.7
2011/12	167,134	2,434,018	2,601,152	0.9	6.2
2012/13	167,138	5,066,687	5,233,824	0.8	11.6
2013/14	222,845	2,329,506	2,552,351	0.9	5.1
2014/15	55,711	2,450,124	2,502,835	0.2	5.5
Total	**1,002,805**	**15,060,253**	**16,060,057**		

I noted that the increasing student population has increased form 19,600 in 2013/14 to the current 25,000 in 2015/16. The small capital budget cannot permit development of adequate infrastructure to match the increasing student numbers but instead puts pressure on the old inadequate infrastructure. NCHE recommends on average 2.5m2 per student of classroom space which does not seem to be available given the current level of infrastructure development.

It was noted that most of that most of the houses (staff and others) are roofed with asbestos sheets, which have been outlawed and banned.

Management acknowledged the gross underfunding on capital development and indicated that the issue had been raised in various reports but no increments have been considered by the Government. They also indicated that the University management was in constant consultation with Ministry of Education, Science, Technology and Sports to review this trend.

I advised management to pursue the matter of funding with MoFPED and MoESTS with a view of ensuring that adequate capital development funds are provided to enable the University undertake infrastructure development to cater for the increasing student population.

f) Staffing Gaps

Review of the approved University staff establishment revealed that out of 1,556 posts, only 837 (54 %) were filled leaving a gap of 723 (46 %) posts. Out of 537 required academic staff, only 260 posts were filled, which was less than 50%. This implies that the University does not have the requisite number of teaching staff, despite the fact that teaching is the core activity. Most affected positions were those above lecturer position, implying that the University is facing challenges of supervising academic work at a senior level which impacts negatively on the University's research initiatives. The low number of teaching staff is also contrary to the recommended numbers by NCHE.

The recommended ratios by NCHE are as follows;

Details	Ideal	Good	Acceptable
General	1:15	1:2	1:25
Arts and Social Sciences	1:15	1:25	1:30
Other Proffesions,Law, Education etc.	1:15	1:20	1:25
Science based Professions	1:10	1:15	1:20

The low numbers of PHD and Masters holders is also contrary to the recommended levels by NCHE which should be as follows;

Details	Ideal	Good	Acceptable
Ph.D Holders	60% of staff	50% of staff	15-50% of staff
Masters Holders	70% of staff	60% of staff	50% of staff
Contact hours for academic staff	10hrs/week	15hrs/week	20hrs/week

I explained to management that inadequate staffing undermines the achievement of strategic objectives and affects the level and quality of service delivery at the University.

In response, Management explained that the University did not have funds to recruit staff and that for the last three (3) years; the University has not attracted Professors and Associate Professors. As a strategy, the University had resorted to grooming its own Professors and Associate Professors through Promotions, Training and Research whereby 110 academic staff had enrolled for PhD and 41 had graduated. They further indicated that the University had also written to the Ministry of Public Service to solicit for enhancement of the wage bill to enable it recruit additional staff in the coming financial years.

I await the outcome of management efforts in addressing the staffing gap.

51.0 BUSITEMA UNIVERSITY

a) Accumulation of Payables

The Commitment Control Policy of Government prohibits entities from entering into contracts without availability of enough resources to settle the obligations. However, Note 26 shows that the University was indebted with UGX.3,305,042,690 comprising staff gratuity (UGX.2,788,136,163) and a local firm's invoices (UGX.516,906,527).

The accumulation of unpaid gratuity was attributed to failure by the Ministry of Public Service to transfer the funds to the University at the time of decentralization of such payments. I raised these matters in my previous report to Parliament and the risk of litigation remains.

Management explained that it was following up the payment of staff gratuity arrears with the Ministries of Finance, Planning and Economic Development, and Public Service.

I advised the Accounting Officer to continue liaison with the relevant government agencies and ensure that the outstanding gratuity is settled to avoid possible legal suits and their attendant costs.

b) Inadequate staffing of the University

Busitema University has an approved staff establishment of 2,316 employees for all her campuses. However, only 384 posts (16.6%) were filled leaving 1,934 vacancies. Some of the critical vacancies include those of Professors, Associate Professors, Senior Lecturers, Directors and Heads of Departments.
Understaffing of critical positions may affect service delivery and the quality of graduates from the University.

Management attributed the understaffing to inadequate funding and indicated that efforts to have the University funding increased were being made through liaison with the Ministries of Public Service and Finance, Planning and Economic Development.

I advised management to follow up on the initiatives and ensure that the vacant posts are filled.

52.0 GULU UNIVERSITY

a) Outstanding Receivables

Management reported an amount of UGX.1,798,975,541 as student fees receivable under Note 18 to the final accounts contrary to the University fees collection policy which requires full settlement of fees by the 8th week of the semester in order to be registered as a student, be permitted to attend classes and sit for exams. I explained to management that failure to collect Internally Generated Revenue cripples the University's ability to implement planned activities and impacts negatively on service delivery.

In response, management indicated that enforcement of the fees payment policy will be strengthened by computerization of the fees management systems and interfacing revenue collection with the banking system.

I await the outcome of Management's commitment in this regard.

b) Accumulation of payables

Contrary to the commitment control system which requires the Accounting Officers to commit the entity to the extent of funds availability, in my analysis of payables I noted that payables of UGX.1,862,359,408 accrued during the year.

I explained to management that failure to adhere to the commitment control system does not only violate the laid down Government policies, but also exposes the University to the risks associated with delayed settlement of suppliers, such as litigations with their attendant costs.

Management attributed the anomaly to unsettled staff gratuity, extra load claims, and salary enhancement without appropriate increase in internally generated revenue.

I advised management to adhere to the Government Policy and ensure that commitments are only allowed to the extent of the available funds.

c) <u>Accumulation of NSSF arrears</u>

Section 11(1) of the NSSF Act requires that on and after the appointed day, every contributing employer shall, for every month during which he or she pays wages to an eligible employee, pay to the fund, within fifteen days following the last day of the month for which the relevant wages are paid.

Contrary to the provision above, the University has not remitted an outstanding obligation to National Social Security Fund which dates way back to 2009/10 financial year and keeps accumulating interest. The figure has since increased from UGX.317,118,073 to UGX.563,617,875 with interest of UGX.246,499,823, which is considered wasteful expenditure since it could have been avoided with prompt remittance of the amounts to NSSF.

Management attributed the anomaly to the enhancement of staff salaries without corresponding increase in the employers' contribution to the NSSF. This matter was also raised in my report for the previous year.

I advised management to liaise with the Ministry of Finance and ensure that funds are set aside to settle the statutory obligation.

d) <u>Staffing Gaps</u>

I noted that the University was grossly understaffed. Out of 918 posts existing in the approved structure, only 365 (40%) were filled leaving 553 (60%) posts vacant. Among the unfilled posts were 37 Associate Professors.

This has negative effects on the University's operations and service delivery.

In response Management explained that despite submission of the approved recruitment plan to the line ministries for the last 5 years no fund allocation has been made to enable recruitment in key positions with the Faculty of Medicine being the most affected in terms of Specialists and Consultants.

I advised Management to liaise with the relevant stakeholders and ensure that the University's current establishment is filled in order for it to provide services in an effective and efficient manner.

e) **Absence of fully functional Information System**

A computerized financial management system carries along with it benefits such as; efficiency in management of financial resources, improved services delivery, real time analysis of information for decision making, timely budgeting and financial reporting. The University strategic plan 2009/10-2018/19 provides for the development of integrated ICT to improve all functions of the University.

In my review of the University computerization environment I noted that although the University has an IT policy and IT master plan in place, they have not been implemented six years into the implementation of the strategic plan. For instance, management of financial resources and the related records are not automated to ease the generation and preparation of the financial statements.
I explained to management the risks that come with the absence of a functional information Technology system and this may result into inefficiencies in management of resources, delayed reporting and decision making.

Management explained that the Steering Committee has been established to spearhead the operationalization of the ICT Directorate and that the Ministry of Finance, Planning and Economic Development has contracted a firm for computerisation of the operations of Public Universities under the Computerization of Educational Management and accounting Systems (CEMAS).

I advised management to undertake implementation of computerized financial management systems and develop a vibrant IT unit in order to achieve the Vision and Mission of the University.

53.0 MUNI UNIVERSITY

a) Under Collection of student fees

The University budgeted for UGX.608,250,000 as anticipated revenue from private students. However, the review of the statement of revenue collected during the year and other records revealed that only UGX.43,734,000 was collected resulting into under-collection of UGX.564,516,000.

Management attributed the under-collection to the late commencement of the University academic year and over estimation of private intake.

I advised management to always analyze revenue performance on a regular basis and seek for revision of the budget from the University Council whenever necessary.

b) Inadequate staffing

Muni University has an approved staff establishment of 113 employees. However, only 72 posts were filled leaving a staffing gap of 41.

I explained to management that staffing gaps negatively impact on the University's ability to deliver its core mandate and objectives.

The Accounting Officer explained that staff recruitment was being progressively done to match expansion in programmes and activities. He however stated that it was difficult to attract and retain staff in the West Nile region and was pursuing Government to provide extra incentives to enable staff retention in the University.

I advised management to liaise with the relevant stakeholders to ensure that the University is adequately staffed.

c) Incomplete Council Composition

The review of Section 38 of The University and Other Tertiary Institutions Act, 2001 as amended in 2003 and 2006 revealed that the University Council was not fully constituted. The vacant positions on the Council are indicated below.

S/N	Position	Number
1.	A representative of a sector relevant to the university depending on its objectives and missions, appointed by the relevant body in that sector	1
3.	Two members of the academic staff elected by the academic staff Association of the public university	2
4.	A senior member of the administrative staff elected by the Senior Administrative staff	1
5.	A member of the national union of the education institutions; support staff elected by the branch in that university	1

Incomplete composition of the University Council contravenes the law and may result into litigation against decisions of the Council.

The Accounting Officer explained that the Council is being filled gradually as members have to be carefully scrutinized.

I advised the Accounting Officer to liaise with the relevant stake holders to ensure that the Council is urgently constituted in accordance with the law.

d) Un-budgeted Income

The University prepares annual budget estimates of revenue and expenditure which are approved by the University Council and Parliament. The budget is supposed to include all sources of funding and as much as possible all anticipated expenditures

However, review of the Statement of Appropriation Account, Notes 3 and 4 of the financial statements revealed that the University recognized revenue of UGX.163,000,000 from Donors and UGX.48,993,000 from interest on bank account balances without an approved supplementary budget. The practice may result into extra budgetary funding and constrains the University Council in monitoring budget performance.

Management explained that the donor funds were a result of research proposals submitted during the financial year while interest income arose from the cash for construction that was on a bank account awaiting execution of works, and that the tool for budgeting did not allow for amendments.

I advised management to seek for guidance from the Accountant General on the issue of the budgeting tool and ensure that necessary approval is obtained before spending of additional revenue.

GENDER AND LABOUR SECTOR

54.0 MINISTRY OF GENDER, LABOUR AND SOCIAL DEVELOPMENT

a) Under-staffing

The Ministry's establishment structure provided a for total staff strength of 742 posts comprising 418 for the headquarters and 324 for its institutional bodies. However, examination of the Ministerial Policy Statement for Financial Year 2015/2016 indicated that the Ministry had total staff strength of only 273 comprising; Headquarters (180) and Institutional Bodies (93) as of April 2015 resulting into a total shortage of 469 staff categorized as; Headquarters (238) and Institutional Bodies (231). Some of the vacant positions are at the level of Commissioners, Principal and senior Officers which are of strategic importance to the Ministry.

I explained to management that staff shortages have the effect of constraining service delivery.

Management indicated that the Ministry was continuing to engage with the Ministries of Public Service and Finance, Planning and Economic Development to obtain sufficient wage provisions to cater for additional staff recruitment.

I await the results of management action in this regard.

b) Non-payment of Workman's compensation within the stipulated time

Section 26(1) of the Worker's Compensation Act requires the employer to pay workman's compensation to the district labour officer who would pay the compensation to the worker or other person or persons entitled to receive it not later than two weeks after receipt of the claim. This implies that compensation should be paid either within two months after the date the accident occurred or within four months after the date the symptoms of the occupational disease became apparent if no reference to Court is made.

However, audit noted that compensation in the sum of UGX.3,162,461,669 had not been settled.

I explained to management that in the circumstances, the entitled persons were denied their rightful claims and this may result into litigation.

Management stated that the Ministry of Finance, Planning and Economic Development had not been able to provide funds for settlement of the claims despite the numerous requests.

I advised the Accounting Officer to continue the liaison with the Ministry responsible for Finance and ensure funds are set aside to settle the liability.

c) <u>Accumulation of labour disputes at the Industrial Court</u>

The Industrial Court was established under the Labour Disputes (Arbitration and Settlement) Act, 2006 Cap 224, Laws of Uganda to arbitrate labour disputes referred to it under the Act, adjudicate questions of Law arising from references to it by any other law and to dispose of the labour disputes without undue delay. However, review of the case summary statistics revealed that 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.

I explained to management that delays in adjudication of labour disputes may result into industrial unrest.

Management stated that engagements are continuing with the Ministry of Public Service and the Public Service Commission to handle staffing gaps at the Industrial Court.

I await the results of management action in this regard.

d) Audit Inspection of a sample of institutions under the Ministry

Physical inspection of Naguru Reception Centre, and Naguru and Fort-Portal Remand Homes was carried out to assess their suitability for rehabilitation of the affected children. The following observations were made;

Institution	Observations
Fort Portal Remand Home	• Out of 17 staff only 9 were in post. • Lack of fuel to take children to the court. • The children lack proper clothing and wear tattered uniforms. • Some buildings are still roofed with asbestos that were declared unfit for habitation. • Broken windows and louvers for the dormitory thereby exposing the children to vagaries of nature.
Naguru Remand Home	• The septic tank was constructed at a level above those of manholes and the sewerage cannot therefore flow properly. • Incomplete fixing of tiles in the boys dormitory and bathrooms. • Window fasteners were not installed. • Incomplete Civil works on the dormitory. • Ventilator nets and facial board in the BOQs were not installed. • Two vehicles broken down were parked in the yard and seem to be depreciating in value rapidly. • Lack of fuel to take children to court.
Naguru reception Center	• The buildings housing the office, residence, staffroom and the boys' dormitory were leaking. • Cracked floor and walls of the boys dormitory due to apparent poor workmanship. • Ministry Vehicle no.UG 0438Y that was involved in an accident was towed to the Centre compound and abandoned. • The newly fixed locks in the house of the in charge were not working. • The water bone toilet was not in use due to lack of water. • The walk way between the dormitory and the residential house was not worked on. • Lack of transport for resettlement of children. • Inadequate staff accommodation.

In addition, review of the status of assets in other Ministry institutions revealed various weaknesses including;

- Lack of land titles,
- Dilapidated infrastructure and
- Encroachment of land.

Management stated that Naguru Remand Home, Naguru Reception Centre and Kampiringisa National Rehabilitation Centre had been renovated while renovation of Ruti Rehabilitation Centre was ongoing. It further explained that the Ministry has continued to lobby the Ministry of Finance, Planning and Economic Development for funds to facilitate the renovation and rehabilitation of all Ministry Institutions, and that titling of land for Institutions under the Ministry was an on-going process and that the Ministry of Lands, Housing and Urban Development had allocated a staff to the Ministry to support the acquisition of the land titles.

I advised the Accounting Officer to fast track the acquisition of land titles and to liaise with relevant authorities to secure funding for rehabilitation, equipment, staffing and operationalization of all the institutions. This will enable the children to harness their potential through skills development, Labour productivity and cultural growth.

e) Inspection of Youth Interest Groups (YIGs) projects under the Youth Livelihood Programme (YLP)

(i) Inadequate monitoring

Programme Guidelines require that there should be regular follow-up visits to offer technical support and advisory services to the groups by subject matter specialists. However, audit noted that the Sub County Chiefs/Town Clerks and the Community Development Officers who are the focal persons in the implementation of the Programme do not carry out the monitoring in some cases. In all the 98 projects visited, there was no evidence of progressive reporting and monitoring of the programmes.

This was reportedly caused by inadequate funding for monitoring activities which is capped at 10%.

(ii) Non-recovery of revolving funds

Section 6(1) of the Youth Livelihood Programme (YLP) document 2013 requires all project funds disbursed to each Youth Interest Group (YIG) to be treated as a revolving fund to be repaid in accordance with the project financing agreements between the District Local Government and the beneficiary Youth Interest Group witnessed by the area resident state Attorney. The agreements are accompanied by repayment schedules. However review of a sample of districts revealed that by November 2015, a repayment of only UGX.2,500,000 had been made by one group out of UGX. 237,911,900 advanced to groups in Kaborole district where recovery was expected to start from August 2014 leaving UGX.235,411,900 outstanding.

Management stated that although the financing agreements for this district were signed in August 2014, actual disbursement of funds in the groups' bank accounts took up to 2 months due to delays in opening bank accounts and challenges of IFMS transmission of funds that resulted into delayed start of projects and hence commencement of repayment. This led into revision of the repayment schedules.

I advised management to ensure adequate and timely sensitization of group members about management arrangements and prompt disbursement of funds to enable the revolving fund benefit more youths.

(iii) Potential Loss of funds

Field inspection of funded projects in 8 districts and Kampala Capital City Authority revealed that UGX.234,352,300 extended to various groups for various projects may not be recoverable because the projects collapsed or changed the nature of operations.

Management explained that the Ministry was taking actions to enhance the quality of the implementation of the projects and recovery of the revolving fund. In addition, stakeholder meetings would be conducted in all districts aimed at assessing the performance of all projects with a view of establishing challenges and mitigation measures in each case. Meanwhile the problematic cases were being handled by the offices of the RDC, Police and DISO in line with the rewards and sanctions provisions under the Programme.

I advised Management to ensure adequate training and sensitization of the youths before extending funding to them and to enforce the recovery provisions in the Programme Guidelines so that the Programme is rolled out to all youth.

f) <u>Follow up of prior year outstanding observations</u>

Review of the implementation of the previous year's audit recommendation revealed the following status;

No.	**Issue**	**Status**
1.	Staffing gaps – 333 vacancies	Still exist due to lack of funds. However, 8 key positions had been filled and interviews for 9 senior positions had been conducted.
2.	Repayments into the YLP Revolving Fund	A total of only UGX.584,410,777 out of UGX.12,131,055,034 disbursed under phase 1 had been recovered.
3.	Inadequate monitoring of the projects	Not addressed
4.	Inadequate training of the 3 committees in a group	Not addressed

I advised Management to endeavor to implement all recommendations in respect of the above issues as they are intended to enhance efficiency of operations, accuracy of financial reporting and compliance with the applicable legislation.

WATER AND ENVIRONMENT SECTOR

55.0 MINISTRY OF WATER AND ENVIROMENT

a) Outstanding commitments

Section 9 (1) of Public Procurement and Disposal of Public Assets (contracts) regulations, 2014, requires an Accounting Officer to ensure that adequate funding is set aside before entering into a contract.

Review of note 26 of the financial statements revealed that contrary to the above requirement, the Ministry had outstanding commitments amounting to UGX.28,976,858,605 of which a total of UGX.3,002,380,703 relates to the previous year. Notable among the outstanding commitments are contractual obligations (UGX.15,688,475,672), unpaid VAT (UGX.8,123,846,815), National Forestry Authority (UGX.1,189,239,222) and Bunyonyi Safaris (UGX. 355,246,301).

The unsettled financial obligations affect the cash flow of the suppliers and may result into slow implementation of planned activities. The contractors may also charge interest on outstanding balances, impacting negatively on the current year budget if no extra funds are allocated to the Ministry.

Management explained that contractual obligations were entered into based on the Ministry's approved budget of UGX.185,587,393,942 of which only UGX.162,942,253,541 was received resulting into revenue shortfall of UGX.22,645,140,401. Management further indicated that some of the outstanding commitments relate to VAT on water related equipment which was re-introduced during 2014/2015 yet it had not been budgeted for.

I advised the Accounting Officer to liaise with the Ministry of Finance, Planning and Economic Development for adequate funding to settle the outstanding commitments.

b) <u>Nugatory expenditure</u>

(i) <u>Bwizibwera Town Water Supply Systems</u>

The High Court ruling of 19th October 2009 awarded total sum of UGX.1,420,396,559 to a private contractor for unpaid principal and the cost of the suit arising from breach of contract by the Ministry. Additionally, the Ministry was ordered to pay interest on the principal at the rate of 12% per annum from the date of judgment till payment in full.

A review of the payment voucher and supporting documents revealed that the Ministry delayed to settle the overdue obligation for a further 56 months. As a result, a total of UGX.1,604,566,796 in form of accumulated interest was invoiced by the contractor and paid during the year under review. This expenditure could have been avoided if, the obligations were settled in a timely manner.

The Accounting Officer explained that the contract was awarded in 2003 and during that period the Ministry received less funds in relation to its budget for three consecutive Financial Years. As a result, the contractual obligations of the Ministry could not be met in time resulting in claims of interest on delayed payments.

I advised the Accounting Officer to liaise with the MoFPED and prioritize settlement of contractual obligations. Meanwhile court orders should be obeyed in a timely manner to avoid wasteful expenditure.

(ii) Compensation to KOL-CMIC Joint Venture

The Ministry contracted a firm on 4th April, 2013 vide contract ref; MWE/WRKS/12/1301466 for the construction of Nabweya Gravity Flow Scheme at a cost of UGX.13,791,151,517. The construction works were scheduled to be completed within 24 months. Under paragraph 4.7.1(a) of General Conditions of the contract, the Ministry was supposed to hand over the site to the contractor without any encumbrance.

Audit however noted that the contractor was denied access to the site by the Nabweya Hill community between 1st November 2013 and 2nd January 2014. As a result, a total UGX.513,086,540 was invoiced and paid under certificate number 4 for demobilization and subsequent mobilization of equipment, labour and other overheads costs incurred by the contractor during this period.

The Accounting Officer indicated that the stoppage of works arose from the Nyabyeya Hill community who were disgruntled because their area would not be served under Phase one of the project. The demands of the community have since been resolved and works are underway.

I advised the Accounting Officer to always ensure that all project sites are adequately secured before hand over to the contractors.

(iii) Interest Payments on Construction of Lirima gravity flow scheme

The Ministry contracted a firm for the construction of Lirima Gravity Flow Scheme at a contract price of UGX.12,966,047,325 which was later revised to UGX.14,893,801,789, under Addendum 1 of 28th April 2015.

However, owing to the delays in payment to the contractors an additional interest claim of UGX.93,466,737 was charged and subsequently paid during the year under review. Payment of interest increases the cost of outputs and could have been avoided if adequate financial resources are set a side prior to commencement of works.

Management indicated that limited funds disbursed from Ministry of Finance, Planning and Economic Development (MoFPED) hindered the Ministry from effecting payments to the contractor on time.

I advised the Accounting Officer to ensure that certificates are paid in a timely manner.

53.1 JOINT WATER AND SANITATION SECTOR PROGRAMME SUPPORT (JWSSPS) - SOUTH WESTERN BRANCH (WSDF-SWB)

a) Outstanding VAT arrears

Section 4.2.2 of the Program Document for South Western Towns Water and Sanitation-III (SWTWS-III) project requires the Government of Uganda, in addition to co-funding the project with 10% of the budget, to settle Value Added Tax costs.

However, at the closure of the financial year the Facility had outstanding VAT amounting to UGX.2,887,064,477. Non-payment of VAT exposes the Facility to penalties and also deprives Government of Uganda of the desired revenue.

Management explained that previously, water related works and supplies were exempted from VAT and it was only reinstated in June 2014 during the reading of the National budget. Management indicated that it had written to the Ministry of Finance Planning and Economic Development (MoFPED) requesting for funds to settle the VAT arrears and awaits their response.

I await the results of management action in this regard.

b) Outstanding Liabilities

Article 4.2 of the programme funding agreement (Ref-6528-00/2012) required GoU and the donor contribution to be used only for the activities carried out during the Project implementation period which commenced on 19th December 2012.

It was however noted that at the inception of the project in 2012 the Facility borrowed a total of UGX.1,454,000,000 from donor contributions to clear outstanding liabilities for a previous project (South Western Towns Water and Sanitation Project III). During the FYs 2013/2014 and 2014/2015 GoU counterpart funding was instead used to settle the donor liability.

As a result of the cash flows constraints, the Facility had accumulated contractual liabilities of UGX.1,410,116,488 at the end of the financial year, June 2015. There is a risk of litigation if outstanding liabilities are not settled promptly. Management indicated that funds would be set aside for settling the liability in the budget and work plans for financial year 2016/2017.

I advised management to follow-up the matter with the relevant stakeholders and ensure in future all expenditures comply with the funding agreement.

56.0 MINISTRY OF TOURISM, WILDLIFE AND ANTIQUITIES

a) Outstanding International Obligations

The Ministry of Tourism, Wildlife and Antiquities is indebted to two International Organizations namely, Lusaka Agreement on cooperative enforcement operations (UGX.4,959,569,305) and United Nations World Tourism Organization (UGX.661,180,605) in unsettled annual subscriptions totaling UGX.5,620,749,910. The organizations aim at cooperative enforcement operations directed at illegal trade in wild fauna and flora, and encouragement of the implementation of global codes of ethics for tourism respectively.

Unpaid annual subscriptions limit participation of the country in tourism activities organized by the organizations and may lead to suspension of membership. Management attributed the delayed subscriptions to underfunding of the Ministry.

I advised management to liaise with the Ministry of Finance, Planning and Economic Development to ensure that funds are set aside to settle the outstanding obligations. Prompt annual subscriptions would minimize accumulation of arrears.

b) Unbudgeted expenditure

Examination of the Policy statement indicated that the Ministry would participate in various East African protocol activities involving Uganda, Kenya and Rwanda. During the year under review the Ministry undertook various activities related to the protocols which costed UGX.190,262,052.

It was however noted that the funds had not been budgeted for and were instead re-allocated from other items without necessary authority as follows:

Unbudgeted expenditure

S/N	Item from	Item to	Amount (UGX.)
1.	Rent to other Government Institutions	Travel abroad	80,051,924
2.	Consultancy services – Long term	Travel abroad	110,210,128
Total			**190,262,052**

The practice undermines budgetary controls. Management explained that there were urgent protocol activities that necessitated the re-allocation.

I advised management to liaise with the Ministry of Finance, Planning and Economic Development to ensure that funds are set aside for protocol activities in the budget.

LAND SECTOR

57.0 MINISTRY OF LANDS, HOUSING AND URBAN DEVELOPMENT

a) Un-budgeted for Expenditure

It was noted that the Ministry incurred expenditure totalling to UGX.339,654,591 that was not part of the budgeted and appropriated items by Parliament to cater for the activities below;

- Payment of consultancy services amounting to UGX.36,931,691 to M/s Strategic Friends;
- Payment to Uganda High Commission for Maintenance of Seconded Human Resource support arrears amounting to UGX.79,972,900;
- Payment of UGX.222,750,000 owed to the Regional Centre for Mapping of Resources for Development.

I explained to the Accounting Officer that spending on un-budgeted activities leads to diversion of funds and hinders implementation of planned activities.

In their response, management explained that the budget does not adequately support payment of subscriptions which constitutes the biggest percentage of the amounts in question and yet these are mandatory for the continued membership. However, efforts are underway to ensure inclusion of all the amounts in the budget.

I await the outcome of the Accounting Officer's commitment.

b) Mischarge of Expenditure

Parliament appropriates funds in accordance with the needs of the country and this appropriation is implemented through the budget in which funds are tagged to particular activities and outputs using account codes and MTEF codes. I noted that expenditures totaling to UGX.319,793,166 was wrongly charged on budget lines to fund activities that were not planned. Mischarge of expenditure results into diversion of funds and misrepresentation of balances in the financial statements.

The Accounting Officer explained that this was inevitable due to the urgency of certain activities including critical areas like the survey of the Uganda-Kenya border that arose in the course of the financial year but had not been budgeted for.

I advised the Accounting Officer to always seek authority for the virement in accordance with the law prior to any reallocations.

c) <u>Investment in shares in Shelter Afrique</u>

(i) <u>Non-disclosure of Investment in Shelter Afrique (SHAF)</u>

Shelter–Afrique a Pan–African Housing Finance and Development Institution based in Kenya was established in 1982 by the constituent charter of SHAF and is owned by 42 African Governments. The Government of Uganda is one of the founding members. Uganda is represented at the SHAF by the Ministry of Lands, Housing and Urban Development and the National Housing and construction company Ltd. SHAF is involved in mobilizing resources and implementing housing and related infrastructure projects in the African countries.

Uganda's share capital contribution stands at US $ 1,253,000 (1,253 shares as at 10th September, 2015) but with outstanding subscription obligations of US $ 4,968,950 as indicated below;

Issued Share Capital	No. of Shares	Amount at par Value (US Dollars)	Status date
Callable Capital	5,222	5,221,950	
Issued and Called Capital	1,000	1,000,000	
Total GOU Shares	6,222	6,221,950	As at 12th June 2013
Less Paid to date	(1,253)	(1,253,000)	
GOU Balance due	4,969	4,968,950	As at 10th Sept. 2015

During the year, the Ministry paid UGX.3,990,000,000 to SHAF as its share capital. I was not provided with share certificates to confirm investment in the institution.

The Accounting Officer explained that the investment was not disclosed by the ministry since 2012 because there was a Memorandum of Understanding between MOFPED and National Housing and Construction Corporation (NHCC) to the effect that NHCC would be responsible for the investment on behalf of GOU and thus the initial investment was reported in the books of NHCC for the earlier years.

I noted that these are preferential shares owned by GOU and thus cannot be owned by NHCC.

I advised the Accounting Officer to pass on the share certificates to the Accountant General for custody.

(ii) <u>Undeclared dividends</u>

During the review; I noted that SHAF declared cumulative dividends to the tune of US $.16,354 i.e. US $.6,322 earned in 2012, US $ 5,591 earned in 2011 and US $ 4,441 earned in 2010, however these dividends have not been claimed by the Ministry. Besides, the dividends have not been disclosed in the Ministry records and there was no evidence indicating that the funds were subsequently used to acquire more shares.

Non-disclosure of investment earnings could understate Government revenue.

The Accounting Officer explained that the non-disclosure of dividends in the Ministry's books was due to the fact that the investment was being handled by NHCC Ltd.

I advised the Accounting Officer to ensure full disclosure of the investment earnings in the financial statements.

57.1 LEVERAGING MUNICIPAL IMPROVEMENT INFRASTRUCTURE INVESTMENT (LMIII) PROJECT

a) Status of unutilized Project funds at Municipalities

Funds totaling to UGX.246,700,300 disbursed to nine (9) Municipalities was not utilized as at the end of the financial year. I noted that the delay to utilize the funds was due to late issuance of guidelines on how to utilize the funds. During the review of the current status, only two out of the nine Municipalities (Tororo & Hoima) submitted accountability documents on how the funds were utilized and the seven (7) municipalities did not submit the status report of the funds released to them as summarized below;

Municipality	Amount disbursed (UGX)	Utilized		Unutilized	
		Amount (UGX)	%age of utilized funds	Amount (UGX)	% age of funds Unutilized
Entebbe MC	35,242,900	00	00	35,242,900	100
Fort Portal MC	35,242,900	00	00	35,242,900	100
Gulu MC	35,242,900	2,058,500	5.8	35,242,900	94.2
Hoima MC	35,242,900	35,242,900	100	Nil	0
Lira MC	35,242,900	00	00	35,242,900	100
Masaka MC	35,242,900	00	00	35,242,900	100
Moroto MC	35,242,900	00	00	35,242,900	100
Soroti MC	35,242,900	00	00	35,242,900	100
Tororo MC	35,242,900	35,242,900	100	Nil	0
TOTAL	317,186,100	72,544,300		246,700,300	

I could not establish whether the funds for the seven Municipalities have been fully utilized.

In response, management explained that the municipalities in question were requested to provide evidence of the utilization of funds and submission have been received from Moroto, Lira, Masaka, Tororo, Hoima, and Soroti Municipal Councils.

Further, management explained that it had sought assistance of the Ministry of Local Government, the supervisors of the Municipalities to discipline the Town

Clerks of the Municipalities of Entebbe, Fort Portal & Gulu for their failure to provide accountability on the usage of the funds.

I advised the Accounting Officer to ensure utilization of the funds is in line with the specific purpose of the transfer of funds otherwise un-utilized funds should be returned to the donors in line with the financing agreements.

57.2 COMPETITIVENESS AND ENTERPRISE DEVELOPMENT PROJECT (CEDP) LAND ADMINISTRATION REFORM COMPONENT

a) Compliance with the Financing Agreement and GoU Financial Regulations

It was observed that management had complied in all material aspects with the financing agreement and GoU financial regulations.

General Standard of Accounting and Internal Control

A review was carried out on the pension scheme's system of internal controls and financial management and the following matters were noted;

(i) Lack of accounting package

I noted that the project does not have an accounting package in place, but uses Excel worksheet for maintenance of its financial accounts and for the generation of project financial reports. The project cash books are therefore manually maintained. Manual maintenance of accounting records is prone to errors as the data is manually input.

Management explained that a request has been sent to Accountant General to migrate all the 3 Projects (USMID, CEDP & ARSDP) being implemented by Ministry of Lands, Housing and Urban Development to IFMS.

I await management's commitment on the matter.

(ii) Bank reconciliations not reviewed, checked and approved

I noted that under section 345 (f),(g) and (h) of the Treasury Accounting Instruction manual issued by the Accountant General require that for any foreign and local currency bank accounts, bank reconciliations should be done, checked and approved by Finance and Accounting Officer on a monthly basis however, this was not done. In absence of reconciliations, errors, omissions or fraud may go on undetected.

In response management indicated that the bank reconciliation statements have now been fully reviewed and signed. Going forward, monthly reconciliations will be carried out on a monthly basis.

The Accounting Officer's commitment on this matter is awaited.

(iii) Unsupported expenditure

I noted that all the fuel expenses had no fuel statements from the supplier attached to the payment vouchers to enable me undertake the verification. Details are as below:

Date	Payee	PV No.	Description	Amount UGX
28/04/2015	Vivo energy (U) Ltd	D04/MAY/2015	Fuel advance for CEDP activities	14,400,000
19/05/2015	Vivo energy (U) Ltd	D15/MAY/2015	Fuel to facilitate officers on acquaintance of MZO's oprtn	5,000,000
19/05/2015	Vivo energy (U) Ltd	D10/MAY/2015	Fuel Advance inspection of MZO's LIS requirements	2,300,000

Lack of fuel statements from the supplier limited my verification on these amounts. I explained to management that all payment vouchers should be supported, authorised, checked and acknowledged by the recipients and fuel statements should always be obtained from the supplier on monthly basis for reconciliation purposes.

I urged management to ensure proper accountability of fuel expenditure.

(iv) Projects assets not engraved

During my review of the projects assets, I noted that some assets were engraved with the names of another project. Some examples are as noted below. Lack of proper identification could lead to loss of the projects assets.

Asset	Engrave Code	Condition	Amount UGX
Office Desk	LHU/UDD/DK/0019-USMID	New	2,300,000
Meeting desk	LHU/UDD/TB/0020-USMID	New	1,200,000

In response, the Accounting Officer indicated that all project assets acquired under CEDP are engraved on delivery. This error may only affect identification of the asset with CEDP but will remain an asset for MLHUD as marked LHU/UDD.

I advised the Accounting Officer to ensure that all project assets are engraved with the project codes as a way of improving controls.

57.3 ALBERTAIN GRABEN REGION PROJECT

a) Un-accounted for Funds - UGX.40,895,000

Funds totaling to UGX.40,895,000 advanced to staff for various project activities were not accounted for as at the end of the financial year.

Management explained that the matter was brought to the attention of the concerned staff to provide the required documentation. However, at the time fo verification, these accountabilities were not availed for review. I was therefore unable to confirm whether the funds were used for project activities.

In the absence of accountabilities management should consider recovery of the funds from the affected staff.

57.4 UGANDA SUPPORT TO MUNICIPAL INFRASTRUCTURE DEVELOPMENT PROGRAM (USMID) PROJECT

a) Under-absorption of Funds - UGX.11,756,455,837

A review of the financial statements revealed that UGX.11,756,455,837 was not utilized by the project head office as summarised in table 2 below;

Table 2: Unutilised funds

Revenue Items	Amount (UGX)
Opening balance (as per the statement of fund balance)	14,668,169,284
Amount received (as per the statement of receipts and payments)	67,228,835,984
Available amount	81,897,005,268
Total Expenditure (as per the statement of budget performance)	70,140,549,431
Total Un-utilized	11,756,455,837

As a result; the following activities could not be executed during the year. See table 3 below. I explained to management that failure to utilize the released funds could lead to failure to fulfil the project objectives in the scheduled timelines.

Table 3: Activities that were not undertaken during the year

Activity S/N	Activity	Budgeted amount (US$)
3.0	**Development of systems for urban development:**	
3.1	Annual land, housing and urban development sector review	280,000
3.2	Develop a GIS – based urban development management system	454,000
3.3	Engineering design for second batch of municipal infrastructure investments	1,219,000
5.0	**Retooling of MLHUD**	
5.2	Renovation of MLHUD headquarters at Parliamentary avenue	590,000
6.0	**Program Management**:	
6.4	To conduct at least 1 PSC meeting	15,000
	Total	**2,558,000**

Management explained that some activities that were not concluded were rolled to the financial year 2015/16 and are being fast tracked. Management further indicated that the progress is positive as indicated in the table 4 below.

Table 4: progress of activities

Activity S/N	Activity	Budgeted amount (US $)	Current Status
3.0	**Development of systems for urban development**		

3.1	Annual land, housing and urban development sector review	280,000	The contractor to prepare the initial sector review documents has been procured.
3.2	Develop a GIS – based urban development management system	454,000	The Terms of reference were drawn for procurement of GIS. The RFPs for supply of GIS have been evaluated.
3.3	Engineering design for second batch of municipal infrastructure investments	1,219,000	The Terms of reference were drawn for procurement of the firm to carry out designs. The RFPs for designs have been evaluated
5.0	**Retooling of MLHUD**		
5.2	Renovation of MLHUD headquarters at Parliamentary avenue	590,000	The design contractor is in final stages of completing the designs. Procurement of the construction firm shall be launched based on the approved design.
6.0	**Program Management**		
6.4	To conduct at least 1 PSC meeting	15,000	I PSC meeting was held in the month of November, 2015.
	Total	2,558,000	

I advised management to always plan adequately and ensure all planned activities are completed as scheduled.

b) <u>Capacity Building Funds not utilized - UGX.6,079,544,830</u>

It was observed that all the 14 municipal councils had not fully utilized the funds released to them for capacity building to the tune of UGX.6,079,544,830 as summarised in the table 6 below. Failure to utilize all the released funds reflects lack of readiness and commitment to the fulfilment of project objectives. There is a possibility that planned activities may not be completed in the scheduled time which could lead to costly project extension. Some of the Municipal Councils activities were below the 50% mark. The table below refers.

<u>Table 6: Unutilised capacity building funds</u>

Municipal Council	Amount Released			Amount utilized	Balance not utilized	%age not utilized
	2014/2015	2013/2014	Cumulative			
Arua	472,563,420	438,553,614	911,117,034	424,059,256	487,057,778	53.5
Entebbe	472,563,420	438,553,614	911,117,034	466,119,813	444,997,221	48.8
Fort Portal	472,563,420	438,553,614	911,117,034	352,088,783	559,028,251	61.4
Gulu	472,563,420	438,553,614	911,117,034	427,418,612	483,698,422	53.1
Hoima	472,563,420	438,553,614	911,117,034	692,766,199	218,350,835	24.0

Jinja	472,563,420	438,553,614	911,117,034	460,298,162	450,818,872	49.5
Kabale	472,563,420	438,553,614	911,117,034	520,865,283	390,251,751	42.8
Lira	472,563,420	438,553,614	911,117,034	596,743,780	314,373,254	34.5
Masaka	472,563,420	438,553,614	911,117,034	485,164,349	425,952,685	46.8
Mbale	472,563,420	438,553,614	911,117,034	402,884,627	508,232,407	55.8
Mbarara	472,563,420	438,553,614	911,117,034	402,884,627	508,232,407	55.8
Moroto	472,563,420	438,553,614	911,117,034	442,491,643	468,625,391	51.4
Soroti	472,563,420	438,553,614	911,117,034	465,661,809	445,455,225	48.9
Tororo	472,563,420	438,553,614	911,117,034	535,646,703	375,470,331	41.2
Totals	6,615,887,880	6,139,750,596	12,755,638,476	6,676,093,646	6,079,544,830	47.7

In response, management attributed the low absorption of funds to the fact that the Municipal Councils had not procured key retooling equipment for surveying, engineering and environment among others partly due to lack of technical capacity to procure such specialized equipment. In order to increase on absorption rate, the procurement process is being coordinated by MLHUD and the bids for equipment in all the 14 Municipal Councils have been received and evaluated.

I advised management to expedite the procurement process and have the activities implemented.

c) <u>Un-utilized Municipal Infrastructure Development Funds - UGX.57,062,020,785</u>

An inspection of the Municipal councils also revealed that during the financial year 2014/2015, all the 14 municipal councils had not fully utilized the funds released to them under infrastructure development as summarized in the table 7 below;

<u>Table 7: Un-utilized Municipal Infrastructure Development Funds</u>

Municipal Council	Amount Released			Amount utilized (UGX)	Balance not utilized (UGX)	%age not utilized (UGX)
	2014/2015 (UGX)	2013/2014 (UGX)	Cumulative (UGX)			
Arua	3,007,049,280	2,598,140,253	5,605,189,533	1,311,804,421	4,293,385,112	76.60
Entebbe	2,820,233,160	2,689,196,364	5,509,429,524	3,264,961,735	2,244,467,789	40.74
Fort Portal	2,030,726,160	1,660,798,385	3,691,524,545	871,849,532	2,819,675,013	76.38
Gulu	9,946,929,720	8,162,893,132	18,109,822,852	4,087,810,012	14,022,012,840	77.43
Hoima	3,887,466,840	3,511,993,797	7,399,460,637	3,877,510,699	3,521,949,938	47.60
Jinja	2,931,537,180	3,193,080,598	6,124,617,778	3,824,659,205	2,299,958,573	37.55
Kabale	1,831,947,660	1,535,125,679	3,367,073,339	127,259,041	3,239,814,298	96.22
Lira	4,275,509,370	4,967,345,128	9,242,854,498	2,783,707,441	6,459,147,057	69.88

Masaka	4,068,651,210	3,041,413,788	7,110,064,998	2,468,214,546	4,641,850,452	65.29
Mbale	3,326,050,860	2,911,815,489	6,237,866,349	3,772,283,322	2,465,583,027	39.53
Mbarara	5,119,403,100	2,687,415,841	7,806,818,941	263,169,574	7,543,649,367	96.63
Moroto	552,571,380	446,243,632	998,815,012	450,848,393	547,966,619	54.86
Soroti	1,892,904,810	2,482,947,308	4,375,852,118	2,592,443,008	1,783,409,110	40.76
Tororo	1,860,317,430	1,938,533,146	3,798,850,576	2,619,758,986	1,179,091,590	31.04
Totals	47,551,298,160	41,826,942,540	89,378,240,700	32,316,219,915	57,062,020,785	63.84

Analysis of unutilized funds showed that for the past two (2) years now, Kabale and Mbarara Municipal Councils have not procured contractors to work on the planned roads. This was evidenced by the huge balances on their bank accounts as reflected by the huge percentages of unutilized funds. I explained to management that unutilized funds are a reflection of lack of effective implementation of project programs. Failure to utilize funds also delays the development of the planned Municipal Infrastructures and disadvantages the community who are intended to benefits from these activities.

In response; management explained that for Mbarara and Kabale, the Municipal Councils failed to attract responsive bidders twice and have now opted to re-advertise through Open bidding. The bids were received and are being evaluated while for the other twelve (12) Municipal Local Governments, contractors are now on site and works have commenced. Funds for the initial 3 years shall be substantially absorbed by the end of 2015/16 financial year.

I await the outcome of management's commitment.

INFORMATION AND COMMUNICATION SECTOR

58.0 MINISTRY OF INFORMATION AND COMMUNICATIONS TECHNOLOGY

a) Outstanding Domestic Arrears

Treasury Accounting Instructions 2003 Part 1 Chapter IV section 188 specifies that an officer authorized to incur expenditure will ensure that no payments due in any financial year remain unpaid at the end of that year. Further, the established commitment control system requires management to commit the Ministry only when funding has been appropriated and confirmed.

A review of payables related to the Ministry revealed outstanding domestic arrears as at 30th June 2015 totalling UGX.2,000,167,012 as detailed below.

Arrears	Amount (UGX.)
Arrears as at 30/6/2014	1,251,589,543
Prior year commitments paid during 2014/15	(392,356,760)
Outstanding commitments from prior year	859,232,783
Arrears incurred in 2014/15 FY	1,140,934,229
Total accumulated arrears	**2,000,167,012**

Domestic arrears expose the Ministry to risk of litigation from service providers. This could also lead to non-implementation of planned activities as the moneys could be used to settle outstanding obligations.

The Accounting Officer explained that the commitment Control System has always been adhered to but this year round, this has not been possible because of escalating foreign exchange rates, inadequate budget provision (budget ceiling) and insufficient releases.

I advised the Accounting Officer to ensure adherence to the commitment control system. The domestic arrears position should be drawn to the attention of Ministry of Finance, Planning and Economic Development for the resources to settle the obligation.

b) **Budget Performance – unimplemented activities**

A review of the budget performance for the year under review revealed that some targets were partially or not achieved despite release of funds to the vote functions. Details are indicated in the table below:

Vote function output	Item description	Planned outputs	Amount (UGX.) budgeted (000')	Amount released (UGX.) (000')	Actual outputs	Remarks
Project-0990-strengthening Ministry of ICT	054976-Purchase of Office ICT Equipment, including software	- 3 Heavy duty photocopiers procured - 10 laptops - 5 desktops -18 iPads for senior management	143,000	112,925	- One (1) photocopier received. - 2 desktop computers procured	Despite receiving 78% of the funds only two items were bought, the rest of the funds were diverted to refund project accounts and personal advances.
	054978-Purchase of office and residential Furniture and fittings	- Shelves, 10 Chairs and 5 tables procured for resource centre -20	137,000	108,187	-3 executive chairs procured -8 chairs procured -Three (3)	Despite receiving 79% of the funds less than half of the items were

		executive chairs procured -20 executive desks procured -Fittings for offices installed Cabling for internet undertaken			desks procured -3 filling cabins procured -one (1) conference table procured	procured but rather funds were diverted to refund project borrowings and paid personal accounts of the Ministry staff.
E-waste management project	develop e-waste management guidelines	waste management guidelines delivered by 15th June 2015	29,993	11,99	Consultant hired.	By the time of the audit three months beyond delivery timeline, the consultant had not yet completed the assignment and yet he had been paid 40% of the contract price.

Management explained that the Ministry received only 75% of its budget for the financial year under review. Out of the anticipated transfers from UCC of 3.25 billion only 1.5 billion was received. The shortfall subsequently led to a corresponding under performance of the planned activities.

I advised the Accounting Officer to continue liaising with the Ministry of Finance, Planning and Economic Development to ensure all budgeted funds are released.

c) <u>Staffing Gaps</u>

Ministry of Information and Communication Technology has an approved establishment structure of 110 staff however, a review of the staff list revealed that 11 posts were not filled representing a vacancy gap of 10%. Among these were senior management positions critical to the delivery of services. Details are indicated in the table below:

Post	Vacancy
Commissioner, Information Technology	1
Assistant Commissioner, Information Management Services	1
Assistant Commissioner, Information Technology	1
Assistant Commissioner, Broadcasting Infrastructure	1
Senior Information Technology Officer	1
Senior systems Officer	1
Systems Analyst	2
Senior Office Superintendent	1
Steno Secretary	2
	11

Service delivery may be hampered by the delays in filling the vacancies especially at senior management level.

Management explained that a number of vacant positions were cleared for filling by the Ministry of Public Service, however, due to the wage constraints, all the jobs could not be filled at the same time and the above positions are earmarked for filling during the FY 2016/17.

I await the Accounting Officer's efforts with regard to the noted vacancies.

PUBLIC ADMINISTRATION SECTOR

59.0 MINISTRY OF FOREIGN AFFAIRS

a) Outstanding Domestic Arrears

The Ministry of Foreign Affairs (MoFA) signed a number of protocols, entered into several bilateral agreements and obtained accreditation to a number of International Organizations. This was aimed at promoting and protecting Uganda's interests abroad. In order to maintain its active participation and membership in these organizations, the Ministry was required to make annual contributions to the respective organizations.

It was however noted that the Ministry was indebted to international organizations in the sum of UGX.33.06 billion as annual subscriptions and other outstanding obligations amounting to UGX.5.34 billion, bringing the total outstanding domestic arrears to UGX.38.40 billion as indicated in the schedule below;

S/N	Item	Amount (UGX)
1.	Contributions to international organizations	33,062,851,330
2.	CHOGM arrears	3,434,763,201
3.	OIC Conference	1,699,559,278
4.	Carriage, haulage & transportation	97,989,667
5.	Electricity	96,000,071
6.	Property expenses	8,500,000
7.	Withholding tax payable	4,065,901
Total		**38,403,729,448**

The practice may limit the country's participation in activities organized by international organizations. It may also attract litigation and its associated penalties from other creditors.

Management explained that the inability to meet its international obligations and clear its domestic arrears was due to the insufficient budget allocations by the Ministry of Finance, Planning and Economic Development.

I advised management to liaise with the MoFPED together with other relevant stakeholders to ensure that the outstanding domestic arrears are cleared as soon as it is practically possible.

b) Regional Coordination and Monitoring Framework for Northern Corridor Integration Projects

The Government of Uganda between June, 2013 and July, 2015 signed 14 (fourteen) protocols with sister states of Kenya, Rwanda and South Sudan under the Northern Corridor Integration Projects. These protocols are aimed at enhancing regional trade in electricity supply, petroleum products, transport, Tourism, ICT, health and Security.

Amounts totaling to UGX.4,184,278,843 were disbursed during the year under review to fund the power interconnection and Hoima-Lokichar- Lamu crude oil pipeline projects. However, it was noted that coordination, monitoring and accountability arrangements were not provided for under the signed protocols. This renders it difficult to track the progress of the projects and follow up the accountability for the funds advanced. There is a risk of failure to account for the funds in a timely manner.

Management explained that a cabinet memo was drafted seeking to set up an Authority to monitor the NCIP projects and necessary approval is awaited.

I advised management to ensure that a coordination, monitoring and accountability framework is put in place to enable smooth implementation of the projects.

60.0 EAST AFRICAN COMMUNITY AFFAIRS

a) Mischarge of Expenditure

The Treasury Accounting Instructions require all government transactions to be recorded in the books of account applying the Government of Uganda chart of

Accounts as prescribed by the Accountant General. Accounting officers shall ensure that all financial instructions are properly coded.
Contrary to the above, a sum of UGX.47,164,646 was charged on codes other than those for which funds were appropriated leading to mischarge of expenditure.

The practice undermines the intentions of the appropriating authority.
Management attributed the anomaly to insufficient funds provided under the appropriate items particularly with respect to consolidated allowance for members of staff.

I advised management to always liaise with the Ministry of Finance, Planning and Economic Development (MoFPED) and ensure adequate funds are allocated to the budget items to avoid mischarging other items during the budget implementation.

TRADE SECTOR

61.0 MINISTRY OF TRADE, INDUSTRY AND COOPERATIVES

a) Mischarges

The Parliament of Uganda appropriates funds in accordance with the needs of the country and this appropriation is implemented through the budget in which funds are tagged to particular activities and outputs using account codes and MTEF codes. It was noted that the Ministry charged wrong expenditure codes to a tune of UGX.919,795,830 and this constituted 4% of total expenditure. This practice undermines the importance of the budgeting process as well as the intentions of the appropriating authority and leads to financial misreporting.

Management acknowledged the shortcoming and promised to adhere to the approved expenditure.

I advised the Accounting Officer to streamline the budget process and ensure that sufficient funds are allocated to each account. Authority should always be sought for any reallocations.

b) Outstanding Payables

The Ministry had outstanding payables of UGX.9,273,243,483 as at 30th June 2015 properly disclosed in the financial statements. It was observed that out of this amount, a sum of UGX.4,322,188,283 (46.6%) has been outstanding for the last (3) years. Also included is a sum of UGX.7,753,799,155 related to outstanding annual subscriptions to International Organisations. Delayed settlement of creditors may lead to litigations by local creditors and may also deny Uganda's representation on the affected international organisations.

In response, the Accounting officer indicated that the list of domestic arrears has been forwarded to Ministry of Finance, Planning and Economic Development for settlement.

I advised the Accounting Officer to liaise with MoFPED on the matter and have these payables adequately budgeted for and settled in a timely manner.

c) **Nugatory Expenditure US$.6,925.42**

The Government of Uganda through the Ministry subscribes to a number of International Organization such as COMESA, The South Centre Secretariat Geneva, United national Industrial Development Organization (UNIDO), world trade organization WTO etc. A review of the financial statements revealed that the ministry has defaulted to pay the annual subscriptions to a sum of UGX.7,753,799,151 as per domestic arrear schedule. As a result, the benefits accruing from such organizations have not been fully achieved as explained earlier in issue 7.3.

It was observed that separate ledgers were not maintained to keep track of the subscription. A review of available documentation revealed that delayed payments have resulted into interest charged by some organisations worth $6,925.42.

In the response, the Accounting officer explained that defaulting was due to MTEF limitation to provide for subscriptions in the budget to pay the International Organizations.

I explained to the Accounting Officer that interest on delayed payment is nugatory expenditure that should have been avoided had management paid the international contributions on time. I advised management to liaise with MoFPED and have the arrears settled.

I await the actions of the Accounting Officer to settle the contributions.

d) **Failure to approve Ministry Policies**

A review of the detailed planned outputs for the financial year 2014/15 as contained in the ministerial policy Statement revealed that the Ministry had planned to develop a number of policies for the efficient functioning of the Ministry's business. It was noted that most of the policies had not yet been finalised and were still in draft form by the time of this report. See details in table below;

Policy	Status
The Uganda Development Corporation Act	Not yet finalised
The Competition Bill	Not yet finalised
The Anti-Counterfeit Goods Bill	Not yet finalised
The Sales of Goods and Services Bill	Not yet finalised
The Competition and Consumer Protection Act	Not yet finalised
The EAC Accreditation Bill	Not yet finalised
The Cooperative Act Bill	Not yet finalised
The Amendment of cooperative Regulations and review of Sugar Act of 1938	Not yet finalised
Industrial Technology and Development	
A draft of the Sugar Act	To prepare and complete.
Industrial Development Policies	To prepare and complete.
Cooperative Development	
Cooperative Society Act	For Amendment
Sale of goods and Supply of Service Bill	In draft form
The draft Trading Licence Amendment Bill	To be submitted to parliament

Management objectives in terms of policy development could have been affected. The Ministry is therefore operating haphazardly.

I advised the Accounting Officer to expedite the development and submission of the proposed legislation to Parliament for approval.

e) <u>Unimplemented Procurements</u>

A comparison of the procurement plan with the list of completed procurements revealed that the ministry had not implemented some of the planned procurements worth UGX.309,846,253, by the end of the year as per table below;

Name Of Procurement	Source of Funding	Procurement Method	Estimated Cost (UGX)
Procurement of works for border	G.O.U	RFQ	152,346,253

markets			
Refurbishment of Kakumiro warehouse	G.O.U	RFQ	100,000,000
Refurbishment of Kiryandongo warehouse	G.O.U	RFQ	57,500,000
TOTAL			**309,846,253**

Failure to implement procurements as planned implies that the entity may not have achieved its objectives. The needs of the user departments which initiated the procurement were not fulfilled.

Management explained that the implementation gap was caused by the shortfall in funding of UGX.2,015,363,883 between the revised budget of UGX.23,599,148,987 and actual releases of UGX.21,583,785,104.

I advised the Accounting Officer to liaise with Treasury to seek additional funds to enable full implementation of the procurement plan.

MISSIONS

62.0 UGANDA HIGH COMMISSION, ABUJA

a) Excess Expenditure

Section 25 (9) of the Public Finance Management Act ,2015 provides that any expenditure which is in excess of the appropriated budget of a vote and which is not in accordance with this section shall be treated as loss of public funds.

It was observed that the Mission in the statement of appropriation account (based on services voted by Parliament) reported total expenditure of UGX.1,499,240,369. This is in excess of the approved budget of UGX.1,373,000,000 by UGX.126,240,279. I was not provided with evidence that authority was granted to this effect and accordingly, the expenditure is considered not a proper charge on public funds.

This may be indicative of budgetary indiscipline and the laxity on the part management to enforce controls relating to expenditure.

The Accounting Officer attributed it to underfunding of the two items 211103 (FSA) and 227003 (carriage Haulage, Freight and transport) and explained further that the matter had been brought to the attention of the ministry of Foreign Affairs and that of Finance planning and Economic Development over time to increase substantially the allocation on the two items but all in vain.

The Accounting Officer is advised to follow up the matter with the responsible Ministries or seek authority where it is found necessary to incur expenditure beyond the originally approved budget.

63.0 UGANDA EMBASSY, BERLIN

a) Inadequate budget provisions

(i) Recurrent Budget

During the financial year, the Embassy was provided with UGX.3,125,000,000 as recurrent budget, including a supplementary of UGX.589,000,000 This is against the expected representation of the country in the nine (9) countries of accreditation which include Germany, Austria, Hungary, Czech Republic, Poland, Slovakia, Bulgaria, Romania and the Holly See and, to the UN Volunteers Office, Bio-Diversity Secretariat, International Atomic Agency in Viena, UN Framework Convention on Climatic Change, UN Convetion to Combat Desertification, UN Industrial Development Organization, UN Commission on International Trade Law, UN Office for Drug and Crime.

It was also noted that 84% of the recurrent budget was consumed by fixed costs including staff salaries, allowances (FSA), medical, social security and; rent, leaving a paltry 16% to cater for other activities and facilitation of staff to implement the Mission Charter in the areas of accreditation. For example, at the time of audit in in September 2015, the Ambassador had not presented his letters of accreditation in all the countries except Germany due to lack of funding, while a number of other activities to the tune of UGX.392.5million remained unfunded during the financial year under review.

The Accounting officer explained that although their ideal budget to allow them implement the Mission Charter is always presented to MoFPED, the MTEF ceilings are always lower. I advised the Accounting Officer to liaise with MoFPED and have the MTEF ceiling for the Embassy increased from the current position to enable effective representation of the country in the nine countries and eight UN organisations.

(ii) Capital Development

It was noted that the Embassy was provided with only UGX.50 million as capital development budget. The Embassy lacks assets both at the Chancery and the

Residence but the current budget provision is inadequate to allow for acquisition of the required assets. Most of the assets at the residence either belong to the landlord or are personal to the Ambassador. This is contrary to the provisions of the Uganda Public Service standing orders which require furnishing of the Ambassador's residence.

Similarly, the Chancery lacked adequate furnishing and the current furniture used includes a number of old pieces of furniture that were picked from another embassy that was disposing them of.

The lack of Government's own furniture increases the reputational risk of the Embassy and the Government of Uganda as a whole.

The accounting Officer explained that some capital development funds had been included in the 2015/16 and 2016/17 budget to allow management acquire some assets. I advised the Accounting Officer to follow up with Treasury and ensure that the funds are released in a timely manner to begin the procurement processes.

64.0 UGANDA EMBASSY, BRUSSELS

a) Undisclosed Commitments

Section 2(b) of schedule 5 of the Public Finance Management Act(PFMA) 2015 requires the Accounting Officer to prepare a statement of outstanding commitments as at the close of the financial year. The statement of outstanding commitments showed only UGX.59,053,146. However documentary review revealed a contract amount of € 37,626.18 (UGX 139,271,048) in respect of renovation of chancery that was not included in the statement of outstanding commitments as detailed below:

Contractor	Date of contract	Contract	Awarded contract Amount (UGX)	Awarded Contract Amount (euros)	Amount contracted out (euros)	Amount contracted out (UGX)
Pas vorm woning	30th June 2015	Renovation of chancery basement	783,670,964.41	211,722.28	37,626.18	139,271,048

However, I did not obtain explanation for the omission.

I advised the Accounting officer to ensure that the commitment be disclosed in the financial statements.

b) **Unspent balances not returned to the Consolidated Fund**

Section 17 (2) of the Public Finance Management Act 2015 require a vote that does not expend money that was appropriated to the vote for the financial year, to, at the close of the financial year to repay the money to the consolidated fund. It was observed that UGX. 1,622,942,289 that was not expended at the close of the financial year had not been returned to the consolidated fund. There is a risk that the funds may be utilized without authority as its appropriation authority expired at the close of the financial year.

The Accounting Office explained that the funds had been ear marked for capital development for the renovation of its properties. However, the Permanent Secretary/Secretary to the Treasury had instructed them to return the funds.

I urged the Accounting Officer to comply with the Laws and ensure that the funds are returned.

65.0 UGANDA HIGH COMMISSION, BUJUMBURA

a) Implementation of the Mission Charter

The Mission Charter outlines priority activities for the embassy as; supporting peace building initiatives in Burundi and the Great Lakes Region, facilitating attraction of at least 100,000 tourists from Burundi, lobbying FDI and deepening the process of Regional Integration.

However, scrutiny of the charter and the mission's annual budget revealed lack of alignment of the two documents. There was also no evidence of achievement of mission targets.

Management explained that the implementation of the Mission charter was hampered by inadequate funding coupled with the political instability in Burundi which has negatively affected the attraction of tourists and transfer of investment opportunities.

I advised the accounting officer to liaise with the Ministry of Foreign Affairs and Ministry of Finance Planning and Economic Development to ensure that the embassy budget is aligned to the Mission Charter and that the necessary funding is provided.

b) Lack of Segregation of duties

It was noted that the current management arrangements at the mission do not favour the existence of a good internal control environment. Whereas the Ambassador is the Head of Mission, he was also signatory to the mission bank accounts. The practice contravenes principles of Good Corporate Governance.

Management indicated that the Ambassador would in future play his role as Head of Mission in compliance with principles of good corporate governance and allow the technical persons handle day- to- day operations.

I advised management to ensure adequate segregation of duties in all aspects of the mission's operations.

66.0 UNGANDA EMBASSY, CAIRO

a) Inadequate funding of the Embassy activities

In order to adequately implement the Mission Charter and effectively represent Uganda in all the designated countries of representation (Egypt, Israel, Syria, and Lebanon), and implement the Mission Charter in these countries, the embassy requires adequate funding.

It was however noted that other than paying salaries and other fixed costs, the staff are not adequately facilitated to perform all planned activities achieve the mission objectives.

More than 85% of the embassy budget is consumed by the fixed costs, such as FSA, salaries, rent, medical care, and utilities leaving very paltry amounts to facilitate the staff to undertake activities indicated in the Mission charter. For example, the following were noted;

- The former ambassador resigned his appointment and posting after spending three years his tour in Cairo without presenting his credentials to the other Countries of representation partly because of lack of funds to cater for his transport and allowances.
- There is no visible promotion of trade and tourism by the embassy staff.

The Accounting Officer explained that the issue had been discussed on several fronts but the budgets were always static given the fact that the MTEF ceilings have not change. She further indicated that of the small amounts, 85% is used to defray fixed expenses such as Rents and Salaries. She stated that management would continue engaging the responsible Ministries to ensure that the funding issue is resolved.

I await the outcome of the Accounting Officer's undertaking to engage the responsible Ministries.

67.0 UGANDA HIGH COMMISSION, DAR ES SALAAM

a) Unspent Balances

Section 17 (2) of The Public Finance Management Act 2015 states that a vote that does not expend money that was appropriated to the vote in the financial year shall at the close of the financial year, repay the money to the consolidated fund. Though the Mission requested for authority to retain USD 157,757 no evidence was availed to indicate that authority was granted as requested.

The Accounting Officer was advised to ensure that the matter is followed up with the Permanent Secretary, Secretary to Treasury; otherwise the unspent balances are returnable.

68.0 THE PERMANENT MISSION OF THE REPUBLIC OF UGANDA TO THE UNITED NATIONS AND OTHER INTERNATIONAL ORGANIZATIONS IN GENEVA

a) Loss of court case

A local staff who had been dismissed by the Embassy won a court case for unfair dismissal resulting into an order to compensate the individual a sum of CHFs. 184,895.35 plus an annual interest rate of 5%. The country was not represented in the case proceedings implying a possibility of negligence on the part of relevant agencies. There is a risk of absolute loss of public funds.

The Accounting officer in reply indicated that following further consultations with the Ministries of Foreign affairs and Justice and Constitutional Affairs, an appeal had been lodged and the matter was now before the Geneva civil court.

I advised management to follow up the matter with the respective ministries and ensure adequate representation of the government.

In future there should be due diligence in handling staff matters and any subsequent court cases.

69.0 UGANDA CONSULATE, GUANGZHOU, CHINA

a) Unauthorized over Expenditure

Regulation 37 (b) of Public Finance and Accountability Regulations, 2003, requires Accounting Officers to ensure that the provisions for services as authorized by accounting warrants are not exceeded. Any excess expenditure should be incurred with proper authority.

Contrary to the above requirement, a review of the Consulate expenditure revealed excess expenditures on various budget line items amounting to RMB 114,319. There was no evidence of authority in form of reallocations or virement warrants supporting the excess expenditure.

Management attributed the over expenditure to unexpected events during the year but pledged to improve on the Consulate's budgeting processes to address the anomaly.

I advised management to ensure strict budget discipline and/or seek appropriate authority to spend in excess of accounting warrants as required.

70.0 UGANDA HIGH COMMISSION, KIGALI

a) Extra Budgetary expenditure due to Foreign Exchange gains

I noted that, although the Mission's approved budget and receipts from Treasury were only Ugx 4,742,190,565, an amount of UGX 5,603,300,704 was incurred/spent on the following items:

Operating Expenses	Approved Budget	Actual Amount spent	Variance
Employee Costs	857,942,565	819,944,845	37,997,720
Goods and Services Consumed	853,848,000	972,226,214	(118,378,214)
Consumption of Property, plant and Equipment	3,030,400,000	3,811,129,645	(780,729,645)
TOTAL	**4,742,190,565**	**5,603,300,704**	**(861,110,139)**

This created an excess expenditure of UGX.861,110,139 spent without the necessary approvals from MoFPED. On further analysis I observed that out of that expenditure, UGX.765,107,995 was due to foreign exchange gains (on the capital development account) during the year. These gains arose due to the appreciation of the dollar internationally.

Such extra budgetary expenditure defeats the purpose for which budgets are made. Management, in their response, acknowledged the observation and pledged to seek the necessary approval from PS/ST.

I await the approvals from MoFPED.

71.0 UGANDA EMBASSY, KINSHASA

a) Refund of Medical Expenses

Section M (m-a) (14) of the Public Service Standing Orders, 2010 requires Foreign Service Officers, while serving in a mission abroad, to be covered by full medical insurance. Contrary to the above requirement, it was noted that the Embassy expended USD.3,759.75 on refunds for medical expenses for its officers.

There is a risk of making refunds based on false claims.

I advised management to obtain full medical insurance cover for its officers as required by the standing orders.

72.0 <u>UGANDA HIGH COMMISSION, KUALA LUMPUR</u>

a) <u>Unsupported Foreign Exchange Loss - UGX.49,521,579</u>

A review of the Statement of Financial Performance for the year, revealed that an amount of UGX.49,521,579 was reflected as foreign exchange losses incurred during the year. However, I was not provided with a detailed schedule of the build-up of the figure at transactional level. In the absence of a detailed schedule of foreign exchange transactions, I could not confirm the accuracy of the amount in question. There is a risk therefore, that this amount may be misstated.

The Accounting Officer explained that exchange rates vary daily for every transaction for the whole financial year. When transfers are received from Treasury, the USD rate against the UGX is very high making the Mission to receive less both in the USD and the local currency (Malaysian Ringgit). When payments are also made in the USD, the USD rate against UGX is lower making each payment made in UGX and Local currency to be higher. More so, the Mission has no NAVISION system installed to enable quick generation of the exchange loss Schedule.

I advised the Accounting Officer to liaise with the Accountant General to ensure a quick installation of the NAVISION accounting system to enable her prepare fully supported financial statements.

b) <u>Unspent Cash Balances - UGX.34,186,137</u>

According to the Statement of Financial Position as at 30th June, 2015, the Mission indicated a closing unspent balance of cash and cash equivalent of UGX.40,906,109, which comprised UGX.34,186,137 being cash at hand (imprest), and UGX.6,719,972 being a bank balance on the expenditure account. According to the TAI, as well as the accounting policy "k" on page 28 of the financial statements, the unspent balance was supposed to be remitted to the Consolidated Fund.

However, there was no evidence provided to indicate that the amount was transferred. Instead, the Accounting Officer explained that the amount was carried forward to the month of July, 2015 and expensed. This was irregular.

I advised the Accounting Officer to always ensure that unspent balances at the closure of the financial year are remitted to the Consolidated Fund.

c) <u>Over Release of funds - UGX.48,692,139</u>

An analysis of the budget performance of the High Commission for the financial year under review revealed that a sum of UGX.1,896,187,697 was released against an approved budget of UGX.1,847,495,558 (comprising of Recurrent - UGX.1,587,495,558 and Capital development - UGX.260,000,000). This resulted into UGX.48,692,139 being released over and above the approved budget. Further inquiry into the matter revealed that this was an amount advanced to the Accounting Officer by Treasury, for the initial operations at establishment of the High Commission before bank accounts were opened.

The amount was supposed to be deducted from the Commission's subsequent quarterly releases, which was not done, thus leading to an over release to that tune. I advised the Accounting Officer to liaise with the Accountant General over this matter.

In her response, the Accounting Officer acknowledged the observation and accordingly communicated the anomaly to the Accountant General vide: Ref. UHC/KL/FIN/7 dated 2nd November, 2015.

I await the action of the Accountant General, over this matter.

73.0 UNGANDA HIGH COMMISSION, LONDON

a) Non Tax Revenue (NTR) collections and transfers to the consolidated fund

The High Commission collects cash and postal orders from visa applicants before issuing them with visas. The Mission had balances on the account from the previous year of £44.352.48. During the year under review, a sum of £430,318.00 was collected as NTR, however only £295,595.48 was transferred to treasury leaving a balance of £61,255.61 yet to be accounted for. Management is at risk of utilizing this balance at source contrary to the Treasury Accounting Instructions (TAIs) that require all NTR collections to be transferred back to Treasury.

Management explained that the Mission was faced with major challenges mainly insufficient funding, increased utility and telephone bills, loss of poundage, lack of furniture for High Commissioner's Office and Official Residence, high Insurance Bills among others, hence the Mission used NTR at source amounting to £114,733. A balance of £61,255.61 equivalent to UGX.318,907,731 will be remitted to Treasury during the course of financial year 2015/2016.

I advised the Accounting Officer to avoid spending NTR prior to seeking authority from the Permanent Secretary/Secretary to the Treasury. Meanwhile, UGX.318,907,731 not remitted should be transferred to Treasury as required by law.

b) Irregular procurements

Section 26 of the PPDA Act requires that the Accounting officer of the procuring and disposing entity shall have the overall responsibility for the executor of the procurement and disposal process in the procuring and disposal entity. At the time of audit, the Contracts Committee had been nominated by the Accounting Officer and approved by the Permanent Secretary/Secretary to the Treasury in line with Section 27 (2) of the PPDA Act and procurements worth £79,757.78 equivalent to UGX.415,766,335 had been approved for payment by the Contracts Committee. It was however observed that the procurements totaling £5,800 were not supported with Contracts Committee approval contrary to the law. Management risks procuring goods that are not planned for hence affecting the performance of the High Commission.

Additionally, the Procurement plan was not in place for procurements worth £.5,800. Details are in the table below;

Procurements	Amount paid (£)
Furniture for the children's room at official residence	1,324.00
Sofa set in the waiting area on 5th floor	1,650.00
Sofa set in the office of the Head of Mission.	2826.00
	5,800

I advised the Accounting Officer to always follow the procurement guidelines by procuring goods and services approved by the Contracts Committee and also desisting from undertaking procurements outside the procurement plan.

74.0 UGANDA EMBASSY, MOGADISHU

a) Implementation of the Mission Charter

The Mission Charter details priority areas, in line with MoFA Strategic Plan 2010/11-2014/15 where its resources are supposed to be directed as follows: Promotion of regional peace and security, Enhancement of capacity building support of public institutions in Somalia, Provision of diplomatic protocol and consular services in Somalia and Promotion of general economic cooperation.

However, it was noted that there were no clear performance targets, indicators and/or milestones to guide the implementation of the stated charter activities. Besides, the mission's budget as per the 2014/15 MoFA Ministerial Policy statement was not aligned to the Mission charter.

Without the key parameters for measuring performance, I could not ascertain the extent to which the Charter priorities and /or objectives had been accomplished.
Management explained that the Embassy was liaising with MOFA to revisit the Charter priorities and set clear and measurable performance indicators, targets and milestones for each of the intended activities.

I urged management to expedite the process of streamlining Charter priorities and setting of measurable performance indicators as well as ensuring alignment of the budgets with the mission charter.

75.0 UGANDA CONSULATE, MOMBASA, KENYA

a) Medical Insurance

A Foreign Service Officer, while serving in a mission abroad, is entitled to full medical insurance. During the period under review, a sum of KShs.426,444 was paid to Jubilee Insurance Kenya as medical insurance for family of the head Consulate. It was however observed that there was no budget item for this activity thus the Consulate mischarged from allowance item 211103 to cater for this payment. I was also not provided with the agreement between the consulate and the service provider (Jubilee Insurance Kenya) to enable me understand the financing arrangement.

Management explained that the consulate will cater for this item in the budget of the financial year 2015/16. The insurance agreement in place is that of Nairobi High Commission. The consulate is yet to review the need to separate from the High Commission medical arrangement and establish their own.

I advised the Accounting Officer to urgently review the Medical Insurance Scheme and have a consulate agreement in place.

b) Mission Charter and performance of the Consulate

The Mission Charter outlines the road map that the mission intends to follow in the future to enable the achievement of its mandate. The Mission charter also enables the Missions and the Consulates to develop the annual work plans. It was however observed that the consulate did not have a mission charter but instead used the Nairobi High Commission Charter to develop its Work Plan.

I reviewed the Nairobi High Commission Charter and noted that the charter did not

breakdown activities into Consulate manageable activities. Activities such as facilitation of tourists to be attracted to Uganda from Mombasa, promoting Uganda exports, lobbying inward investments, handling requests for consular services facilitate acquisition, development and maintenance of Uganda property and lobbying inward inflows of students to education institutions in Uganda should have been broken down and form part of the Consulate work plan.
In the absence of a separate and a well aligned charter, it becomes difficult to review the performance of the Consulate.

Management explained that the Consulate was opened after Mission charters had already been signed between Heads of Missions and the Minister. The Mission Charter of the Consulate is being followed up with Ministry of Foreign Affairs and the issue will be resolved in the next Ambassador's conference with Heads of Mission.

I advised the Accounting Officer to follow up with the responsible ministry with a view of having a separate and manageable Mission charter.

76.0 UGANDA HIGH COMMISSION, NAIROBI

a) Unspent Balances not Returned to the Consolidated Fund

Section 17 (2) of the Public Finance Management Act 2015 require a vote that does not expend money that was appropriated to the vote for the financial year to at the close of the financial year to repay the money to the consolidated fund. It was observed that UGX 7,792,641,831 that was not expended at the close of the financial year had not been returned to the consolidated fund.

The Accounting Officer explained that most of the money related to funds meant for rehabilitation of the Uganda House project that has not taken off because of the litigation going on in the courts of law where the sitting tenants are reluctant to vacate the promises to allow for the renovation to take place. He further explained that the Mission has written to the Permanent Secretary/Secretary to the Treasury (PS/ST) requesting Authority to retain the unspent balances.

I advised the Accounting Officer to follow up the matter with the PS/ST otherwise the funds are returnable in accordance with the law.

b) Excess Expenditure

The statement of appropriation account (based on nature of expenditure for services voted) revealed a revised budget amount of UGX. 819,059,674 in respect of goods and services consumed. However, the actual expenditure incurred amounted to UGX.920,489,555 occasioning an excess expenditure of UGX.101,429,881. The authority for the excess expenditure from the Permanent Secretary/Secretary to the Treasury was not availed for audit. Excess expenditure is irregular and distorts the implementation of planned activities.

The Accounting Officer explained that the excess expenditure was caused by costs of maintaining an officer and opening up of the Consulate in Mombasa which had not been budgeted for in the financial year. He further stated that the expenditure was authorized by the Ministry of Foreign Affairs on the understanding that the funds would be replaced once the Mombasa vote received its funds.

I advised the Accounting Officer to follow up the matter with the Permanent Secretary /Secretary to the Treasury and the Permanent Secretary Ministry of Foreign Affairs to address the issue of excess expenditure and ensure that the funds are refunded.

77.0 UGANDA HIGH COMMISSION, NEW DELHI

a) Mission Charter

A review of Management meetings at the mission established that although some steps had been taken in implementation of the Mission Charter such as attracting tourists and lobbying for investments through attendance of Confederation of Indian Industry, trade expos in Indian States and trade missions in Sri-Lanka and ASEAN countries, more still needed to be done in implementation of the charter activities.

It was noted that there was no work plan for operationalization of the mission charter. The specific activities, their budgets and time frame for their implementation in line with the specific objectives and targets assigned in the charter were not in place.

I advised the accounting to prepare a costed annual activity work plan for implementation of Mission Charter Objectives.

The Accounting officer explained that the mission charter would be revised and work-plan linked to the charter.

b) <u>Compliance with the PPDA Act regulations in mission procurements</u>

The PPDA Act and regulations require every procurement and disposal unit (PDU) to amongst other requirements;

- Prepare and submit to PPDA an Annual procurement plan based on the annual approved budget for that respective financial year;
- Prepare and submit to PPDA quarterly procurement and disposal reports;
- Produce a list of prequalified goods and service providers for the next three years.

A review of the mission procurement revealed that contrary to the PPDA Act and regulations the mission neither produced an annual procurement plan; quarterly procurement and disposal reports nor a list of prequalified service providers based on the appropriated funds for Vote 204.

The Accounting Officer explained that a procurement plan would be prepared and all procurements made in compliance with the PPDA Act and regulations.

I await the outcome of management's commitment in this regard.

78.0 THE UGANDA PERMANENT MISSION TO THE UNITED NATIONS, NEW YORK

a) Staffing Structure

Whereas the approved staffing structure for the Embassy is 1+5, it was noted that the current staffing is 1+8.

Management explained that the issue of the approved structure of 1+5 not being adequate given the workload at the United Nations has been brought to the attention of the Ministries of Foreign Affairs, Public Service and Finance, Planning and Economic Development and the Mission will continue to follow up the matter of regularising the current staffing level and ensuring that the budget allocated caters for all the staff to avoid shortfalls.

I have raised this issue in my previous reports and continue to await results of the action taken by the concerned ministries and the Mission.

79.0 UGANDA HIGH COMMISSION, OTTAWA

a) Delayed construction of the Chancery

The Chancery is a two storeyed building with a basement located at 231 Cobourg Street Sandy Hill, Ottawa, Ontario. It was acquired in 1987 and has been occupied until July 2013 when it was vacated due to extensive cracking and basement damage. Since 2012 various consultants have undertaken reviews and inspections on the property. In 2013 a consultant carried out various surveys which recommended the following;

- Remedial work to be undertaken within one year on installations and systems that were potentially unsafe otherwise significant escalation of costs would result if delayed.
- Trees located within 8 meters of the building be removed since they demand too much water leading to shrinkage of foundation.

At the time of inspection, in July 2015, all the above recommendations had not been undertaken despite the fact that the MoFPED had cumulatively released an amount of UGX.2,762,000,000 (approx. USD.1m) for that purpose. The trees were neither removed nor were the renovations undertaken within the recommended one year.

Besides, the delay in renovations causes further deterioration as earlier predicted by the Consultants. After two years without the renovations, the property has now been recommended for demolition by a Board of Survey (BoS) team from Uganda comprising MOFA, MoWT and MoFPED officials.

Management is advised to always undertake agreed construction works in a timely manner.

(i) Consultancy for the design and supervision of contract for development of a new Chancery

In March 2015 a new consultant, Ms Ten2-Four, was procured at a cost of CAN$397,590 to design and supervise the demolition and development of a new Chancery for a period of 36 months starting 20th March 2015. By the time of audit an amount of CAN$79,518 (20%) had been paid to the Consultant. I noted the following:

- **Expired Performance Security**

I noted that although the duration of the contract was for three (3) years up to 2018, the professional indemnity insurance, issued in lieu of the performance security, was valid for only up to 06/09/2015 which had expired. Without a performance guarantee, there is a risk that unsatisfactory services rendered by the Consultant may not be appropriately compensated.

Although the accounting officer had promised to renew the performance guarantee to match with the performance contract, by the time of reporting, this had not been done.

- **Delays in implementation**

According to the inception report from the consultant, the proposed demolition and development will delay due to unapproved demolitions by the City Authorities. Apparently the approvals have been delayed because the building is located in an Heritage zone and has been designated as a heritage property under the Ottawa Heritage Act (OHA). The consultants estimated that this would take between 8 to 12 months before approvals are obtained.

Management stated that they have met with the relevant City officials and provided documentation.

Furthermore although the PPDA Act requires that prior approval is obtained from the Minister responsible for Finance before demolition of the building, this has not been obtained. This will impact on both the project timelines and cost. Management stated that the process of obtaining the necessary approval had been started by Ministry of Foreign Affairs (MoFA).

I advised management to expedite the process and to also ensure that prior approvals are obtained before committing government to such major projects.

- **Proposed variations in scope**

In June 2015 the Consultants requested for additional costs amounting to CAN$ 122,000 due to a revised scope of work for the Heritage Review and Site Plan Control. This variation amounts to almost 30% of the original contract. According to the PPDA Act, this would necessitate the prior approval of the Authority; however this had not been obtained by the time of reporting.
Without prior approval the payments would be irregular.

In their response management stated that the inception report from the consultant was forwarded to the MoFA to analyze and make decision on the way forward. The MoFA informed the mission that consultations were being undertaken with PPDA and other stakeholders regarding all aspects in the inception report.

I await the outcome of the Consultations.

80.0 UGANDA HIGH COMMISSION, PRETORIA

a) Non remittance of NTR - UGX.564,939,303 to the UCF account

A review of the statement of arrears of revenue and the NTR report for the year revealed that the High Commission collected NTR totaling to UGX.871,120,249 from issuance of Visas, travel documents, passports and other sources. However, by the close of the year, only UGX.504,305,299 had been remitted to the Uganda Consolidated Fund (UCF) account, while another UGX.105,291,496 was cash-in-transit. This left a total of UGX.261,523,454 not remitted to the UCF account in the year under review.

I noted further, that the High Commission was not regularly remitting NTR as indicated by the failure to remit outstanding NTR arrears of the previous year (2013/14) totaling to UGX.209,383,035. In addition, outstanding miscellaneous income arrears of UGX.94,032,814, was not remitted. This implies that a total of UGX.564,939,303 remained unremitted to the UCF by the Mission.

Failure to remit NTR intact exposes the amounts to a risk of misuse, especially when it involves spending at source. The Accounting Officer admitted the anomaly and attributed this to expenditure at source on Capital Development budget; however, she anticipates a refund of the amounts during the financial year 2015/16.

I advised the Accounting Officer to always ensure that NTR collections are banked intact and remitted to the UCF promptly. In addition all arrears of NTR and miscellaneous income used at source should be recovered and the amount remitted to the Consolidated Fund account.

b) Unauthorized Excess Expenditure - UGX.996,551,948

The Public Finance and Accountability Regulations, 2003 (Regulations 39 & 40) require Accounting Officers to adhere to the budgetary allocation per vote or obtain prior permission before an over expenditure is incurred.

However, a review of the financial statements for the year revealed that actual expenditure on Employee costs and Property, Plant and Equipment during the year under review exceeded the budget amount by UGX.996,551,948. This led to excess expenditure over and above the approved budget.

Apparently, there was no evidence that authority to overspend was sought as required by the Public Finance and Accountability Regulations as well as the Treasury Accounting Instructions.

In response, the Accounting officer stated that the excess expenditure was from balances carried forward from FY 2013/14 of USD.294,707.57, and permission to retain the money to be used in FY 2014/15 was granted. She further explained that although she sought for authority to use NTR for renovation work, no response was received, but that there is a commitment to reimburse the funds from the releases of FY 2015/16 provided for in the Capital Development budget.

I have advised her, to always ensure a strict adherence to the requirements under the law.

c) Unbudgeted for Non-Tax Revenue

Section 5(1) of the Budget Act, 2001, provides for submission to the President, the preliminary estimates of revenue and expenditure by heads of all self-accounting units of Government.

However, a review of the financial statements for the year revealed that the High Commission had not budgeted for NTR collection during the year, though UGX.871,120,249 was collected under this source. I pointed out this anomaly to the Accounting Officer, who stated that she was not aware of this requirement, despite the existence of the accounting code in the chart of accounts.

Non-budgeting of NTR distorts the budget composition of the entity, and renders efforts to evaluate budget performance in this regard difficult due to lack of a basis for assessment. Lack of targets may also create laxity to collect revenue on the side of management.

The Accounting officer admitted the oversight and promised to comply with the provisions of the Budget Act, 2001, the Financial Reporting Guide 2008, and the provisions in the chart of accounts as issued by the Accountant General.

I await the outcome of this commitment by the Accounting Officer.

d) **Irregular Revision of the Contract Price**

Regulation 55 (10) of the PPDA Regulations, 2014, requires that a change in a contract which increases the price of the original contract beyond 0.1%, in the case of a single change or 1% cumulatively, should be effected by amending the contract. In addition, Regulation 55 (6) prohibits issuance of a contract amendment to a provider (contractor) without commitment of the full amount of funding of the amended contract price over the contract period, and approval of the Attorney General.

A review of contract management documents for the above contract revealed that the contract price was revised by UGX.248,083,910 (Rands.992,335.64) from UGX.1,795,614,230 (Rands.7,182,456.92) to UGX.2,043,698,140 (Rands.8,174,792.56), all prices are VAT inclusive, which represents 13.8 % increment in a single change to the original contract without adhering to the above mentioned provisions in the PPDA Regulations, 2014. This rendered the amendment to the contract price and subsequent payments irregular.

The Accounting Officer explained that the request for approval by the Attorney General was made, but was not responded to. In addition, in order to guard against further damage to the premises due to prolonged exposure of the structure to elements of weather, and the lengthy modalities of a fresh procurement once the contract was terminated, it was necessary that the works continued as the High Commission awaited the approval.

I advised the Accounting Officer to ensure that PPDA Regulations are always adhered to while undertaking any procurement and throughout contract management.

81.0 UGANDA EMBASSY, RIYADH

a) Failure to Translate Documents

Section (P-b) (7) of the Public Service Standing Orders states that, "If an officer receives documents written in a language other than English, and it is necessary to refer such documents to other departments or officers, he or she should arrange for the documents to be translated by a designated translator or professional and for such translations to be available to other interested departments or officers."

Contrary to the above requirement, a review of the mission's expenditure vouchers in the sum of UGX.2,068,713 representing 0.15% of total expenditure for the year, revealed that the supporting documents written in Arabic were not translated into English which is the official language of the reporting country rendering verification difficult.

Management explained that the anomaly was an oversight.

I advised the Accounting officer to always ensure that all supporting documents are translated into English before onward submission to the relevant entities in Uganda.

82.0 UGANDA EMBASSY, ROME

a) Mission Charter

The Embassy has a mission charter that spells out the specific objectives to be achieved annually for its jurisdiction in Rome. The Embassy is also responsible for the following countries; Malta, Greece, Serbia and Montenegro, Macedonia, Croatia, Cyprus, Slovenia, Albania, Bosnia and Herzgovinia. However, there was no mention in the charter in respect of its responsibilities in these countries.

Further, there is no established mechanism to capture outputs arising out of the Embassy's efforts towards the mission charter.

Management explained that the anomaly of omitting other important countries of accreditation at the time of making the Mission Charter was noted and Ministry of Foreign Affairs was informed and it is being addressed.

I advised the Accounting Officer to include outputs expected for all the countries under the jurisdiction in the mission charter and also establish a mechanism to capture the resulting outputs.

b) Contracts for Local Staff

The embassy employs 9 staff but the contracts are not subject to defined durations. Such contracts would contain specific deliverables and contract period to enable periodic measurement. Further, it was noted that two staff were working and remunerated without appointment letters.

Such practice is contrary to the regulations and could lead to unnecessary legal costs in case of any disagreements.

Management explained that all local staff at the Embassy were hired using appointment letters. They however explained that following advice from the Auditor General the Head of Chancery drafted contracts for all local staff in 2013 but none of the staff agreed to sign the contract.

On the issue of the two staff, management explained that both staff were cooks to the Ambassador. One of the staff left his job in August and the Head of Mission is searching for his replacement.

I advised the Accounting Officer to put in place contract agreements for all staff.

83.0 UGANDA EMBASSY, TOKYO

a) Mission Charter

A review of Mission Charter established that although some steps had been taken in implementation of the Mission Charter such as attracting tourists and lobbying for investments through attendance at Tourism expos, TICAD and Trade shows, more still needed to be done in implementation of the charter activities as revealed by the following;

- It was revealed that there was no work plan for operationalization of the mission charter showing specific activities, their budgets and time frame for implementation in line with the charter objectives.
- The existing work plan for implementation of the Mission charter was not costed and did not have an activity plan.
- It was noted that the quarterly performance reports produced by the mission could not be linked to the mission charter and be used to effectively assess performance.

Although the accounting officer indicated that quarterly progress reports were produced to assess implementation of charter targets; these were found to be inadequate.

I advised the accounting to prepare a costed annual activity work plan and regular quarterly progress reports which are linked to the Mission Charter performance targets.

b) Compliance with the PPDA Act regulations in mission procurements

The PPDA Act and regulations require every procurement and disposal unit (PDU) to amongst other requirements;

- Prepare and submit to PPDA an Annual procurement plan based on the annual approved budget for that respective financial year;
- Prepare and submit to PPDA quarterly procurement and disposal reports;
- Produce a list of prequalified goods and service providers for the next three years.

However, contrary to the PPDA Act and regulations ,the mission neither produced an annual procurement plan; quarterly procurement and disposal reports nor a list of prequalified service providers based on the appropriated funds of UGX.3,983,632,000 for Vote 215.

Consequently all procurements were made outside the procurement plan.

I advised the accounting officer to prepare a procurement plan, prepare and submit quarterly procurement reports on procurements made by the mission in accordance with the PPDA regulations.

The Accounting Officer explained that a procurement plan would be prepared in the next financial year in accordance with the PPDA regulations.

84.0 UGANDA EMBASSY, TRIPOLI

a) Implementation of the Mission Charter

According to the Mission Charter, priority activities for the embassy included promotion of at least USD 100,000 worth of Uganda exports to Libya annually; Engaging Libya to be supportive of regional development initiatives including services, infrastructure projects, oil and gas exploitation and engaging Ugandan diaspora in Libya to actively contribute to development at home among others.

However, review of the charter and the mission’s annual budget revealed that the budget was not aligned to the charter priorities. The charter did not provide measurable performance indicators and no reports were availed to show the embassy's performance for the year and milestones attained in the implementation of the charter.

Management explained that the Mission charter was revised following the decision to relocate the Embassy to Tunis and later to Algeria. The revised charter contains realistic, measurable and timely targets.

I advised management to ensure that the annual budgets are aligned to the Mission Charter. I further advised them to ensure that performance reports are prepared to show how the charter activities are implemented.

b) Lack of Segregation of duties

It was noted that there was no segregation of duties at the Embassy since the Head of the Mission is also a signatory to the Mission's Bank account and approves payments as well. In effect the Head of mission handles both the oversight and Accounting Officer's roles contrary to principles of Good Corporate Governance.

The practice creates a conflict of interest and eliminates the safeguards intended for better financial management practices at the Embassy.

Management attributed the anomaly to the inadequate staffing at the mission thereby causing swapping of roles. They further stated that a high level meeting was held with the Ministry of Foreign Affairs in which it was agreed to fill the vacant positions.

I await the outcome of the steps taken to address the cause of the anomaly.