OFFICE OF THE AUDITOR GENERAL

THE REPUBLIC OF UGANDA

ANNUAL REPORT OF THE AUDITOR GENERAL ON THE RESULTS OF AUDITS FOR THE YEAR 2017

DECEMBER 2017

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ABBREVIATIONS AND ACRONYMS

LIST OF ACRONYMS

ACRONYM	DESCRIPTION
AG	Auditor General
AO	Accounting Officer
Bn	Billion
BoU	Bank of Uganda
CAs	Contracting Authorities
CGV	Chief Government Valuer
DC	Development Committee
DLB	District Land Board
EATV	East African Tourism Visa
GAPR	Government Annual Performance Report
FY	Financial Year
GoU	Government of Uganda
MDAs	Ministries ,Departments and Agencies
MEMD	Ministry of Energy and Mineral Development
MoGLSD	Ministry of Gender Labour and Social Development
MOFPED	Ministry of Finance, Planning, and Economic Development
MoUs	Memoranda of Understanding
NARO	National Agricultural Research Organisation
NDP	National Development Plan
NDPII	Second National Development Plan
NEMA	National Environment Management Authority
NGO	Non-Governmental Organisation
NIN	National Identification Number
NPA	National Planning Authority
NTR	Non Tax Revenue
NWSC	National Water and Sewerage Corporation
OAG	Office of the Auditor General
OPM	Office of the Prime Minister
PAPI	Project Analysis and Public Infrastructure Department
PAPs	Project Affected Persons

PFMA	**Public Finance Management Act, 2015**
PIP	**Public Investment Plan**
PFI	**Private Finance Initiative**
PPP	**Public Private Partnership**
PRiDe	**Promotion of Rice Development**
PSST	**Permanent Secretary and Secretary to Treasury**
PS/ST	**Permanent Secretary/Secretary to the Treasury**
RAP	**Resettlement Action Plan**
SFI	**Strategic Friends International**
SMEs	**Small Medium Enterprises**
TAI	**Treasury Accounting Instructions, 2016**
TIN	**Tax Identification Number**
UAE	**United Arab Emirates**
UWEP	**Uganda Women Entrepreneurship Programme**
UCF	**Uganda Consolidated Fund**
UDC	**Uganda Development Corporation**
UGX	**Uganda Shillings**
USD	**United States of America Dollars**
WWTP	**Wastewater Treatment Plant**
YLP	**Youth Livelihood Programme**

GLOSSARY OF TERMS

Accreditation	Refers to the grant of authority to a foreign principal to recruit and hire Ugandan workers through a licensed agency for overseas employment
Aerobic	Is a natural biological degradation; and purification process in which bacteria that thrives on oxygen rich environment breakdown and digest solid waste.
Anaerobic	A biological process that involves the breakdown of organic matter by micro-organisms in the absence of oxygen to produce methane and carbon dioxide
Composting	Is a biological process in which organic matter present in solid waste is converted into compost/manure
Decent Work	Decent work entails certain basic conditions at work: for instancea decent wage, working hour's compensation for injury arising out of work, social security annual leave, accommodation, medical treatment and food. It refrains from exploitation, treatment of migrant workers as commodities and accord them greater human dignity and protection
Destination country	A country where the migrant worker is to be engaged, is engaged or has been engaged in a remunerated activity at the contractor's facility
Domestic worker	An individual whose nationality or country of origin is the same as that of the country in which the employer's facility is located
Fairly Satisfactory	The Municipality to a large extent met the minimum expectations on a number of parameters used in the assessment tool. However there is still room for improvement.
Foreign principal	Refers to the employer in the destination country or foreign placement agency hiring or engaging Ugandan workers for overseas employment through a licensed private recruitment agency
Grain	Rice which is produced for human or livestock consumption
Impact Evaluation/ Analysis	This is an assessment of a project, program, or policy which looks for changes in outcome that are directly attributable to that program/ project/ policy.
Migrant worker	A person who is to be engaged, is engaged, or has been engaged in a remunerated activity in a state of which he or she is not a citizen
Not Satisfactory	The Municipality to a great extent performed below expectations on a number of parameters used in the assessment tool and more needs to

	be done.
Recruitment	Refers to the process of attracting, screening, selecting, and on boarding a qualified person for a job, provided by an employer in another territory and the preparation for their departure.
Recruitment agencies	Partnerships or companies that are duly licensed to recruit and deploy Ugandan migrant workers for employment abroad.
Satisfactory	The Municipality exhibited outstanding performance on a number of performance parameters used in the assessment tool.
Seed	Rice which is produced for further multiplication of the variety from known certified seed sources.
Statistical significance	Statistical significance is a measure of whether a result from testing is not likely to occur by chance, but is instead likely to be attributable to a specific cause. If a result is not statistically significant, it means that there is a high probability that it occurred by chance and it is not attributable to a specific cause.
Tracer medicines	Include Artemether/Lumefantrine, HIV determine Test strips, Malaria RDTs, Oxygen, Blood, Surgical gloves, Oxytocin, Safe delivery kits/mamakits, PGA 2 sutures
Yield	Amount harvested per area of cultivated land. For the purpose of this audit, yield was defined as amount harvested per acre of cultivated land.

FOREWORD BY THE AUDITOR GENERAL

In accordance with my mandate as stipulated under Article 163 of the Constitution of the Republic of Uganda and as amplified by the National Audit Act, 2008, it is my pleasure to present to you the Annual Audit Report on the public accounts of Uganda, for the Financial Year ended 30th June 2017.

This is our third year of reporting in accordance with the Public Finance Management Act, 2015, and our first year of implementing the corporate strategy 2016 – 2021 whose theme is; "Enhancing Public Accountability and Making a Difference."

In my last year's report, I stated that a consultant had been engaged to develop guidelines after holding consultations with the stakeholders to effectively communicate our audit results. I am happy to report that the exercise was successfully completed and the guidelines have been used to prepare this report. In this regard my annual report to Parliament has been collapsed into two volumes.

This change was in response to stakeholders concerns in regard to the size of my annual reports that I have been submitting to Parliament over the years. In addition, my earlier reports which used to capture high significant issues may have been misconstrued as reporting on few issues while leaving others unreported. This may have caused lack of clarity on the reports to be discussed by Oversight Committees of Parliament.

This report therefore is designed to provide a helicopter view on the entire audited population by capturing key findings and crosscutting issues without necessarily capturing all audit findings from the individual entity audit reports. Individual audit reports have also been submitted separately. It focuses on the audit matters and emerging trends that may need urgent attention by those charged with Governance to improve public accountability in the processes of delivering public service.

Thank you.

John F.S. Muwanga

AUDITOR GENERAL

Date: 29th December 2017

PART 1: INTRODUCTION AND PURPOSE OF THE REPORT

1.0 Introduction and Purpose

1.1 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.

Section 13 (b) of the National Audit Act 2008 further requires me to conduct audits, such as; value for money, gender, environment and any other audits in respect of any project or activity involving public funds.

Under Article 163 (4) of the Constitution, I am also required to submit to Parliament 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.

1.2 Purpose

The purpose of this report is to provide;

- A summary of audit results for audits carried out in the year
- Key findings from the Report and Opinion of the Auditor General on the Government of Uganda Consolidated Financial Statements for the year ended 30th June 2017
- Key findings from the Report and Opinion of the Auditor General on the Annual Consolidated Financial Statements of Local Governments for the year ended 30th June 2017
- Key findings from the Report of the Auditor General on Consolidated Summary Statement of Financial Performance of Public Corporations and State Enterprises

- Key findings from the Report and Opinion of the Auditor General on the audit of the annual financial statements of Ministries, Departments, Agencies, Commissions, Statutory Corporations and Local Governments
- Key findings, implications and recommendations from Value for Money, Forensic, IT and other Special Audit Reports
- Cross-cutting issues and recommendations

The report is arranged in six parts, namely;

Part 1: Introduction and Purpose of the Report

Part 2: Government Ministries, Departments and Agencies

Part 3: Commissions, Statutory Authorities and Corporations

Part 4: Local Governments

Part 5: Value for Money reports

Part 6: Forensic, IT and other Special Audit Reports

1.3 Summary of Audit Results

1.3.1 General Performance

During the audit year ending December 2017, the office planned to conduct a total of 1,452 financial audits, 46 Forensic Investigations, 10 Value for Money audits and 20 specialised audits. As at 31st December 2017, the office completed a total of 1342, financial audits, 34 Forensic Investigations and special audits, Eight (8) Value for Money audits and 13 specialised audits.

Details are provided in the table below.

Status of Audit Performance for Audit Year 2017

Audit Entities	*Planned Audits*	*Completed Audits*	*Percentage (%)*	*Audits in Progress*
Financial Audits				
MDAs	106	106	100.0%	0
Statutory Authorities	94	92	97.9%	2

Local Authorities	1144	624	54.5%	520*
Projects	104	90	86.5%	2
PSAs	4	0	0.0%	4**
Forensic Investigations, IT and Special Audits	46	26	56.5%	20
Value for Money and Specialised Audits				
Value for Money Audits	10	8	80.0%	2
Specialised Audits	20	13	65.0%	7
Grand Total	**1528**	**1401**		**557**

**Due to resource constraints, the office has concluded field work of audit of sub counties and the reports shall be issued in the third quarter of the financial year 2017/18.*

****The 4 PSA Audits remained in progress due to procedural delays between the Ministry of Energy and the oil companies, in spite of production of Management letters (draft audit reports). These shall be concluded and submitted after resolving the technicalities.*

1.3.2 Summary of audits results

This report contains audit results of 600 audits I conducted during the year comprising of;

- 553 financial audits,
- 8 Value for Money reports
- 13 Specialised/Engineering audit reports,
- 19 forensic audit reports,
- 4 special audit reports and
- 3 IT audits reports.

The outcome of the 553 financial audits includes; 501 unqualified opinions, 50 qualified opinions and 2 disclaimers opinions. The table below provides the summary of the Opinions:

Table providing summary of opinions

S/N	Entity Category	Type of Opinion				Total No. of Entities
		Unqualified	**Qualified**	**Adverse**	**Disclaimer**	
1	Ministries, Departments and Agencies	87	10	0	0	**97**
2	Statutory Authorities and State Enterprises	103	17	0	2	**122**
3	Local Governments	311	23	0	0	**334***
	Total No of Opinions per category	**501**	**50**	**0**	**2**	**553**

* This excludes 277 schools audit reports issued during the year

The details of Opinions for each entity category are given in the individual parts of the report relating to financial audits.

PART 2: GOVERNMENT MINISTRIES, DEPARTMENTS AND AGENCIES

2.0 GOVERNMENT MINISTRIES, DEPARTMENTS AND AGENCIES (MDAS)

2.1 Mandate

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

A total of 165 entities comprising of Ministries, Agencies, Departments, Uganda Missions abroad, Public Universities, Referral Hospitals and the Consolidated Government of Uganda Financial Statements, were audited during the year. I also carried out two engineering audits in various MDAs. Accordingly, separate audit reports were issued for each of them.

Out of the 165 entities audited, 149 entities had unqualified opinions and 16 had qualified opinions. The basis used to arrive at the audit opinion is described in the separate reports issued on individual entities.

In addition, two engineering reports executed are: - **Refer to table below**

Table showing engineering audits performed during the year.

Ministry of Energy and Mineral Development	
1	Technical/engineering audit report of infrastructure for the resettlement of refinery project affected persons (PAPs) in Hoima district implemented by Ministry of Energy and Mineral Development
Ministry of Health	
2	Technical/engineering audit of the construction of the specialized maternal and neonatal healthcare unit project in Mulago National Referral Hospital

2.2 REPORT OF THE AUDITOR GENERAL ON THE CONSOLIDATED GOVERNMENT OF UGANDA FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2017

THE RT. HON. SPEAKER OF PARLIAMENT

Qualified Opinion

I have audited the accompanying consolidated financial statements of Government of Uganda for the year ended 30th June 2017. These financial statements comprise of the Consolidated Statement of Financial Position as at 30th June 2017, the Consolidated Statement of Financial Performance, and Consolidated cash flow statement together with other accompanying statements, notes, and accounting policies.

In my opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the consolidated financial statements of Government of Uganda for the year ended 30th June 2017 are prepared, in all material respects, in accordance with Section 52 of the Public Finance Management Act 2015, and the Financial Reporting Guide 2008.

Basis for Qualified Opinion

- **Mischarge of Expenditure – UGX.83,861,075,961**

  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. A review of the expenditures revealed that various entities charged wrong expenditure codes amounting to UGX.83,861,075,961. This leads to financial misreporting and undermines the budgeting process and the intentions of the appropriating authority as funds are not fully utilised for the intended purposes. It further impacts on the appropriateness of the future budgets since the reported actual figures are misleading.

  This practice has continued despite my recommendation in the previous audit reports and was attributed to laxity by the Accounting Officers to enforce strict budget discipline. The PS/ST in his response highlighted the various steps Treasury has taken to address the issue of mischarges arising in Government including making all mischarges a personal responsibility of the Accounting Officers, as well as having internal audit to follow up the matter. I have advised that Accounting Officers should observe high budgetary discipline and enforce strict adherence to the provisions regarding reallocation of funds, in order to have this practice contained.

- **Unaccounted for Advances – UGX.8,539,367,250**

  Expenditure by various entities amounting to UGX.8,539,367,250, was not accounted for by the time of the audit contrary to Section 10.21.11 of the Treasury Instructions 2017 which require all such advances to be accounted within 60 days of the completion of the exercise but in any case before the close of the financial year. In absence of proper accountability, I could not provide assurance as to whether the funds involved were utilised for the intended purposes. Such delays in accounting for funds encourage misuse. This was mainly attributed to laxity on the part of accounting officers to institute strict follow up procedures for funds advanced to staff.

  The PS/ST explained that he has placed a condition of proper accountability as criteria to be used in the reappointment of Accounting Officers and that the Internal Auditor General was responsible for advising him in this regard. I have advised the PS/ST to follow up on his guidance and ensure that errant Accounting Officers are brought to book, accordingly.

- **Unsupported Government Outstanding Commitments/Domestic Arrears**

  Although the Consolidated Financial Statements disclose an amount of UGX.2,908,436,405,967 as government outstanding commitments (comprising of payables UGX.2,284,964,328,329 and pension liabilities of UGX.623,472,077,638) as at 30th June 2017, I observed that a total of UGX.27,755,340,095 was not properly supported with adequate documentation to confirm delivery of the goods and/or services.

  Under the circumstances, I was not able to provide assurance that the amounts in question are genuine liabilities to government. I have advised that these questionable domestic arrears should not be recognised for future settlement by the accounting officers concerned, in the absence of any reliable evidence that the goods/services were delivered.

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI), and the National Audit Act 2008. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Treasury in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act 2008, the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the consolidated financial statements in Uganda, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. In addition to the matter described in the Basis of Qualified Opinion section, I have determined the matters described below as key audit matters to be communicated in my report;

- **Inadequate Controls Surrounding Management of Domestic Arrears**

Domestic arrears refer to the total value of unpaid bills for goods and services rendered to a government entity, including wages and pension that remain outstanding at the closure of a financial year. There has been a persistent accumulation of domestic arrears to unmanageable levels which has led to the settlement of arrears that are not authorized, unbudgeted for, inadequately supported and in some instances there has been inadequate recognition and disclosure of the domestic arrears. The variances between the reported figures in the financial statements and the amounts verified by Internal Auditor General formed a basis of my qualification of consolidated GOU financial statements for the year ended 30th June 2016.

Consequently, domestic arrears were considered a key audit matter which needed to be examined to assess: the appropriateness of recording, recognition, and disclosure of domestic arrears; the trend and the underlying factors; and the adequacy of the internal controls surrounding Management of domestic arrears. During audit planning, I focused on the examination of domestic arrears in regard to goods and services, salaries and wages, and pension and gratuity. I undertook the following procedures in relation to domestic arrears: a trend analysis over a period of three years to ascertain the underlying causes of accumulation; reviewed budget and commitment control procedures to assess their effectiveness; ascertained the authenticity of the supporting documentation and assessed the appropriateness of the accounting treatment. I also engaged the Accounting Officer to enable me to arrive at the audit conclusions.

Based on the procedures performed, I noted an increase in domestic arrears over the period of three years from UGX.1,325,229,140,264 in 2014/15, to UGX.2,254,390,826,628 in 2015/16, and UGX.2,908,436,405,967 in 2016/17. This makes the trend unsustainable. I observed that an amount of UGX.1,117,692,936,922 was irregularly incurred as domestic arrears outside the approved estimates appropriated by Parliament. Further noted was that there was no budget provision for settlement of domestic arrears totaling to UGX.87,537,492,907, which poses a risk of diversion of funds for settling the underlying obligations. Besides, multi-year commitments worth UGX.81,258,326,983 were not backed by Parliamentary approvals, contrary to Section 23 of the PFMA 2015.

The Accounting Officers have attributed the increasing trend of domestic arrears to among others, the existence of a weak and ineffective commitment control system, budget cuts during the financial year, insufficient budgeting for certain items, early closure of the IFMS, as well as enhancement of salaries without matching resources by Universities.

Emphasis of Matter

Without qualifying my opinion further, attention is drawn to the following additional matters which have also been disclosed in the financial statements;

- **Contingent Liabilities – UGX.7,456,199,576,133**

A contingent liability is a possible future cash outflow whose occurrence is dependent on an event which is not under the control of an organization. Including an amount as a contingent liability in the financial statements implies that Management's assessment shows a possibility of a cash outflow in future. As disclosed in the statement of contingent liabilities, Government contingent liabilities have increased to UGX.7,456,199,576,133, up from UGX.6,532,497,083,522 reported in the previous year. My further analysis of these liabilities indicated that over 90% is as a result of the legal proceedings lodged against the government. The trend appears unsustainable in the event that a significant percentage crystallizes into liabilities.

In response, Management stated that the contingent liabilities may not necessarily lead to an outflow of funds considering that they may not crystalize into actual liabilities. Government is advised to keenly explore the causes of the accumulation of contingent liabilities with a view of curtailing further increment.

- **Classified Expenditure**

As disclosed under note 7, a total of UGX.477,258,188,366 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

I consider it necessary to communicate the following matters other than those presented or disclosed in the financial statements;

- **Budget Performance Analysis**

a) Revenue Performance Analysis

Government set to collect a total of UGX.13.46 trillion in the year under review in terms of URA taxes and Non Tax Revenue from MDAs. By the close of the year, a total of UGX.13.55 trillion had been collected as indicated in the table below;

Particulars	Target - UGX	Actual - UGX	Variance - UGX	Percentage
URA Tax Collections	13,116,777,269,494	12,641,415,416,846	475,361,852,648	96%
NTR Revenues	330,000,000,000	909,960,483,910	(579,960,483,910)	276%
Total	**13,446,777,269,494**	**13,551,375,900,756**	**(104,598,631,262)**	**101%**

I noted that the performance in terms of Tax collections was satisfactory, given that 96% of the planned tax revenue was actually collected. However, I also noted that the collection from Non Tax Revenue more than doubled the set target; this could be as a result setting low targets.

b) Expenditure Performance

During the year under review, Government set out to spend a total of UGX.19.58 trillion on Ministries, Agencies, Referral Hospitals, Embassies and Missions. An analysis of releases revealed that a total of UGX.17.6 trillion was released against the budgeted amounts, thus representing 89.7% performance. A sum of UGX.2.02 trillion was not released. See table below;

Particulars	Approved Budget (UGX)	Actual Releases (UGX)	Shortfall (UGX)	%age released
Ministries	4,252,084,649,387	3,743,714,750,703	508,369,898,684	88.0%

Agencies	15,001,566,570,558	13,526,195,681,035	1,475,370,889,523	90.2%
Referral Hospitals	180,261,870,490	153,993,905,406	26,267,965,084	85.4%
Embassies and Missions	154,231,463,495	149,010,578,960	5,220,884,535	96.6%
Total	**19,588,144,553,930**	**17,572,914,916,104**	**2,015,229,637,826**	**89.7%**

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r analysis of expenditure performance at an individual vote level, revealed that eighty four (84) votes, without Appropriation in Aid (AIA), had an average percentage release of 93% with only twenty six (26) votes below the average. Mostly affected entities included; Ministry of Gender, Labour and Social Development, Moroto Regional Hospital, and Ministry of Local Government.

Similarly, fifty five (55) votes with Appropriation in Aid (AIA), had an average percentage release of 78% with twenty (20) votes below the average.

Failure to release the budgeted funds to the votes affected implementation of their planned activities which eventually affects fulfilment of their mandates in the long run. The Accounting Officers attributed this shortfall to general budget cuts by the Ministry of Finance, Planning and Economic Development.

- **<u>Lack of a documented policy on Management of tax exemptions</u>**

The roles and objectives of the Tax Policy department under Treasury among others are to initiate, evolve and formulate tax policies to achieve economic policy goals and objectives and raise domestic revenues to finance the government budget. The department is also mandated to evaluate and advise on the impact of tax policy on taxpayers and the economy.

Treasury receives applications from investors for consideration for tax exemption. However, it was noted that there was no properly documented policy indicating the procedures for applying and guidance on selection of successful applicant investors for tax exemption. Similarly, there is no evidence of any selection criteria guiding the decision to offer some investors and denying others within the same investment sector.

Besides, there were no follow-up reports to assess and establish the promised value of the investments, envisaged employment creation, and economic benefits arising out of the tax holiday.

In the circumstance, unfair business competition is likely to be created among investors within the same sector as was seen in the cement, steel and palm oil industries. This may lead to industrial distortions or even encourage unscrupulous business practices where benefiting companies could close shop at the expiry of the tax holiday and register new investments for consideration for fresh tax exemption.

In response, Management stated that the cases in which Government has intervened to pay taxes are few and based on strategic considerations like the level of investment, job creation, industrialization, foreign exchange earnings and import substitution, although this criteria has not been documented. I advised the Treasury to put in place a properly documented tax exemption policy to guide the process of awarding tax exemptions including evaluations of the effects on revenue performance and actual benefits envisaged.

- **Un-explored opportunity to widen the tax base**

The roles and objectives of the Tax Policy Department under the Ministry of Finance among others is to identify new avenues of widening the tax base and draw up appropriate legal requirements for revenue collection and related legislation. Tax collections by URA are tracked through the Tax Identification Number (TIN) which is personal to holder with the objective of linking personal transactions to possible sources of income not declared for tax purposes. Similarly, Government introduced the National Identification Number (NIN) aimed at proper identification of all citizens to aid in the planning and provision of social services.

It was noted that opportunities to widen the tax base exist if the two unique identifiers are linked through a system interface and properly managed. Linking the NIN to the TIN would provide opportunities to enable tracking of holder’s transaction for possible income tax and related transactions. For instance, motor vehicle registration and transfer, land transactions, mortgages etc.; could lead to sources of un-declared income for tax purposes thereby widening the tax base and increasing the revenue collections. There is, therefore, a need to explore possibilities to tap into such tax areas.

Unless the tax base is widened, there is a risk of placing the burden of tax on a few compliant taxpayers which may lead to high taxation rates, low tax compliancy due to discontent among taxpayers, and unscrupulous taxation practices, such as under declarations and tax evasion. These, in turn, may generally lead to a low tax to GDP ratio.

Management in its response indicated that government through its agencies was in the process of developing strategies to improve revenue collection. I advised Treasury to explore possibilities of widening the tax base, including linking the TIN to the NIN for all financial services to provide broader information for tax purposes through a policy to integrate URA IT systems with other major Government and other institutional IT databases.

- **Approval of funding for un-appraised projects**

Section 3 of the Development Committee (DC) guidelines requires a new project to undergo four levels of approvals before it can be admitted into the Public Investment Plan (PIP). The four levels include;

(i) Prepare a project concept in line with NDP
(ii) Prepare a Project Profile demonstrating Key results
(iii) Undertake a pre-feasibility study, and
(iv) Conduct a feasibility study.

A review of the minutes of the DC dated 15th and 16th March 2017 revealed that some projects obtained project codes and admission into the PIP without proper project vetting as stated in the DC guidelines.

Further reviews of the same minutes revealed that the Committee agreed to work and undertake some of the projects retrospectively through the four levels of project approvals. The table below refers to some of the projects that did not go through the proper project vetting levels;

No	Project	Minute date	Signed date
1	Developing a market- Oriented and environmentally sustainable beef meat Industry In Uganda	16th March 2017	30th March 2017
2	Kampala Metropolitan Transmission system Improvement Project	15th March 2017	17th March 2017
3	Masaka-Mbarara Power Transmission line Project	15th March 2017	17th March 2017

The same anomaly had been noted earlier in the minutes dated 11th December 2015 where some projects were halted along the way, after funding was obtained from the donor as a result of failing to carry out pre-investment studies. The fact that a project can obtain funding without going through the set procedures reveals a major weakness within the Ministry of Finance and presents a risk of funding projects which are not feasible and are not aligned to the National Development Plan (NDP).

In response, Management informed me that the new Development Committee guidelines had been finalized and rolled out and did not expect the omission to re-occur going forward. I advised Management to strengthen the controls surrounding appraisal and funding of new projects in accordance with new Development Committee Guidelines.

- **Review of PFMA 2015 implementation**

The Public Finance Management Act, 2015 came into force on 6th March 2015. However, a review of the extent of implementation of the Act revealed instances in which certain provisions have not been fully implemented. These include; Section 13(9) which stipulates inclusion of borrowing and contingent liabilities in the annual budget; Section 21 which prohibits votes from taking credit; Section 23(4) which requires the minister to submit a report of multiyear commitments made to Parliament; and Section 25(6) which only allows supplementary expenditure in instances where the expenditure was unavoidable, was unforeseen and cannot be postponed.

Failure to fully implement the provisions of the Act may weaken financial controls enshrined in the Act and also deny information to decision makers. In his response, the

PS/ST undertook to fully implement all outstanding provisions of the law going forward. I have advised that there is need to have a holistic review of all the outstanding provisions of the Act and develop a mechanism and timelines towards ensuring that they are comprehensively implemented.

- **Excessive cash withdrawals – UGX.103,160,730,631**

  Cash is inherently risky and to minimise losses through handling cash, the PS/ST placed a monthly cap on cash withdrawals at UGX.40m per vote. However, an analysis of cash withdrawn in the year under review revealed that 14 entities irregularly withdrew cash totalling to UGX.103,160,730,631 over and above the set limit despite the fact that Treasury has the means to enforce this control through the IFMS. This exposes such funds to a risk of misuse given that cash is prone to abuse.

  In response, Management indicated that the nature of the Local Governments made it difficult in the past to operate within the cash limits and that the rollout of the E-Cash platform was expected to resolve this issue. I have advised the Accountant General to ensure that the PS/ST's directive is followed by stopping such transactions at the time of validation.

- **Increasing expenditure off the IFMS - UGX.274,531,965,784**

  The government of Uganda invested heavily in the IFMS with a view to promote financial transparency and have accurate financial information. I have, however, noted that over the years, the amounts of funds being transferred in bulk and spent outside the system is increasing. From a sample of 20 Ministries and Agencies, it was observed that 6 entities sent a total of UGX.274,531,965,784 to commercial banks outside the IFMS arrangement. Under the circumstances, the effectiveness derived from the use of the IFMS as a government wide system with embedded internal controls is not met. Instead, individual units then duplicate by having their own financial internal control systems.

  Management explained that they were in advanced stages to stop this practice for a number of votes and that for several votes this was attributed to the transfer of subventions. The Secretary to the Treasury is advised to increase the coverage of votes using the IFMS.

- **<u>Directives on settlement of prior year bills as the first call on subsequent budgets</u>**

  Section 21(2) of the Public Finance Management Act, 2015 provides that a vote shall not take any credit from any local company or body unless it has the capacity to pay the expenditure from the approved estimates as appropriated by Parliament for that financial year.

  It was noted that at the beginning of the financial year, the PS/ST in several communications has been directing Accounting Officers seeking for additional resources to settle prior year commitments to prioritize them as the first call on subsequent budgets. The IFMS guidelines have also not helped as they encourage cancellation of all unpaid invoices at the close of the year. However, the practice is inconsistent with the Government commitment control system which requires budget provisions to be made specifically for such domestic arrears. The directive distorts the budgeting process since prior year bills are paid from resources originally earmarked for other activities. As a result, Accounting Officers end up mischarging the arrears to un-related budget items which culminates into misleading financial statements as expenditure for prior years is captured as current year expenditure.

  In response, Management noted that Government operates a cash budget and largely applies cash accounting. It was indicated that accrual of the expenditures was allowed in cases relating to utilities, rent, contributions to international organizations and court awards, and any expenditure in the non-discretionary category becomes a first call on the next year's budget allocation. It was further explained that Government was finalizing a domestic arrears strategy with the intention to decisively address this matter.

  I advised the PS/ST to encourage Accounting Officers to make budget provisions for all authorized outstanding commitments at the year-end in line with provisions of the law. In addition, the IFMS should provide for retention of all unpaid invoices, which should form the basis for reallocation of funds to the domestic arrears budgeting code for payment in the subsequent year.

- **<u>Failure to align budget framework paper and annual budget to NDP II</u>**

  Section 4(1) of the Public Finance Management Act (PFMA) 2015, provides that the objective of Government, when setting fiscal objectives within the macroeconomic framework, shall be to ensure macroeconomic stability and economic growth having regard to the National Development Plan. Section 13(6) of the PFMA guides that; the annual budget shall be consistent with the National Development Plan, the Charter for Fiscal Responsibility and the Budget Framework Paper. Section 9(3) further requires the Minister for each financial year, to prepare a Budget Framework Paper which is consistent with the National Development Plan and the Charter for Fiscal Responsibility.

Review of the certificate of compliance report issued by National Planning Authority revealed the existence of several gaps in the alignment of the sector budgets to the NDP II. It was noted that some key NDP II priority objectives and interventions were not included in the Budget Framework Paper and the Annual Budget for 2016/2017 in a number of sectors as required. See details in the table below;

SN	Sector	NDP II Objectives and Interventions
1.	Trade, Industry & Tourism Sector	• Improve the stock and quality of trade infrastructures through the establishment of satellite border markets, supporting tourism sites with utilities & ICT related services. • Re-vitalization of the Uganda Dev't Corporations • Enhancing the capacity of cooperatives to compete in domestic, regional & International Markets.
2.	Energy Sector	• Establishment of Mineral potential of Karamoja region • Improving the geochemical and geophysical surveys
3.	Education Sector	• Early childhood education and development • School feeding • Skill development and employability • The intervention of having a government-aided primary school per parishes.
4.	Works and Transport	• Developing the Transport sector MIS • Establishment of a National Road Safety Authority & Multi-sectoral transport regulatory Authority • Establishment of the second generation road fund
5.	Water and Environment Sector	• Improving water quality • Improving access to rural water supply • Market for wetland product developed • Rainwater harvesting intervention promoted

In addition, two projects namely; Multi-sectoral food safety and nutrition projects and NAADS –KCCA are being funded and yet were not among the prioritized projects in NDP II PIP 2015/16-2019/20.

Sector	Un-prioritized Project	Approved Budget 2016/17
Agricultural Sector	Multi-sectoral food safety and nutrition	UGX.22,029,049,000
	NAADS –KCCA	UGX.7,271,879,000

Failure to align the above key NDP II objectives and intervention to the Budget Framework paper and the annual budget for 2016/17 poses a risk that nonpriority areas will be funded at the expense of priority areas, thus hindering the attainment of vision 2040.

In response, Management explained that at the macro level, the budget is aligned to the NDP and acknowledged that the mal-alignment is found at the sector level. Management further explained that the responsibility to prioritize the interventions in line with NDP and sector investment plans belongs to the sectors.

Management should ensure that the affected entities consider fully aligning NDP II objectives and interventions to the subsequent Budget Framework paper and the annual budget.

- **Provision of counterpart funding for Government projects**

I observed that Government entered into financing agreements with various development partners, in which it committed to provide counterpart funding through various implementing ministries.

However, I noted that government through MOFPED did not provide counterpart funding to the tune of UGX.43,708,375,637 to a number of projects as shown in the table below;

Table: Failure to provide counter funding

Projects	Budget – UGX	Actual - UGX	Shortfall - UGX	% re-leased
CAIIP - Phase 1	10,284,246,000	1,029,965,270	9,254,280,730	10.01
CAIIP – Phase 2	16,729,950,000	5,970,554,978	10,759,395,022	35.69
CAIIP – Phase 3	8,262,060,000	7,425,979,077	836,080,923	89.88
Urban Markets and Marketing development of Agricultural products Project	2,777,974,000	1,031,515,442	1,746,458,558	37%
ATAAS MAAIF component- Ministry of Agriculture, Animal Industry and Fisheries	950,000,000	677,700,001	272,299,999	29 %
Market and Agricultural Trade Improvement Project-Phase 2	11,867,111,200	21,710,202,659	(9,843,091,459)	182.94
Market and Agricultural Trade Improvement Project-Phase 2	32,427,826,300	4,460,867,794	27,966,958,506	13.76
Urban Markets and Marketing development of Agricultural products Project	3,747,508,800	1,031,515,442	2,715,993,358	27.53
TOTALS	**87,046,676,300**	**43,338,300,663**	**43,708,375,637**	

The failure by government to honour its counterpart funding is attributed to lack of prioritization during its budget financing. This practice affects implementation of project activities and is a violation of the terms and conditions of the donor agreements which in turn affects the country's credibility. Government should ensure that it prioritizes payment of project counterpart funding as agreed upon in the funding agreements.

Responsibilities of Management for the Consolidated Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (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 appointed as the Accounting Officer and Receiver of Revenue for the Consolidated Fund. The Accountant General is therefore 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 consolidated financial statements that are free from material misstatements, whether due to fraud or error.

The Accountant General is responsible for overseeing the Government's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives 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 are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISSAI, I exercise professional judgment and maintain professional skepticism throughout the audit. I also;

a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

d) Conclude on the appropriateness of Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to deliver its mandate. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the entity to fail to deliver its mandate.

e) Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Accounting Officer, I determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

29th December, 2017.

2.3 Summary of Key Findings, Implications and Recommendations

This section provides the key issues, implications and recommendations from the MDAs that I audited.

2.3.1 Single Spine Extension System

The Government, through the Ministry, committed to provide support towards the implementation of the single spine agriculture extension system (SSES) in the medium term starting 2015/16 financial year in line with the reform of the National Agricultural Advisory Services (NAADS) to create a unified "single spine extension system." However, as pointed in my previous report, the initiative has continued to face challenges in obtaining the required personnel.

For instance, I noted that the total planned number of staff to be recruited at District, Municipality and Sub county levels was 5,000. However, by close of the financial year 2016/2017 the number of positions filled was only 2,760 leaving a staffing gap of 2,240. The current extension to Farmer ratio is 1:1800 which is substantially lower than the recommended ration of 1:500.

I also observed that Local Governments were unable to attract some professionals like in Veterinary, Entomology, and Agriculture Engineering.

Failure to provide agricultural extension services to farmers, more especially at the Sub County level hinders the Ministry from increasing agricultural production and productivity. Farmers are denied access to inputs procured, new technologies generated, training on utilization of inputs and services rendered by sector projects that require the extension system such as NAADS, NUSAF, etc.

The Accounting Officer attributed the situation to inadequate resource performance of the District Service Commission and lack of specific professions.

There is need for government to prioritise and expedite the recruitment process to enable provision of extension services throughout the country in order to support agricultural production and productivity. This will in turn support the government's strategic interventions in Agriculture.

2.3.2 Inadequate performance of the Integrated Personnel and Payroll System (IPPS)

In 2010, Government began implementing the Integrated Personnel and Payroll System (IPPS) at a contract price of US$4,437,817 as part of the Public Service Reform Program with the aim of putting in place an all-inclusive Human Resource Management system that would enhance accountability, strengthen establishment controls and ultimately be a repository for all employment data pertaining to a public officer and pensioner.

I noted that despite spending a total UGX.904,546,374 that is UGX.188,167,762 (2015/16) and UGX.716,378,612 (2016/17) on IPPS system costs, the IPPS still faced a number of technological and operational concerns; for instance there was no integration between IPPS and IFMS to date, and frequent reports of network challenges experienced by system users across government.

Furthermore, the IPPS modules to be implemented were payroll Management pension system, training Management, establishment control, leave Management, performance measurement, succession planning, time and attendance and recruitment Management. However, only payroll Management, pension Management and establishment control were operational.

The system challenges were mainly attributed to the failure to test the IPPS system compatibility with IFMS after completion of phase 1 as stipulated in the contract before implementing the system across government.

The implementation of IPPS system was not effective and did not yield the expected benefits.

Government should ensure that in future a proper needs assessment and feasibility study is conducted for the acquisition of a new payroll system in order to avoid wasteful expenditure.

2.3.3 Decentralization of pension Management

In Financial Year 2014/15, Government partially decentralized Pension Management with the Planning (budgeting) and processing of files done by MDAs and LGs. The implementation of the IPPS Pensions Module was effected on 1st October, 2014. The module was expected to have automatic transmission of results from the active payroll to the pension payrolls and immediate payment of Commuted Pension Gratuity (CPG) upon retirement, timely processing of retirement requests and improved accountability through regular system checks.

I noted that pension and gratuity was decentralized with arrears amounting to UGX.199 Billion which were disaggregated by votes and transferred to MoFPED. However, to date only UGX.7.4bn of UGX.199bn (3.7%) had been paid to 1,238 pensioners from 26 votes. Furthermore, a review of the report on the assessment of the effectiveness of the decentralization of pension Management revealed that only 37 districts were monitored during the financial year 2016/17.

The Management of the pension decentralization is not yet satisfactory. The pensioners are unlikely to receive their pension on time.

There is need for Government to empower the MDAs, and districts to streamline the pension Management process through capacity building and regular supervision. Management should also ensure establishment of a comprehensive pensioners' database, which should regularly be updated.

2.3.4 Establishment of a Road Crash Database System (RCDS)

The objective of Government to establish RCDS was to enable the establishment of a well-functioning reliable Road Crash Data System (RCDS) that contributes to improved road crash data collection, analysis and utilization. The system would enable the Ministry of Works and Transport to make informed decision based on concrete evidence and be able to make specific interventions.

Accordingly, the MOW entered into a contract for consultancy services of USD.1,829,236 and Government was to contribute UGX.685,285,000. At the time of writing this report, USD.1,454,161.20 and UGX.483,911,200 had been paid out to the consultant leaving an outstanding balance to the contract of USD.375,074.80 and UGX.201,373,800 respectively. However it was noted that the Road Crash Data System (RCDS) had not been completed and therefore was not functional following cancellation of funding by the World Bank. In essence, it will require MoFPED to finance the project to completion. I noted that equipment such computers and CPS devices procured for the project were in store utilized.

There is a likelihood of loss of the investment funds earlier spent, as the final project outputs have not been achieved.

Non-completion of the project has deprived the Ministry of establishing an effective and well-functioning Road Crash Data System (RCDS) in Uganda that would serve all the different stakeholders in road safety like NRSC, UNRA, KCCA, MoWT, and Local Governments among others in providing a reliable database for future evidence-based road safety interventions and enhancement in Road safety research.

The Accounting Officer attributed the delay in completion and operationalizing of the Road crush Database system to lack of funds. There is a need for government to prioritize and allocated funds.

2.3.5 Inadequate Facilities for Pest control, Seed and Crop Certification

Section 11 of the Agricultural seed and plant Act, 1994 requires the Minister for the purposes of the Act, to establish a national seed testing laboratory under the National Seed Certification Service. The laboratory is meant to provide pesticide and residue analysis so that pesticides brought into the country are of the right quality and the ingredients conform to the industrial standards. Inspection of the department of crop inspection and certification, and pest control in Namalere revealed that the Laboratory was underutilized because certain components had not been supplied since 2010. Further, the Laboratory is not yet fully equipped to undertake analysis. The Laboratory also has missing equipment and reagents necessary for the analysis.

It was also noted that the post-entry quarantine station (PEQS), charged with the responsibility of ensuring that plants and plant products that have been allowed into the country do not pose any plant health concerns to the country is currently operational but with key inadequacies to handle this important function which greatly affects the crop sub-sector. The inadequacies of the laboratory are due to various equipment shortcomings which include: Inadequate refrigeration capacity (temperature ranges), non-functional ice maker, inadequate capacity of autoclave machine, recycled consumables (which reduce accuracy of tests, substandard microscopes).
Lack of adequate laboratories for the department exposes the whole agricultural sector to risks of inferior crop varieties being imported into the country including failure to control the new invading pests.

There is need for government to secure resources to have the laboratory operationalized so that the current rate of losing crops is reduced.

2.3.6 Construction of 14 bridges in Northern Uganda-IDB (LOAN NO. UG –006)

Government of Uganda received a loan from the Islamic Development bank (IDB) towards the construction of fourteen (14) small Bridges in the Northern and North Eastern of Uganda. The loan agreement was signed on 24th November 2008 and became effective in April 2009. After the revision of the contracts the completion date for the works was extended to 31st July 2017.

The Government of Uganda was to co-fund US$.1.185 million representing 10%, while IDB would contribute US$.10.642 million. The works were clustered into 4 lots implemented under the Ministry of Works and Transport.

However it was observed that Lot-4 was cancelled and funds to a tune of UGX.6bn were returned to the Bank due to non-performance. As a consequence, construction of Ajeleck, Opot and Ojanal bridges were not undertaken. This is an indicator that the project was not properly managed.

There is need for government to ensure proper due diligence is undertaken on contractors and supervision enhanced to avoid wastage of borrowed funds.

2.3.7 Supply of tea seedlings to farmers in Kigezi sub region, Buhweiju and Kabarole for the financial year 2013/2014

I undertook a special audit of the supply of tea seedlings to farmers in Kigezi sub region, Buhwejju and Kabarole for the financial year 2013/14.

The audit focused on the preparation, distribution of tea seedlings and farm Management practices of farmers in the 5 Districts of Kisoro, Kanungu, Kabale, Buhweju and Kabarole district. The following was observed:-

2.3.7.1 Inappropriate land Topography

The slope of the land for tea growing is critical. According to best agronomical practices, the recommended slope should range between 10 to 20%. Any slope that is below 10% risks heavy water logging while any slope above 20% risks severe loss of soil by erosion which is detrimental to the proper growth of tea seedlings.

According to the 94 farms visited in the 5 districts, the gradient was too steep in some areas whereas some farms were located in deep swamps that were prone to waterlogging. I noted that the gradient slope of the sampled farms ranged from 2.53% to 78.38% which indicated that some farms had a gradient exceeding 20% which in this case was not suitable for tea growing. Out of a sample of 94 farms, 53 farms (representing 56%) exceed 20% acceptable gradient while 19 farms (representing 20%) were located in low lying areas that were prone to waterlogging (below 10% gradient). 22 farms (representing 24%)were in the acceptable range. I observed that the topography was not considered at all in selecting sites for tea growing as indeed some farms were lost due to water logging.

There appears not to have taken technical consideration in the growing of tea in the region. This is likely to affect the success of the programme which could lead to a substantial loss of investment in excess of UGX.100Bn so far invested into the programme since 2013/14 to-date.

Management should train and supervise the new extension workers in ensuring that in future, the tea seedlings are grown on suitable slopes and terrain for proper growth of tea. Technical considerations should be taken into account while implementing the programme.

2.3.7.2 <u>Unaccounted for Acreage and seedlings</u>

I reviewed the supply of tea seedlings Vis-a-vis the acreage planted. The total estimated acreage of the 64 farms sampled was 937.517 acres in the 5 Districts. However, the measured acreage of these farms was 473.581acres resulting into additional acreage of 463.936 acres that could not be traced. It was noted that 4,440,507 seedlings were supplied instead of the recommended 2,369,333 seedlings resulting into excess supply of 2,071,174 seedlings valued at UGX.932 million at a market rate of UGX.450 per seedling. Further, I noted that 27,000 seedling supplied to the Zatwoshaho Joy to Bukinda seminary and Bukinda Parish, could not be traced to particular tea farmers in Kabale District.

I noted that there was no proper mechanism to verify the acreage prior to supply of seedlings. There is a risk that seedlings were supplied to non-existent farms.

Management should establish a mechanism of verifying actual acreage of land prior to distribution of the tea seedlings. This should be a basis for determination of number of seedlings supplied to the farmers and paid to the suppliers.

2.3.7.3 <u>Failure to provide extension services</u>

According to the project design, The lead Agencies were required to provide advisory services to the farmers, including among others farm siting, land preparation, planting of tea seedlings, weeding and pruning and water control, harvesting and transporting the tea leaves.
It was noted that NAADS paid UGX.1,402,483,859 to 2 Lead Agencies in the Districts of Kisoro and Kanungu to provide extension services to farmers. However, all the farmers interviewed indicated that no extension services were provided during the planning period.

Because of inadequate extension services, I noted that the quality of planting materials greatly deteriorated at the time of planting due to poor handling and long distances of transportation of tea seedlings in Buwheju, Kanungu and Kabale Districts. In most cases the nurseries were very far from the farms where the materials were to be planted leading to delays in delivery of seeds.

There is need for the programme to review its approach to providing extension services with a view to targeting the single spine programme under MAAIF which is aimed at providing extension services to the country.

2.3.8 The Fall Army Worm (FAW) attack

Uganda was attacked by the Fall Army Worm (FAW) pest in the year under review and the damage it caused was visible country wide. Audit noted that a national task force was brought together; comprising members from the MAAIF, NARO, Uganda National Farmers' Federation (UNFFE), OWC to respond to the disaster. However, a review of the Ministry response to the FAW revealed inadequate funding to the emergency outbreak of the fall army warm. The Ministry required UGX.4,115,000,000 to handle the emergency, however only UGX.2,100,000,000 was provided representing 51% of the required funds. Further, the appointment of this task force was never formalized; and thus is operating without a legal framework despite the enormous task being undertaken that is critical to the sector.

Inadequate funding for the emergency activity resulted into losses to farmers and food insecurity to the nation. The informal nature of the task force and inability to fund its operations may hinder their performance, hence may lead to slow response to such attacks in the future.
Government should formalize and facilitate the task force to keeping abreast with the new developments in regard to the FAW so as to mitigate future invasions.

2.3.9 Untitled Refinery Land

Included in the financial statements of the Ministry of Energy and mineral development is an amount of UGX.54,316,736,520, relating to land acquired in Hoima District for the construction of the refinery. However the land lacks a title owing to a court injunction[1] stopping the district Land Board from issuing land titles in the area.

Since government has plans of starting the construction of the refinery, this encumbrance may become an impediment to the process. Management stated that it was in consultation with the Ministry of Justice to address the matter. I await the results of the consultations.

2.3.10 Uncollected Royalties from Gold Exports

The Mining Regulations, 2004 require that minerals obtained under a mineral right or under a mineral dealer's licence may only be exported under an export permit granted by the Commissioner at the Directorate of Geological Surveys and Mines (DGSM) in the Ministry of Energy and mineral development. However comparison of Gold exports recorded by the directorate with the exports figures declared to customs and excise department of the Uganda Revenue Authority revealed the following anomalies;

- The Directorate of Geological Surveys and Mines issued Gold export permits for only 16.281 kilograms, compared to records from Uganda Revenue Authority, which indicated that 8,691 kilograms of Gold, valued at USD 339.09 million were exported from Uganda in the financial year 2016/17;
- The Gold exports permits for an exporter were supported by export permits from the Ministry of Tourism, Trade and Industry as opposed to being issued by DGSM (MEMD), which was contrary to the Mining Act, 2003. There was equally no evidence of payment of royalties on the exported gold. The above implies that, during the financial year, the country lost revenue ranging from **USD3.39m** to **USD 16.95m** in royalties from the undeclared gold exports and imports depending on the applicable rates of 1% and 5% for the imported or locally mined gold respectively.

Although Management admitted that the exporter does not make any declaration of gold exports to the Commissioner claiming they were offered a tax waiver by MoFPED, there

[1] Bunyoro Kitara Reparation Agency Vs the District Land Boards of Hoima, Bullisa, Masindi, Kiryandongo, Kibaale,Kakumiro and Kagadi.

was no evidence to this effect. A similar observation was reported in my report for the previous year. Management stated that an Inter-Agency approach to resolve the matter has now been adopted.

Management is advised to expedite investigation of the discrepancies with a view to recover the prescribed royalties.

2.3.11 Default on payment of Annual Mineral Rent fees

Section 106(1) and (2) of the Mining Act, 2003 requires exploration and mining companies to pay mineral rent fees annually. However I noted that UGX. 2,718,388,000 in rent fees was outstanding as at 30th June 2017. The failure to collect annual mineral rent fees by the Directorate may lead to loss of government revenue.

Management stated that it had written letters to the mineral rent defaulters and intends to publish their names. It has also communicated to both URA and the Solicitor General's office to follow up and prosecute the persistent defaulters.

I wait results of Management action in this regard.

2.3.12 Undistributed royalties

Section 98(2), of the Mining Act, 2003 requires royalties to be shared by the Government, Local Governments and owners or lawful occupiers of land. Review of records however revealed that various land owners were not paid the prescribed 3% of the of the royalties amounting to UGX.354,371,332 as at 30thJune 2017 . The practice denies the landowners the revenues arising from use of their land, which potentially can affect the relationship between mineral right holders and landowners.

Management explained that although they had compiled a list of landowners entitled to share royalties, some landowners who were required to submit their bank details through the Chief Administrative Officers and proof of land ownership had not met the criteria. I advised Management to streamline and expedite the process of identifying the entitled landowners so as to effect the payment of royalties as stipulated in the law.

2.3.13 Non-payment of royalties by a private company

According to Section 98(1) of the Mining Act 2003, all minerals obtained or mined in the course of prospecting, exploration, mining or mineral processing operations shall be subject to the payment of royalties on the gross value of the minerals based on the prevailing market price of the minerals at such rates as shall be prescribed.

It was observed that by the end of the financial year 2016/17, a private Company had not paid royalties amounting to UGX.679,694,100. This was caused by the failure by the directorate of geological surveys and mines to enforce payment.

Management stated that a notice of non-payment has been issued to the Company.

I wait the outcome of Management's action in ensuring payment of outstanding royalties by the Company.

2.3.14 Standard Gauge Railway-Land acquisition

Government plans to undertake construction of standard Gauge Railway at an estimated development cost of USD.12.8bn. It has been observed that there have been delays in carrying out disclosure after securing approvals of the land assessment reports from CGV and effecting payments to the beneficiaries and this has affected the rate at which compensations is being made thus affecting provision of right of way for the construction of the SGR.

The delays were attributed to;

- Delayed compensation: Out of 3,481 Project Affected Persons (PAPs) planned to be compensated in 5 districts, only 2,053 PAPs had been compensated at the time of audit constituting 59% with 41% outstanding.
- Delayed valuation; Valuation of PAPs in 4 districts had not been completed therefore the process of compensating the PAPs could not start.
- Slow rate of acquiring ROW; there were delays in acquiring Right of Way (ROW) for PAPs that had been fully paid up. Only 60km in Tororo and Butaleja districts

had been demarcated considering that 59% PAPs in the districts had been compensated already.

Slow progress of the project increases costs as PAP's valuations tend to increase with each passing year. Further, harmonization of implementation with partner regional states may not be achieved as it was noted that the partners were ahead of schedule, which may affect service delivery.

Government should ensure that the land acquisition process is expedited so as to enhance progress of the project in line with the regional partners.

2.3.15 Express Penalty Scheme (EPS)

Section 179 of the Traffic and Road Safety Act, empowers the Uganda Police Force to enforce the Express Penalty Scheme (EPS). The major objectives of the scheme were:-

To have minor offences handled expressly to reduce the work load at Police Stations.

To reduce congestion at the Police Station and Courts

To reduce inconveniences to motorists who commit offences which are considered minor in the Traffic and Road Safety Act.

The scheme is also important for generating non-tax revenue for the Uganda Police and Government in general.

It has been noted that enforcement under this scheme is inadequate. Tickets are currently issued manually to traffic offenders throughout the country. Lack of computers with internet connectivity in almost all stations outside Kampala and issuing tickets to offenders manually makes it difficult for traffic officers to reconcile with URA EPS defaulters.

Because of the challenges noted above, revenue has not been collected as anticipated. Over the past 10 years, revenue from penalties to a tune of UGX.52,685,427,000 has remained outstanding..

Many offenders have continued to default after realizing that Police could not follow up on unpaid tickets, therefore the outstanding amount is likely to increase.

The Police Force should strategize to ensure effective implementation of the EPS.

2.3.16 Outstanding court awards and compensations

I observed that unsettled court awards and compensations amounted to UGX.676,818,974,843. The outstanding amount in Court awards and compensations had been accumulating over the last five financial years from UGX.54,009,997,832 in 2011/2012 to UGX.676,818,974,873 in 2016/17.

Because of the unpaid court awards, interest amounting to UGX.168,005,612,514, has accumulated. In certain cases, the interest had more than doubled the principle amounts.

I advised the Accounting Officer to liaise with relevant authorities for improved funding with a view of minimizing penalties and the related charges. The Accounting Officer should also categorise and communicate to MDAs their contingent liabilities to enable them disclose in their respective financial statements.

2.3.17 Lack of Strategic Plans for MDAs

Section 8 (1) of the National Planning Authority Act 2012, states that the Authority shall be the National Coordinating body of decentralized planning.

Section 8 (5) of the same Act states that a Ministry or a sector shall prepare a plan, and submit it to the Authority whose duty shall be to harmonize all plans for Ministries or Sectors for purposes of formulating a National Plan.

The Authority also uses the entity Strategic Plans to assess their individual performance.

A review of the summary status of strategic plans submitted by sectors and MDAs revealed that fifty one (51) entities with a budget of UGX.4.483 trillion lacked strategic plans. It was therefore difficult for the Authority to assess the entity's performance. In the absence of individual Strategic Plans, the entity may not be able adequately prepare the Sector Development and National Development Plans.

I advised Accounting Officer to utilize its mandate and ensure that all entities comply with the requirements of the Act.

2.3.18 Nugatory Expenditure

Government during the period under review paid UGX.2,740,998,670 as payments for delayed settlements of obligations arising from contracts for Construction Services, Court awards. 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 need for government to have a central database where accounting officers will be submitting the status of these obligations so that Government can plan better in terms of prioritizing for settlement and also monitoring the causes of these avoidable expenditures.

2.3.19 Outstanding Tax payments

Section 35 (1) of the Value Added Tax Act, and the project funding agreements require VAT to be paid by the Ministry/Department as Government counterpart funding. In addition the income tax Act,1997(as amended) sections; 119 and 116 require entities to deduct withholding tax and PAYE respectively. Section 123(1) requires the entities to remit the withheld taxes within fifteen days following the month in which deduction was made. Examination however revealed that various entities contravened the tax laws by; failure to pay the VAT ; UGX. 37,550,453,177, payment of VAT to non- registered service providers; UGX. 86,612,613, non –deduction of WHT; UGX.261,142,979, non-remittance of WHT;UGX.1,129,075,376,non- deduction of PAYE; UGX. 54,063,520 and non- remittance of WHT; UGX. 1,721,432,481.

The practice not only denies the government revenue for funding the national budget but also attracts penalties and fines which further constrain the cash flows of the affected entities. Failure to settle the taxes may also adversely affect future project financing in the case of donor funded projects.

I advised the entities to ensure that the respective tax obligations are settled without further delay as required by the tax laws. For donor funded projects, the projects ought to liaise with the Ministry of Finance, planning and economic development to ensure that adequate counterpart funding is provided to settle taxes as required in the financing agreements.

2.3.20 Land Management weaknesses

The Ministry of Lands, Housing and Urban development is responsible for promotion of registration, administration, regulation and valuation of Land in the country. The Ministry undertakes this role through various methods including; the client charter, strategic plan, policy statement and various laws. It also performs its duties in liaison with Uganda Land commission in the case of Public land.

Examination of performance of its roles revealed a number of weaknesses that require redress and these include; delays in processing land registration documents ranging from 13 to 134 days contrary to the prescribed period of 2 to 20 days, low level of registration of land which is as low as 5% in rural areas, delay in completion of revision of land policies, laws and regulations whereby the respective bills prepared in 2013/2014 still remain as drafts. I also observed that the Ministry lacks a land value data bank which would provide indicative property values for the purpose of assessing various fees such as stamp duty.

As a result of the weaknesses mentioned above, various institutions have faced challenges in registering their land for example; Mulago national referral hospital whose 10 plots are awaiting registration and National Forestry Authority which is still awaiting valuation of its land by the chief government valuer. I further noted that in some cases land titles for public land were issued to private individuals. For example 174 land titles were irregularly issued to private individuals in various Central forest reserves (CFR) among which are Zirimiti CFR in Mukono district and Kitubulu CFR in Wakiso district. Failure to demarcate and obtain titles has also resulted into loss of forest reserves noticeably in Budongo range which has suffered 100% encroachment. Forest encroachment has adverse effects on the environment.

In response Management indicated that implementation of the land information system shall address some of the challenges and that Uganda Land commission is in the process of establishing an inventory of all government land. In addition it was stated that the processes of revising policies, laws and regulations, and developing the National land value data bank are on-going.

I advised Management to expedite the improvement processes to enable rational, efficient and effective Management of both public and private land as they will safeguard public property, protect the natural forests and enhance the business environment.

2.3.21 Inadequate funding of the Youth Livelihood Programme (YLP)

Examination revealed that out of the initial 5 year programme budget of UGX.265 billion only UGX.114,924,773,523 had been released to the programme over the four year period to 30th June, 2017 resulting into a funding gap of UGX.150,075,226,477 (56.67%). Inadequate funding of the programme may constrain the achievement of the intended programme objectives of improving livelihoods of the poor and un-employed youth.

Management explained that the Ministry shall continue engaging MOFPED to ensure that the YLP Funds are released in line with the initial approved amount for the 5-year period.

I await results of Management's engagement with MoFPED.

2.4 Cross-Cutting Issues and Recommendations

2.4.1 Non-Compliance with Income Tax Act

During the year under review, eight MDAs did not comply with the Income Tax Act 1997 (as amended) in respect to taxes amounting to UGX.21.9Bn. The non-compliance was due to non-deduction and remittance of taxes. Table 6 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 6: Non-deduction and Non-remittance of Taxes

S/N	Entity	Non Deduction of Taxes	Non Remittance of Taxes
1	Market and Agricultural Trade Improvement Program- 2	0	300,112,911
2	Urban Markets & Marketing Development of Agricultural Products Project(UMMDAP) VAT	0	7, 435,110,045
3	Community Agricultural Infrastructure	0	16,683,527,462

	Improvement Project-Phase 3 - ADB [VAT]		
4	Community Agricultural Infrastructure Improvement Project-Phase 3 - IDB [VAT]	0	1,327,140,137
5	Community Agricultural Infrastructure Improvement Project-Phase 2	0	3,460,000,000
6	Regional Pastoral livelihoods Resilience Project	39,298,622	39,298,622
7	Gulu University	0	345,120,530
	TOTAL	**39,298,622**	**21,855,086,751**

2.4.2 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. 2,740,998,670 and EUR 17,516. These arose as a result of interest on late payments on VAT and breach of contracts. Table 7 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 7 Wasteful/Nugatory Expenditure

Entity	Particulars	Amount (UGX)	EUR
Ministry of Local Government	Interests on VAT	359,647,006	0
Ministry of Works and Transport	Nugatory Expenditure on Interest Payment	1,911,807,863	0
Ministry of Finance Planning and Economic Development	Interest penalty on unpaid VAT	469,543,801	0
Gulu University		32, 476,281	0
Algiers Mission		0	17,516
Electoral Commission		95, 035,000	0
Total		**2,740,998,670**	**17,516**

2.4.3 Outstanding Receivables

During the review, it was noted that receivables worth UGX.74,786,547,342 were not collected by the various Ministries, Departments and Agencies and were therefore still outstanding as at 30th June 2017 as summarized in table 8 below.

There is a risk that the receivables may not be collected.

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

Table 8 Outstanding Receivables

NO	ENTITY	Amount (UGX)
1.	Uganda Police Force (UPF)	52,685,427,000
2.	State House	1,279,818,880
3.	Ministry of Justice and Constitutional Affairs	20,609,131,791
4.	Judiciary	207,951,671
5.	National Agricultural Research Organization (NARO)	4,218,000
	TOTAL	**74,786,547,342**

2.4.4 Staff Shortages

A review of the approved staffing structures of seven government entities revealed a total of 38,572 vacant posts. These included key staffing posts like Deputy Solicitor General, Director Civil Litigation, Principal State Attorney in the Ministry of Justice and Constitutional Affairs. I also noted that the biggest shortfall in the staffing out of the seven entities was in the Uganda Police Force with a staff shortage of 28,791. The Table 9 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 engaging with all stakeholders to ensure that vacant posts are filled to enable the entities adequately deliver on their mandate.

Table 9: Staff shortages

S/N	ENTITY	Established posts	Filled posts	Vacant posts	Percentage	Remarks
1.	Ministry of Finance Planning and Economic Development (Lotteries Board)	50	30	20	40	Enforcement Officers and Public relations Officers
2.	Ministry of Justice and Constitutional Affairs	442	281	177	40	Key positions like Deputy Solicitor General, Director Civil Litigation, Principal State Attorneys for regional offices
3.	Directorate for Ethics and Integrity (DEI)	118	49	69	58	Most affected was the Division of Religious Affairs (policy and standards)
4.	Uganda Police Force (UPF)	66,388	43,942	28,791	43	
5.	Uganda Prison Services	15,262	8,938	6,324	41	
6.	Judiciary	4633	1769	2864	62	
7.	Ministry of Agriculture and Animal Industry and Fisheries	723	396	327	45	
	TOTAL	**87,616**	**55,405**	**38,572**	**44**	

2.4.5 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.

The entities that are greatly affected by this problem are Uganda Police (UPF) and National Agricultural Research Organisation (NARO).
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 10 refers;

Table 10: Untitled land/ encroached land/ other land matters in UPF and NARO

Entity	Land Matter
Uganda Police Force	**Encroachment on police land by private developers** Jinja Bugembe, Tororo, and, Natete Police/Stations barracks revealed that pieces of land offered to Namasiga police post, Namaganga Police post, Kamigo Police post, Bunyala police post, Buwenda police and Mpumudde and Bugembe police Barracks have been encroached on by the council, Tororo Police land has been encroached by one encroacher NSSF, Bugembe Police land has been encroached by 55 illegal occupants, Natete Police land has been encroached by 65 illegal occupants

2.5 Summary of Audit Results of Specific Entities

The summary of audit results includes all matters that were classified as matters of high significance during the audit. These comprise of matters in the basis for qualified opinion paragraphs, key audit matters, emphasis of matter and other matter paragraphs. The detailed findings are contained in the individual entity reports of the Auditor General. **Refer to Annexure 1**

PART 3: COMMISSIONS, STATUTORY AUTHORITIES AND STATE ENTERPRISES.

3.1 Mandate

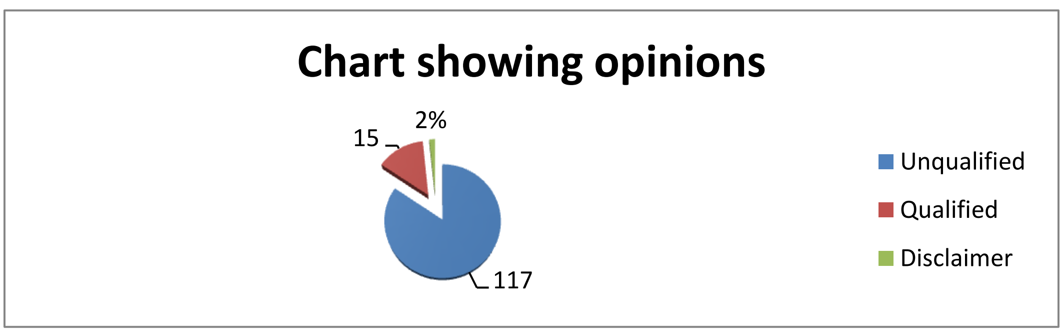
Article 163 of the Constitution of the Republic of Uganda 1995 (as amended), mandates the Auditor General to audit and report on all public accounts of Uganda. Sections 17 and 18 of the National Audit Act (NAA) 2008, further give the Auditor General the mandate to audit and report on all accounts of Public organisations including State Enterprises, Authorities and expenditures in private organisations in which government doesn't have a controlling interest.

I carried out 134 Financial Audits and 13 Engineering Audits in KCCA, UNRA and URA, during the year under review. Accordingly, the detailed reports have been issued to the individual entities. The engineering audits carried out are:-

Uganda National Roads Authority (UNRA)	
1.	Acholibur – Kitgum – Musingo (86.4Km) by CICO
2.	Gulu – Acholibur (75Km) by China Railway No 5 Engineering Group Co. Ltd
3.	Olwiyo – Gulu (70.3Km) by Zhongmei Engineering Group Ltd
4.	Mukono – Kyetume – Katosi – Nyenga (74Km) by SBI/RCC JV
5.	Access Road to Sungira Hill (1.55Km) by Energoprojekt Niskongandnja AD
6.	Construction of Nyalit and Seretyo Bridges by Multiplex Ltd
Kampala Capital City Authority (KCCA)	
1.	Signalizing Bwaise Junction, Signalizing Fairway Junction, Dualling Makerere Hill Road, Dualling Kira Road, Dualling Bakuli-Nakulabye Road, Upgrading Mambule Road by China 7th Group
2.	Lot-2; Design update and construction of roads in the City; Reconstruction and/or Upgrading of Jakaana -0.65km, Nsooba-0.75km, Kafeero-0.8km, Lumasi-0.55km, Muganzi-Awongera-1.6km, and Waligo- 4.2km in Kawempe division AND Bakuli market lane-1.0km, Nakibinge-Bawalakata-2.9km, Mackay-1.6km and Sembera-1.5km, Concrete Box Culvert at Sembule and Nalukolongo Channel by M/s. Energo Projekt Niskogradnja A.D

3.	Lot-1; Design update and construction of roads in the City; Namirembe-Luwuum-1.9km, Archer-0.75km, Mengo hill-0.75km, Nakivubo channel-0.5km, Mpabaana-0.75km, Luzige-0.3km , Mutebi-0.45km, and Semugooma-0.4km by M/s. Stirling Civil Engineering Ltd
4.	Lot-4; Design update and construction of roads in the City; Reconstruction and/or Upgrading of Magambo-0.9km, Dembe-Kilowoza-3.0km, Kiziri-0.75km, Kigoowa-1.9km, Kimera-1.4km, Kisalita-0.7km, Kisosonkole-1.0km, and Robert Mugabe-1.8km by M/s. Stirling Civil Engineering Ltd
5.	Lot-1; [(a)Lubuga I, Lubuga II, Kanakulya, Mugerwa , Ganafa, St. Benedict & Kabungu Close, and Kibuye-Police-Hollywood in Makindye Division; (b) Nte Yaffa, Chwa II "Nakulabye", Chwa II "Namungoona", Kiwunya roadside RHS & LHS, and Kiwunya-Nasma in Lubaga Division; and (c) Kawempe - Ttula road - 1 (crossing near Mpererwe), Kawempe - Ttula road - 2 (Saulo - Tributaries I & II), and Kaddugala in Kawempe Division] by M/S China Jiangxi Corporation for International Economic and Technical Cooperation (U) Limited
6.	Follow up of Kafumbe Mukasa Road
Uganda Revenue Authority	
1.	Technical/engineering audit of the construction of Uganda Revenue Authority headquarter building

117 entities had unqualified opinions while 15 had qualified and 2 disclaimer of opinion. Pie chart below refers;



3.2 Summary of Key Findings, Implications and Recommendations

This section highlights a summary of key findings, impacts and recommendations. The detailed reports have been issued to the respective entities for Management for action.

3.2.1 Un-billed revenue from the assets leased to UMEME by UEDCL

From the review of the Lease Assignment Agreement (LAA) entered into by and between Uganda Electricity Distribution company(UEDCL) and UMEME Limited on May 17, 2004, UEDCL is entitled to Depreciation and Return on Investments on the Assets assigned for use to UMEME Limited by UEDCL on the date of signing of the agreement and subsequent investments made by UEDCL. However, UEDCL has neither invoiced nor received such income from the commencement of agreement up to date. If this Depreciation and return on investments was billed and collected by UEDCL, it would amount to UGX 11,156 million (2015: UGX.13,665 million) and the cumulative disallowed value from 2005 to date is approximately UGX.129,075 million.

This non-compliance with the Lease and Assignment Agreement provisions negatively affects future investments of the Company. In addition, the Company did not comply with the matching concept of accounting as well as IPSAS 32.
Management in its response stated that the Company has continued to engage Electricity Regularity Authority and other parties so as to have the matter resolved.
I await the outcome of the company's continued engagement with ERA.

3.2.2 Share capital not paid up for Uganda National oil company

I noted that the share capital of Uganda National Oil Company was UGX.10 billion, comprising 10,000 ordinary shares each with a share value of UGX.1 million each. The Ministry of Energy and Mineral Development (MEMD) had a shareholding of 51% while the Ministry of Finance, Planning and Economic Development (MoFPED) had 49%, as per the Articles of Association of the company. However by the time of audit none of the shareholders had paid for the shares of the Company.

Meanwhile for the Company to operate in the initial period, a total of UGX 1.3 billion was disbursed to UNOC by the Ministry of Energy and Mineral Development to meet Company operational expenses.

The failure by the shareholders to pay up for the share capital greatly hindered the Company's operations.

I advised that the Company to engage the shareholders with a view to ensuring that they meet their obligations so that the entity can undertake its activities geared towards fulfilling its mandate.

3.2.3 Lack of clarity on the funding of Uganda National Oil Company

Article 49 of the Petroleum (Exploration, Development and Production) Act, 2013 establishes the Uganda National Oil Company which was subsequently incorporated under the Companies Act 2012. The role of the company is to manage Uganda's commercial aspects with regard to petroleum activities and the participating interests of the state in the petroleum agreements.

The role of the company further includes the Management of the business aspects of the state with regard to petroleum, proposing new upstream, midstream and downstream ventures, both locally and internationally and developing expertise in the oil and gas sector.

However it is not specifically stated how the company will be financed. For the company to duly undertake its daily operations and its obligation, as a participant in the joint ventures and production sharing agreements and government representative in the refinery and pipeline, it needs an established source of income.

The failure to provide funding would hamper the company from undertaking its obligation thereby affecting the timely completion of projects and would eventually make it default on any joint ventures with other International Oil Companies.

I advised Management to engage the Ministry of Finance Planning and Economic Development to ensure that funds are provided to the Company to enable it manage the country's commercial aspects with regard to petroleum activities and the participating interests of the state in the petroleum agreements.

3.2.4 Inadequate supervision of Karuma and Isimba Hydro Power Projects

Uganda Electricity Generation Company Limited is overseeing the construction of Karuma and Isimba Hydro Power Projects (HPPs). Review of the progress reports for the Karuma Dam revealed a number of anomalies, including; failures in the quality assurance/quality control procedures, quality control results likely being false in some occurrences and therefore being unreliable, poor quality of concrete lining causing cracks in some sections of the dam.

Under the Isimba HPP, progress reports revealed inadequate supervision of the Engineering Procurement and Construction (EPC) contractor, which resulted in poor concrete quality on site, cracking, cold joints, honeycombing and failed concrete repairs.

These are indications of lack of capacity and inadequate experienced personnel by the Owner's Engineer to resolve site problems.

Although the contract for the Consulting Engineer for the Isimba HPP expired in September 2017 and has not been renewed due to poor performance, the same Engineer is still supervising the Karuma HHP causing concerns about the quality of the works at the dam.

The above anomalies may lead to high maintenance costs for the projects.

Management was advised to closely monitor and supervise the EPC contractor and the owners engineer to ensure that they fulfil their obligations under the respective contracts.

3.2.5 Non-Compliance with the Concession and Assignment Agreement in the Management of Nalubale and Kiira Hydro power complex

Uganda Electricity Generation Company Limited signed a Concession and Assignment Agreement (CAA) with a private firm, in which the later was granted the right and obligation to operate and maintain the Nalubale and Kiira Hydro Power Complex. During audit, I noted that UEGCL undertook monitoring visits to the Complex and noted instances of non-compliance by the firm to the CAA. These included non-repair works at two (2) turbines, ASR cracks on Nalubale dam and Power house and delayed execution of 13 projects since 2013.

Whereas the non-compliance issues were noted throughout the period under review, UEGCL did not enforce compliance by the firm. There is risk that the Nalubale and Kiira Hydro Power Complex may not be in proper working condition by the time of handing back to UEGCL, at the end of the CAA.

Management was advised to enforce compliance to the CAA by the firm.

3.2.6 <u>Weaknesses in concessions Management by Uganda Wild life Authority</u>

Section 14 (1) of the Uganda Wildlife Act provides that the Executive Director of Uganda wildlife authority may, with the approval of the board, enter into any suitable commercial or collaborative arrangements with any person for;

(a) The Management of a protected area or a portion of the protected area;

(b) The provision of services and infrastructure in a protected area; or

(c) The Management of a species or a class of species of animals or plants.

However, a review of the monitoring reports regarding concession Management revealed major breaches of the terms by the concessionaires as outlined below;

i. Whereas Clause 3.6 of the concession agreements between Uganda wildlife authority and concessionaires require the later to prepare and submit an operating plan within three months of the signing of the agreement, six Concessioners have neither submitted plans nor started operating since they signed the contract agreements for a period ranging from 2 to 11 years**.**
ii. Examination revealed that the authority had uncollected revenue amounting to $209,546 at the close of the financial year under review contrary to Clause 2.2 of the concession agreements
iii. In another case, a concessionaire continues to collect revenue to date without a legal agreement, despite expiry of the concession on 9th Dec 2015.

In response, Management attributed the non-performance to the concessionaires' inadequate financial base and loss of interest thereof. It was further indicated that in future extensive due diligence would be undertaken before signing agreements with applicants.

Management is advised to review performance of all the concessions and take necessary action as prescribed in the agreements.

3.2.7 Implementation of Digital Migration Policy

The objectives of the digital migration policy included: ensuring that the whole country was covered by digital signal by June 2015 line with the International Telecommunication Union Geneva RRC-06 guidelines through installation and maintenance of all equipment & facilities for digital migration

The implementation of the digital migration policy commenced in 2012 and was spearhead by Uganda Communications Commission (UCC) which invested at US$.20m in the procurement and installation of equipment. In June 2015, UCC handed over the digital signal network of 18 operational transmission sites to a company contracted by UBC to manage the digital signal transmission sites.

A review of contract Management reports conducted by the regulator (UCC) during the year revealed the following;

The digital network covers only Central & greater Kampala and in 17 Districts instead of the whole country as planned.

Pay TV operators carry free to air content which makes content providers reluctant to pay for the services on the free to air platform thus denying the signal distributor revenues (tariff fees) to maintain the digital network.

The 17 Digital Terrestrial Transmission remote sites were off air since September 2016 due to the contractor’s failure to renew the satellite program feed service agreement with the service provider- (M/s Eutelsat). In addition the sites experienced power disconnection due accumulated electricity bills and lack of generator fuel.

All transmission equipment were not maintained for over 4 years and are not insured against disasters thus there is a risk of losing the investment I the digital network.

The contractor lacks the technical capacity to manage all the transmission sites across the country.

Under the circumstances, the intended benefits of digital migration such as more channels and diverse content may not be achieved.
There is need for government to review the contract with a view to having the envisaged services provided.

3.2.8 Increasing designated agencies against a fixed budget Under the Uganda Road Fund

The Uganda Road Fund budget for the last three years has largely remained funded at the same level of about UGX.417 billion with corresponding releases below the budgeted amount.

A review of the URF budget allocations revealed that the number of implementing agencies overseeing the District Urban and Community Access Roads (DUCAR) network has continued to grow implying the need for additional resources but this has not been the case. In 2015 the road fund agencies comprised of 111 Districts, 22 Municipalities, 174 Town Councils, 1113 sub counties and 2 authorities while to date the districts, municipalities and Town Councils have increased to 121, 41 and 214 respectively as shown in the Table below;

According to RF proposed course of action of road maintenance, the country requires UGX.800bn per year which is well above the current year budget of UGX.417 bn.

S/N	DESCRIPTION	2015/16	2016/17	2017/18
1	Budget (Billion)	417.93	417.84	417.39
2	Authorities	2	2	2
3	Districts	111	115	121
4	Municipal Councils	22	41	41
5	Town Councils	174	179	214
6	Sub-counties	1,113	1,129	1,155

Increasing number of agencies without corresponding budgetary increments implies less maintenance of the national road network as a lot of funds are channeled to the administrative costs of the new units thus limiting available funds for maintenance.

Government should revisit the matter with a view of ensuring that any additional agency is provided for with an incremental budgetary provision.

3.2.9 Uncertainty of government property in Kenya

According to the 89th meeting of the Uganda Property Holdings Board, Kenyan Parliament recently passed a new law (Land Amendment Act 2016) prohibiting foreign individuals, Companies and Governments from owning land 25kms from the border or second tier from Ocean and also non-renewal of expired leases for non-Kenyans. Based on the communication, Management wrote to the Minister of Finance, Planning and Economic Development (MoFPED), the Attorney General and other relevant Government stakeholders informing them of the development.

Part of government property under UPHL is leasehold. I observed that the new law directly affects 8 of the Company's property and as such, creates uncertainty on the actions of the entity and diverts UPHL from implementing its objectives and mandate. A case in point was the shelving of the plans to purchase land in Lamu at a cost of UGX.1bn.

The new law does not favour UPHL and therefore has negative effects on the strategic intents of the Company.

Ministry of Finance should engage the relevant institutions such as Ministry of Foreign Affairs, Office of the Prime Minister and use of the East African Community to resolve the matter.

3.2.10 Review of Commercialization of NBI and EGI contract

NITA-U Authority signed a contract with an IT company for provision of Management services for the Commercialization of the National Data Transmission Backbone Infrastructure (NBI) and E-government Infrastructure (EGI). A review of the contract revealed the following;

a) Project feasibility study

Although NITAU conducted a feasibility study to establish the costs of the project, the study did not provide the detailed costs of maintaining the NBI/EGI and costs of commercialisation of the services. As a result it was difficult to assess the economic sense of the project as Management lacked sufficient benchmark to assess the bid proposals on contract aspects such as the cost of maintaining the NBI, revenue sharing ratios and price of internet services.

Management explained that in July, 2008, MoICT conducted a study on the Management model for the NBI/EGI which recommended an outsourcing model through the Ministry of ICT in July 2008, however, the above issue was not addressed.

Management should assess the cost of maintaining the NBI/EGI and the revenue sharing ratio in the contracts in order to obtain Value for Money.

b) Internet charges

According to the records of contract negotiation and schedule of the costs of operation in the contract, the contractor offered a price of US$ 30 and US$50 per Mbps per month for internet band width services to government agencies and private sector entities respectively. However, NITAU commenced operations with a higher internet charges cost of $300 per Mbps per Month.

Management explained that the price was majorly dependant on how much bandwidth was procured. Management further explained that the Authority did not have enough funds to procure bulk bandwidth over a long period which would have lowered this cost.

The Accounting Officer should ensure adherence to the provisions of the contract that specified amounts to be charged in the absence of any documentation relating to changes of charges.

c) <u>Inadequate allocation of risks and responsibilities during contract negotiations</u>

The targeted clientele was mostly MDAs where Government was responsible for compelling its entities to join the NBI thus the revenue sharing ratio should have changed as Administrative costs such as marketing ($1,830,469) over 5 year period should have been significantly low.

Although Management explained that the cost of marketing and staff costs associated thereto is within industry standards of 2%-5% and that the marketing cost is used to market to the private sector, there was no target on the number of private operators to connect to the NBI by the contractor.

I further noted that the contractor did not provide a breakdown for the Cost of Fibre Maintenance and Cost of Equipment Maintenance in the financial bid of US$ 28,658,134 over five years (51% out of the total 5-year cost projections US$.56,375,891) thus it was difficult to ascertain how these costs were evaluated during the procurement process and the impact of such costs on the revenue sharing ratio.

Management explained that the cost maintenance costs proposed by the contractor were within the industry standard costs for maintenance of optic fibre cable networks.. However, the industry standards were not stated in the bid evaluation report and I could not confirm their source at the time of the audit.

Management should consider reviewing the contract terms by taking into account those provisions that appear unreasonable to government in order to obtain value for money.

d) <u>Extension of the contract Period by Ten years</u>

The entity awarded a contract extension of 10 years to the IT company despite failing to meet its revenue collection targets in the first three (3) consecutive years and an accumulated revenue shortfall of UGX.108.1bn as at 30th June 2017. The long term contract extension limited NITAU from acquiring other service providers that would have offered competitive prices and innovation.

Although Management explained that MoICT published a report on the 'Infrastructure Management Model' for the NBI/EGI which recommended for 20 years concession agreement, I noted that the extension of the contract by 10years was contrary to the 'Infrastructure Management Model' by MoICT which recommended for 20 year concession agreement subject to renewal every four to five years.

I advised the Accounting Officer to conduct a holistic contract review in accordance with the recommendations in the Infrastructure Management Model report to facilitate completion and quality service.

3.2.11 Inadequate Monitoring of the annual electricity meter conversion targets of a Licensee

The Electricity Regulatory Authority (ERA) approved a 7 years Prepayment meter Roll-out Plan presented by UMEME Ltd and is supposed to monitor the implementation of the Plan. The Plan requires connection of a total of 863,000 customers both retrofitted and new customers from 2013 to 2018. The company's target is to have all domestic and small commercial installation retrofitted by 2018 and the progress of the conversion is submitted to ERA through annual compliance reports.

It was however noted that, although the roll out had been ongoing for five years, actual conversion for retrofitted customers was 267,829 (51.4%) out of 521,000 against the targeted 87% as at the end of 2017.

Failure to meet the targets hinders the company from achieving the intended objectives of reducing losses, costs, as well as increasing connections and improving customer services.

In response, Management explained that it has engaged the company on the deviations and steps are being taken to address the challenges faced in the prepayment conversion project.

Management is advised to increase the frequency of monitoring the company performance, other than the annual compliance monitoring approach as this will ensure timely interventions aimed at achieving the agreed targets.

3.2.12 Non-compliance with standard electricity connection period

According to the standards for Quality of Service related to access to supply, customer service and network operations approved by Electricity Regulatory Authority (ERA), UMEME

Ltd is required to connect applications for electricity in a specified period ranging from 10 to 30 days. However, review of the company's quarterly performance reports revealed non-compliance with specified days ranging from 8% - 46% of the applications. The practice denies customers timely services, and has the effect of causing disenfranchisement and its attendant costs.

In response, Management stated that the company has been engaged to ensure enhancement of compliance levels in the 2017/18 financial year.

Management is advised to enforce compliance by the company to ensure customers access quality and reliable electricity supply services as prescribed.

3.3 Key Findings from Consolidated Financial Performance of Public Corporations and State Enterprises for the Year ended 30th June 2017

I reviewed the consolidated summary statement of Financial Performance of Public Corporations and State enterprises for the year ended 30th June 2017 and noted the following:

3.3.1 Completeness of Statement of Performance

Section 52 1(c) 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 the consolidated summary statement of the financial performance of public corporations state enterprises and Companies where Government has a controlling interest."

However, comparison of the consolidated statement of treasury operations and the consolidated summary of financial performance of the public corporations and state enterprises for the financial year ended 30th June 2017 revealed that entities with a net worth of UGX 136,133,584,428 as at 30th June 2017 where government has controlling interest were not consolidated in the summary of financial performance of public corporations and state enterprise. Refer to the table 1 below;

Table 1: Unconsolidated Enterprises

Enterprise	Net worth as at 30/6/2017 (UGX)
Uganda Crane Industries Ltd	247,363,838
Posta Uganda	79,317,855,980
Amber House	22,898,824,358
National Medical Stores	22,447,283,000
Uganda Energy Credit Capitalization Company Ltd	11,222,257,252
Dairy Corporation Ltd	-
Uganda Refinery Holding Company	-
Total Net worth	**136,133,584,428**

In addition, Housing Finance Bank Limited, where government has no controlling interest was included in the summary of financial performance of public corporations and state enterprise.

This implies that the consolidated summary statement of financial performance of the public corporations and state enterprises does not reflect the true picture of government ownership.

The Accountant General should ensure that a comprehensive record for all the entities where government has controlling interest is maintained to reflect the true picture of government ownership in line with the law. In addition it is important that government also keeps track of performance of enterprises where there is no controlling interest.

3.3.2 FINANCIAL ANALYSIS

The Government of Uganda owns shares in a number of State Enterprises which are independently managed. These enterprises are required to operate in a profitable manner and pay dividends to Government. A computation of the profit/dividend, liquidity, debt to asset and return on asset ratios on a sample of these enterprises revealed the following;

a) Profit/loss and Dividend payment

Out of a sample of 27 entities 16 enterprises improved their profitability in the year under review as compared to the previous years. Refer to the table below.

However there were 10 companies whose profitability decreased in the year under review notably KML, NHIL, Uganda Post Limited, UEGCL, The New Vision Printing and Publishing.

Included are 5 entities that have made losses for two consecutive years. Table 2 below refers.

Table 2 Profit/loss and Dividend payment

S/	Entity	Shareholdi	2015/16		2016/17		% Variance
			Profit/Loss	**Dividends**	**Profit/Loss**	**Dividends declared**	
1	Uganda Air Cargo	100%	-1,539,035,851	0	2,598,256,138	0	269%
2	NEC Tractor Hire Scheme Ltd	100%	-304,321,615	0	439,878,942	0	245%
3	NEC Construction works And Engineering Ltd	100%	246,913,340	0	781,979,028	0	217%
4	Uganda National Cultural Center	100%	-432,030,685	0	467,054,372	0	208%
5	NEC Farm Katonga Ltd	100%	-44,680,894	0	38,464,862	0	186%
6	Uganda Electricity Transmission Company Limited	100%	-20,768,000,000	0	13,391,000,000	0	164%
7	National Housing and Construction Company	51%	5,874,187,000	0	13,469,861,000	0	129%
8	Uganda Development Corporation	100%	-247,488,000	0	27,009,000	0	111%
9	National Social Security Fund	100%	-105,842,347,000	0	4,113,211,000	0	104%

1	Uganda Wildlife Education Center	100%	44,227,377	0	89,060,223	0	101%
1	NEC Tractor Project	100%	-126,393,672	0	-31,875,591	0	75%
1	Bank of Uganda	100%	-164,839,000,000	0	-72,556,000,000	0	56%
1	Pride Micro Finance	100%	18,083,456,000	0 0	20,619,258,000	0	14%
1	Post Bank Uganda	100%	4,522,310,507	0	5,061,961,867	0	12%
1	National Water and Sewerage Corporation	100%	24,883,704,000	0	26,711,133,000	0	7%
1	Uganda Seeds Limited	100%	-67,758,273	0	-48,162,092	0	-29%
1	Uganda Electricity Distribution Company Limited	100%	-9,283,713,000	0	-16,601,454,000	0	-79%
1	Nile Hotel International Limited	100%	12,283,114,012	0	1,091,062,858	0	-91%
1	The New Vision	53.30	4,927,793,000	3,825,000,000	14,685,000	0	-100%
2	Kilembe Mines Limited	100%	35,250,843,952	0	-440,930,080	0	-101%
2	Mandela National Stadium	100%	-323,544,532	0	-669,415,803	0	-107%
2	NEC UZIMA	100%	-377,468,000	0	57,668,000	0	-115%
2	NEC Luwero Industries Ltd	100%	2,299,007,311	0	-854,360,481	0	-137%
2	Uganda Printing and	100%	1,507,206,829	0	-616,572,195	0	-141%

	Publishing Corporation						
2	Uganda Electricity Generation Company Limited	100%	13,507,712,000	0	-13,908,313,000	0	-203%
2	Uganda Property Holdings Limited	100%	1,464,639,160	0	-2980,248,689	200,000,000	-303%
2	Uganda Post Ltd	100%	1,010,253,759	0	-4,449,441,000	0	-540%

Furthermore, I observed that only one state enterprise, Uganda Property Holdings Limited, declared a dividend for the year under review albeit it had made a loss.

Government is advised to review the operations of these enterprises with a view of turning them into profit making organizations.

b) <u>Liquidity assessment</u>

Liquid ratios measure an enterprises ability to pay its current obligations. This ratio is a comparison between an enterprise's current assets to its current liabilities.

I analysed the state enterprises' liquidity ratios to determine their ability to use current assets to pay off current obligations/debt and still be able to fund their outgoing operations. The higher the ratio the better. The ideal liquidity ratio threshold is 1. I noted that the liquidity ratio of 24 entities were above the threshold while five 5 entities were below the threshold

Details in table 3 below:

<u>Table 3: Liquidity assessment</u>

S/N	**ENTITY**	**CURRENT RATIO**	
		2015/16	**2016/17**
1	National Social Security Fund	151	139
2	Uganda Seeds Limited	39.53	113
3	Uganda Development Corporation	2.80	49.8
4	NEC Luwero Industries Ltd	1.05	19.8

5	Uganda Energy Credit and Capitalisation Company Limited	3.80	8.5
6	National Water and Sewerage Corporation	2.06	8.4
7	NEC Tractor Project	41.65	7.45
8	Uganda Electricity Distribution Company Limited	6.30	7.4
9	Uganda Electricity Generation Company Limited	1.80	7.1
10	Nile Hotel International Limited	3.30	5.6
11	NEC Tractor Hire Scheme Ltd	2.19	4.05
12	New Vision	4.50	3.15
13	Post Bank Uganda	3.32	3.14
14	Kilembe Mines Limited	3.60	3.10
15	NEC Uzima	0.00	2.42
16	Uganda National Oil Company	0.00	2.40
17	Uganda Property holdings Limited	3.60	1.80
18	NEC Construction Works And Engineering Ltd	1.94	1.64
19	Pride Micro Finance	1.70	1.60
20	Uganda Air Cargo	1.51	1.51
21	Uganda Electricity Transmission Company Limited	1.30	1.30
22	Bank of Uganda	1.20	1.2
23	Uganda Post Ltd	0.00	1.02
24	National Housing and Construction Company Limited	0.02	1.00
25	Uganda Printing and Publishing Corporation	1.16	0.87
26	Uganda Widlife Education Center	1.00	0.70
27	NEC Farm Katonga Ltd	1.09	0.70
28	Uganda National Cultural Center	1.10	0.50
29	Mandela National Stadium	0.42	0.20

I further observed that Twelve (12) out of twenty nine (29) entities had improved their rations from the previous year.

I advise government to ensure liquidities are improved.

c) <u>Debt to asset ratio</u>

Debt ratio measures the proportion of the enterprises' assets that are financed by debt. Although the risk levels vary from industry to industry, a debt ratio of more than 50% is not considered ideal. I noted that eight (8) enterprises had debt ratios of more than 50%

implying that their total assets were not sufficient to cover their total debt. Details shown in the table 4 below:

Table 4: Debt to asset ratio

S/N	Entity	Debt ratio	
		2015/16	**2016/17**
1	NHCCL	22.80%	112%
2	Uganda National Oil Company	0	100%
3	Uganda Electricity Generation Company Limited	53.00%	86%
4	Uganda Electricity Distribution Company Limited	81.00%	85%
5	Uganda Electricity Transmission Company Limited	77.00%	82%
6	National Water and Sewerage Corporation	62.00%	64%
7	NEC Construction Works And Engineering Ltd	50.72%	61%
8	Uganda Printing and Publishing Corporation	39.12%	49%
9	Uganda Development Corporation	14.62%	22%
10	Uganda Posts Ltd	42.05%	21%
11	New Vision Printing and Publishing Corporation	18.00%	21%
12	NEC Tractor Hire Scheme Ltd	65.42%	19%
13	Post Bank Uganda	17.20%	18%
14	Uganda Air Cargo	16.98%	15%
15	Kilembe Mines Limited	14.00%	14%
16	NEC Tractor Project	14.39%	13%
17	Pride Micro Finance	12%	12%
18	Uganda Energy Credit and Capitalisation Company Limited	14.00%	8%
19	Uganda National Cultural Center	90.00%	8%
20	NEC Luwero Industries Ltd	35.07%	7%
21	Uganda Property Holdings Limited	7.33%	7%
22	Uganda Wildlife Education Center	2.00%	3%
23	Mandela National Stadium	2.00%	2%
24	NEC Uzima	17.70%	0%
25	Nile Hotel International Limited	0.60%	0%
26	NEC Farm Katonga Ltd	3.25%	0%
27	National Social Security Fund	0.00%	0%
28	Uganda Seeds Limited	0.00%	0%
29	Bank of Uganda	N/A	N/A

Further analysis revealed worsening debt ratios for NHCCL, UEGCL, UETCL, UEDCL, NWSC indicating that more of these enterprises' assets are being financed by debt. On a positive note, some entities have reduced their debt-to-asset ratio in the year under review compared to 2015/16

For state entities with more than 50% debt ratio, there is need to strengthen their internal operations and ensure proper balance of use of debt.

d) <u>Return on assets (ROA)</u>

Return on assets is an indicator of the profitability of an enterprise is relative to its total assets and how efficient Management is using the enterprise's assets to generate earnings.

I observed that compared to 2015/16, eleven (11) entities had improved their ROA. Further review indicated that some other enterprises performed worse than the previous year for example Kilembe Mines Limited, Nile Hotel International Limited, NEC construction Works and Engineering. Table 5 below refers

<u>Table 5: Return on assets (ROA)</u>

S/N	ENTITY	RETURN ON ASSETS	
		2015/16	2016/17
1	NEC Construction Works And Engineering Ltd	25.94%	25%
2	Pride Micro Finance	8.90%	8%
3	NEC Tractor Hire Scheme Ltd	-40.41%	7%
4	Uganda National Cultural Center	-3.38%	4%
5	NEC Uzima	-17.00%	3%
6	Uganda Air Cargo Corporation	-1.99%	3%
7	National Housing and Construction Company	1.56%	3%
8	National Water and Sewerage Corporation	2.00%	2%
9	Post Bank Uganda	1.60%	2%
10	Uganda Electricity Transmission Company Limited	-6.01%	1%
11	Nile Hotel International Limited	6.00%	1%
12	Uganda Widlife Education Center	0.30%	1%
13	NEC Farm Katonga Ltd	-5.95%	1%
14	New Vision Printing and publishing Corporation	8.50%	0%
15	Uganda Development Corporation	-0.60%	0%

16	Uganda Electricity Generation Company Limited	1.34%	0%
17	Uganda Energy Credit and Capitalisation Company Limited	0.00%	0%
18	Mandela National Stadium	-0.18%	0%
19	Bank of Uganda	-1.40%	-1%
20	NEC Tractor Project	-5.40%	-1%
21	Uganda Electricity Distribution Company Limited	-0.77%	-1%
22	Kilembe Mines Limited	106%	-1%
23	National Social Security Fund	0.01%	-2%
24	Uganda Property Holdings Limited	0.60%	-1%
25	Uganda Seeds Limited	-1.90%	-1%
26	Uganda Printing and Publishing Corporation	12.88%	-5%
27	Uganda Posts Ltd	0.97%	-5%
28	NEC Luweero Industries Ltd	12.91%	-5%
29	Uganda National Oil Company	-840%	-260%

Government should review the poor performing entities with a view of coming up with a strategy to revamp performance or else recommend divesture.

Overall conclusion

Whereas government policy to invest in critical sectors of the economy is commendable, it is important to ensure that enterprises are profitable and also able to service both short and long term obligations to meet sector objectives. There is need for government to capitalize/ revamp the operations of some of these enterprises.

3.4 Cross-Cutting Issues and Recommendations

I noted cross-cutting issues affecting performance of Commissions, State Enterprises and Authorities which I bring to the attention for consideration by the Oversight Committees. These include:

3.4.1 Corporate Governance

Organizations established by Acts of Parliament, the Public Enterprises Reform and Divestiture Act (Cap 98) and The Companies Act, Cap 110 are required to have governing bodies and structures. A review of governance practices in a number of organizations revealed weaknesses as shown in the table 6 below. I also noted that some of the entities such as Uganda National Meteorological Authority, National Enterprise Corporation Uzima Limited and National Enterprise Corporation Headquarters had similar challenges in the previous year.

Table 6: Corporate governance issues

S/N	Entity	Governance Issue
1.	Uganda National Meteorological Authority	lack of board of directors
2.	National Environment Management Authority	• lack of board of directors • lack of audit committee
3.	Kilembe Mines Limited	Failure to appoint a Board Chairperson
4.	Insurance Regulatory Authority	Lack of the Insurance Appeals Tribunal
5.	Uganda Communication Commission	Lack of Communications Tribunal
6.	Post Bank Uganda	Annual General Meeting not held in the last 18 Months
7.	Cotton Development Organisation	Unapproved policies and manuals
8.	National Agricultural Research Organisation	• Irregular appointment of Directors
9.	Uganda Free Zones Authority	• Incomplete composition of Board • Payment of Retainer to full time government employee instead of allowance pegged to attendance of board meeting
10.	Uganda Road Fund	Conflict of Public Service Standing Orders and Uganda Road Fund Act on Board remuneration
11.	Nile Hotel International Limited	Unlimited tenure of Board of Directors
12.	National Enterprise Corporation Uzima Limited	Lack of a subsidiary board
13.	National Enterprise Corporation Headquarters	Inactive board of Directors, as at the time of audit the board was not inaugurated.

Noncompliance with corporate governance principles hinders oversight and may affect the implementation of the organisation policies and procedures

I advised Management to comply with corporate governance principles as this will enhance efficiency and effectiveness of the institutions in attaining their prescribed mandate.

3.4.2 Pending Legal Cases

I noted that a number of entities had ongoing court cases whose outcomes were still uncertain. Notable among them were NSSF, National Medical Stores and National Drug Authority as outlined in table 7 below.

Table 7: Legal Cases

S/N	ENTITY	Estimated Legal Costs	Remark
1.	National Medical Stores	N/A	Amounts not determined
2.	National Drug Authority	113,599,025,876	Cost was based on pending law suits
3.	National Social Security Fund	12,801,429,000	Amount was estimated based on the arbitral award and case is pending.
		42,200,000,000	Tax dispute with URA
4	Electoral Commission	N/A	29 Electoral cases (Amount not yet determined)

Their eventual determination and/or payment could negatively affect on the cash flows and ability of the concerned entities to continue as going concerns.

I advised Management to always ensure due diligence in carrying out their work to safeguard against litigation and consequential unfavourable outcomes.

3.4.3 Wasteful/ Nugatory Expenditure

I noted cases of nugatory expenditure totalling to UGX 158,941,575 in a number of entities. These arose as a result of delayed settlement of import duties and litigation costs among others. This affected the implementation of activities in the entities and on the overall service delivery. Table 8 below refers;

Table 8: Wasteful/Nugatory Expenditure

S/N	Entity	Particulars	Amount (UGX)
1.	The Electoral Commission	Payment in respect of court case due to non-compliance with election related procedures or court directives	95,035,000
2.	Rural Electrification Agency	Payment of demurrage due to delayed settlement of import duties	63,906,575
3.	National Enterprise Corporation Tractor Hire Scheme Limited	Penalty on late remittances of PAYE to Uganda Revenue Authority	53,742,465
4.	**TOTAL**		**212,684,040**

Observed was that these costs could have been avoided if Management of the respective entities had acted prudently.

I advised Management of the affected entities to ensure adequate financial planning and to adhere to regulatory requirement in order to avoid wasteful expenditure.

3.4.4 <u>Staff Shortages</u>

A review of the approved staffing structures of various entities revealed a total of 490 vacancies in twelve (12) entities. Some of the key vacant positions include; Commissioners, Assistant Commissioners, Principal Officers and Managers. This could have been caused by inadequate funds and budget ceiling. Notable among others are; Diary Development Authority, Uganda Retirements Benefits Regulatory Authority and Uganda Registration Services Bureau have continued to experience staffing challenges. Table 9 below refers.

Table 9: Staff Shortages

S/N	Entity	Established Posts	Filled posts	Vacant Posts	%age of Gap
1	Cotton Development Organisation	35	30	5	14
2	Diary Development Authority	140	65	75	54
3	Coordinating Office for Control of Trypanasomiasis	27	13	14	52
4	Health Service Commission	79	47	32	41
5	Allied Health Professional's Council	67	45	22	33
6	Uganda Free Zones Authority	43	26	17	40
7	Kampala Capital City Authority	1423	1,234	189	13
8	Uganda Institute of Information and Communications Technology	107	50	57	53
9	Uganda Retirements Benefits Regulatory Authority	57	30	27	47
10	Local Government Finance Commission	64	38	26	1
11	Uganda Registration Services Bureau	180	163	17	9
12	Uganda Human Rights Commission	240	231	9	4
	TOTAL	**2462**	**1972**	**490**	**20**

Inadequate staffing affects the timely implementation of entity activities and may adversely impact on attainment of their strategic objectives.

The respective Accounting Officers were advised to liaise with all stakeholders and have the Vacancies filled to enable the entities to adequately deliver on their mandate

3.4.5 Budget Performance

a) Under-performance on Non Tax Revenue

Analysis of Non Tax Revenue in twenty six (26) entities revealed projected total non-tax revenue collections of UGX. 312,302,038,606 against actual collections of

UGX.243,740,963,548, creating a short fall of UGX.68,561,075,058 (19%). Table 10 below refers.

Table 10: Underperformance of NTR

S/N	Entity	budget	Actual	Variance	%age Shortfall
1.	Uganda Registration Services Bureau	46,321,021,000	33,708,964,045	12,612,056,955	27
2.	Uganda National Examination Board	39,498,023,683	27,295,861,511	12,202,162,172	31
3.	National Information Technology Authority	22,258,620,390	12,217,841,951	10,040,778,439	45
4.	Uganda Communication Commission	93,700,000,000	84,900,000,000	8,800,000,000	9
5.	Rural Electrification Agency	40,800,000,000	36,298,926,132	4,501,073,868	11
6.	Uganda Management Institute (UMI)	24,096,387,264	19,645,809,561	4,450,577,703	18
7.	National Enterprise Corporation Tractor Project Limited	4,195,585,536	645,411,794	3,550,173,742	85
8.	National Enterprise Corporation Luwero Industries	4,496,000,000	1,879,770,551	2,616,229,449	58
9.	Uganda institute of information and Communications Technology	4,066,522,419	2,273,627,967	1,792,894,452	44
10.	Uganda Land Commission	3,000,000,000	1,513,087,200	1,486,912,800	50
11.	Uganda National Cultural Centre	1,512,660,000	106,940,834	1,405,719,166	93
12.	National Enterprise	2,788,000,000	1,715,586,141	1,072,413,859	38

	Corporation Headquarters				
13.	National Enterprise Corporation Uzima Limited	2,620,956,800	1,698,796,000	922,160,800	35
14.	Coordinating Office for Control of Trypanosomiasis	4,550,130,000	3,798,969,000	751,161,000	17
15.	Uganda Cancer Institute	1,700,000,000	1,040,929,914	659,070,086	39
16.	Uganda National Meteorological Authority	1,671,870,259	1,335,347,609	336,522,650	20
17.	National Council of Sports	1,121,012,000	829,877,681	291,134,319.00	26
18.	Uganda Hotel and Tourism Training Institute	1,636,776,355	1,377,569,024	259,207,331	16
19.	National Enterprise Corporation Farm Katonga Limited	150,000,000	0	150,000,000	100
20.	Allied Health Professional Council	2,829,150,000	2,682,162,420	146,987,580	5
21.	Law Development Centre	4,951,017,900	4,808,916,703	142,101,197	3
22.	Allied Health Professional's Council	2,829,150,000	2,688,511,317	140,638,683	4
23.	Atomic Energy Council	300,970,000	200,247,500	100,722,500	33
24.	Nyabyeya Forestry College	801,185,000	721657287	79,527,713	10
25.	Uganda Transfusion Services	57,000,000	24,970,400	32,029,600	56%
26.	Higher education students Financing	350,000,000	331,181,006	18,818,994	5.4

	board				
	TOTAL	**312,302,038,606**	**243,740,963,548**	**68,561,075,058**	**22**

Failure to collect budgeted revenue is both an indication of weak internal procedures and ambitious targets which undermines the implementation of planned activities.

The Management of entities in question were advised to prepare more realistic budgets and devise comprehensive internal procedures to evaluate non tax revenue collection.

b) Budget Shortfall

Review of fund releases from Ministry of Finance Planning and Economic Development (MoFPED) for thirty eight (43) entities revealed that out of the total approved budget of UGX. 3,959,048,800,471 only UGX. 3,482,227,590,417 was realized resulting into a short fall of UGX. 476,821,210,054 (12%). Table 11 below refers.

Table 11: Budget Shortfall

No.	Entity	Budget	Actual	Variance	%age Shortfall
1.	Uganda Free Zones Authority	54,970,319,400	3,384,934,136	51,585,385,264	94
2.	Kilembe Mines Limited	2,400,000,000	243,000,000	2,157,000,000	90
3.	Uganda Petroleum Institute	10,000,000,000	3,714,042,258	6,285,957,742	63
4.	Atomic Energy Council	7,984,716,650	4,700,000,000	3,284,716,650	41
5.	National Children Authority	729,081,533	455,289,344	273,792,189	38
6.	Local Government Finance Commission	5,183,375,194	5,018,759,624	164,615,570	32
7.	Nyabyeya Forestry College	1,543,430,328	1,072,787,014	470,643,314	30
8.	Uganda Tourism Board	11,813,457,454	8,569,630,486	3,243,826,968	27

9.	Uganda National Oil Company	6,173,000,000	4,903,713,500	1,269,286,500	21
10.	Uganda Road Fund	417,840,000,000	343,522,000,000	74,318,000,000	18
11.	National Information Technology Authority	48,344,983,821	39,681,355,978	8,663,627,843	18
12.	Uganda Management Institute (UMI)	5,804,301,254	4,832,301,254	972,000,000	17
13.	Uganda Heart Institute	18,017,991,476	15,105,067,904	2,912,923,572	16
14.	Uganda National Roads Authority	1,763,758,146,657	1,494,445,584,505	269,312,562,152	15
15.	Uganda National Meteorological Authority	25,138,129,741	21,409,824,595	3,728,305,146	15
16.	National Council of Sports	3,428,882,000	2,916,062,120	512,819,880	15
17.	Uganda Retirement Benefits Regulatory Authority	6,472,481,905	5,699,999,620	772,482,285	12
18.	Uganda Bureau of Statistics (UBOS)	56,638,460,693	49,848,015,770	6,790,444,923	12
19.	Uganda Hotel and Tourism Training Institute (UHTTI)	900,000,000	796,713,575	103,286,425	11
20.	Uganda Virus Research Institute	1,661,499,994	1,518,425,111	143,074,883	9
21.	Uganda Aids Commission	7,686,366,629	7,030,423,852	655,942,777	9

22.	Equal Opportunities Commission	7,578,081,876	6,920,824,908	657,256,968	9
23.	Law Reform Commission	10,355,535,793	9,564,629,010	790,906,783	8
24.	Financial Intelligence Authority	7,673,054,866	7,134,849,436	538,205,430	7
25.	Rural Electrification Agency	56,946,000,000	53,325,889,642	3,620,110,358	6
26.	Law Development Centre	11,818,306,900	11,110,304,795	708,002,105	6
27.	Uganda Transfusion Services	9,124,489,747	8,543,000,046	581,489,701	6
28.	Amnesty Commission	2,366,184,000	2,219,575,358	146,608,642	6
29.	Public Procurement and Disposal of Public Assets Authority	11,959,000,000	11,513,000,000	446,000,000	4
30.	Uganda Human Rights Commission	13,801,525,784	13,224,051,892	577,473,892	4
31.	Parliamentary Commission	528,200,015,720	507,391,170,268	20,808,845,452	4
32.	Uganda Coffee Development Authority	87,413,000,000	85,309,000,000	2,104,000,000	2.4
33.	Education Service Commission	6,563,852,676	6,405,663,493	158,189,183	2
34.	Health Service Commission	5,264,468,835	5,133,720,206	130,748,629	2

35.	Uganda Revenue Authority (URA)	282,182,204,070	276,180,499,625	6,001,704,445	2
36.	Public service commission	6,877,314,000	6,769,830,730	107,483,270	2
37.	Judicial Service Commission	3,374,649,470	3,356,696,328	17,953,142	1
38.	National Animal Genetic Resource Centre & Data Bank	13,140,000,000	13,049,000,000	91,000,000	1
39.	Uganda Land Commission	36,780,522,576	36,565,343,239	215,179,337	1
40.	National Agricultural Advisory Services	318,607,454,963	317,233,623,624	1,373,831,339	0.4
41.	Dairy Development Authority –DDA	6,618,702,180	6,598,393,398	20,308,782	0.3
42.	National Planning Authority	22,530,420,313	22,454,181,378	76,238,935	0.3
43.	Electoral Commission (EC)	53,385,391,973	53,356,412,395	28,979,578	0.1
	TOTAL	**3,959,048,800,471**	**3,482,227,590,417**	**476,821,210,054**	12

The most affected are; Kilembe Mines limited and Uganda Free Zones Authority that received less than 10% of their budget.

Failure to realize the budgeted funds constrains implementation of planned activities which eventually affects fulfillment of their mandates in the long run.

I advised the Management of these entities to liaise with MoFPED to ensure that the budgeted funds are realized.

3.4.6 Outstanding Receivables

I noted that receivables of UGX. 919,864,009,283 remained uncollected by various Government Agencies by 30th June 2017 as shown in the table 12 below. This could have been caused by inadequate credit Management policy/ or non-compliance with credit Management policies.

Table 12: Outstanding Receivables

S/N	Entity	Amount
1.	Uganda National Roads Authority	563,229,373,730
2.	Rural Electrification Agency	64,078,348,321
3.	Kampala capital city authority	47,156,334,104
4.	National Social Security Fund	45,038,256,000
5.	National Information Technology Authority	22,635,876,750
6.	Uganda Communication Commission	21,300,000,000
7.	National Environment Management Authority	20,863,895,193
8.	National Drug Authority	17,927,749,070
9.	New Vision Printing and Publishing Company Limited	16,200,000,000
10	Uganda Railway Corporation	15,870,630,000
11	Uganda Broadcasting Corporation	13,011,508,074
12	Uganda Air Cargo Corporation	12,140,152,344
13	National Medical Stores	11,825,660,000
14	National Forestry Authority	10,637,281,000
15	National Forestry Authority	10,637,280,000
16	Uganda Post Limited	7,988,185,250
17	Electricity Regulatory Authority	3,572,351,286
18	Rural Electrification Agency	3,557,642,827
19	Kilembe Mines Limited	2,169,967,035
20	Mandela National Stadium	1,075,824,605
21	Uganda National Examination Board	846,183,600
22	National Enterprise Corporation Tractor Project Limited	832,641,511
23	Nile Hotel International Limited	807,874,318
24	Management Training and Advisory Centre	677,343,281
25	Management Training Advisory Centre	676,439,000
26	Uganda Energy Credit Capitalisation Company Limited	570,131,499
27	Uganda Institute of Information and Communications Technology	567,676,071

28	National Enterprise Corporation Luwero Industries	528,990,478
29	National Enterprise Corporation Construction Works and Engineering Limited	519,194,053
30	National Enterprise Corporation Uzima Limited	430,826,000
31	Post bank Uganda	350,000,000
32	Uganda Electricity Transmission Company Ltd	348,453,000
33	Uganda National Cultural Centre	334,530,298
34	Uganda Nurses and Midwives Council	313,130,362
35	Equal opportunities commission	239,749,390
36	National Enterprise Corporation Headquarters	239,274,060
37	Uganda Law Reform Commission	163,226,880
38	Allied Health Professional Council	122,975,000
39	Uganda Blood Transfusion Services	91,944,724
40	National Council of Sports	72,830,000
41	Uganda petroleum institute	56,544,577
42	Uganda Electricity Generation Company	46,031,520
43	Atomic Energy Council	41,866,000
44	Uganda Wildlife Education Centre	31,557,439
45	Uganda Land Commission	12,913,100
46	Education Service Commission	12,146,601
47	Uganda Heart Institute	8,389,649
48	Nyabyeya Forestry College	4,679,452
49	Uganda Virus Research Institute	151,831
	TOTAL	**919,864,009,283**

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. The outstanding receivables represent idle assets which constrain availability of cash for the entities' operations.

I advised Management of the affected entities to institute necessary measures to recover the funds.

3.4.7 Non-Compliance with statutory deductions

I noted that various entities contravened tax and NSSF laws; by failure to deduct withholding Tax of UGX 93,679,723 and PAYE of UGX 48,393,520, non remittance of withholding tax of UGX 32,386,034, PAYE of UGX 357,516,464, VAT of UGX.4,258,472,262 and NSSF of UGX 1,241,586,899 during the year, with Mandela National Stadium, National Council of Sports, Uganda National Cultural Centre and Uganda National Roads Authority being highly non-compliant entities. ***Table 13 below refers***.

Table13: Non-Compliance with statutory deductions

S/N	Entity	Non Deduction of Taxes		Non Remittance of Taxes			
		PAYE	WHT	VAT	PAYE	WHT	NSSF
1.	National Agricultural Advisory Services	0	66,499,723	0	0	0	0
2.	Uganda National Roads Authority	0	0	4,128,164,027	0	0	0
3.	Uganda Tourism Board	48,393,520	0	**0**	**0**	0	0
4.	The Electoral Commission	0	27,180,000	0	0	0	0
5.	Uganda National Cultural Centre	0	0	0	170,983,372	0	310,789,945
6.	National Youth Council	0	0	0	24,363,588	0	27,612,000
7.	National Council of Sports	0	0	130,308,235	162,169,504	32,386,034	114,955,669
8.	Uganda Coffee Development Authority	0	0	0	0		41,728,158
9.	Mandela National Stadium	0	0	0	0		746,501,127
	TOTAL	**48,393,520**	**93,679,723**	**4,258,472,262**	**357,516,464**	**32,386,034**	**1,241,586,899**

This could have been caused by inadequate funds to meet statutory obligation

I explained to Management that failure to withhold tax attracts fines and penalties from the tax body.

I advised Management of the affected entities to ensure that statutory deductions are made and remitted timely in accordance to the provisions of the law in order to avoid penalties and interests.

3.4.8 Land Matters

A number of instances were noted where Government entities have continued to lose their land to encroachers because the land is not fenced, surveyed and titled. Details in ***table 14 below***:

Table 14: Land Matters

S/N	Entity	Location	Issue
1.	Diary Development Authority		Lack of land titles
2.	Uganda National Metrological Authority	Pachwa, Kibanda, Kiotido, Wadelai, and Ntusi	Tenancies not formalized
3.	National Forestry Authority	Budongo systems ranga and others	Irregular titling forest land
4.	Uganda Wildlife Education Centre		Delayed Transfer of Land Tittle
5.	Uganda Wildlife Research and Training Institute		Lack of a Land Tittle
6.	National Animal Genetic Resource Centre & Data Bank		Encroachment of land
7.	National Agricultural Research Organisation	•195 Hectares In Kituza •12.5 Acres in Bugusege, Mbazardi, Abizardi, Kazardi Buzardi- Kakumiro NaFIRRI (plot 20 pier lane)	• Lack of land title • Lack of land Titles and encroachment • land encroachment • Irregular allocation of land to private developers • Likely misplacement/ Loss of the tsetse fly Control Facility • Land has triplicate title deeds

		18.459Ha. of Land at Kajjansi NaLIRRI- Tororo BuginyanyA (BUGIZARDI) NASARRI Serere, Kumi Town Council Nabuin NABUZARDI Ngetta ZARDI- Lira, Kitgum	in different individual names • No title on file for its land • Land Grabbing by Local community • Un-Surveyed land/Lack of a title deed • 90 Acres in Kitgum lacks title Land • Land encroachment
8.	National Enterprise Corporation Farm Katonga Limited	Kisozi	• Investment carried out on land without legal ownership • Land Encroachment

In cases where the land is titled, the encroachers have become difficult to evict, and at times turned violent.

I advised Management of the affected entities to process land title and institute measures to recover land from the encroachers.

3.4.9 <u>Outstanding Commitments</u>

I noted that a number of government entities have continued to enter into commitments beyond the available funds. The total amount of domestic arrears increased during the year from UGX 551,475,676,520 in 2015/2016 to UGX, 3,168,783,112,463 in 2016/2017. The significant portion of outstanding commitments amounting to UGX.2,839,634,657,000 relates to loans for hydro power plants construction. Details in ***table 15 below***

Table 15: Outstanding Commitments & Payable

S/N	Entity	Payable (UGX)	Out Standing Commitments (UGX)
1.	Kampala Capital City Authority	16,559,189,553	0
2.	Uganda Post Limited	14,640,573,300	0
3.	Public Service Commission	297,498,437	0
4.	National Information Technology Authority	11,841,297,048	0
5.	Uganda Railway Co-Operation	4,691,725,000	0
6.	Uganda Broadcasting Corporation	37,955,104,359	0
7.	Law Development Center	443,255,705	0
8.	Uganda Registration Services Bureau	22,802,514,556	0
9.	Uganda Human Rights Commission	4,594,934,863	0
10.	National Agricultural Advisory Services	177,800,711	0
11.	National Agricultural Research Organisation (Naro)	0	269,798,696
12.	National Animal Genetic Resource Centre And Data Bank (NAGRC&DB)	0	302,491,432
13.	Uganda Aids Commission	0	113,321,175
14.	Management Training And Advisory Centre	906,473,000	906,473,000
15.	Privatisation & Utility Sector Reform Project (Operations)	4,812,757,000	0
16.	Uganda Coffee Development Authority	0	28,076,941,800
17.	Diary Development Authority	0	140944742
18.	Uganda National Examinations Board	0	603,282,474
19.	Electoral Commission	3,216,641,565	0
20.	National Council Of Sports	1,168,557,015	500,000,000
21.	National Forestry Authority	8,600,618,000	0
22.	Mandela National Stadium	4,043,684,570	0
23.	Kilembe Mines Limited	38,236,121,346	0
24.	Uganda Aids Commission	113,321,175	0
25.	Uganda Institute Of Information And	433,096,704	0

	Communications Technology		
26.	National Council Of Sports	1,144,557,015	0
27.	Nile Hotel International Limited	678,275,377	0
28.	Rural Electrification Agency	0	27,086,045,024
29.	Uganda Energy Credit Capitalisation Company Limited	1,002,645,355	0
30.	Uganda Electricity Generation Company	3,981,156,000	2,839,634,657,000
31.	National Medical Stores Corporation	9,313,433,400	0
32.	Uganda Blood Transfusion Services	0	89,332,222
33.	Uganda Land Commission	0	7,162,227,073
34.	Uganda National Examination Board	603,282,474	0
35.	National Forestry Authority	8,600,618,000	0
36.	National Environment Management Authority	32,370,000	0
37.	Nyabyeya Forestry College	400,757,211	0
38.	National Drug Authority	5,798,918,923	0
39.	Uganda Wildlife Education Centre	447,755,093	0
40.	National Social Security Fund	27,819,801,000	0
41.	Management Training Advisory Centre	906,652,000	0
42.	Electoral Commission (Ec)	0	3,216,641,565
43.	Uganda Petroleum Institute	40,292,616	0
44.	Equal Opportunities Commission	0	600,179,792
45.	National Children Authority	0	2,590,000
46.	Electricity Regulatory Authority	1,744,131,940	0
47.	Uganda Electricity Transmission Company Ltd	465,650,000	0
48.	Uganda Heart Institute	0	842,537,602
49.	Uganda Virus Research Institute	0	3,857,024,608
50.	Uganda Cancer Institute	0	14,669,213
51.	National Enterprise Corporation Uzima Limited	288,164,000	0
52.	National Enterprise Corporation Headquarters	106,551,832	0
53.	National Enterprise Corporation Tractor	767,289,293	0

	Hire Scheme Limited		
54.	National Enterprise Corporation Tractor Project Limited	306,078,509	0
55.	National Enterprise Corporation Construction Works And Engineering Limited	1,936,372,133	0
56.	Uganda Air Cargo Corporation	11,223,223,866	2,045,962,800
57.	National Enterprise Corporation Luwero Industries	174,852,301	0
	SUB-TOTAL	**253,317,992,245**	**2,915,465,120,218**
	TOTAL		**3,168,783,112,463**

This could be attributed to inadequate commitment monitoring and control procedures.

This is contrary to the commitment control system which requires the accounting officer to commit Government within the provided funds.

I advised Management of the affected entities to ensure that sufficient budget provisions are made for settlement of outstanding commitments.

3.4.10 Mischarge of Expenditures

I noted that during the year under review, a total of UGX **64,040,507,975** was charged on items which do not reflect the nature of the expenditure i.e. mischarged. This situation has continued despite my recommendations in the previous audit reports. See details in the ***table 16 below***.

Table 16: Mischarge of Expenditures

S/N	Entity	Amount (UGX)
1.	Public Service Commission	263,362,000
2.	Local Government Finance Commission	133,945,068
3.	National Agricultural Advisory Services	1,384,980,133
4.	National Animal Genetic Resource Centre and Data Bank (NAGRC&DB)	305,561,786
5.	Uganda National Roads Authority	60,521,959,235
6.	Uganda Road Fund	337,656,021
7.	Uganda Tourism Board (UTB)	37,115,932

8.	Electoral Commission (EC)	244,031,311
9.	Uganda Land Commission	277,231,557
10.	Equal Opportunities Commission	134,402,487
11.	National Forestry Authority (NFA)	273,988,365
12.	Uganda Coffee Development Authority	84,249,757
13.	Cotton Development Organisation	42,024,323
	TOTAL	**64,040,507,975**

The anomaly was attributed to circumstances that could not be anticipated at the time of budgeting.

Mischarge of expenditure undermines the purpose of budgeting as a control too and 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.

I was informed by Management that the Ministry of Finance Planning and Economic Development has developed a concept note to address mischarges. This is still under internal discussions and once finalized, guidelines to all Accounting Officers on the matter will be issued.

I have advised that Government needs 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.

3.4.11 Advances not accounted for

I noted that the expenditure for number of entities amounting to UGX. 1,105,460,730 in advances for various entities was not properly accounted for. ***Table 17 below refers***.

Table 17: Unaccounted for Funds

S/N	Entity	Amount (UGX)
1	Uganda Wildlife Authority(UWA)	147,927,741.00
2	Uganda Tourism Board (UTB)	47,841,840.00
3	Uganda Wildlife Training Institute (UWTI)	3,750,000.00
4	National Forestry Authority (NFA)	115,273,050.00
5	Rural Electrification Agency	224,233,000.00

6	Diary Development Authority	243,991,658.00
7	National Animal Genetic Resource Centre & Data Bank	322,443,441.00
	TOTAL	**1,105,460,730**

In the circumstances, the authenticity of the activities could not be confirmed.

This was attributed to Management weakness in enforcing timely submission of accountabilities by the respective recipients.

I explained to Management that delayed accountabilities may result into falsification of documents and ultimately misappropriation of public fund.

I advised Management to ensure that funds are accounted for promptly and to institute recoveries from the defaulting officers.

3.4.12 Unauthorized excess expenditure

I observed that UGX.42,609,376,533 was spent over and above the budgeted amounts on the specific items contrary to the established commitment control system that requires Management to commit the entities where funding was appropriated and has been confirmed. This could have been caused inadequate budget skill and failure to seek approval from relevant authorities. ***Table 18 below refers***:

Table 18: Unauthorized Excess Expenditure

S/	Entity	Revised Budget	Actual expenditure	Variance	%age
1	Rural Communications Development Fund	32,030,720,000	42,201,019,626	10,170,299,626	31
2	Uganda Railways Co-Operation	7,556,065,000	10,856,895,000	3,300,830,000	44
3	Uganda Broadcasting Co-Operation	13,032,482,538	14,435,528,578	1,403,046,040	11
4	Dairy Development Authority – DDA	6,618,702,180	6,636,985,870	18,283,690	0.3
5	National Agricultural Advisory Services	318,607,454,963	321,127,827,660	2,520,372,697	0.8

6	Uganda Wildlife Training Institute (UWTI)	993,893,100	1,022,089,114	28,196,014	3
7	Uganda Virus Research Institute	1,661,499,994	26,520,486,613	24,858,986,619	1496
8	Allied Health Professionals Council	2,841,150,000	3,150,511,847	309,361,847	11
	TOTAL	**383,341,967,775**	**425,951,344,308**	**42,609,376,533**	**5**

Spending over and above budgeted items without authority is irregular and also affects the implementation of other budgeted amounts.

I advised Management to avoid overspending and where extra funds are required on an item, authority should be sought as provided in the regulations.

3.4.13 Unbudgeted for domestic arrears paid

A total of UGX.5,470,627,605 was paid for settlement of arrears incurred in the previous financial years without any budget provision by Treasury on the domestic arrears. There was also no evidence that supplementary funding was obtained by the Accounting Officer of the entities to settle the domestic arrears. ***Table 19 below refers***.

Table 19: Unbudgeted for Domestic Arrears Paid

S/N	Entity	Amount (UGX)
1.	Uganda Heart Institute	570,427,789
2.	Equal Opportunities Commission	320,680,100
3.	Uganda National Examinations Board	1,922,936,935
4.	Uganda Management Institute	2,656,582,781
	TOTAL	**5,470,627,605**

Under the circumstances, the payments for settlement of domestic arrears were not appropriately charged and there is a risk that funds which were released for other activities planned by the entities were diverted to settle these arrears.

I advised the Accounting Officer to ensure adherence to the commitment control system to limit accumulation of domestic arrears and where arrears exist there should be budgetary provisions to avoid diversion of funds.

3.4.14 Expenditure on Rent

During the year I noted that, from a sample of entities reviewed, 12 incurred UGX.10,117,439,062 for hire of office space premises. Table 20 below refers.

Table 20: Actual Expenditure on rent

S/N	Entity	Amount UGX
1.	Uganda Registration Services Bureau	1,727,302,160
2.	Uganda Human Rights Commission	1,887,690,000
3.	Rural Electrification Agency	862,336,166
4.	National Medical Stores Corporation	507,700,000
5.	Electoral Commission	2,745,094,357
6.	Uganda Tourism Board	364,561,390
7.	Nile Hotel International Limited	78,492,538
8.	National Drug Authority	389,066,314
9.	Uganda Air Cargo Corporation	249,693,192
10.	National Enterprise Corporation Luwero Industries	59,337,500
11.	Uganda Retirement Benefits Regulatory Authority	1,225,590,165
12.	National Enterprise Corporation Tractor Project Limited	20,575,280
	TOTAL	**10,117,439,062**

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.

3.5 Summary of Audit Results

This section summarises the findings in each individual report per sector. It includes details of modified and unmodified entities, a summary of Key Audit matters, Emphasis of matter and other matters raised. Details of the findings are in the individual reports issued separately to the entities and Parliament. **Refer to Annexure 2**

PART 4: LOCAL GOVERNMENT

4.1 Mandate

I am required by Article 163 (3) of the Constitution of the Republic of Uganda, Section 13, 16 and 19 of the National Audit Act 2008, Section 87 of the Local Government Act 1997 as amended and Section 51(4) of the Public Finance Management Act 2015 to audit and report on Local Governments. This part of the report covers financial audits carried out on Local Governments in fulfilment of the above mandate.

I also present my opinion on the consolidated financial statements for Local Governments for the year ended 30th June 2017, with cross cutting issues and recommendations. The report also provides a summary of audited financial statements, modified opinions, and the basis for their modification, for consideration by the oversight committee of Parliament.

4.2 REPORT OF THE AUDITOR GENERAL ON THE CONSOLIDATED FINANCIAL STATEMENTS OF LOCAL GOVERNMENTS FOR THE YEAR ENDED 30TH JUNE 2017.

THE RT. HON. SPEAKER OF PARLIAMENT

Opinion

I have audited the consolidated financial statements of Local Governments which comprise the consolidated Statement of Financial Position as at 30th June 2017, and the consolidated Statement of Financial Performance, consolidated Statement of Changes in Equity and consolidated statement of Cash flows together with other accompanying statements for the year then ended ,and notes to the consolidated financial statements, including a summary of significant accounting policies.

In my opinion, the consolidated financial statements of Local Governments for the year ended 30th June 2017 are prepared, in all material respects in accordance with section 52 of the Public Finance Management Act, 2015 and the Local Government Financial and Accounting Manual ,2007.

Basis for Opinion

I conducted my audit in accordance with International Standards of Supreme Audit Institutions (ISSAI), and the National Audit Act 2008. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of my report. I am independent of the Local Governments in accordance with the Constitution of the Republic of Uganda (1995) as amended, the National Audit Act 2008, the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to my audit of the consolidated financial statements in Uganda, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key Audit Matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the Consolidated Financial Statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters. I have determined the matters described below as key audit matters to be communicated in my report;

a) Utilization of Medicines (tracer) and Health Supplies

In the course of auditing Districts and Municipal Councils Financial Statements, I considered the utilisation of medicines and health supplies as an area of focus as shown in appendix 1. The audit covered District hospitals and Health Centre IVs and focused on the procedures, processes, tools and documentation used to manage medicines and health supplies and the following short-comings were identified:

(i) In 76% of districts and Municipal Councils, it was observed that an amount of UGX. 4,525,356,395 was not properly accounted for. This shortcoming could be attributed to mismanagement or poor record keeping. Unaccounted for medicines and Health supplies may lead to rampant medicine stock-outs which hamper service delivery and occasion widespread public outcry. Accounting Officers were advised to ensure that all the necessary records for the items are properly maintained, monitored and any variances investigated and that optimum amount of medicines and health supplies are available at health facilities at all times.

(ii) Health facilities were experiencing persistent stock-outs of the 11 sampled Tracer drugs. The stock out ranged between one to ten tracer drugs. Noticeably, mama kits were out of stock for 320 days and coartem for 285 days. The stock-outs may be a result of failure by NMS to supply drugs in the quantities ordered by Health centres and lack of reliable information on drugs usage and stocking positions. The stock-outs erode patient confidence in the health sector which leads patients to explore inappropriate and expensive alternatives of health care. The Accounting Officers were advised to liaise with National Medical Stores (NMS) to ensure continuous optimum stock of medicines and health supplies.

(iii) There were expired medicines and health supplies in 40 Health Facilities which had not been disposed of. The expiry of the drugs may be a result of excess stocking of slow moving drugs. The cost of destruction of expired drugs is high and there is a risk of them getting redistributed back to the market. The entity should liaise with NMS to ensure that expired or damaged stock is destroyed in accordance with the regulations.

(iv) Out of 118 health facilities, 98 (83%) were experiencing high rate of understaffing ranging from 80% in Kalisizo Hospital in Rakai District to 9% in Iganga Hospital. In 38 Districts and Municipal Councils, the understaffing included critical positions in medicine Management. This is attributed to limited wage bill and ban on recruitments. Understaffing overstretches the available staff beyond their capacity, creates job-related stress to the fewer staff and negatively affects the level of public service delivery to the community. The Accounting Officers were advised to continue engaging the Ministry of Public Service, the Ministry of Local Government and the Ministry of Finance Planning and Economic Development to address the challenge.

b) <u>Inadequate controls surrounding Management of Domestic arrears</u>

There has been persistent accumulation of domestic arrears to unmanageable levels which has led to settlement of arrears that are not authorized and unbudgeted for, inadequately supported and in some instances there has been inadequate recognition and disclosure of the domestic arrears. The variances between the reported figures in the financial statements and the amounts verified by Internal Auditor General formed a basis of my qualification of consolidated GOU financial statements for the year ended 30th June 2016.

Consequently, domestic arrears were considered a key audit matter which needed to be examined to assess the adequacy of the internal controls surrounding Management of domestic arrears. In 141 Districts and Municipal Councils, an amount of UGX.45,666,893,663 was irregularly incurred as domestic arrears outside the approved estimates appropriated by Parliament as shown in **appendix 2**. I further observed that there was no budget provision for settlement of domestic arrears totalling to

UGX.1,403,074,697 posing a risk of diversion of funds for settling the obligations. This may be as a result of existence of a weak and ineffective internal control system over the control and Management of domestic arrears. For example, the government commitment control system was not adhered to. The delayed settlement may lead to possible litigation, diversion of funds and or payment of fines and penalties. The Accounting Officers were advised to liaise with the responsible authorities and have the arrears cleared.

Other Matter

I consider it necessary to communicate the following matter other than those presented or disclosed in the financial statements:

a) Delayed roll out of Integrated Financial Management System (IFMS) in Local Governments

The Ministry of Local Government in collaboration with Ministry of Finance Planning and Economic development in a bid to improve transparency and accountability developed strategy on installing IFMS in District Local Governments and Urban councils (Municipals and Town Councils) by 2016/2017.However despite extending the programme to 2018/19, only One hundred two (102) Local Governments have been enrolled into the IFMS out of several Local Governments. Furthermore fifty nine of these are in tier two which are to be rolled back to tier one. I raised a similar observation in my audit of the previous financial year, ended 30th June 2016.

Management stated that the delayed implementation of IFMS programme was mainly caused by suspension of external funding of the project as well as lack of Government counterpart funding.

Delayed implementation affects the achievement of the overall objective of ensuring improved transparency, accountability and audit in Local Governments.

Management should liaise with Ministry of Finance Planning and Economic planning in order to acquire funding so as to roll out all the Local Governments to IFMS.

Responsibilities of Management for the Consolidated Financial Statements

Under Article 164 of the Constitution of the Republic of Uganda, 1995 (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 appointed as the Accounting Officer and Receiver of Revenue for the Consolidated Fund. The Accountant General is therefore responsible for the preparation of Consolidated Financial Statements of Local Governments in accordance with the requirements of the Public Finance Management Act 2015, and the Local Governments Financial and Accounting Manual ,2007 and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

The Accountant General is responsible for overseeing the Government's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

My objectives 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 are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISSAI, I exercise professional judgment and maintain professional skepticism throughout the audit. I also;

a) Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

d) Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to deliver its mandate. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to fail to deliver its mandate.

e) Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

I communicate with the Accounting Officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the Accounting Officer with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with him/her all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

From the matters communicated with the Accounting Officer, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

John F.S. Muwanga

AUDITOR GENERAL

KAMPALA

29th December, 2017.

4.3 Cross-Cutting Issues and Audit Recommendations

4.3.1 Revenue Performance

a) Central Government Grants Shortfall

Section 45 (3) of the Public Finance Management Act, 2015 provides that an Accounting Officer shall enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a Financial year, submitted under section 13 (15) of the said Act. I observed that 67 entities budgeted to receive UGX. 1,013,953,820,706 out of which UGX. 862,516,755,679 was received, translating into an 85% out-turn for the financial year. This left a shortfall of UGX. 147,823,193,581, representing (15%) of budget estimates as shown in **appendix 3**. This may be a result of budget cuts and delays in release of funds. The Accounting Officers were advised to engage the relevant authorities and ensure that budget deficiencies are addressed so that all the allocated funds are released and all activities are implemented according to the budget as approved by Parliament.

b) Under Collection of Local Revenue

Regulation 32 of the Local Governments Financial and Accounting Regulations, 2007 requires Councils to ensure collection of all budgeted revenue in an approved manner and the revenue banked intact in Council accounts. A review of revenue performance revealed significant under collection of Local revenue in 26 Councils amounting to UGX. 14,404,179,711 as shown in **appendix 4**. This was attributed mainly to natural calamities and non-compliance by the tax payers. The Accounting Officers were advised to sensitize tax payers on tax compliance and to develop other strategies to enhance revenue collections.

c) Under-absorption of funds by the Municipal Councils (MCs)

All the 14 Municipal Councils (MCs) failed to utilize or absorb all their Municipal Development Grants (MDG) and Capacity Building Grants. The total un-spent balances at the close of the financial year amounted to UGX.125,626,338,586 and this comprised grants received during the year amounting to UGX.100,626,338,586 and un-spent balances brought forward from the prior year amounting to UGX.25,287,856,752. Notable among the poor performing MCs were Mbarara, Hoima, Fort Portal and Jinja which failed to even utilize funds brought forward from the previous year.

Management attributed the under-absorption of funds to delays in the procurement process; delayed execution of works by some contractors and delayed submission of certificates by contractors after completion of works.

I recommended to the Project Management to design strategies to improve absorption of funds by the Municipal Councils. Municipal Councils that fail to utilize previous year funds should not be advanced more funds.

4.3.2 Accounting and Controls

a) Funds not accounted for

Regulation 43 (2) of the Local Government Financial and Accounting Regulations 2007, require Administrative advances to council employees to be authorized by the Chief Executive and accounted for within a month. During the year under review an amount of UGX. 1,387,503,779 lacked supporting documents as shown in the **appendix 5.** Consequently, I was unable to confirm that the funds were utilised for the intended purposes. The Accounting Officers were advised to ensure that the funds are properly accounted for or else recovered from the responsible officers.

4.3.3 Assets Management

a) Lack of land titles

Regulation 9 (j) of the Local Government Financial and Accounting Regulations, 2007 require the Accounting Officers to ensure safe custody of all assets of Council. Out of 156 Local Governments, 46 entities representing 29% of the Local Governments lacked land titles for the land where council properties are located as shown in **appendix 6**. In the absence of the land titles, the land is exposed to the risk of encroachment and disputes. There is urgent need for the Accounting Officers to prioritize and allocate funds and ensure that the land titles are secured. The District Councils are also advised to ensure that the District Land Boards are constituted.

b) Low absorption/Unspent Balances

The Public Finance Management Act (PFMA) Section 45 (3) of 2015 provides that an Accounting Officer shall enter into an annual budget performance contract with the Secretary to the Treasury which shall bind the Accounting Officer to deliver on the activities in the work plan of the vote for a financial year submitted under section 13 (15). It was observed that the Districts and Municipal Councils had failed to utilise UGX. 22,327,744,821 by the end of the financial year as shown in **appendix 6**. The failure to implement all the planned activities may have been a result of lack of capacity, IFMS challenges or may be an indication of inefficiency. The Accounting Officers were advised to engage Ministry of Local Government and Ministry of Finance Planning and Economic Development to address the bottle necks.

c) Mismanagement of public resources

I observed that a number of forest reserves and wetlands had been encroached on either illegally or through unclear allocation of land titles, notably; Zirimiti Central Forest Reserve, in Mukono District, Kitibulu, Nonve and Bukasa forest reserves in Wakiso District, Kabojja and Lubigi swamps in Wakiso District, encroachment in Chala Swamp in Moyo District and Lake Birinzi in Masaka District. This threatens their existence and the environment. The Accounting Officers are advised to follow up the matter with the relevant authorities and ensure that forest reserves and wetlands are protected from encroachment to ensure sustainable environment.

d) Receivables

Paragraph 2.3.2.3 of the Local Governments Financial and Accounting Manual 2007 states that money owed to Council represents an asset that is idle, as it denies the Council the opportunity of using the money to provide services promptly. Seven (7) Local Governments failed to collect outstanding revenue from different sources amounting to UGX. 6,093,715,708 as shown in **appendix 6**. This was attributed to laxity on the part of the Accounting Officers to follow up collection of the debts. Uncollected revenue adversely affect service delivery and have an additional risk of loss of revenue. The Accounting Officers were advised to develop debt recovery strategies to ensure that the outstanding amounts are collected.

4.3.4 Human Resource

a) Understaffing

The following table shows the level of understaffing in the Districts.

		FY 2016/17
No.	**Level of understaffing**	**No of Entities**
1	Above 40%	34
2	Between 20%-40%	36
3	Below 20%	13
	Total	**83**

The under staffing levels ranged from 7% in Mpigi District Local Government to 77% in Kapchorwa and Mubende Districts **as shown in 6.**

Understaffing overstretches the available staff beyond their capacity, creates job-related stress to the fewer staff and negatively affects the level of public service delivery to the community. This was attributed to limited wage bill and a ban on recruitment by the Ministry of Public Service. The Accounting Officers were advised to continue engaging the Ministry of Public Service, the Ministry of Local Government and the Ministry of Finance Planning and Economic Development to address the challenge. Meanwhile government is advised to address this phenomenon to ensure improvements in service delivery at local level.

4.4 Financial Statements Audited, Audit Opinions, Basis of Opinion, Key Audit Matters, Emphasis of Matter (EOM) and Other Matter

I audited 156 entities. Of the entities audited 146 had unqualified opinions, 10 had qualified opinions. I did not issue a disclaimer of opinion or an adverse for any Local Government. The table below shows a summary of the audit issues raised. The details are in the individual reports. **Refer to Annexure 3**

PART 5: VALUE FOR MONEY AUDITS

5.1 Mandate

The mandate of the Auditor General to audit is spelt out under the 1995 Constitution of the Republic of Uganda (as amended) and the National Audit Act, 2008. Article 163 (3) of the 1995 Constitution (as amended) requires the Auditor General to:

(a) 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 corporation or other bodies or organizations established by an Act of Parliament; and

(b) Conduct Financial and Value for Money audits in respect of any project involving public funds.

Under Article 163 (4), the Auditor General is required to submit to Parliament annually a report of the accounts audited by him or her or under clause (3) of this Article.

5.2 Overview

This is Part 5 of the Auditor General's annual report to Parliament prepared under the Directorate of Value for Money and Specialised Audits. This part contains summary reports of the 8 Value for Money (VFM) audits undertaken during the Audit Year ending 31st December 2017. The summary reports contain scope, key findings, conclusions and recommendations made for each of the VFM audits undertaken. The detailed reports have been separately issued and copies are available on the OAG website (www.oag.go.ug) and can also be availed upon request from the Office of the Auditor General.

5.3 Definition and Focus of VFM Audits

A VFM audit is an independent and objective examination of whether government undertakings, systems, operations, programmes, activities or operations are operating in accordance with the principles of economy, efficiency and effectiveness and whether there is room for improvement. Economy, efficiency and effectiveness (3Es) can be defined as follows:-

- **Economy –** Minimizing the cost of resources. The resources used should be available in due time, in an appropriate quantity and quality and at the best price.
- **Efficiency –** Getting the most from available resources. It is concerned with the relationship between resources employed and outputs delivered in terms of quantity, quality and timing.
- **Effectiveness –** concerns meeting the objectives set and achieving the intended results.

These principles (3Es) also encompass audits addressing environmental Management and equity.

Value for Money audits are conducted in accordance with International Organization of Supreme Audit Institutions (INTOSAI) standards. Those standards require that a performance audit should be planned, conducted and reported on in a manner, which ensures that an audit of high quality is carried out in an economic, efficient and effective way and in a timely manner.

In carrying out such an audit, the auditor takes an analysis of the conditions that are necessary to ensure that the principles of economy, efficiency and effectiveness can be upheld. These conditions may include good Management practices and procedures to ensure the correct and timely delivery of services. Where appropriate, the impact of the regulatory or institutional framework on the performance of the audited entity is also taken into account.

5.4 Audits Undertaken

Of the eight (8) Value for Money audits carried out by the Directorate during the year, one (1) was a follow-up on the audit on Solid Waste Management in Kampala City which was done in 2010. Also included in this Volume is an impact study/audit titled "Impact of the Promotion of Rice Development (PRiDe) Project". This audit sought to measure whether the PRiDe project had been able to influence/ impact on the rice yield of farmers.

- **Value for Money Audits Undertaken**

1. Reliability of the Government Annual Performance Report produced by the Office of the Prime Minister (Focus on the Health and Agriculture Sectors)
2. Government's Preparedness for the Implementation of Public Private Partnership (PPPs)
3. Compensation of Project Affected Persons under the Refinery Project by the Ministry of Energy and Mineral Development
4. Regulation of Labour Externalisation by Ministry of Gender, Labour and Social Development (MGLSD)
5. Management of Municipal Solid Waste by municipalities
6. Impact of the Promotion of Rice Development (PRiDe) Project implemented by Ministry of Agriculture.
7. Implementation of Water and Sanitation Infrastructure Projects by National Water and Sewerage Corporation (NWSC)
8. Follow-up Report on VFM Audit Report on Solid Waste Management by Kampala Capital City Authority

- **Status of Audit Reports Submitted To Parliament**

The Office of the Auditor General has, to date, submitted 97 Value for Money audit reports to Parliament. Of the reports so far submitted, eight (8) are in respect of the audit year ending 31st December 2017. This part, therefore, contains summaries of the eight (8) Value for Money Audit reports submitted for the audit year ending 31st December 2017.

Discussion of the Value for Money Reports by the Accountability Committees is still a challenge. Of the eighty nine (89) reports earlier submitted, eighteen (18) reports have been discussed by the respective Accountability Committees.

The timely consideration by Parliament of the VFM audit reports would enable timely implementation of recommendations, prevention of repetitive irregularities, improved service delivery, guidance on policy formulation and review. This would lead to improvement of government systems and procedures. The Office is engaging Parliament and other stakeholders to address the matter.

5.5 Key Findings, Conclusions and Recommendations

1. RELIABILITY OF THE GOVERNMENT ANNUAL PERFORMANCE REPORT PRODUCED BY THE OFFICE OF THE PRIME MINISTER (FOCUS ON THE HEALTH AND AGRICULTURE SECTORS)

The Government Annual Performance Report (GAPR) is a comprehensive assessment of the performance of all government entities and the outcome of public spending in a given financial year and is prepared by the Office of the Prime Minister. The GAPR provides a basis for accountability of the use of government resources and outlines the key areas of good performance, under-performance, and opportunities for policy redress. It also includes an assessment of the progress made in the implementation of important actions agreed upon during the previous cabinet performance retreats. The objective of the GAPR is to provide timely and accurate information to policy makers, particularly cabinet and Parliament, on the performance of Government.

In the process of preparing the mid-term review report on first National Development Plan, the National Planning Authority (NPA) cited difficulties in compiling data caused by inconsistencies in the information reported by the GAPR and source data compiled by Ministries Departments and Agencies (MDAs).

During our preliminary audit work in this area, the audit team noted that these challenges still exist. In light of the gaps noted, the Office of the Auditor General decided to undertake an audit with the objective of assessing the reliability of the information compiled and published in the GAPR by the Office of the Prime Minister (OPM) with specific focus on the Agriculture and Health Sectors under the FY 2016/17.

KEY FINDINGS

(i) Mandate and regulatory framework for monitoring and evaluation and production of GARP

There are overlaps in the mandate and activities performed by OPM and the National Planning Authority (NPA) in regard to the monitoring, evaluation and reporting of the performance of government Ministries, Departments and Agencies (MDAs). This has been caused by inconsistencies in the monitoring and evaluation roles and responsibilities conferred upon NPA and OPM under the NPA Act, the National Policy on Public Sector Monitoring 2013 and the NDPII monitoring and evaluation framework resulting in NPA and OPM performing almost similar activities and each producing a report which, to a large extent, would serve the same purpose. Over the past three years, **UGX 14.8 billion** and UGX **12.5 billion** was spent by OPM and NPA for M&E related activities, respectively.

Due to the overlap as well as poor coordination between the entities, the participation of NPA in the production of GAPR is limited yet its input is critical to ensure comprehensiveness and hence reliability of the report. Harmonization of the roles and responsibilities would create efficiencies and enhance the reliability of the performance information reported by government.

(ii) Alignment of MDA and sector plans to National Development Plan ii (NDPII)

The GAPR should reflect the progress government is making towards the achievement of the goals and objectives set in the National Development Plan (NDPII). Whereas the Health and Agriculture sector plans had been aligned to NDPII, only a few of the MDAs under these two sectors had their strategic plans aligned to the NDPII. The majority of the MDAs either had no strategic plans or had draft plans that are not aligned to the NDPII. This was caused by limitations in the Programme based Budgeting System (PBS)/ Output Budgeting Tool(OBT), non-enforcement of sanctions for compliance and capacity gaps in the fields of monitoring and evaluation within the MDAs. GAPR may not accurately reflect the progress government is making against the objectives set by the national development plan.

(iii) Consistency of the information reported by GAPR

There were inconsistencies between the agriculture and health sector related information contained in the GAPR and that in the NDPII due to non-alignment of the PBS/OBT to the NDPII. Inconsistencies between targets achieved in sectoral performance reports and GAPR were due to the delays in the issuance of sector performance reports which implied that revisions and recommendations in the final sector performance reports were not taken into consideration during the finalization of the GAPR and the subsequent planning process. This impacts on the reliability of the reported performance information.

(iv) Timeliness of the GAPR

The final GAPR 2016/17 had not been published at the time of the audit (November 2017). There are no detailed guidelines for the production and reporting of the GAPR. It was also noted that the target audience at the cabinet retreat, which is the forum where the GAPR is discussed and resolutions on the way forward made, had also been expanded to include all ministers, district political leaders, all accounting officers and their respective technical staff thus running a risk of the focus of the retreat shifting from accountability to dissemination with less time for debate and focus.

KEY RECOMMENDATIONS

(i) OPM should undertake a comprehensive review of the existing legal framework governing monitoring and evaluation in order to harmonise the roles and responsibilities of NPA and OPM. This will require extensive consultations with the different stakeholders among government institutions.

(ii) NPA should enforce the development of strategic plans by MDAs. For MDAs that do not comply, NPA should invoke the sanctions provided under the NPA Act. The NPA, in consultation with Ministry of Finance, Planning & Economic Development (MoFPED), should review the sanctions prescribed under the Act in order to make them specific and punitive.

(iii) The OPM should work closely with other key institutions involved in planning and performance reporting to develop a comprehensive data collection and reporting tool that accommodates the information requirements and needs of all the key stakeholders. Such a system will eliminate the inconsistencies cited.

(iv) OPM should develop a framework that governs and operationalises the production and reporting of the GAPR. This framework should prescribe the objectives, users, methodology, timelines, reporting format, roles, activities and sanctions for non-compliance in the production of the GAPR.

OVERALL CONCLUSION

Whereas the Office of the Prime Minister has undertaken specific actions aimed at increasing the reliability of the GAPR, the overlap in roles with other players coupled with the inadequate quality control and assurance at OPM and MDAs, and delayed issuance of the final GAPR may impede the relevance and utilisation of the GAPR recommendations. It is hoped that the implementation of the above recommendations will further enhance the reliability and usefulness of the information compiled and published in GAPR for decision making.

2. GOVERNMENT'S PREPAREDNESS FOR THE IMPLEMENTATION OF PPPs

Public-Private Partnerships (PPPs) in the Ugandan context refer to contractual agreements between the public and private sector to finance, construct/renovate, manage and maintain public infrastructure or provide a public service. PPPs involve the optimal sharing of risks and rewards by the concerned parties in a bid to deliver the desired policy outcomes while safeguarding the public interest.

In Uganda, the PPP funding arrangement is becoming a common mode of funding projects across the different sectors as embraced by the NDPII in a bid to bridge the infrastructure funding gap. To date, a total of 26 PPP projects valued at USD 2,964 million have reached financial closure.

The Ministry of Finance, Planning and Economic Development(MoFPED), through the PPP Unit, is charged with the responsibility of creating an environment conducive to the implementation of PPPs. PPP activities are guided by the PPP Policy framework of 2010 and the PPP Act, 2015.

The objective of this audit was to determine the extent to which MoFPED has instituted an enabling environment for the implementation of the PPP programme. It focussed on the period following the enactment of the PPP Act (2015) to date.

KEY FINDINGS

The Government of Uganda (GoU) through MoFPED has made strides in preparing the country for the implementation of PPPs. The government formulated the PPP policy in 2010 and enacted the PPP Act in 2015. As required under the PPP Act, the key institutional organs namely; the PPP Unit and the PPP Committee that should steer the PPP function have been established and operationalized. However, this audit has identified key bottlenecks that still impede the full operationalization of PPP activities as envisaged under the PPP Act as outlined below;

(i) Regulatory and institutional framework

- The regulations to operationalise the PPP Act 2015 and the specific guidelines critical for guiding and supporting the effective implementation of PPPs are not yet in place. As a result , contracting authorities have gone ahead, unsupervised, to identify and engage in PPP activities, such as Kampala - Jinja Express Project, Nakivubo War Memorial Stadium Rehabilitation, and the Construction and Equipping of the International Hospital at Lubowa by the Ministry of Health, Nakivubo War Memorial Stadium and without the involvement of the PPP unit/PPP committee.
- Under the Act, the PPP Committee reports to the Permanent Secretary and Secretary to Treasury (PS/ST) who is also the head of the committee. Although it may have some advantages, it creates a role conflict which may impair the PS/ST’s oversight responsibility over the PPP activities.
- There are overlaps in the roles and responsibilities of the PPP unit and the Project Analysis and Public Infrastructure (PAPI) department of the MoFPED. For instance, section 11(5) of the PPP Act requires the Permanent Secretary of the MoFPED to develop a framework that harmonises the relationship between the PPP Unit with other departments in the MoFPED. However, both the PAPI department and the PPP Unit have developed contradicting guidelines regarding the reporting structure of the PPP Unit with

one having a direct reporting relationship to the PS/ST and another requiring the PPP Unit to report to the Director Budget.

(ii) Resources and capacities for the PPP function

- At the time audit, the position of Director (head of the PPP Unit) had not been substantively filled despite its critical importance to the functioning of the Unit and the PPP Committee. The current Head of the Unit has been in acting capacity since 2015. In addition, the key positions of the PPP unit such as communication expert; project finance expert, legal expert, technical expert, and technical specialist were also vacant. This means that the PPU unit cannot provide the technical, financial and legal expertise to the PPP Committee and project teams established by contracting authorities as required under the Act.
- The current funding arrangements under the ministry cannot adequately support the implementation of the PPP function. The budget allocations for the PPP unit are not only inadequate to meet its needs but are also uncertain as they are provided through the privatisation unit and PAPI, yet the PPP function was designed to enjoy some control over its budget. This has created uncertainties in the financing of PPP activities resulting in delays to put in place the capacities needed for the effective implementation of the PPP function.
- PPPs require significant upfront detailed feasibility analysis and preparation in order to design a robust structure that meets the government development objectives. Whereas the Act provides for the creation of a Project Development Facilitation Fund (PDFF) which is meant to support the activities of the PPP unit and the contracting authorities in the preparation phase of PPP projects, the project appraisals, and provide a source of liquidity to meet any contingent liabilities arising from PPP projects, by the time of the audit in November 2017, the Fund had not been established.

(iii) Monitoring and evaluation

- The Unit has not yet established a comprehensive monitoring and evaluation framework to support the implementation of PPP functions. Without such a framework, contracting authorities may not be properly directed towards the achievement of the PPP objectives.

KEY RECOMMENDATIONS

(i) The development of the enabling PPP Regulations, standards, and guidelines should be prioritized as they are essential for the effective identification, screening and implementation of PPP projects. MoFPED should liaise with the concerned government authorities (First Parliamentary Council and Attorney General) to expedite the process of approval of the PPP regulations.

(ii) The roles and responsibilities of the PPP unit and the PAPI department should be streamlined with regard to PPP activities to avoid overlaps in the execution of their duties. The PS/ST should harmonise the roles and responsibilities of the PPP unit and the departments within MoFPED using the available regulatory framework in accordance with Section 11(5) of the PPP Act.

(iii) MoFPED should, mske arrangements to recruit substantive staff. For the unit and also secure funds for the establishment of the Project Development Facilitation Fund (PDFF) as required by the Act. MOFPED should also streamline the funding arrangements for the PPP unit. The Unit should have a clearly identifiable budget controlled by the responsible officer as envisaged under the PPP Act.

(iv) The PPP Unit should develop a monitoring and evaluation mechanism that ensures that upcoming, on-going and completed PPP projects are efficiently and effectively monitored and evaluated. The Unit should liaise with CAs and PAPI to expedite the development of comprehensive pipeline to attract private sector investors.

OVERALL CONCLUSION

Whereas PPPs were embraced by the NDPII as a vital source of financing the infrastructural gap that the country is currently facing, the existing gaps in the operationalisation of the PPP Act pose a challenge in creating a suitable control environment for the implementation of PPPs. To ensure realization of the expected benefits of the PPP program, it is important that a comprehensive and supportive regulatory and institutional framework is fully operationalised and streamlined and the necessary capacities provided to the PPP Unit to allow it to implement its mandate.

3. THE COMPENSATION OF PROJECT AFFECTED PERSONS UNDER THE REFINERY PROJECT BY THE MINISTRY OF ENERGY AND MINERAL DEVELOPMENT

Following the commercial oil discoveries in the Albertine Graben and the decision by the Government of Uganda to construct an oil refinery in Kabaale, Buseruka sub-county, Hoima district, a Resettlement Action Plan (RAP) was developed by the Ministry of Energy and Mineral Development (MEMD) to guide compensation and/ or resettlement of an estimated 7,118 Project Affected Persons (PAPs) in this area. The PAPs comprised 1,221 households and 2,473 directly affected land owners and licensees.

Despite the social sensitivity of the exercise and the substantial investment in the project of UGX.64 billion, there are concerns that the eight months compensation project which began on 13th June 2013 and was expected to have ended by 13th February 2014, is still far from completion with significant delays in compensation of over 4 years.

The Office of the Auditor General conducted a Value for Money audit with the objective of assessing whether MEMD adequately compensated the PAPs in a timely manner. The Audit covered 6 financial years from FY 2011/12-2016/17.

KEY AUDIT FINDINGS

(i) **Overview of the progress of rap implementation**

- The project experienced significant delays in the implementation of major RAP activities, ranging from 20 months to over 4 years. It was noted that whereas the monitoring and evaluation activities were supposed to be continuous from inception, the consultant was procured in June 2017. Similarly, the livelihood restoration programme which was scheduled to be implemented by September 2013 commenced in August 2017. Additionally, the procurement of an NGO to carry out compliance audits on the implementation of the RAP had not started by the time of audit (November 2017). Delayed implementation of the RAP necessitated extending the contract of Strategic Friends International (SFI), a consultant engaged to manage the RAP five times and increased the cost of the consultancy services by UGX 1,239,760,000.

(ii)**Timeliness and adequacy of cash compensation to PAPS**

- Out of the 2,680 PAPs who were eligible for cash compensation, 2,657 had been paid by the time of audit (November, 2017) representing 99%. It was however noted that out of the 2,657 PAPs, only 104 (representing 4%) were paid within the prescribed timeframe. There were significant delays ranging from less than 6 months to over 2 years to compensate the remaining 2,553 (96%) of PAPs. Consequently, by the time they received their money, the price of land in neighbouring villages had risen, making it difficult for them to acquire land of equivalent size.
- Whereas the Chief Government Valuer (CGV) approved the valuation methodology submitted by SFI outlining the procedures to be used for valuation of property permanent in nature, this methodology was not followed during valuation of customary land in the 5 villages of Nyamasoga and Nyahaira, Bukoona A, Katooke and Kayera. The value of customary land was overvalued in two (2) villages and undervalued in three (3). These anomalies resulted in a loss of UGX 295,750,800 to government and UGX 16,172,100 to the PAPs, respectively.
- Unapproved rates were used for compensation of almost all PAPs. Whereas compensation commenced in FY 2013/14, the rates used were for the FY 2011/2012 which were unapproved and obsolete. In addition, the CGV did not approve rates submitted by the Hoima District Land Board (HDLB) between FY 2013/14 and FY 2015/16. This resulted in grievances among the PAPs and delays in the compensation process.
- Compensation rates were not applied uniformly. 43.2% of sampled PAPs had their crops valued at rates different from the recommended rates by the district land board.
- Although cash compensation was done over several years, MEMD did not adjust the compensation values to cater for the market price adjustments in the various years of payment. In 2016/17 when updated rates for properties were approved by the CGV, only 2 PAPs had their rates revalued. Consequently, their total payments increased from UGX 1.029 billion and UGX 74,222,200 to UGX 2.220 billion and UGX 189,250,750 respectively. This violated the principle of fairness in compensation and left some PAPs dissatisfied.

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(iii) **Timeliness and adequacy of resettlement**

- Construction of the houses for the PAPs and other resettlement infrastructure such as schools and health centres which was supposed commence in October/November 2013 was delayed by two (2) years. The residential houses and Buseruka Health centre III were completed in 2017 while the construction of the schools was not yet complete by the time of audit in November 2017.
- Forty six (46) resettlement houses were constructed in accordance with contract specifications. Also, test results for the school facilities revealed that they were within the required range of ≥25Mpa which is within the range of specified concrete strength of class C25 for the various structural components of the buildings. Based on visual assessment during inspections undertaken in November 2017, the quality of works of the health centres, 46 resettlement houses, and the schools was acceptable. However, there were instances of poor workmanship, mainly on the schools. For example, the concrete tank bases had failed, cracks were noted on some floors, tie beams for the trusses were failing, and precast slabs were poorly aligned.
- Whereas the PAPs were consulted during land acquisition, their concerns were not considered during implementation by SFI.

(iv) **Grievance handling**

- There was neither a grievance Management database nor grievance files as was expected. Additionally, PAPs were not given copies of the grievance initiation form and as such were left with no proof of having lodged complaints. Further still, the mediation committee was not constituted. Whereas a number of grievances were reportedly resolved as per March 2014 grievance status report, there were grievances that remained unresolved at the time of audit.

(v) **Socio-economic baseline surveys**

- It was noted that whereas the RAP study registered 7,118 PAPs in total, there was no documentation of how this number of PAPs was identified and neither was there an explicit list to show all the PAPs due to absence of primary data. There was also a variance between the number of PAPs reported during the census and those that were actually paid. 2,473 PAPs were identified during the RAP while 2,657 were paid.

KEY RECOMMENDATIONS

(i) MEMD should ensure that key planned project activities are prioritized, closely supervised and monitored to ensure that the expected deliverables are achieved as planned.

(ii) In the subsequent projects of this type, MEMD should ensure the following:

- Comprehensive planning is done, including sensitization of the PAPs and the involvement of NGOs, so as to quicken the disclosure exercise.
- The RAP consultant adheres to compensation guidelines for purposes of fairness. PAPs should be profiled so as to ensure timely payment to avoid speculation.
- The CGV closely supervises and monitors the valuation exercise for future compensation projects and ensure that the approved valuation methodology is adhered to by the implementing entity/consultant.

Similarly, where circumstances may require deviation from the approved methodology, the CGV should ensure that the amendments are approved before they are applied for valuation. This will not only avoid discontent among PAPs but would also save government funds allocated to specific compensations.

- Liaise with the CGV to ensure the following:

    a) The rates used to compensate PAPs are the prevailing rates in the year of payment in order to minimise disputes with PAPs.

    b) Guide DLBs on when they should submit proposed rates in order to ensure timely approval. In case of non-approval, the CGV should communicate his/her reasons to the DLB.

    c) The rates submitted by HDLB are comprehensive to cater for all categories of property of non- permanent nature before approval. In cases where compensation rates are determined at the discretion of MEMD/consultant, they should be done in consultation with the CGV and applied uniformly.

    d) Compensation values are adjusted annually to reflect annual market prices. In addition, MEMD in liaison with the CGV should ensure that in future compensation projects, the RAP consultant applies the adjusted rates uniformly to all PAPs to ensure fairness and adequacy in compensation.

(iii) The Accounting Officer (MEMD) should ensure that:

- Payments are effected as per terms in the signed contract as any delay in effecting payments affects the contractor's cash flows and subsequently the progress of works.
- Better planning for any future projects in respect of delayed site possession by the contractor.
- Adequate planning and thorough review of design documents before approval and implementation. This would enable any major omissions to be noted and included at an earlier stage for better planning.
- Better coordination with any of the line Ministries involved in future projects in respect of approvals of designs for health facilities and opening of boundaries were there boundary disputes impeding project implementation.
- Defects are remedied before handover of the schools, and expiry of the defects liability period for the 46 houses and health centres.
- Supervision and monitoring of works is strengthened to ensure adherence to agreed quality standards during contract execution.
- In future projects, issues of concern discussed with the PAPs are duly implemented and where there are deviations adequate sensitization of PAPs should be undertaken for acceptance of the project and compliance with international standards.

(iv) MEMD should ensure that proper grievance-Management mechanisms are put in place to address any complaints that arise as per prescribed process.

(v) The MEMD should ensure that in future projects, sufficient data of the PAPs is captured during the social economic survey to enable proper reconciliation of the total population and the PAPs eventually paid for assurance that eligible people benefit from the compensation.

OVERALL CONCLUSION

There were notable achievements in the compensation of PAPs in the refinery project. MEMD successfully compensated 99% of the PAPs who were eligible for compensation. Some infrastructure works such as construction of 46 residential houses and improvement and expansion of Buseruka Health centre have been completed and handed over to the Ministry. The quality of the infrastructure was to a great extent assessed as satisfactory.

The foregoing notwithstanding, significant delays were noted in the overall implementation of the project particularly in payment of PAPs and construction of resettlement infrastructure. Key activities of the RAP such as procurement of a consultant to undertake monitoring and evaluation of the project, construction of schools and places of worship, as well as implementation of the livelihood restoration programme were delayed as well.

The use of unapproved/obsolete valuation rates was noted in almost all the years of compensation, and rates were not applied uniformly thereby causing grievances and delays in the compensation process. Failure to adhere to the PAPs' proposals during construction of resettlement houses also affected acceptance.

It is hoped that the proposed recommendations will go a long way in improving the Management of future compensation projects.

4. REGULATION OF LABOUR EXTERNALIZATION BY MINISTRY OF GENDER, LABOUR AND SOCIAL DEVELOPMENT (MGLSD)

The Labour Externalization programme is a Government of Uganda strategic initiative intended to facilitate recruitment of Ugandan migrant workers to decent employment opportunities and promote the protection of their rights and welfare in destination countries. The programme is implemented under the Ministry of Gender, Labour and Social Development (MoGLSD) and is responsible for licensing and regulating private recruitment companies/agencies; and signing bilateral agreements on behalf of Uganda with countries interested in importing labour from Uganda.

A report compiled by the Parliament of Uganda committee on gender and labour issues indicated that many of Uganda migrant workers in the Middle East have their travel documents confiscated and these are only returned after payment of huge sums of money to their recruiters. The report also noted that most of these workers are placed in jobs different from what they were promised; and, especially for the girls, forced into sex slavery, among other inhumane treatments.

The Office of the Auditor General undertook an independent review to examine the extent to which the Ministry of Gender, Labour and Social Development (MoGLSD) has implemented the measures put in place to facilitate recruitment of Ugandan migrant workers to decent employment opportunities and safeguard their welfare in destination countries. The audit focused on a period of three financial years from FY 2014/15 to FY 2016/17.

KEY FINDINGS

The MoGLSD has registered some achievements under the Labour Externalization Programme. For instance, MoGLSD had licensed 79 private recruitment agencies by the time of Audit (November 2017) and also facilitated recruitment of an estimated 70,000 Ugandan migrant workers to jobs in UAE, Saudi Arabia, Jordan, Bahrain, Oman, Qatar, Iraq, Somalia, Afghanistan and Mali. These jobs have enabled the migrant workers to acquire new skills and trainings and also contributed to the foreign exchange earnings for the country. The Ministry had also negotiated and signed bilateral labour agreements with the Kingdom of Saudi Arabia and Government of Jordan by November 2017.

In spite of these achievements, the following areas for improvement were noted:

(i) **Sensitisation and awareness on the labour externalization programme**

The Employment (Recruitment of Ugandan Migrant Workers Abroad) Regulations, 2005 and, the Guidelines on recruitment and placement of Ugandan migrant workers abroad, 2015 were not disseminated as planned. Key stakeholders central to the recruitment of migrant workers did not have copies of the Regulations and Guidelines and as such they had limited information on the laws and processes of recruitment and Management of migrant workers. The planned dissemination of the revised regulations did not take place because they were still in draft form and were yet to be approved by top Management at the Ministry.

(ii) **Licensing of recruitment agencies**

The Ministry had licensed 79 recruitment agencies by November, 2017. However, there was no evidence that the Ministry was sharing updated lists of licensed agencies with key stakeholders. Further still, MoGLSD had in some cases issued recruitment licenses and approved job orders for companies that did not have valid bank guarantees. It was also noted that the penalty for operating without a license was not deterrent.

(iii) **Accreditation of foreign principals**

The Ministry had not accredited any foreign principal/ employer and yet they were approving manpower requests from these foreign principals/employers. In addition, the ministry was not verifying the manpower requests to establish the existence of the employing person, and its capacity to hire workers at acceptable rates and desirable conditions. The ministry was weak in enforcing compliance and ensuring that the adequate due diligence is done.

(iv) **Monitoring and supervision of recruitment agency activities**

Although the Ministry was supposed to conduct routine/regular inspection, spot inspections, and inspections before issuance of license or in case of transfer of office; only inspections before issuance of license and on transfer of office were done. This was attributed to the fact that the ministry had not allocated adequate resources in terms of manpower to conduct all the prescribed inspections

(v) **Grievance and complaints handling**

It was observed that while there were a number of complaints at both the Ministry and the Missions, there was no proper documentation and tracking of complaints from the time they are raised to conclusion and feedback. Both the Ministry and the missions visited did not have complaints registers, designated desk to handle/receive migrant workers complaints, case files for investigation done, an established filing system, and a record of resolutions made on the cases reported.

Grievances and complaints of migrant workers were not satisfactorily handled due to limited allocation of resources in terms of personnel and finances at both the ministry and the missions responsible.

KEY RECOMMENDATIONS

(i) **Sensitisation and awareness on the labour externalization programme**

- Make a deliberate effort to ensure that the planned and budgeted for awareness and sensitisation activities for FY 2017/18 are undertaken.
- Train and sensitise the district labour officers and use them as channels for creating public awareness in their localities through the free airtime given for government programmes at the local media stations.
- Fast track finalisation of the review process for The Employment (Recruitment of Ugandan Migrant Workers Abroad) Regulations and also put in place mechanisms for dissemination of all statutory instruments relating to Externalisation of Labour.

(ii) **Licensing of recruitment agencies**

- Develop an efficient system to track compliance with licensing requirements; and validity of bank guarantees.
- Revise the existing laws governing Labour Externalization and make it deterrent to operate without a valid license.

(iii) **Accreditation of foreign principals**

- Only approve manpower request from accredited foreign principals and also work closely with the Ministry of Foreign Affairs and Uganda missions to verify and validate information provided by foreign principals, and accredit the foreign principals in all labour receiving countries for all job categories.

(iv) **Monitoring and supervision of recruitment agency activities**

- Review the staff establishment of the External Employment Services Unit and allocate additional manpower and other resources to enable it to undertake planned activities effectively.
- Liaise with Ministry of Foreign Affairs and strengthen the capacity of respective missions abroad in terms of manpower (labour attaches) and financial resources to facilitate monitoring of workers welfare.
- Emphasize and undertake routine and spot inspections as required.

(vi) **Grievance and complaints handling**

- Fast track the establishment of officers responsible for handling complaints both at the Ministry and in all labour receiving countries.
- Set up a tracking system that monitors the recording, coding, investigation and resolution of all complaints raised by migrant workers.

OVERALL CONCLUSION

In order to facilitate the recruitment of Ugandan migrant workers to decent employment opportunities, the Ministry of Gender, Labour and Social Development was expected to conduct sensitization and awareness activities; license recruitment agencies; accredit foreign principals; supervise and monitor operations of recruitment agencies; and put in place a mechanism to handle grievances arising out of inhumane treatment and exploitation of the workers. This responsibility is still hampered by inadequate support and prioritization by MoGLSD and other key players resulting in weaknesses in licensing, supervision and monitoring of the activities of the recruitment agencies. These weaknesses need to be addressed in order to effectively promote and protect the interests and well-being of the workers deployed overseas.

5. MANAGEMENT OF MUNICIPAL SOLID WASTE BY MUNICIPALITIES

Municipal solid waste Management plays an important role in the economic transformation of a country particularly mitigating the environmental and health risks posed by uncollected and untreated garbage. Management of municipal solid waste has always been a challenge in Uganda and one of the areas that require attention. Government of Uganda has made efforts both at national and local government levels aimed at improving the way Municipal solid waste is managed. This has mainly been through building the capacity of Local Governments to collect, transport, treat and dispose of garbage. Despite these interventions, challenges still persist in the Management of municipal solid waste. This audit sought to examine the extent to which selected municipalities manage solid waste, identify the challenges faced, underlying causes and make recommendations to address them.

The audit focused on the activities and measures undertaken by the 17 municipalities which were supported by the World Bank to put up solid waste Management infrastructure. The audit covered activities undertaken in three financial years 2014/15, 2015/16, and 2016/17 in relation to planning for municipal solid waste activities: collection, transportation, treatment and disposal of the municipal solid waste generated, and activities of municipal solid waste data Management.

KEY FINDINGS

Based on the procedures performed, it was observed that none of the 17 municipalities was managing solid waste in a satisfactory manner. Management of solid waste in fifty nine per cent (59%) of the municipalities was assessed as fairly satisfactory while forty one per cent (41%) of the municipalities performed below expectation. The average score for municipalities with compost plants was 61.4% while the average score for municipalities without compost plants was 47.4%. Jinja and Arua Municipalities with a score of 48% and 51% respectively, were the lowest among the municipalities with compost plants while Mityana and Busia Municipalities with scores of 26% and 40%, respectively, were the lowest amongst those municipalities without compost plants.

This level of performance can be explained by a number of weaknesses within the systems for managing municipal solid waste as highlighted below:

(i) Adequacy and enforcement of the existing legal framework

Only four (4) out of a sample of seventeen (17) municipalities had solid waste Management byelaws that were approved by both council and the Attorney General. In absence of approved byelaws, the municipalities cannot effectively enforce good solid waste Management practices.

(ii) Planning for municipal solid waste Management activities

Whereas the process of formulation of a National Solid Waste Management policy commenced in 2012, the policy was still in draft form at the time of audit. Without an approved policy a national solid waste Management strategy cannot be developed and as such the country is exposed to a risk of disjointed planning, duplication of activities and uncoordinated Management of solid waste by key players.

Whereas municipalities developed and approved strategic plans to guide the Management of municipal solid waste, a number of key activities in these plans had not been implemented by the time of audit. This was mainly because the plans were unrealistic and the municipalities also did not identify sources of funding for most of the planning activities. Examples where this was noted include Soroti, Tororo, Lira, Jinja, Fort Portal. Failure to implement planned activities negates the purpose of planning, and makes it difficult to transform and improve the municipal solid waste Management function within these municipalities.

(iii) Collection and transportation of solid waste

The current estimated garbage collection level is forty percent (40%) of all the waste that is generated with the lowest collections noted in Hoima (8.5%), Gulu (20%), and Tororo (26%). This therefore implies that approximately sixty percent (60%) of all waste generated is not collected by the municipal system for appropriate treatment and disposal resulting in inconvenience to the public, environmental pollution, and posing a risk for public health. The low collection levels were attributed to insufficient and old collection skips, gabage bins & trucks.

(iv) Treatment of collected municipal solid waste

Treatment of waste collected was not done in compliance with the NEMA solid waste Management regulations or the compost plant operations manuals. In some cases the treatment process was found to be a source of pollution of the environment as was noted in Entebbe, Mityana, Gulu and Tororo. This was mainly because of the weak supervision of the waste treatment processes.

(v) Management of solid waste data

It was also noted that a number of key records and documents relating to Management of municipal solid waste were either non-existent or not up-to-date, which affected other activities, particularly planning and decision making. This was noted in all the municipalities with Mityana and Busia as the worst performing in this area. This was due to weak system of monitoring and follow-up by NEMA and non-prioritisation of this activity by the municipalities.

(vi) Assessment of the impact of municipal solid waste activities on the environment

None of the seventeen (17) municipalities undertook an annual audit of the effects of their activities on the environment for the 3-year period under review as required by the National Environment waste Management regulations, partly because this activity was not provided for in the annual work plans and budgets of all the municipalities visited. There was also no evidence of follow-up by NEMA to enforce compliance with this regulation. Without a regular assessment of the effects of these activities against set benchmarks it is not possible to identify and promptly address any negative effects of the activities on the environment.

KEY RECOMMENDATIONS

(i) Adequacy and enforcement of the existing legal framework

The Ministry of Lands should expedite the finalisation and approval of the national solid waste Management policy by cabinet. In addition, the ministry should devise means of harmonising the current municipal plans with the approved policy and national strategy.

All municipalities with draft bylaws should ensure that they are approved by both council and the Attorney General. In addition municipalities should devise ways of beefing up the current numbers of enforcement officers who oversee solid waste Management. The enforcement function should also be streamlined to ensure that activities are well planned, implemented and records kept.

(ii) Planning for municipal solid waste Management activities

As part of the strategic planning process, municipalities should endeavour to identify the funding sources and make deliberate efforts to realise the funds.

(iii) Collection and transportation of solid waste

Municipalities should prioritise the procurement of skips and other collection equipment. They should also devise alternative cost-efficient waste collection methods and intensify the sensitisation of the public. Dumping should be closely supervised and interventions to mitigate effects of pollution should be implemented.

(iv) Treatment of collected municipal solid waste

Treatment should be done in compliance with the NEMA regulations and the compost plant operations manual.

(v) Management of solid waste data

Municipalities should ensure that all records in relation to solid waste Management are kept and promptly updated. NEMA should also follow up with municipalities and ensure that they always have up-to-date records and data.

(vi) Assessment of the impacts of municipal solid waste activities on the environment

The municipalities should regularly budget and plan to undertake this activity in their budgets and activity plans. In addition, NEMA should follow-up and compel any non-compliant municipalities to undertake the audits.

OVERALL CONCLUSION

The Management of municipal solid waste in Uganda is still a challenge as demonstrated by the majority of municipalities collecting less than 50% of the waste generated in spite of various interventions made to improve their infrastructure. In order to realize the broader objectives of safeguarding and promoting public health by maintaining clean towns and protecting the environment, municipalities need to prioritize the Management of solid waste in their annual plans as well as strengthen the monitoring, supervision and enforcement mechanisms. Prioritising it, for example, by government making it a key performance indicator for the town clerks and other responsible officers could be one of the ways of raising its profile.

6. IMPACT OF THE PROMOTION OF RICE DEVELOPMENT (PRiDe) PROJECT

The PRiDe project, also known as the 1238 Rice Development Project, was implemented by Ministry of Agriculture, Animal Industry and Fisheries (MAAIF), National Agricultural Research Organization (NARO), National Agricultural Advisory Services (NAADS) and the Japan International Cooperation Agency (JICA). The project covered 45 districts across the country, and was implemented over a five year period (2011 - 2016) at a cost of UGX 32 billion.

The overall project goal was to increase income from rice production in the target districts and the project purpose was to increase rice production in the target districts of the Project. Increase in rice production was to be achieved through increasing the rice yield.

The project activities included: seed generation, multiplication and distribution of improved rice varieties, conducting rice research; and provision of knowledge and information to stakeholders. The project was also supposed to train 40,000 farmers, 120 rice millers, service providers and traders on soil and water conservation, post-harvest handling and value addition techniques.

Following the completion of the PRiDe project in 2017, the Auditor General decided to undertake a value for money audit on the impact of the project with the main objective being "to assess the impact of the PRiDe project on the rice yield of the beneficiary farmers".

The audit evaluated the impact of the project on the rice yield of farmers who benefited in 2013. The approach taken was to compare the changes in rice yield over time for a rice famer that enrolled in PRiDe with a rice famer that had not participated in PRiDe, in order to draw out the change in rice yield that is directly attributable to the project. The analysis was done using data on the rice yield of these two groups in 2012 (before enrolment in the project) and in 2016/17 (the most recent financial year).

KEY FINDINGS

i. Assessing the impact of the project on the rice yield

Analysis of survey data showed that, compared to 2012, both the beneficiary and the non-beneficiary farmers generally had a lower yield in 2016/17. The average rice yield of beneficiaries dropped from 485 kgs to 136 kgs (a 72% reduction) while that of non-beneficiaries dropped from 539 kgs to 366 kgs (a 32% reduction).

In 2016/17, both beneficiary and non-beneficiary farmers were affected by the drought. This partly explains the low yields. However, the reduction in the yield of the beneficiary farmers was higher over time than the non-beneficiary farmers. This was because the beneficiary farmers were more impacted by the challenges in the farmer extension system since this was a new variety in the rice growing communities with few farmers selected and thus few farmers to share knowledge on how to overcome the various challenges.

Further analysis was done excluding farmers who planted but did not harvest any rice in 2016/17. This analysis also showed a reduction in the yield of farmers between 2012 and 2016/17 although this reduction was more for the non-beneficiary farmers (38%) than for beneficiary farmers (32%).

The observed reduction in yield could not support the purpose of the project to increase production of rice in the target areas.

In order to ascertain whether the changes observed in the yields of farmers were a result of the project, it was important to consider factors that could have influenced the yield of farmers. These factors included the time period before and after the project and participation in the project (that is, whether a farmer benefited or not).

The analysis showed that participation in the project did not have a positive impact on the yield of beneficiaries between 2013 and 2016/17.

ii. Factors explaining the observed rice yield

For the PRiDe project to meet its intended goals and outputs, the one kilogram seed model was developed.

Under this model, after the training of rice farmers, one kilogram (1kg) of foundation rice seed was given to each farmer to plant. The project expected each farmer to grow the foundation seed and harvest between 30-50kgs of seed during the first season of planting. It was further envisaged that during the second season, the farmer would plant the 30-50kgs of seed and harvest at least 1 to 3 tons of rice grain.

For this to be achieved, the project had to ensure that critical activities such as: extension services, establishment of clear selection criteria of the beneficiary farmers, training of farmers, timely seed distribution and proper monitoring of the project, were effectively implemented.

It was noted that among the sampled 253 beneficiary farmers that were mobilized, trained and given the foundation seed, only 114 (45%) met the minimum harvest at the end of the first season of 2013. In addition, during the second planting season of 2013, only 10 (4%) obtained the minimum harvest of 1 ton.

This shows that the one kilogram model was not as successful as envisaged hence impacting on production of rice in the target districts.

During the audit, some implementation challenges were identified that limited the success of this model and these are discussed below:

a) Extension services

After the farmers received the rice seed, they did not receive any extension services in the form of a site visit and technical guidance from an extension worker during the project period.

In absence of extension services, farmers faced various challenges including crop failure, pests and diseases, mixing of the PRiDe varieties with other local varieties at the time of harvest.

As a result, approximately 81% of the beneficiary farmers interviewed (156 out of 192) either stopped growing the rice variety after the first season of 2013 or proceeded to grow it in the second season of 2013 but harvested less than the expected minimum of one ton.

b) Post-harvest handling techniques

Analysis of survey data indicated that out of the 253 beneficiary farmers, only 76 (30%) had utilized key recommended post-harvest practices such as drying, pest control and storage in the production of seed during the first season of 2013.

These practices were important for the sustainability of the quality of the rice planted and the yield obtained. This therefore implies that the quality of the seed sowed in the second planting season of 2013 was not suitable, affecting the yield in that season.

c) Training of farmers

The training of farmers conducted by the PRiDe project at the time of delivering the rice seed in 2013 was insufficient in terms of design and content. For instance, 106 beneficiary farmers interviewed across 7 districts (that is, Amuru, Adjumani, Arua, Rubirizi, Hoima, Mbale and Kumi) reported that training was in form of classwork or workshop and not followed up with demonstration on a farm. In Rubirizi and Kumi districts, farmers reported that the training took only one to two hours.

Consequently, the techniques provided to the farmers to grow and maintain the rice varieties were not fully appreciated. This was reflected by 119 (47%) of the beneficiary farmers that did not re-plant the PRiDe variety after the first season therefore not completing the process of seed multiplication to ensure sustainability of the improved variety.

d) Selection criteria for beneficiary farmers

PRiDe project staff assumed that whoever would be trained would successfully implement the one kilogram model and thus did not consider any other critical factors such as experience of the farmer in rice growing and availability of suitable land.

Interviews with district and sub county agricultural officers revealed that the experience of a farmer in growing a specific crop like rice, which would contribute to the success of the new variety, was not considered during the selection of the beneficiaries. Beneficiary farmers were expected to avail at least one acre of land in the second season to grow the seed harvested in the first season. Interviews conducted showed that 86% of the selected beneficiary farmers had less than one acre of land which was not enough to sustain rice growing under this model.

e) Distribution of rice seeds to farmers

There was late delivery of rice seeds to the beneficiary farmers. In the districts of Amuru and Adjumani, delivery was made two months after the rainy season had started. In Kabarole and Rubirizi districts, the seeds were delivered a month after the rainy season had elapsed. This deprived the farmers of the opportunity to benefit from the rains which are a predominant source of water for rice production. Due to the late delivery of the rice seed, some farmers delayed to plant and thus poor rice maturity and poor harvest.

f) Monitoring of the pride project

Monitoring of the project activities was weak. The PRiDe project did not collect any baseline data to provide a basis for the interventions that were being implemented and ensure proper tracking of project progress. There were no funds budgeted for monitoring and evaluation of project activities.

RECOMMENDATIONS

(i) The Ministry should ensure that all projects have effective support systems such as extension services, training and monitoring and evaluation, to provide the project beneficiaries with technical guidance during the implementation of the project so as to guarantee the expected outputs and outcomes. Particularly, extension services should always be prioritized in projects of similar nature.

(ii) The Ministry should provide sufficient and effective training in line with all aspects of project implementation.

(iii) For future implementation of such projects, the Ministry should ensure that the selection criteria are comprehensive enough to ensure success of the project.

(iv) Where distribution of inputs is a component of a project, the Ministry should ensure that project inputs are timely delivered to ensure that they are useful to beneficiaries.

(v) Baseline studies should be conducted for all Ministry projects to provide a basis for tracking progress of key project outputs and outcomes.

OVERALL CONCLUSION

Participation in the PRiDe project did not have a positive impact on the yield of beneficiary farmers during the project period 2012 to 2017.

81% of the beneficiary farmers interviewed (156 out of 192) had abandoned the growing of rice varieties provided by the project by 2016/17 which implies that the project goal of increasing the rice production in the target districts was not achieved for the beneficiaries of the project.

For future implementation of projects of this type, critical success factors such as extension services, training, and monitoring and evaluation need to be prioritized to ensure achievement of the project outcomes.

7. IMPLEMENTATION OF WATER AND SANITATION INFRASTRUCTURE PROJECTS BY NATIONAL WATER AND SEWERAGE CORPORATION (NWSC)

National Water and Sewerage Corporation (NWSC) is a state owned enterprise that operates and provides water and sewerage services for urban centres entrusted to it, on a commercially viable basis. The towns under the mandate of NWSC are gazetted by the Ministry of Water and Environment (MWE) from time to time. The Government of Uganda established the NWSC in 1972 with a coverage of three indigenous towns of Jinja, Entebbe and Kampala. By 2016, the coverage had grown to cover 174 towns. To match the increased demand for its services due to the increased urbanization and geographical mandate, the Corporation focused on infrastructure growth and, over the years, it has implemented various projects with the aim of enhancing service delivery. These developments have been funded through a financing mix of internally generated funds of the Corporation, Government of Uganda and Development Partners' contributions.

The Office of the Auditor General undertook a value for money audit to assess the economy, efficiency and effectiveness of project implementation by NWSC. The study sampled nine infrastructure projects implemented between 2010 and 2016. The value of the individual projects ranged from UGX 1.7 billion to approximately UGX 210 billion (2016 exchange rates).

KEY FINDINGS

(i) **Project planning and engineering designs:**

a) Some design criteria were inadequate to address the project needs, including underestimation of demand and non-inclusion of necessary items/equipment. This was seen in five of the nine projects evaluated as follows:

- **Masindi water production project;** the present design of the parallel treatment line does not include an interconnection to the existing treatment line and failure of one unit in one treatment line will not allow diversion of flows to the next treatment line to cope with the flows.
- **Kapeeka water supply project;** the Employer has no redress for a faulty design under the contract since the Contractor's designs are not governed by any clause in the contract.
- **Soroti intake works project;** Inadequate stakeholder consultation led to misunderstandings with UNRA & delays in implementation.
- **Buloba Water supply project;** the design and specifications of the steel plate tanks were left entirely to the Contractor**.**
- **Arua W&S project**; the design demand was underestimated by designing for a 14 year instead of 20 year horizon, and by allowing for 10% leakage losses instead of the NWSC recorded average 30%. This has led to late efforts to get more water sources.

Consequently, this has led to increased and/or unanticipated project costs.

b) Designs and design reviews were not clearly documented in three of the locally funded projects evaluated. For example for Masindi and Kapeeka, NWSC's own designs had not been documented while Soroti New Intake works re-design was also not documented. Consequently it was not possible to review the adequacy of the designs and to use such documents to inform future designs.

(ii) **Procurement**

a) The procurement in a number of cases did not allow competition or significantly reduced competition, as a large number of bidders were disqualified based on technicalities. In half of the projects, works procurements were completed with only a single "responsive" bidder in spite of the size the contract. This was found in both large (donor funded) and small (NWSC funded) projects, making it a systemic, rather than an isolated problem.

Lack of a design Engineer led to disqualification of some firms bidding for Masindi Project (UGX 1.7 Billion) yet the Contractor's design engineer was never used, ITB conditions were selectively ignored for Kapeeka (UGX 8.7 Billion) and Soroti In take works (UGX 5.1 Billion) projects while bidders for Arua W&S (UGX 70.3 Billion) were disqualified for not identifying equipment source countries which had not been required in ITB.

The implication of this was that NWSC may not have obtained the services at the most economical price.

(iii) **Construction supervision/contract Management**

a) All projects have experienced construction delays resulting in extension of time and additional costs. Whereas justifiable reasons were provided, these should be used as lessons for better planning of future projects.

- **Nakivubo WWTP** has delayed by 34 months attracting additional costs of EUROs 2,949,481.51 due to Client's inadequate advance geotechnical investigations.
- **Kinawataka/Nakivubo** sewers have delayed by 24 months with additional costs of EUROs 3,937,398.55 due to Consultants Change of design gravity/pressure mains and Client's delay in securing land (acquisition & easement).
- **Gaba rehabilitation & Namasuba**, improper identification of project scope by the Client required later additions which resulted in additional costs of EUROs 2,438,112.90.
- **Arua W&S** project delayed by 12 months attracting an additional cost of UGX. 934,860,000.00 due Client's delay in securing land. The Contractor also delayed in procuring equipment for the same project.
- **Buloba water supply** delayed by 5 months due to Client's failure to secure sites for reservoirs at Nakabugo and Buloba hills.

- **Soroti new intake works** delayed by 18 months attracting additional costs of UGX 300,000,000 due to Client's lack of stakeholder engagement leading to re-designs and Contractor slow progress.
- **Compact WWTP** delayed by 5 months due to Contractor's slow pace of manufacture and installation.
- **Kapeeka Water Supply** project delayed by 9 months due to incomplete designs by the Client leading to the need for ground investigations during construction and Contractor's slow progress.
- **Masindi water production works** delayed by 6 months because of the Client's improper identification of project needs leading to late additions in scope of works.

b) Supervision roles of staff for four out of the five locally (NWSC) funded projects were not formally described

c) For four of the five locally funded projects, site records were generally not available or detailed enough and for completed projects, project completion was not documented. There were no site records (instructions, diaries etc) for Masindi, Kapeeka and Kisoro works while Soroti New Intake works had no handover record or snag list available, though works were considered complete.

   Without records there is a risk that any problems or malfunctions arising from construction works activities would be difficult to determine in any court if the parties disagreed.

d) Large over expenditures were noted in the sewerage projects under the Kampala Sanitation Programme. While some of the over expenditures are justified, there were questionable decisions, which led to large additional costs. For example Nakivubo waste water treatment plant varied by EUROs 5,169,132.74 for standing time and cost of unnecessary works due to decision to start construction at the wrong location. Sewerage networks project was varied twice by EUROs 215,166.42 for standing time by Contractor due to commencement of work before securing easements/land.

   There were instances of poor quality works in individual sites resulting from poor supervision. Honeycombs and broken slabs were visually evident on Masindi, Kapeeka and Kisoro works while the slender steel tank supports were cracking and steel support strips warping for Kapeeka and Buloba projects.

KEY RECOMMENDATIONS

(i) NWSC should improve its internal capacity to assess its planned projects to ensure that assessments are undertaken no a professional level. If this is not possible in the short term, NWSC should continue to use professional services from external service providers. Implementation of the projects should be done after the planning and designs have been completed and approved, and reports are available, in order to enhance institutional memory and accountability.

(ii) NWSC should ensure full compliance with the provisions of the PPDA Act while procuring Contractors for civil works in order to enable competitive bidding..

(iii) NWSC should improve its capacity to supervise works and oversee its consultants by putting in place detailed procedures and processes which should be followed by the staff conducting supervision and oversight. The roles and responsibilities of the supervision staff should also be clearly defined.

(iv) NWSC should ensure that acquisition of land for easements is planned well in advance of the impending projects. No project should be implemented without adequate resettlement and compensation actions being completed. Only access issues arising from design changes during implementation, or from unforeseen regulatory restrictions, maybe handled on an ad hoc basis.

OVERALL CONCLUSION

Based on the procedures undertaken, the audit revealed that in spite of the progress made in putting in place the necessary infrastructure to alleviate the increased demand, several of the infrastructure projects implemented suffered from systemic value for money losses resulting from delays in project implementation and weaknesses in project planning, procurement and construction supervision.

8. FOLLOW UP REPORT ON VFM AUDIT REPORT ON SOLID WASTE MANAGEMENT BY KAMPALA CAPITAL CITY AUTHORITY

In 2010, the Office of the Auditor General (OAG) conducted and submitted to Parliament, a Value for Money (VFM) audit on the Management of solid waste by Kampala City Council (KCC). The audit, which sought to ascertain the extent to which KCC had established a solid waste Management system to manage garbage collection in the city for the period 2002 to 2007, covered all the five (5) divisions of the City namely Central, Nakawa, Rubaga, Kawempe and Makindye. KCC was replaced by Kampala Capital City Authority (KCCA) in 2011, after the coming into effect of the Kampala Capital City (KCC) Act, 2010.

The purpose of this follow-up audit was to: establish the extent to which KCCA had implemented the recommendations in the 2010 VFM report mentioned above; assess whether or not there have been improvements in Management of solid waste in the city; and ascertain whether any new recommendations are needed.

The audit team noted that out of the eight (8) recommendations made in the Auditor General's report of 2010, 5 were fully implemented while 3 were partially implemented.

KCCA undertook measures to address OAG recommendations by putting in place a solid waste database to aid the planning process, undertaking awareness campaigns, enforcing Solid Waste Management By-Laws, promptly paying wages of staff involved in refuse collection and transportation and the development of a proper supervision, monitoring and control mechanism.

However, it was observed that the casual workers had old protective gear and KCCA did not have a protective gear replacement policy. The Policy is meant to guide in procurement, replacement and distribution of the protective gear. Also, out of 1,500 tonnes of garbage generated daily, only 1,000 tonnes were being collected due to inadequate number of garbage trucks. Finally, whereas the concessionaires were awarded to cover all the 7 zones, one of the zones (Zone II) had no private garbage collector due to the failure of the contracted private collector to raise the required trucks and manpower to operate in the mentioned zone.

AUDIT FOLLOW UP RECOMMENDATIONS

(i) Solid waste Management awareness

KCCA should undertake Monitoring and Evaluation of the awareness campaigns (and other programmes) to determine the effectiveness of its awareness activities.

(ii) Working conditions of personnel in garbage collection

KCCA should develop a Protective Gear Replacement Policy to guide and ensure consistency in the procurement and distribution of the protective wear. This will ensure that the casual workers are at all times properly dressed and thus protecting them from occupational hazards.

KCCA should also increase on the awareness and sensitization campaigns so as to prevent illegal and indiscriminate dumping of garbage by the public.

(iii) Wage payment

KCCA should ensure that the casual workers' NSSF deductions are remitted in a timely manner as required by law.

(iv) Transportation of garbage

KCCA should consider increasing the concessionaires so as to increase the number of solid waste collection trucks to enable complete collection of garbage in the city.

(v) Engagement of private garbage collectors

KCCA should increase the supervision of the concessionaires as well as invoke penalty clauses in the PPP agreement for cases where concessionaires fall short of the agreed performance targets.

PART 6: SPECIAL REPORTS

6.0 Summaries of Forensic Investigations, Information Technology (IT) Audits and Special Audit Reports

6.1 Special Reports Issued

Article 163 of the Constitution of the Republic of Uganda 1995 (as amended), mandates the Auditor General to audit and report on all public accounts of Uganda. Sections 13 and 22 of the National Audit Act (NAA) 2003, further give the Auditor General the mandate to audit all government investments and to carry out special audit engagements which include Forensic investigations, Information Technology (IT) Audits and Special audits, among others.

I carried out 19 Forensic Investigations, 3 IT Audits as well as 4 special audits, during the year under review. Forensic Investigation refers to a practice of lawfully establishing evidence and facts that are to be presented in a court of law. Accordingly, the detailed reports have been issued to the requesters for use during ongoing or future prosecutions.

Information Technology (IT) audit is an independent process of collecting and evaluating evidence to determine whether a computer system (information system) safeguards organisational assets, maintains data integrity and, achieves organisational goals effectively and efficiently. An IT audit may be carried out alongside a regularity audit or as an independent systems audit. Accordingly, the detailed reports showing the weaknesses in such systems have been issued to Management of the respective entities for their action.

Special audits are audits instituted by the Auditor General on specific terms of reference agreed upon with the requester. The reports are purposely addressed to the requester for his/her further Management.

However, the detailed special reports issued have not been included in this report, due to the need to restrict access to such reports which are either a subject of a court process or for IT security concerns. The detailed reports have accordingly, been issued to the respective requesters and/or Management for action.

APPENDIX 1

1. UTILIZATION OF MEDICINES (TRACER[2]) AND HEALTH SUPPLIES

	Entity	Health Center	Medicine and Health Supplies accountability (UGX)	Number of stock-outs of tracer Medicines	Expired Drugs(√)	Understaffing	
						%age	Critical Positions
1.	Buikwe DLG	Kawolo Hospital	-	-	-	15.7%	Pharmacist
2.	Butambala DLG	Gombe Hospital	-	-	√	43%	Pharmacist and Dispenser
3.	Gomba DLG	Maddu HC IV	-	4	√	42%	Dispenser
4.	Luwero DLG	Luweero Health Center IV	-	2	-	-	-
		Nyimbwa Health Center IV	-	2	-	-	-
5.	Makindye MC	Ndejje HC IV	-	6	-	31%	
6.	Mpigi DLG	Mpigi HC IV	20,889,923	-	√	-	-
7.	Mukono DLG	Kojja HC IV	-	6	-	-	-
8.	Mukono MC	Mukono HC IV	-	5	-	-	-
9.	Nakaseke DLG	Nakaseke Hospital Semuto	-	-	-	23%	Dispenser and Stores Assistant
10.	Nakaseke DLG	Wakyato HC IV	-	-	√	-	-
11.	Wakiso DLG	Entebbe Hospital	-	5	√	26%	Pharmacist
12.	Wakiso DLG	Buwambo HC IV	-	-	√	65%	
13.	Wakiso DLG	Wakiso HC IV	-	-	-	75%	
14.	Bukomansimb	Butenga HC IV	-	2	√		

[2] The Tracer medicines include; Artemether/Lumefantrine,HIV determine Test strips,Malaria RDTs,Oxygen,Blood,Surgical gloves,Oxytocin,Safedelivery kits/mamakits, PGA 2 sutures

	i DLG						
15.	Kiboga DLG	Kiboga Hospital	-	6		48%	
16.	Kiboga DLG	Bukomero Health Centre IV	-	6		87%	
17.	Kalungu DLG	Bukullula HC IV	-		√		
18.	Lwengo DLG	Kyazanga HC IV	16,336,878				
19.	Masaka DLG	Kyanamukaka HC IV	-			26.1%	
20.	Mityana DLG	Mityana Hospital	60,388,169			21.9%	
21.	Mityana DLG	Sekanyonyi HC IV	-			43.1%	
22.	Mityana DLG	Mwera HC IV	-			50.9%	
23.	Mityana DLG	KYANTUNGO HC IV	-			37.7%	
24.	Mubende RRH	Mubende RRH	-	2		31%	
25.	Rakai DLG	Kalisizo Hospital	-			80%	
26.	Rukungiri DLG		-	3	√	12.5%	2
27.	Ibanda DLG	Ishongororo	-	10	√	27.1%	3
28.	Ibanda MC	Ruhoko	-	3			
29.	Rubanda DLG	Muko and Hamurwa	-	1		42.2%	
30.		Hamurwa	-	2		22.9%	
31.	Isingiro DLG	Kabuyanda	634,939,768	8			
32.	Kiruhura DLG	Kazo & Kiruhura	57,917,318	5	√	26%	
33.	Kanungu DLG	Kambuga Hospital and Kanungu	-			33%	
34.	Mbarara DLG	Buzibwera and Bugamba	47,347,391	4		40%	1
35.	Rukungiri MC	Rukungiri	-	3		45.8%	2
36.	Ruibirirzi DLG	Lugazi	103,124,212	10			
37.	Bushenyi-Ishaka MC	Bushenyi-Ishaka	4,564,401	1			
38.	Mbarara MC	Municipal Council	-	2		38%	2
39.	Sheema DLG	Kitagata Hospital and Shuuku	-	7	√		
		Kyabugimbi	17,525,018	5			
40.	Ntungamo DLG	Itojo Hospital	956,441,545	8		27%	
41.	Mitooma DLG	Mitooma		4			

			69,015,507				
42.	Abim DLG	Abim Hospital	27,267,346	6	√	46%	1
43.	Soroti MC	Princess Diana HC IV	2,434,083	5	√	33%	4
44.	Kaabong DLG	Kaabong Hospital & Karenga HC IV	141,880,123	6	√	38%	3
45.	Kaberamaido DLG	Kaberamaido HC IV	-	6	0	0	0
46.	Katakwi DLG	Katakwi Hospital	43,425,258	5	√	70%	1
47.	Kumi DLG	Atutur Hospital	-	8	√	46%	3
48.	Kumi MC	Kumi HC IV	20,614,807	4	√	0	0
49.	Nakapiripirit DLG	Tokora HC IV	-	5	√	0	0
50.	Ngora DLG	Ngora HC IV	-	8	√	40%	2
51.	Serere DLG	Serere HC IV	46,167,690	4	√	0	0
52.	Soroti DLG	Tiriri HC IV	-	3	√	0	0
53.	Bugiri DLG	Bugiri Hospital and Nankoma HC IV	273,707,703	-	-	-	-
54.	Buyende DLG	Kidera HC IV	19,005,372	2	√	-	-
55.	Iganga DLG	Iganga Hospital	-	4	-	9%	-
56.	Jinja DLG	Bugembe HC IV	-	7	√	-	-
57.	Kaliro DLG	Bumanya HC IV	-	8	-	-	-
58.	Kayunga DLG	Kayunga Hospital	10,748,072	6	√	-	-
59.	Luuka DLG	Kiyunga HC IV	7,700,324	-	-	27%	Dispenser
60.	Mayuge DLG	Kiterera HC IV	-	3	-	20%	Pharmacist
61.	Mayuge DLG	Kigandalo HC IV	-	-	-	77.3%	-
62.	Namutumba DLG	Nsinze HC IV	190,534,202	1	-	29%	Dispenser
63.	Bundibugyo DA	Bundibugyo DLG Hospital	-	3		37%	Pharmacists
		Nyahuka HC IV	-			40%	Pharmacist
		Kikyo HC IV	-			55%	Pharmacist
64.	Hoima DA	Hoima Regional Referral Hospital	1,069,882,533	8		24%	

65.	Kabarole DA	Bukuku HC IV	-	6			
66.	Kagadi DA	Kagadi DLG Hospital	-			28%	Pharmacist, Dispenser
67.	Kasese DA	Bwera Hospital	-			13%	Pharmacist
68.	Kyegegwa DA	Kyegegwa Health Centre IV	-	3	√		
69.	Kyenjojo DA	Kyenjojo DLG Hospital	10,503,946		√	41%	Pharmacist, Dispenser, Stores Assistant
70.	Ntoroko DA	Karugutu HC IV	29,533,853	8			
71.	Kakumiro DA	Kakumiro HC IV	-		√		
72.	Manafwa DLG	Bugobero HC IV	4,361,556	1		33%	Dispenser
73.	Butaleja DLG	Busolwe	-	2	√		
74.	Kibuku DLG	Kibuku	-	1		30%	
75.	Sironko DLG	Budadari	-	2			
76.	Bukwo DLG	Bukwo	27,644,813				
77.	Bududa DLG	Bududa	-	2			
78.	Mbale DLG	Busiu	-	2	√		
79.	Tororo DLG	Tororo	1,901,426	2			
80.	Busia MC	Busia	-	2		37%	
81.	Mbale RRH	Mbale	-		√	21%	
82.	Kween DLG	Kaproron	-	2	√		
83.	Mbale MC	Namatala	-	2	√		
84.	Tororo MC	Tororo	-	2			
85.	Bulambuli DLG	Muyembe	-	2			
86.	Budaka DLG	Budaka	-	1		33%	
87.	Busia DLG	Masafu	-			49%	
88.	Alebtong DLG	Alebtong HC IV	3,420,800	6	0	0	0
89.	Amolatar DLG	Amolatar HC IV	-	0	√	0	0
90.	Apac DLG	Aduku HC IV	84,638,030	0	0	0	0
91.	Dokolo DLG	Dokolo HC IV	52,743,095	6	0	0	0
92.	Gulu DLG	Amach HC IV	-	9	0	0	0
93.	Kitgum DLG	Kitgum Hospital	-	3	0	23%	2
94.	Kitgum DLG	Namokora HC IV	-	0	0	52%	0
95.	kole DLG	Aboke HC IV	45,546,531	3	√	27%	0
96.	Lamwo DLG	Padibe HC IV	-	5	√	0%	0

97.	Lira DLG	Amach HC IV	-	4	√	17%	3
98.	Otuke DLG	Orum HC IV	7,864,288	4	0	0	0
99.	Oyam DLG	Anyeke HC IV	-	0	√	0	0
100.	Pader DLG	Pajule HC IV	68,908,286	5	√	0	0
101.	Nwoya DLG	Anaka Hospital	161,676,689	3	√	51%	2
102.	Arua DLG	Oyima HCIII	7,264,668	0	0	0	0
103.		Adumi HC IV	-	3	0	0	0
104.	Koboko DLG	Koboko Hospital	-	8	0	66%	1
		Lobule HCIII	-	8	0	0	0
		Dranya HCIII	-	8	0	0	0
105.	Maracha DLG	Ovujo HCIII	177,490,771	7	0	36%	0
106.	Moyo DLG	Moyo General Hospital	-	5	0	0	0
107.	Nebbi DLG	Nebbi Hospital	-	4	0	21%	0
		Pakwach HCIV	-	4	0	0	0
108.	Yumbe DLG	Yumbe General Hospital	-	8	0	0	0
109.	Zombo DLG	Warr HCIII and Zeu HCIII	-	7	0	0	0
TOTAL			**4,525,356,395**	110			

2. INADEQUATE CONTROLS SURROUNDING MANAGEMENT OF DOMESTIC ARREARS

No.	**ENTITY**	**DOMESTIC ARREARS BALANCE FOR THE YEAR**	**UNRECOGNISED ARREARS PAID DURING THE YEAR**	**UNBUDGETED ARREARS PAID DURING THE YEAR**
1.	Busia DLG	2,248,212,978	-	-
2.	Busia MC	12,909,924	-	-
3.	Butaleja DLG	0	32,786,664	-
4.	Kapchorwa DLG	399,864,545	-	399,864,545
5.	Kapchorwa MC	75,450,936	-	-
6.	Kibuku DLG	166,035,306	-	-
7.	Manafwa DLG	3,535,499,466	-	-

8.	Mbale DLG	520,513,012	-	-
9.	Sironko DLG	1,088,517,951	-	-
10.	Bugiri DLG	472,897,212	-	-
11.	Iganga DLG	1,754,025,108	-	-
12.	Iganga MC	362,088,016	-	-
13.	Jinja DLG	1,179,985,159	-	-
14.	Jinja MC	376,576,561	-	-
15.	Kaliro DLG	1,297,214,918	-	-
16.	Luuka DLG	1,139,555,138	-	-
17.	Namutumba DLG	1,060,354,736	-	-
18.	Lugazi MC	118,075,445	-	-
19.	Soroti DLG	1,388,676,423	-	-
20.	Soroti MC	663,350,553	-	-
21.	Napak DLG	711,502,659	-	-
22.	Serere DLG	727,925,247	-	-
23.	Buikwe DLG	146,911,840	-	-
24.	Butambala DLG	909,238,956	-	-
25.	Luwero DLG	2,154,095,074	-	-
26.	Mukono DLG	987,340,720	-	-
27.	Nakaseke DLG	174,094,145	-	-
28.	Nakasongola DLG	263,343,887	-	-
29.	Wakiso DLG	1,657,714,141	-	-
30.	Makindye Ssabagabo MC	0	-	15,143,966
31.	Ibanda MC	34,152,922	-	-
32.	Isingiro DLG	310,245,152	-	-
33.	Kabale DLG	2,814,275,382	-	-
34.	Kabale MC	217,635,286	-	-
35.	Kanungu DLG	62,796,677	-	-
36.	Kiruhura DLG	545,078,155	-	-
37.	Kisoro DLG	2,367,937,097	-	-
38.	Mbarara DLG	65,475,245	-	-
39.	Ntungamo DLG	3,007,155,358	-	-
40.	Ntungamo MC	66,328,080	-	-
41.	Rukungiri MC	240,895,862	-	-
42.	Mukono DLG	987,340,720	-	-

43.	Kalungu DLG	557,478,584	-	-
44.	BUNDIBUGYO DLG	589,323,051	-	-
45.	HOIMA DLG	588,646,718	-	-
46.	KASESE MC	192,318,955	-	-
47.	KIRYANDONGO DLG	41,742,356	-	253,364,334
48.	KOBOKO DLG	530,851,915		
49.	ZOMBO DLG	318,936,847	12,158,657	
50.	Agago DLG	435,001,603		
51.	Alebtong DLG	351,230,798		
52.	Amolatar DLG	210,020,158		
53.	Amuru DLG	536,036,245		
54.	Apac DLG	1,333,654,004		
55.	Dokolo DLG	64,281,436		
56.	Gulu DLG	637,295,489		355,040,196
57.	Gulu MC	106,391,657		
58.	Kole DLG	391,567,684		
59.	Lamwo DLG	1,967,847,777		
60.	Lira MC	25,492,338		
61.	Otuke DLG	477,490,056		
62.	Total	45,666,893,663	44,945,321	1,403,074,697

3. CENTRAL GOVERNMENT GRANTS SHORTFALL

	BUDGET PERFORMANCE				
S/N	**ENTITY**	**REVISED/APPROVED BUDGET**	**ACTUAL RELEASES**	**SHORTFALL**	**%age SHORTFALL**
1	Gulu MC	60,235,565,542	36,446,256,095	23,446,256,095	39%
2	Buikwe DLG	33,572,801,470	24,024,215,637	9,548,585,833	28%
3	Wakiso DLG	64,987,545,689	55,489,672,941	9,497,872,748	15%
4	Mbale MC	20,571,821,976	12,901,255,262	7,670,566,714	37%
5	Oyam DLG	34,448,416,584	27,584,231,724	6,864,184,860	20%
6	Abim DLG	18,454,813,000	11,617,763,858	6,837,049,142	37%
7	Fort Portal MC	13,100,106,924	7,389,698,306	5,710,408,618	44%
8	Entebbe MC	18,052,571,161	13,471,492,611	4,581,078,550	25%

9	Bushenyi DLG	26,382,753,418	22,439,170,269	3,943,583,149	15%
10	Rakai DLG	47,245,310,449	43,722,141,569	3,523,168,880	7%
11	Pader DLG	22,473,421,664	19,049,386,879	3,424,034,785	15%
12	Isingiro DLG	26,716,311,000	23,395,960,143	3,320,850,857	12%
13	Kotido DLG	11,409,087,000	8,218,102,424	3,190,984,576	28%
14	Sheema DLG	19,742,865,532	16,671,869,746	3,070,995,786	16%
15	Lira DLG	32,464,933,000	29,585,065,357	2,879,867,643	9%
16	Kitgum DLG	25,823,042,361	22,996,291,877	2,831,915,672	11%
17	Kumi DLG	21,169,478,145	18,430,973,478	2,738,504,667	13%
18	Nakasongola DLG	21,711,530,880	19,284,275,290	2,427,255,590	11%
19	Luwero DLG	44,129,978,471	41,873,213,040	2,256,765,431	5%
20	Nakaseke DLG	22,981,138,442	20,754,752,413	2,226,386,029	10%
21	Moroto MC	3,981,177,828	1,828,469,037	2,152,708,791	54%
22	Mpigi DLG	22,961,167,490	20,967,224,784	1,993,942,706	9%
23	Kalangala DLG	19,911,268,000	17,946,323,157	1,964,944,843	10%
24	Kamwenge DLG	23,878,586,000	18,835,858,438	1,766,244,280	7%
25	Kibaale DLG	14,803,460,000	13,120,585,206	1,682,874,794	11%
26	Kapchorwa DLG	12,063,237,000	10,418,704,524	1,644,532,476	14%
27	Nansana MC	14,002,596,787	12,405,907,664	1,596,689,123	11%
28	Sembabule DLG	23,170,368,872	21,618,521,786	1,551,847,086	7%
29	Otuke DLG	12,774,293,000	11,276,096,470	1,498,196,530	12%
30	Kira MC	13,937,110,754	12,564,974,045	1,372,136,709	10%
31	Soroti DLG	19,950,700,000	18,584,253,394	1,366,446,606	7%
32	Mayuge DLG	28,015,524,888	26,667,100,650	1,348,424,238	5%
33	Tororo MC	6,911,287,641	5,573,408,170	1,337,879,471	19%
36	Mityana DLG	22,217,042,875		1,091,951,085	5%

			21,125,091,790		
38	Namayingo DLG	14,693,349,000	13,626,383,275	1,066,965,725	7%
39	Kibuku DLG	15,722,537,600	14,720,204,962	1,002,332,638	6%
40	Kumi MC	4,535,114,000	3,573,088,768	962,025,232	21%
41	Katakwi DLG	16,429,471,608	15,515,618,541	913,853,067	6%
43	Kiboga DLG	17,388,429,577	16,589,641,709	798,787,868	5%
49	Moroto DLG	9,977,685,000	9,504,971,358	472,713,642	5%
50	Kamuli MC	4,126,391,926	3,673,741,757	452,650,169	11%
51	Amudat DLG	6,020,863,000	5,572,798,649	448,064,351	7%
52	Buhweju DLG	8,512,832,000	8,111,403,000	401,429,000	5%
62	Adjumani DLG	20,526,900,913	19,131,974,253	1,394,926,660	7%
63	Koboko DLG	11,407,076,719	10,762,317,450	644,759,269	6%
64	Koboko MC	5,546,850,641	4,711,633,015	835,217,626	15%
65	Moyo DLG	18,631,135,079	16,755,374,238	1,875,760,841	10%
66	Nebbi DLG	30,946,298,435	27,540,582,061	3,405,716,374	11%
67	Nebbi MC	5,237,571,365	4,448,714,609	788,856,756	15%
		1,013,953,820,706	**862,516,755,679**	**147,823,193,581**	

4. UNDER COLLECTION OF LOCAL REVENUE

No	Entity	Budget (UGX)	Actual collection (UGX)	Shortfall (UGX)	%age shortfall
1.	Nansana MC	3,055,058,787	2,807,116,440	247,942,347	8%
2.	Kamuli MC	501,819,000	461,003,519	40,815,481	8%
3.	Gulu MC	2,689,550,000	2,426,099,935	263,540,065	10%
4.	Lira DLG	537,854,000	476,418,345	61,435,655	11%
5.	Kabarole DLG	505,019,000	445,664,144	59,354,856	12%
6.	Mityana DLG	290,001,275	254,099,369	35,901,906	12%
7.	Namayingo DLG	130,000,000	113,734,147	16,265,853	13%
8.	Kamwenge DLG	647,755,000	563,773,032	83,981,968	13%
9.	Busia MC	637,454,755	548,569,113	88,885,642	14%

10.	Kotido MC	222,195,000	189,342,803	32,852,197	15%
11.	Entebbe MC	3,130,286,109	2,612,102,835	518,183,274	17%
12.	Budaka DLG	180,000,000	149,645,976	30,354,024	17%
13.	Nakasongola DLG	454,315,000	377,599,737	76,715,263	17%
14.	Serere DLG	324,374,000	268,686,544	55,687,456	17%
15.	Kanungu DLG	471,213,314	375,410,050	95,803,264	20%
16.	Hoima DLG	986,774,000	772,661,059	214,112,941	22%
17.	Kitgum MC	632,953,000	484,684,069	148,268,931	23%
18.	Katakwi DLG	284,300,000	217,434,915	66,865,085	24%
19.	Nakapiripirit DLG	176,944,000	135,063,211	41,880,789	24%
20.	Bukwo DLG	199,775,450	151,216,465	48,558,985	24%
21.	Kumi DLG	442,874,000	332,704,322	110,169,678	25%
22.	Mpigi DLG	419,736,000	298,282,468	121,453,532	29%
23.	Mbarara DLG	1,200,835,670	851,032,437	349,803,233	29%
24.	Wakiso DLG	2,276,486,006	1,573,225,941	703,260,065	31%
25.	Mbale MC	1,347,814,284	921,279,618	426,534,666	32%
26.	Bukedea DLG	174,194,000	118,873,001	55,320,999	32%
27.	Lamwo DLG	127,635,000	85,620,079	42,014,921	33%
28.	Napak DLG	200,000,000	132,835,988	67,164,012	34%
29.	Kiryandongo DLD	264,088,000	174,228,238	89,859,672	34%
30.	Bulambuli DLG	205,450,000	130,198,260	75,251,740	37%
31.	Kiboga DLG	398,421,248	248,444,288	149,976,960	38%
32.	Bududa DLG	241,358,000	150,471,861	90,886,139	38%
33.	Kaberamaido DLG	293,884,113	175,480,362	118,403,751	40%
34.	Buvuma DLG	119,802,000	71,342,385	48,459,615	40%
35.	Kumi MC	687,431,000	402,327,288	285,103,712	41%
36.	Kotido DLG	175,596,000	97,165,324	78,430,676	45%
37.	Moroto DLG	706,768,000	389,181,613	317,586,387	45%
38.	Kiruhura DLG	1,399,167,000	753,655,463	645,511,537	46%
39.	Lugazi MC	1,337,952,018	711,019,097	626,932,921	47%
40.	Mityana MC	772,084,000	386,042,000	386,042,000	50%
41.	Sironko DLG	505,000,000	240,737,812	264,262,188	52%
42.	Dokolo DLG	277,806,350	128,384,234	149,422,116	54%
43.	Mayuge DLG	277,450,000	126,540,585	150,909,415	54%
44.	Sembabule DLG	596,714,000	260,794,235	335,919,765	56%
45.	Njeru MC	2,830,023,000	1,221,535,459	1,608,487,541	57%
46.	Lyantonde DLG	164,727,000	69,984,249	94,742,751	58%
47.	Jinja RRH	290,000,000	115,919,513	174,080,487	60%
48.	Kaabong DLG	338,386,000	130,517,005	207,868,995	61%
49.	Kalangala DLG	904,298,000	344,344,717	559,953,283	62%
50.	Abim DLG	345,934,000	119,244,701	226,689,299	66%

51.	Kamuli DLG	628,756,000	186,937,566	441,818,434	70%
52.	Ngora DLG	361,075,000	106,025,384	255,049,616	71%
53.	Pader DLG	773,129,000	225,243,661	547,885,339	71%
54.	Soroti DLG	1,111,808,000	318,666,670	793,141,330	71%
55.	Isingiro DLG	1,161,023,000	320,021,944	841,001,056	72%
56.	Arua DLG	450,978,133	250,486,486	200,491,647	44%
57.	Moyo DLG	887,436,322	627,554,169	259,882,153	29%
58.	Nebbi MC	554,426,000	369,483,916	184,942,084	33%
59.	Zombo DLG	252,651,000	160,590,986	92,060,014	36%
	T0tal	**41,560,838,834**	**27,156,749,033**	**14,404,179,711**	

5. <u>FUNDS NOT ACCOUNTED FOR</u>

1.	**ENTITY**	**AMOUNT**
2.	Abim District	437, 552,373
3.	Kaabong District	186,706,594
6.	Kotido Municipal	60,645,500
7.	Napak District	76,732,264
8.	Manafwa DLG	77,983,700
9.	Mbale DLG	78,061,875
10.	Mbale MC	145,455,416
11.	Sironko DLG	12,517,500
12.	Agago DLG	86,923,474
13.	Alebtong DLG	39,503,500
14.	Amolatar DLG	45,166,749
15.	Amuru DLG	59,520,494
16.	Apac DLG	39,498,500
17.	Apac MC	3,176,000
18.	Dokolo DLG	35,122,774
19.	Gulu DLG	101,215,454
20.	Kitgum MC	15,072,100
21.	Kole DLG	71,455,620
22.	Lamwo DLG	55,877,400
23.	Lira MC	25,486,400
24.	Otuke DLG	25,888,073
25.	Oyam DLG	77,678,610
26.	Pader DLG	67,815,782
	Total	**1,387,503,779**

6. LACK OF LAND TITLES, LOW ABSORPTION, RECEIVABLES AND UNDERSTAFFING

Entity	Land Management		Understaffing (%)	Unspent balances (UGX.)	Receivables (UGX)
	Lack of titles	Encroachment		-	-
Buikwe DLG		√		-	-
Buvuma DLG			44%	-	-
Butambala DLG	√		32%	-	-
Gomba DLG		√	30%	-	-
Luwero DLG				-	-
Mpigi DLG			7%	-	-
Mukono DLG		√		-	418,865,491
Mukono MC				-	-
Nakaseke DLG			23.6	-	-
Nakasongola DLG			30	-	-
Wakiso DLG				-	-
Entebbe MC				4,898,590,269	1,175,588,738
Kira MC			73	-	-
Nansana MC	√		30	-	-
Makidye-Ssabagabo MC	√	√	80	-	-
Bukomansimbi DLG			55%	-	-
Sembabule DLG	√		40%	-	-
Kalangala DLG			24%	-	-
Kalungu DLG			44.80%	-	-
Lyantonde DLG	√	√	32.20%	-	-
Masaka DLG		√	26.10%	-	-
Mityana DLG	√		39%	-	-
Mityana MC	√		67%	-	-
Mubende MC			77%	-	-
Buhweju DLG		√	46%	-	-
Kisoro DLG	√	√	31%	-	-
IbanDLG DLG	√		72%	-	-
RubanDLG DLG			83%	-	-
Isingiro DLG	√			-	-
Kiruhura DLG	√		58%	-	-
Kanungu DLG	√		47%	269,210,602	-
Mbarara DLG	√		49%	-	-
Rubirizi DLG	√		53%	-	-
Kabale DLG			38.3%	-	-
Sheema DLG	√		46%	36,897,299	-
Bushenyi DLG			25%	-	-
Ntungamo DLG	√		65%	-	-
Mitooma DLG	√		40%	-	-
Kisoro MC			33%	-	-
IbanDLG MC			72%	-	-
Sheema MC	√		42%	-	-

Entity	Land Management		Understaffing (%)	Unspent balances (UGX.)	Receivables (UGX)
Rukungiri MC	√		48%	248,374,711	-
Bushenyi/Ishaka MC	√		64%	-	36,960,050
Mbarara MC	√			-	-
Ntungamo MC	√		52%	-	-
Abim DLG	√	√	-	248,374,711	-
AmuDLGt DLG	-	-	62%	-	-
Amuria DLG	-	-	56%	348,088,475	
Bukedea DLG	-	-	55%	-	-
Kaabong DLG	√	√	-	312,093,103	-
Kaberamaido DLG	-	-	56%	-	-
Katakwi DLG	-	-	70%	276,896,149	-
Kotido DLG	-	-	41%	499,590,406	-
Kotido MC	√	-	76%	-	-
Kumi DLG	√	-	46%	571,909,962	436,041,098
Kumi MC	√	-	-	-	151,509,922
Moroto DLG	-	-	26%	659,195,507	-
Moroto MC	-	-	69%	-	110,839,074
Napak DLG	√	-	43%	72,733,073	-
Ngora DLG	-	-	-	311,954,562	-
Soroti DLG	√	-	26%	601,125,556	-
Soroti MC	-	-	18%	-	-
Adjumani DLG	√	-	0	-	-
Arua DLG	-	-	55%	-	-
Koboko DLG	-	-	66%	-	-
Koboko MC	-	-	0	-	-
Maracha DLG	√	-	13%	-	-
Moyo DLG	-	√	29%	-	-
Nebbi DLG	-	-	57%	-	-
Nebbi MC	√	-	47%	-	-
Yumbe DLG	-	-	34%	-	-
Zombo DLG	-	-	0	-	-
Bugiri MC	√	-	56%	-	-
Iganga DLG	√	-	-	-	-
Iganga MC	√	-	-	-	-
Jinja MC	√	-	-	-	3,763,911,335
Kaliro DLG	√	-	-	-	-
Kamuli MC	√	-	-	-	-
Kayunga DLG	√	-	26.3%	-	-
Lugazi MC	√	-	69%	-	-

Entity	Land Management		Understaffing (%)	Unspent balances (UGX.)	Receivables (UGX)
Luuka DLG	-	-	9%	-	-
Mayuge DLG	√	-	27%	-	-
Namayingo DLG	√	-	-	-	-
Namutumba DLG	-	-	27%	-	-
Njeru MC	√	-		-	-
Manafwa DLG			0.33%	-	-
Butaleja DLG	√		25%	-	-
Kapchorwa DLG				-	-
Kibuku DLG	√		30%	-	-
Sironko DLG				-	-
Kapchorwa MC			0.77%	-	-
Bukwo DLG			25%	-	-
Bududa DLG			29%	-	-
Mbale DLG				-	-
Tororo DLG			22%	-	-
Busia MC	√		30%	-	-
Mbale RRH	√		21%	-	-
Pallisa DLG	√		22%	-	-
Kween DLG			41%	-	-
Mbale MC				-	-
Tororo MC			40%	-	-
Bulambuli			20%	-	-
Budaka DLG			17%	-	-
Busaia DLG			49%		-
Arua MC				7,343,068,033	-
Hoima DA	√			-	
Kakumiro DA	√		0.65%	-	
Kyegegwa DA				-	
Fortportal RRH			0.27%	-	
Hoima RRH			0.24%	-	
Kasese MC			0.49%	-	
Kiryandongo DA			0.26%	-	
Buliisa DLG				150,000,000	
Fort Portal MC				5,219,877,037	
Masindi DLG	√			259,464,366	
Total				**22,327,744,821**	**6,093,715,708**

ANNEXURE 1: GOVERNMENT MINISTRIES, DEPARTMENTS AND AGENCIES (MDAS)

1.1 Unqualified Reports

S/No	Entity	Key Audit Matter/ Emphasis of Matter/ Other Matters
SECURITY SECTOR		
1.	Ministry of Defense and Veteran Affairs	• Inadequate Controls Surrounding Management of Domestic Arrears • Irregular payment of rental dues • Un disclosed Non Tax Revenue • Institutional arrangements of Ministry of Defence and Veterans Affairs • Delays in acquiring Land Tittles • Land occupied by MOD with claims from individuals not yet settled • Undeveloped land • Lower Katabi Land • Reallocation of Air Force Senior Secondary School (ASSS) Katabi • Construction of Nakasongola Airforce Flats Project • Under funding of deme repair Workshop in Magamaga
2.	State House	• Failure to write off unrecoverable receivables
3.	Office of the President	• Budget implementation • Increased maintenance costs of RDC Motor Vehicles • Land Matters • Construction of residential hall at National Leadership Institute Kyankwanzi (NALI)
PUBLIC SECTOR MANAGEMENT SECTOR		
4.	Community Agricultural Infrastructure Improvement Programme-Project III (CAIIP III) ADB	• VAT payable on ADB civil works • Shortfall in Government of Uganda (GoU) counterpart funding • Diversion of GoU counterpart funding • Performance as per the logical framework
5.	Community Agricultural Infrastructure Improvement Programme-Project III (CAIIP III) IDB	• VAT payable on Civil Works • Low budget absorption • Performance against the logical framework
6.	Urban Markets And Marketing Development Of Agricultural Products	• Value Added tax (VAT) payable- 7,435,110,045 • Budget Performance-BADEA Loan • Shortfall in Government of Uganda (GoU) counter-part funding-UGX.1,746,458,558

	Project (UMMDAP)	• Performance as per the logical framework • Diversion of Funds-UGX.173,931,000
7.	Project for The Restoration Of Livelihoods In The Northern Region (PRELNOR) 2016	• Budget performance- Low budget absorption capacity
8.	Project for the Restoration Of Livelihoods In The Northern Region (PRELNOR) 2017	• Budget performance- Low budget absorption capacity • Diversion of GOU counterpart funding contribution • Shortfall of Government Counterpart funding • Use of IFAD funds for payment of VAT taxes • Project performance against the Logical framework
9.	District Livelihoods Support Programme (DLSP)	• Outstanding liabilities UGX. 1,144,109,411 • Failure to transfer bank balances to IFAD • Performance against the logical framework
10.	Office of the Prime Minister	• Outstanding Domestic Arrears • Failure to Implement Budget as approved by Parliament • Budgeting for Item code 221006 (Commissions and related charges) – UGX.1,400,000,000 • Mischarge of Expenditure UGX. 467,849,137 • National policy for Disaster preparedness and Management
11.	Northern Uganda Social Action Fund Project (NUSAF 3)	• Sub projects Grant • Project Performance as per logical framework
12.	Ministry of Public Service	• Inadequate performance of the Integrated Personnel and Payroll System (IPPS) • Decentralization of pension Management • Inadequate Controls Surrounding Management of Domestic Arrears • Failure to Implement Budget as approved by Parliament • Lack of an Approved National Policy and Capacity building frame work
AGRICULTURE SECTOR		
13.	Ministry of Agriculture, Animal Industry and Fisheries	• Inadequate Controls Surrounding Management of Domestic Arrears UGX.27,329,773,534 • Mischarge of Expenditure UGX.375,106,623 • Budgetary shortfall of UGX.29,678,184,167 representing 26% underperformance • The Fall Army Worm (FAW) attack • Inadequate funding to the emergency outbreak of the fall army warm • Lack of facilitation and formalization of the task force • Outstanding Contributions to International Organizations -

		USD.6,793,787 • Single Spine Extension System • Slow Recruitment Process in Local Governments • Inadequate Facilities for Pest control, Seed and Crop Certification • Inadequate facilities at the Pest & disease diagnostic laboratory-Post-entry quarantine station, Namalere • Management of Fishing Activities • Defunct Status of the Beach Management Units (BMUs) • Inadequate monitoring by the fisheries protection force • Tick Resistance to acaricides and Foot and Mouth Disease • Encroachment on Bukalasa Agricultural College Land
14.	Agricultural Technology Agribusiness Advisory Services – MAAIF Project	• Budget Performance • Performance at the centre; UGX.39.791bn was spent leaving UGX.33.996bn unutilised representing a low absorption capacity of 46.1%. • Performance of and release of funds to the ZARDI stations; UGX.9.181bn was utilized representing 48% under absorption. • Inadequate Implementation of Sustainable Land Management Practices • Inadequate counterpart funding-UGX.272,299,999 • Advances to Personal Accounts UGX.4,415,668,747
15.	Uganda Multi-Sectoral Food Security Nutrition Project.	• Budget shortfall and Low absorption Capacity; budgetary shortfall of UGX.24,392,248,035 representing 52% underfunding • Delays in Project Implementation
16.	Regional Pastoral livelihoods Resilience Project	• Delayed project implementation • Budget underperformance -UGX. 448,460,396 was utilized leaving a balance of UGX. 2,862,052,119 unutilized reflecting 86% under-performance. • Non-Participation of Steering Committees in the budget process
17.	Vegetable Oil Development Project Phase two (VODP2)	• Budget shortfall; UGX.55,711,402,062 was received causing a budgetary shortfall of UGX.4,274,590,017 representing 7.1% of the budget. • Status of acquired Land for the nucleus estate in Buvuma • Failure by the Project Steering Committee to meet
WORKS SECTOR		
18.	Ministry of Works and Transport	• Inadequate Controls Surrounding Management of Domestic Arrears • Standard Gauge Railway-Land acquisition • Slow progress on Land acquisition under the standard gauge • Land encroachment along the SGR line • Failure to Implement Budget as approved by Parliament • Nugatory Expenditure on Interest Payment • Irregular collection and expenditure of revenue at source-UGX.3,2 Billion • Construction of 14 bridges in Northern Uganda - delayed works and low projects funds absorption

		• High Rental charges on the Computerized Driving Permits (CDP) Project • Execution of Contract for Mandatory Motor Vehicle Inspection • Delayed contract execution • Invalid Performance security • Mischarge of Expenditure UGX.825,990,506 • Road Crash Database system • Lack of funds to complete and operationalize the RCDS • Likelihood of loss of funds • Unutilized equipment in store – USD.298,072.
ACCOUNTABILITY SECTOR		
19.	Directorate of Ethics & Integrity	• Lack of Tenancy Agreement – UGX.280,802,254 • Implementation of non-planned activities – UGX.200,000,000 • Failure to Implement Budget as approved by Parliament • Understaffing
20.	Ministry of Finance Planning & Economic Development	• Inadequate Controls Surrounding Management of Domestic Arrears • Failure to Implement Budget as approved by Parliament • Underfunding of government projects • Review of Public Private Partnerships (PPP) unit • Failure to competitively recruit staff • Failure to prepare monitoring framework reports • Performance of Concessions and Private Public Partnerships • Kilembe Mines Limited concession with Tibet-Hima Mining Company Ltd • Uganda Railways Corporation Concession with Rift Valley Railways Uganda Ltd • Unrecognized PPPs • Review of investment incentives • Un-budgeted for incentive and unpaid penalties on statutory obligation of a textile company • Un-authorized tax incentives an industrial park development company • Ineligible tax payments • Payment for taxes not budgeted for UGX.60.065bn • Nugatory expenditure UGX.469,543,801 • Irregular payment of Stamp Duty of UGX.29, 551,909,324 • Budgeting for Privatization Unit funds • Review of activities of National Lotteries Board (NLB) • Failure to implement the approved structure of National Lotteries Board (NLB) • Unreconciled revenue collection and reporting • Failure to enforce terms in the revenue collection agreement • POPSEC • Inability to monitor and mentor Municipalities • Monthly Retainer Allowance for fulltime Board Members
21.	Project For Financial Inclusion In Rural	• Performance of contracted service providers under sub component 2.1-Establishment of new Community Savings and Credit Groups (CSCGs)

	Areas (PROFIRA)	• Safety of CSCGs accumulated savings • Performance of contracted service providers under sub component 1.1-SACCO strengthening • Inconsistency of data in the Management Information System (MIS)
22.	Financial Management and Accountability Programme (FINMAP III)	• Delayed Contract Execution • Introduction of an Evaluation criteria at post qualification • Delays in the procurement process
23.	Competitiveness and Enterprise Development Project (CEDP) - component 2-5 (IDA credit agreement CR 52690-UG)	• Delayed enactment of legislation to improve business • Inadequate capacity of agencies to implement project activities
TRADE SECTOR		
24.	Ministry of Trade, Industry and Cooperatives	• Inadequate Controls Surrounding Management of Domestic Arrears • Budget performance • Mischarge of Expenditure – UGX 62,928,659
25.	Trade Capacity Enhancement Project (TRACE II)	• Under Absorption of Funds – USD.73,980 or UGX.260,187,660
26.	District Commercial Services Support Project (DICOSS)	• Failure to implement planned project activities • Mischarge of expenditure - UGX. 28,348,884
JUSTICE LAW AND ORDER SECTOR		
27.	Ministry of Justice and Constitutional Affairs	• Sundry Creditors worth UGX. 685,934,602,802 • Contingent Liabilities and guarantees worth UGX.6,239,060,346,107 • Accumulated Arrears of Revenues worth UGX.20,609,131,791 • Failure to Implement Budget as approved by Parliament
28.	Alternative Dispute Resolution	• No issues of high significance
29.	Judiciary Department	• Inadequate Controls Surrounding Management of Domestic Arrears • Delayed payment of Pension Liability worth UGX.1,539,195,321 • Increase in case backlogs • Irregular banking of Bail Deposits worth UGX.75,495,000 on Consolidated Fund • Lack of Guidelines for expenditure on State Briefs and failure to account for funds paid

		• Failure to Implement Budget as approved by Parliament • Staffing Gaps
30.	Judiciary UGOGO	• No issues of high significance
31.	Office of the Directorate of Public Prosecution	• Failure to Implement Budget as approved by Parliament • Case backlogs • slow roll-out/expansion of Procurement of Prosecution Case Management Information System (PROCAMIS) to DPP up-country stations
32.	JLOS/SWAP Programme	• Shortfall in Project planned revenue of UGX.6,053,467,456 • Increase in case backlog in the Judiciary • Abandoned JLOS Community Centre at Lamwo
33.	Uganda Police Force	• Outstanding Revenue from Express Penalty Scheme (EPS) fines worth UGX. 52,685,427,000 • Unascertained Revenue from Express Penalties Scheme (EPS) • Outstanding Domestic arrears worth UGX. 51,938,968,158 • Non Implementation of planned activities • Non-involvement of PDU in the procurement of rented accommodation for the various police stations worth UGX. 2,095,498,825 • 8,024 Pending Criminal cases • Inadequate staff accommodation for 26,350 officers • Encroachment on police land by private developers in various police stations • Under staffing by 28,791 posts (representing 33.8%) • Un-surveyed police land in 556 police stations
34.	Uganda Prisons Services	• Outstanding Domestic arrears worth UGX. 65,727,136,765 • Under Budget Provision for Domestic Arrears • Unbudgeted for arrears paid during the year worth UGX. 26, 968,199,458 • Irregular Accumulation of Domestic Arrears during the year worth UGX. 47,106,054,006 • Non Implementation of planned activities • Unauthorized excess expenditure by UGX. 17,951183,749 • Inadequate staffing leading to high prisoner-staff ratios • Inadequate staff accommodation for 1,752 officers • Congestion in prison cells • Prisoners on remand for more than two years
35.	Centre for Disease Control and Prevention (CDC)	• No issues of high significance
36.	Ministry of Internal affairs	• Outstanding Domestic arrears worth UGX. 1,977,895,227 • Under Budgeting for Domestic Arrears by UGX. 1,405,804,227 • Revenue Shortfall by UGX 1,061,272,740 representing 7.2% shortfall • Outstanding property rates of UGX.84,310,739 • Under staffing in the Directorate of Community Services • Unclear reporting structure of the Police/Prisons Authority

37.	Directorate of Citizenship and Immigration Control	• Outstanding Domestic arrears worth UGX. 6,133,248,212 • Under Budgeting for Domestic Arrears by UGX. 5,333,248,212 • Unbudgeted for arrears paid during the year worth UGX. 1,757,299,231 • Outstanding rent arrears for CAA and interest thereon and lack of tenancy agreement worth for outstanding rent of UGX.1,256,043,515 • Failure to implement budgeted activities as approved by Parliament • Shortage of passports/delay in delivery • Expired Board • Inadequate office accommodation/congestion at the head office • Unutilized building at Atyak/Elegu Border post • Inadequate facilities at Entebbe Immigration Office • Inadequate staff accommodation at border posts
38.	Directorate of Government Analytical Laboratory	• Non implementation of planned activities • Revenue shortfall by UGX 189,593,934 (3.6%). • Case back logs of 5556 cases • Non operation of regional centres of Mbale and Gulu with no means of transport, no equipment and no internet services among others
EDUCATION SECTOR		
39.	Busitema University	• Long Outstanding Receivables • Parallel Students Accounts Systems • Non implementation of planned activities • Inadequate Funding for Research
40.	Gulu University	• Inadequate Controls Surrounding Management of Domestic Arrears • Untitled And Undeveloped University Land
41.	Kabale University	• Inadequate University infrastructure • Inadequate budget provision for the library
42.	Muni University	• Inadequate Controls Surrounding Management of Domestic Arrears • Non implementation of planned activities
43.	Mbarara University Of Science And Technology	• Mischarge of Expenditure • Student Debtors • Understaffing of key positions
44.	Uganda Management Institute	• Inadequate Controls Surrounding Management of Domestic Arrears • Outstanding receivables • Unauthorized Excess Expenditure • Wasteful Expenditure
45.	Makerere University Business School	• Inadequate Controls Surrounding Management of Domestic Arrears • Outstanding Receivables

		• Over payment of gratuity • Investments without ownership documents • Encroachment on school land • Construction without KCCA permission • Funds not accounted for • Payment of VAT on Non- Tax Invoices • Irregular recruitment of staff • Sponsored staff without bonding agreements
46.	Soroti University	• Shortfall in capital development funding
47.	Lira University	• Revenue shortfall • Lack of Audit committee
48.	Uganda Skills Development Project (MoES)	• Delayed project implementation • Ineligible expenditure UGX.8,250,000 • Outstanding advances UGX.43,190,806
49.	Skills Development Project-Private Sector Foundation	• Low absorption of funds
50.	Albertine Regional sustainable development Project	• Delayed Project implementation • Low absorption of funds
51.	ADB-V Higher Education Science and Technology (Education V) Project	• Shortfall in releases • Mischarge of expenditure UGX.132,061,689 • Low disbursement of project funds
52.	Uganda Teacher and School Effectiveness Project -IDA	• Low disbursement rate • Low absorption of disbursed project funds • Delayed construction of buildings
53.	UNFPA Funded Programme Components of Reproductive Health, Population & Development, and Gender Implemented	• Un utilised funds • Differences in amount in the FACE and the Independent Partner's (IP) cash book • OFA balance does not agree to the reported cash book balance • Lack of procedures for verification of assets • Late payment of PAYE and NSSF • Delay in submission of FACE forms
54.	Uganda National Education Support Project	• No issue of high significance
ENERGY SECTOR		
55.	Ministry Of Energy And Mineral Development	• Untitled Refinery Land • Uncollected Royalties from Gold Exports. • Default on payment of Annual Mineral Rent fees • Undistributed royalties • Mischarge of Expenditure • Outstanding Advances

		• Shareholding and Management of UEB successor companies • Delay in developing procurement guidelines for oil companies • Non-payment of royalties by a private company. • Delayed completion of Projects
56.	Energy Fund	• Legitimacy of the Energy Fund • Ineffective functioning of the Energy Fund
57.	Energy for Rural Transformation Project Coordination Unit (PCU)	• Shortfall of revenue UGX.2,774,000,000 • Sustainability assessment of ERT investment • ERT-Ministry of health ➢ Dismantled equipment at health centres ➢ Non-functional systems ➢ Failure to re-install solar systems • ERT-Ministry of Water and Environment ➢ Non-functional water schemes-21.6% ➢ Delayed implementation of ERT-III project activities
58.	Rural Electrification Agency	• Unpaid annual lease rentals • Outstanding Advances • Failure to achieve connection targets • Delayed preparation of the service territory master plans • High indebtedness to UETCL by the service providers • Funds budgeted under the Kerosene fund • Diversion of Funds- USD.603,426.04 • Nugatory Expenditure
59.	Energy for Rural Transformation- REA	• Outstanding Compensations for Project Affected Persons • Delayed Arbitration regarding Consumer Awareness Consultancy
60.	Electricity Sector Development Project (MEMD)	• Budget under performance • Failure to fulfil contractual obligations • Funds not accounted for UGX.25,663,956
61.	Strengthening the Management of Oil and Gas in Uganda Programme (SMOGU)	• Revenue shortfall –USD.313,792 • Unspent balance USD.202,343.38
62.	Fuel Marking and Quality Monitoring Programme	• Significant density variations for PMS (Petrol)
63.	Energy for Rural Transformation-III Private Sector Foundation Unit	• Slow progress in implementation of activities
64.	Rural Electricity Access Project	• Utilization of Funds
HEALTH SECTOR		
65.	Butabika National Mental Referral Hospital	• Utilization of Medicines and Medical Supplies • Stores Documentation • Stock-outs of Medicines and medical Supplies

		• Expiry of Tracer Medicines • Staffing Levels • Revenue Shortfall • Continued Encroachment on Hospital land
66.	Fort Portal Regional Referral Hospital	• Undelivered Ambulance • Under Staffing of 27%
67.	Jinja Referral Hospital	• Utilization of Medicines and medical Supplies • Stock out of Essential Medicines • Expiry drugs • Failure to Implement Budget as approved by Parliament • Understaffing
68.	Arua Regional Referral Hospital	• Utilization of Medicines and health Supplies • Stock-outs • Inadequate Controls Surrounding Management of Domestic Arrears • Understaffing • Irregular Spending at Source • Expired term of Hospital Board • Inspections of Hospital Infrastructure
69.	Kabale Regional Referral Hospital	• Utilization of Medicines and Health Supplies • Stock-outs of Medicines and Health Supplies • Expired drugs • Understaffing at the Pharmacy and Stores • Inadequate Controls Surrounding Management of Domestic Arrears
70.	Masaka Regional Referral Hospital	• Utilization of Medicines and health Supplies • Medicines and Health supplies accountability • • Expired medicines • Failure to Implement Budget as approved by Parliament • Understaffing
71.	Mbale Regional Referral Hospital	• Utilization of Medicines and health Supplies • Understaffing • Expired Drugs • State of the Hospital Mortuary • Dilapidated Stores • Lack of Land Titles
72.	Mbarara Regional Referral Hospital	• Utilization of Medicines and Health Supplies • Expired Drugs • Inadequate Controls Surrounding Management of Domestic Arrears • Understaffing • Unauthorized Utilization of Non-Tax Revenue (NTR) • Failure to Implement Budget as approved by Parliament

73.	Mubende Regional Referral Hospital	• Inadequate Controls Surrounding Management of Domestic Arrears • Utilization of Medicines and Health Supplies • Stock-outs • Understaffing
74.	Soroti Regional Referral Hospital	• Utilization of Medicines and Health Supplies • Medicines and Health supplies accountability. • Medicine Stock-outs • Understaffing • Inadequate Controls Surrounding Management of Domestic Arrears • Failure to implement budget as approved by Parliament • Irregular Direct Procurements • Un Remitted PAYE
75.	Hoima-Regional Referral Hospital	• Lack of Medicines and Medical Supplies Accountability • Stock-outs of Medicines and Health Supplies • Under Staffing • Inadequate Controls Surrounding Management of Domestic Arrears
76.	China Uganda Friendship Hospital-Naguru	• Utilization of Medicines and Health Supplies • Stock-outs and Non-delivery of Medicines and medical Supplies • Failure to record dispensed medical supplies • Expiry of Tracer drugs • Non-Tax Revenue (NTR) shortfall • Failure to utilize funds • Lack of a Hospital Management Board • Physical inspection of the Maternity ward
77.	Uganda Health Systems Strengthening Project	• Impairment of the credit US$.4,690,641.94 • Inadequate additional maintenance and operational budgets • Delayed redistribution of medical equipment • Scale down of civil works and the number of facilities for renovation
78.	Uganda Heart Institute	• Utilisation of medicines and health supplies • Condition of the stores for medicine • Expired medicines • Staffing Gaps • Domestic Arrear • Under performance of NTR • Failure to utilise funds
79.	Uganda Cancer Institute	• Utilisation of medicines and medical supplies • Stock-outs and non-delivery of medicines and health supplies • Expired medicines • Staffing Gaps • Revenue shortfall • Delayed constitution of the board

80.	ADB support Uganda Cancer Institute	• Revenue shortfall
81.	Uganda Blood Transfusion	• Failure to achieve targeted quantity of blood units
82.	Mulago National Referral Hospital	• Utilisation of medicines and health supplies • Stores documentation • Stock-outs of medicines and health supplies • Staffing Gaps • Condition of medicine stores • Expiry of tracer medicines • Outstanding receivables • Unbudgeted for settlement of domestic arrears • Land Management
83.	Support to Mulago Hospital Rehabilitation (MKCCAP)	• Under funding
84.	Support to Development of specialised Maternal and Neonatal Health Care Unit in Mulago	• Non-compliance with terms of reference by the consultant • Delay in the procurement process of medical equipment and furniture supplies • Failure by GOU to make its counterpart contributions as per the loan agreement • Engineering audit ➢ Retaining wall for back slope adjacent to blocks A and C ➢ Different contractors at bidding and execution ➢ Variations arising from changes in floor to floor height on four levels without Client's approval USD 224,934.20 ➢ Delay in issuing instructions, drawings and approvals and extension of time ➢ Omission of design review in supervising consultant's terms of reference ➢ Quality of progress reports ➢ Delayed payment of Value Added Tax amounts ➢ Inspection of works ➢ Quantity verification-over payment USD 139,675.90 ➢ Approved key supervising personnel ➢ Absence of the team leader in project supervision
85.	Italian support to HSSP III and PRDP	• Project stalemate
86.	Rehabilitation and construction of general hospitals	• Delayed payments
87.	Centre for Disease Control and Prevention HIV and AIDS grant	• Revenue shortfall
88.	East African Public Health Laboratory	• Shortfall in GOU counterpart funding • Project implementation

	Networking Project	
89.	Uganda Sanitation Fund	• Delayed disbursement of funds
90.	Uganda Reproductive Health Voucher Project	• Over payment to service providers UGX.36,977,150
91.	Uganda Global Fund to fight Aids, Tuberculosis and Malaria Project - Supporting Uganda's Response to HIV/AIDS	• Delayed transfer of disbursed funds from the Holding account to the Component account • Discrepancies in quantity of drugs delivered to health centers • Drug at health centers
92.	The Uganda Global Fund to fight Aids, Tuberculosis and Malaria Project- Strengthening the Health and Community Systems for Quality, Equitable and Timely Service Delivery	• Irregular employment of staff and commitment of salary
93.	Uganda Global Fund to fight Aids, Tuberculosis and Malaria Project - Supporting Uganda's Malaria Reduction Strategy	• Delayed transfer of disbursed funds from the Holding account to the Component account • Discrepancies in quantity of drugs delivered to health centers • Drug at health centers • Unsupported commitments
94.	Uganda Global Fund to fight Aids, Tuberculosis and Malaria Project - Supporting Uganda's Tuberculosis Reduction Strategy	• Lack of sufficient knowledge of the supply chain at the Health facilities • Discrepancies in quantity of drugs delivered to health centers
PUBLIC ADMINISTRATION SECTOR		
95.	Ministry Of East African Community Affairs	• Inadequate Controls Surrounding Management of Domestic Arrears • Mischarge of expenditure
96.	Ministry Of Foreign Affairs	• Inadequate budget provision for domestic arrears • Irregular procurement of air tickets • Mischarge of expenditure
97.	Uganda High Commission, Bujumbura	• Unplanned Procurements

98.	Uganda Embassy Copenhagen	• Failure to Submit Procurement Plans and Reports to PPDA • Assets Management • Land and Building • Storage of old Items • Staffing
99.	Uganda High Commission, Dar Es Salaam	• Budgeting and Budget Performance • Assets Management
100.	Uganda High Commission New Delhi	• Non Compliance with terms and conditions of service of locally recruited staff;
101.	Uganda High Commission, Kigali, Rwanda	• Unauthorised Expenditure- UGX.94,382,736 • Unspent Balances - UGX.161,338,096
102.	Uganda High Commission, Ottawa, Canada	• Unauthorised Expenditure- UGX.585,194,445 • Advance Payment for Consultancy Services • Unspent Balances - UGX.3,261,173,649 • Collection and Remittance of NTR
103.	Uganda High Commission Abuja	• Dormant bank accounts • Un reconciled Non Tax Revenue collections • Transfers of unspent balances to Treasury • Procurement of local currency for operation • Proposed Chancery on Plot 311 Cadastral Street
104.	Uganda Embassy, Ankara	• Irregular allowances • Contributions to the Social Security Scheme of Turkey • Medical Expenses • Shipping of Officers property back to Uganda • Proposed Chancery at Birlik Mahallesi 396. Sokak No.2 Cankaya Ankara Turkey • Mischarges-123,003,869
105.	Uganda embassy Brussels	• Delayed remittance of NTR • Unspent balances UGX.888,944,824 • Empty plot
106.	Uganda embassy Berlin	• Mission charter • Procurement of motor vehicle at EURO 52,055.36
107.	Uganda Embassy In Juba	• Undeveloped Mission land
108.	Uganda High Commission, London	• Unauthorized excess expenditure • Decline in Non-tax revenue(NTR) collections
109.	Uganda High Commission, Nairobi	• Delayed renovation of Uganda House • Legal costs • Unauthorized Expenditure • Unclaimed Value Added Tax (VAT) • Lack of lease titles

110.	Uganda Embassy Riyadh	• Renting of property • Expenditure on Runaway Housemaids
111.	Uganda Embassy Tokyo	• Renting of Property
112.	Uganda Embassy Washington D.C, United States Of America	• Excess Expenditure • Failure to budget for Non Tax Revenue
113.	Ugandan Embassy In Abhu Dhabi	• Unauthorized excess expenditure
114.	Uganda High Commission, Addis ABABA	• Unauthorized expenditure • Slow implementation of land lease agreement
115.	Uganda Mission In Mogadishu	• Unauthorized excess expenditure
116.	Uganda High Commission Pretoria	• Unauthorized Excess Expenditure • Apparent lack of follow up on receivables • Non-disclosure of domestic Arrears • Non budgeting for Non -Tax Revenue (NTR) • Staff accommodation • Non Contribution To Local Provident Fund for Local Staff
117.	Uganda Embassy Khartoum	• No issues of high significance
118.	Uganda Permanent Mission to the United Nations, New York	• No issues of high significance
119.	Uganda Embassy in Kinshasha	• No issues of high significance
120.	Uganda embassy, Beijing	• Non tax revenue (unrecovered advance to staff) • Cash in transit unaccounted for (shs340,510,549) • Loss of visa stickers • Domestic arrears • Payment for education allowance
121.	Uganda Consulate, Guanzhou China	• Unutilized cash balances • Inadequate planning and budgeting • Absence of the contracts committee and PDU
122.	Uganda Embassy, Moscow	• No issue of high significance
123.	Uganda Embassy, Rome	• Overstatement of cash and cash equivalents • Unauthorized excess expenditure • Implementation of the Mission charter
124.	Uganda Consulate, Mombasa	• No issue of high significance

125.	Uganda High commission, Canberra	• Un approved Mission charter • Performance measurement and reporting • Failure to follow PSSO-Education and children allowance • Unclaimed VAT refunds
126.	Uganda Embassy, Geneva	• No issue of high significance
127.	Uganda Embassy, Cairo	• No issue of high significance
128.	Uganda Embassy, Kuala Lumpur	• Lack of mission charter • Un-utilised land offer in Putrajaya • Irregular payment Education and child allowance • Accounting software -errors in data migration • Diversion of capital expenditure • Inadequate NTR controls
129.	Uganda Embassy, Tripoli	• Nugatory Expenditure
TOURISM SECTOR		
130.	Ministry Of Tourism, Wild Life And Antiquities	• Inadequate Controls Surrounding Management of Domestic Arrears • Mischarge of expenditure • Unimplemented activities in the Tourism Development Plan
SOCIAL DEVELOPMENT SECTOR		
131.	Ministry Of Gender, Labour And Social Development	• Inadequate Controls Surrounding Management of Domestic Arrears • Declining revenue performance • Uganda Women Entrepreneurship Programme (UWEP) funding gap • Delayed release of Funds • Staffing Gaps • Inadequate funding of the Youth Livelihood Programme (YLP)
132.	Expanding Social Protection Programme	• Uncollected Grants (SAGE) by the beneficiaries • Registered beneficiaries not yet enrolled with Post Bank Uganda • Management of Transition from MTN to Post Bank Uganda • Advances to Maxwell Stamp PLC by DFID • Submission of bi-monthly payment data analysis reports • Beneficiary complaints related to lack of money on their accounts. • Internal controls at the service organization - PBU • Irregular payments by MTN
WATER AND ENVIRONMENT SECTOR		
133.	Ministry Of Water & Environment	• Inadequate Controls Surrounding Management of Domestic Arrears

		• Failure to pay Value Added Tax • Mischarge of Expenditure • Funding gap • Lack of a Strategic Plan • Staffing Gaps • Under funding of the Piped Water in Rural Areas Project
134.	Farm Income Enhancement and Forestry Conservation Programme-Project II (FIEFOC)	• Budget shortfall UGX. 53,024,514,660 • Outstanding payables UGX.3,878,724,342 and USD.249,191.93 • Low absorption of project funds
135.	Joint Partnership Fund	• Decline in GOU funding • Slow absorption of grant fund • Unbudgeted expenditure • Failure to achieve set golden and platinum indicators
136.	Lake Victoria Environment Management Project-II (LEVMP)	• Revenue shortfall USD.945,576 • Failure to deduct and remit withholding tax UGX.18,756,000 and USD.17,790
137.	Water Supply and Sanitation Programme Phase I	• Long outstanding receivables UGX.36,161,678 • Failure to remit withholding tax UGX.280,619,867 • Irregular payment of taxes from donor funds UGX.114,342,794
138.	Water Supply and Sanitation Programme Phase II	• Failure to remit PAYE and Withholding tax UGX.30,340,740 and UGX.162,358,957 respectively • Irregular payment taxes from donor funds UGX.696,642,366 • Irregular inclusion of factory visit cost in contract price
139.	Technical Assistance Under the Joint Water and Environment Sector Support Programme	• Failure to absorb project funds EUR.487,535 • Delayed submission of Financial statements
140.	Uganda National REDD+ Support Project	• Shortfall in revenue financing USD.763,896.52 • Low grant absorption
141.	Water Management Development Project National(WMDP) Ministry of Water	• Low absorption of project funds (50% utilisation) • Delayed execution of contracts
142.	Additional Funds to Water Supply and Sanitation Programme Phase I under the Joint Water and Environment Sector Support Programme	• Low absorption of project funds UA 3,140,088 • Failure to withhold tax on a paid certificate UGX 47,234,452
143.	Switch Africa Green Project	• Implementation of planned project activities

144.	Multinational Lakes Edward and Albert Integrated Fisheries and Water Resources Management (LEAF II)	• Under absorption of project funds • Inappropriate reporting currency
145.	Investment Plan preparation Grant for the Strategic Plan for Climate Resilience Project	• Under absorption of project funds • Delayed completion and non-implementation of planned activities • Delayed disbursement of project funds
146.	Nyabyeya Forestry College	• Revenue shortfall (35%) • Lack of enabling legislation • Lack of title for the college land • Water shortage in the college • Staffing gabs
LANDS SECTOR		
147.	Ministry of Lands, Housing and Urban Development	• Inadequate Controls Surrounding Management of Domestic Arrears • Delay in processing Land Transactions • Failure to register Public Land and to develop a Cadastral map • Delayed completion of the revision of land policies, laws and regulations • Delay by Ministry of Finance to release funds • Lack of National Land Value Data Bank
148.	Municipal Infrastructure Development project, IDA Credit No.5223 – UG (USMID)	• Funding Gap- UGX.18,240,378,606 (14.7%) • Under-absorption of Funds by the Project Management Unit • Under-absorption of funds by the Municipal Councils (MCs)
149.	Albertine Region Sustainable Development Project	• Low fund absorption rate

1.2 Qualified Reports

	Entity	Basis of Qualification	Key Audit Matters/Emphasis of Matter/Other Matter
PUBLIC SECTOR MANAGEMENT SECTOR			
1.	Ministry of Local Government	• Mischarge of Expenditure	• Outstanding Domestic Arrears • Diversion of project funds • Budget performance • Nugatory Expenditure
2.	Community Agricultural Infrastructure Improvement Programme-Project II(CAIIP II)	• Diversion of GOU counter-part funding	• VAT payable on Civil works • Shortfall of (GOU) Counterpart Funding • Performance as per the logical framework
3.	Markets and Agricultural Trade Improvement Project II (MATIP-II)	• Diversion of GOU counter-part funding	• Non-payment of VAT on market design services • Budget performance-low absorption capacity • Shortfall of (GoU) counterpart funding • Performance as per the Logical Framework
INFORMATION AND COMMUNICATIONS TECHNOLOGY SECTOR			
4.	Ministry of Information Technology And National Guidance	• Unsupported Domestic arrears • Mischarge of expenditure	• Outstanding Domestic Arrears • Budget performance
AGRICULTURE SECTOR			
5.	National Animal Genetic Resource Centre and Data Bank (NAGRC &DB)	• Mischarge of Expenditure – UGX.305,561,786 • Unaccounted for force on account Funds-UGX.322,443,441	• Inadequate Controls Surrounding Management of Domestic Arrears • Budget Performance Budget shortfall of UGX.0.091 billion representing 0.7% underperformance • Encroachment on Farmland • Loss of Livestock through Death and Theft –UGX 290,000,000 • Utilization of Revenue at Source - UGX.35,393,950 • Dilapidated infrastructure at the farms/Ranches

EDUCATION SECTOR			
6.	Ministry Of Education And Sports	•Mischarge of expenditure	• Inadequate Controls Surrounding Management of Domestic Arrears • Revenue shortfall • Non deduction of withholding tax from Suppliers • Irregular payment of VAT to a consultant • Funds not accounted for • Non -compliance with the Solicitor General's guidance
7.	Kyambogo University	• Un authorized Excess Expenditure	• Inadequate Controls Surrounding Management of Domestic Arrears • Outstanding receivables • Un-implemented capital development activities • Management of the University revenue generating assets • Illegal Occupancy of University Land • Lack of distance learning student fees registers
8.	Makerere University	• Mischarge of Expenditure on Domestic Arrears - UGX.10,012,543,167	• Inadequate Controls Surrounding Management of Domestic Arrears • Absence of Council approval for additional funding - UGX.22,123,350,422 • Shortfall in revenue collection • Staffing gaps • Weaknesses in land Management • Budget shortfall for the Presidential Initiative Project • Non refund of project funds by the university - UGX.3,555,066,979 • Project outstanding commitments – UGX.1,507,901,813 • Weaknesses in the University Investments • Advances to personal accounts
9.	Uganda Petroleum Institute-Kigumba	• Lack of Previous Year Comparative Figures	• Revenue shortfall • Unaccounted for Advances • Procurement Irregularities • Land Management
HEALTH SECTOR			
10.	Ministry Of Health	• Mischarge of Expenditure • Unsupported payables	• Inadequate Controls Surrounding Management of Domestic Arrears • Revenue shortfall • Irregular transfer of funds • Incomplete payment vouchers

11.	GAVI, the Vaccine Alliance Cash Grants to Uganda	• Unaccounted for funds amounts totaling USD 8,992	• Lack of work plans and budgets at the district level • Underutilisation of GAVI funds and assets • Possibility of re-using Gavi accountabilities from Districts • No evidence of quarterly progress reports to the GAVI secretariat and MoH • Unmatched refunds • Delayed Communications to Districts regarding Gavi funds transferred • Non-compliance with remittance dates for statutory deductions of NSSF and PAYE
12.	Gulu Regional Referral Hospital	• Unaccounted for Funds- UGX.560,392,600 • Unsupported write off of Payables UGX1,052,921,752	• Medicines and Medical Supplies Accountability • Inadequate Controls Surrounding Management of Domestic Arrears • Mischarged Expenditures • Failure to Implement Budget as approved by Parliament • Non-Maintenance of Basic Stores Records • Management of Non-Tax Revenue (NTR) • Unacknowledged Withholding Tax Remittances • Medical Supplies received in Laboratory but not charged to stores • Lack of Board of Survey Report • Non-functioning equipment
13.	Lira Regional Referral Hospital	• Non Availability of Financial Records UGX.1,557,236,435	• Medicines and Medical Supplies Accountability • Stock-outs of Medicines and Health Supplies • Inadequate Controls Surrounding Management of Domestic Arrears • Failure to Implement Budget as approved by Parliament • Non-Maintenance of Basic Stores Records
14.	Moroto Regional Referral Hospital	• Un Disclosed Cash and Cash Equivalents Balance • Unsupported Gratuity payments • Unaccounted for funds	• Inadequate Controls Surrounding Management of Domestic Arrears • Medicines and Health Supplies Accountability • Stock-outs of Medicines and Health Supplies • Failure to Implement Budget as approved by Parliament •

PUBLIC ADMINISTRATION SECTOR			
15.	Uganda High Commission, Tehran	• Errors/omissions in Financial Statements	• Diversion of Capital Grants • Unauthorized excess expenditure • Lack of tenancy agreements
16.	Uganda Embassy in Paris	• Cash in Transit reported in the Financial Statements • Funds Misappropriated	• No other matter

ANNEXURE 2: COMMISSIONS, STATUTORY AUTHORITIES AND STATE ENTERPRISES

2.1 Unqualified Opinions

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
	HEALTH SECTOR	
1.	Uganda Medical and Dental Practitioners Council	• Staffing gaps
2.	National Medical Stores	• Pending Court Cases • Essential Medicines and Health Supplies Stock Balances • Delayed delivery of items by suppliers • Delayed payments to suppliers
3.	Uganda Nurses and Midwives Council	• Increase in Receivables • Excess Expenditure • Un-updated Fixed Assets Register. • Staffing Gaps.
4.	Joint Clinical Research Centre	• Outstanding Receivables • Long outstanding payables • Sustainability of services • Un-utilized facilities • Undeveloped Land
5.	National Drug Authority	• Pending Law suits • Non-compliance with the National Drug Policy and Authority Act Cap 206 • Irregular Revenue Budgeting • Non Existing Assets • Unplanned procurements
6.	Allied Health Professionals Council	• Staffing gaps • Un-registered laboratories
7.	Health service commission	• Staffing shortages
8.	Uganda Aids commission	• Long Outstanding Payables • Under-absorption of Funds
9.	Uganda Virus Research Institute	• Outstanding commitments • Lack of enabling Legislation • Expired strategic plan • Staffing Gaps • Asset Management • Un titled land • Encroachment on Institute land
10.	Renovation of Kayunga and Yumbe	• Delayed Procurement Process

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
	general Hospitals	• Delayed Implementation of Civil Works
11.	United Nation Population Fund Lot 1	• Insufficient Supporting Documentation UGX.12,254,974 • Non deduction of With Holding Tax(WHT) UGX.3,920,700
	ENERGY SECTOR	
12.	Electricity Regulatory Authority	• Inadequate Monitoring of the annual conversion targets of a Licensee. • Non-compliance with standard connection period
13.	Kilembe Mines	• Outstanding Receivables • Outstanding Payables • Role of the Ministry of Energy and Mineral Development • Failure to appoint a Board Chairperson • Budgeting and operational challenges of KML
14.	Uganda Electricity Transmission Company Limited	• No issue of high significance
15.	Electricity Sector Development Project -Kawanda Masaka (UETCL)	• Budget Underperformance • Failure to fulfill contractual obligations • Funds not accounted for
16.	Mbarara – Nkenda and Tororo – Lira Power Transmission Lines Project(UETCL)	• Long Outstanding Advances • Court Cases relating to Resettlement Action Plan. • Additional standing Time costs.
17.	Nkenda-Hoima Transmission line	• Long outstanding receivables • Delayed construction of overhead transmission lines • Delayed construction of Nkenda-Hoima sub stations • Outstanding compensations to project affected persons (PAPS) • Contract cost escalations
18.	NORAD project of Mirama Hills-Kikagati Nsongezi Transmission Line Study Project	• Basis of accounting and restriction on distribution and use
19.	Nile Equatorial Lakes Subsidiary Action Plan (NELSAP) Project (Uganda Part)	• No issues of high signinficance
20.	Hioma-Kafu Transmission Line feasibility study project	• No issue of high significance
21.	Uganda Clean Cooking Supply Chain Expansion Project implemented by Private Sector Foundation Uganda (PSFU)	• No issue of high significance

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
22.	Atomic Energy Council	• Outstanding receivables • Budget performance • Absence of a portal monitor to detect radiations on imported goods
23.	Energy for Rural Transformation - Uganda Energy Credit Capitalization Company limited	• No issue of high significance
24.	Uganda National Oil Company	• Unpaid Up Share capital • Challenges in disposing of the test crude • Under funding UGX.1,269,286,500
	ACCOUNTABILITY SECTOR	
25.	Public Procurement and Disposal of Assets	• Failure to implement the budget as approved by Parliament
26.	URA-Corporate Services	• Unpaid NSSF Arrears – UGX.5,616,633,919 • Failure to value URA assets • Failure to provide guidance to Ministry of Local Government on withholding tax on donor funded projects • **Engineering Audit (The Construction Of Uganda Revenue Authority Headquarter Building)** ➢ Insufficient funding per Financial year ➢ Incomplete drawings ➢ Unrevised bills of quantities after design review ➢ Expiry of Performance Guarantee ➢ Delayed Advance Payment ➢ Non recovery of advance payment by UGX 315,366,536 ➢ Misleading computation of quantities leading to irregular payments of UGX 822,254,920 ➢ Errors in Price Adjustment Computations ➢ Progress of works –delays ➢ Poor quality works ➢ Quantity verification ➢ Absence of key professional staff on site
27.	URA-Revenue Collection	• Delays in Collecting Outstanding Taxes • Un-Validated Transit Bonds • Under declaration of Income tax Returns • Under declaration of VAT • Non-payment of VAT returns • Award of 6% Exemption status to Ineligible Taxpayers • Failure to collect identified taxes
28.	Financial Intelligence Authority	• Budget performance • Failure to establish electronic Data warehouse

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
		system • Lack of governing regulations to various sectors • Mischarge of expenditure - UGX.42,844,599 • Staffing gaps
29.	Uganda Privatisation & Utility Sector Reform / Privatization Unit– Operations	• Inadequate Controls Surrounding Management of Domestic Arrears • Outstanding commitments for the year • Budgeting of Funds for Privatization Unit
30.	Uganda Privatisation & Utility Sector Reform / Privatization Unit-Divestiture Account	• Budgeting for divestiture Funds
31.	National Planning Authority	• Failure to Implement the Budget as approved by Parliament • Unfunded priority areas - UGX.9.215 billion • Lack of Strategic Plans for MDAs
32.	Capital Markets Authority	• Nil
33.	Pride Microfinance Ltd	• Inadequate review of impairment workings • Duplicate customer savings accounts • Negative balances on fixed deposits and voluntary savings accounts • Lapses in controls over the loan under-writing process • Lapses in the loan file documentation • Single access to the ATM • Single access to the strong room • Amounts held above the insurable limits
34.	Uganda Investment Authority	• Budget performance • Failure to collect revenue from investors • Solid waste Management policy • Undeveloped Land allocated to investors • Inadequate infrastructure services • Lack of lease agreements for land offers • Unspent balance not returned to treasury • Land matters ➢ Failure to collect rent from tenants using government facilities ➢ Lease of Land not owned by UIA • Acquisition of un-surveyed Land
35.	Insurance Regulatory Authority	• Transfer of Capital reserve requirement • Establishment of the Insurance Appeals Tribunal
36.	Uganda National Council for Science and Technology	• Support to Scientists • Diversion of UNCST Funds to MoSTI • Delayed Development of land at Namanve

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
		• Lack of a fully constituted Governing Council • Unbudgeted expenditure – UGX.56,369,858 • Irregular payment of legal fees to a private law firm – UGX.34,680,000
37.	Uganda Property Holdings	• Uncertainty of UPHL business in Kenya • Non-payment of Rent by Occupants • Outstanding Receivables • Outstanding Payables • Unimplemented Activities/Programs-UGX.1.034 bn.
38.	Uganda Development Bank	• Gap between strategic plan objective and achievements • Weaknesses in credit origination and monitoring processes • Other weaknesses in the credit origination and monitoring processes • Lapses in Management of staff loans
39.	Bank of Uganda	• Impairment of amount due from Crane Bank Limited (in receivership) • Impairment of Bank of Uganda's capital • Non-compliance with the Public Procurement and Disposal of Public Assets (Contracts) Regulations 2014 • Expense rationalization
40.	Energy for Rural Transformation-BOU	• No issue of high significance
41.	Agriculture Credit Facility	• Access to finance by SME's and stagnated disbursements to the PFIs • Delinquent loans • Noncompliance with MoU • Loan tracker software/Tool
42.	Microfinance Support Centre	• Failure to adhere to lending policies • Authorizations of bad debts write off • Non-compliance with Islamic Financing • Excess Interest charge on Teachers' Loans
43.	Agricultural Credit Facility	• Access to finance by SME's and stagnated disbursements to the PFIs • Delinquent loans • Noncompliance with MoU • Loan tracker software/Tool
44.	Uganda Free zone Authority	• Lack of a Development Budget • Delayed development of free zones • Incomplete composition of Board • Staffing gaps

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
		• Board remuneration payments – UGX.101,600,000 • Un-implemented procurements - UGX.49,500,000
45.	Post Bank Uganda	• Breaches of the mobile and phone banking platform • Monitoring and performance of project/scheme loans • Marginal ratings by Bank of Uganda • Wrong classification of the group loans in the loan arrears report • Inaccurate interest being charged on the Miracle Motorcycle Loan Scheme
46.	Uganda Seeds	• Minimal payment of Concession fees • Underutilization of Land and other Assets • Lack of Board of Directors • Failure to maintain leased Assets
47.	Uganda Retirement Benefit Regulatory Authority	• Non Remittance of NTR to the Consolidated Fund • Lack of regulation on Deposit Administration Plans • Budget performance • Staffing Gaps
48.	Treasury Operations	• Unrecognized government investments initiated by individual votes • Increased payment of commitment fees on undisbursed debt • Increasing interest payments • Increasing stock of government debt (borrowing) • Multi-year contracts without Parliamentary approvals
49.	Contingency Fund	• Failure to operationalize the Contingencies Fund • Supplementary expenditure on natural disasters outside the Contingencies Fund
50.	Petroleum Fund	• Non Remittance of Income Taxes to the Petroleum Fund
	TRADE SECTOR	
51.	Uganda Industrial Research Institute	• Inadequate budget – UGX.2,207,972,427 • Lack of Board of Directors • Staffing Gaps • Non-enforcement of the Workers Compensation Act • Mischarge of expenditure – UGX.56,795,701 • Review of the objectives and functions of the Institute
52.	Uganda National Bureau of Standards	• Domestic Arrears • Budget performance

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
		• Delayed receipt of Appropriation in Aid • Lack of standards for frequently imported products
53.	Uganda Development Corporation	• Delays in execution of the Letters Of Credit (LCs) • Staffing gaps • Lack of a feasibility study • Un-utilized equipment under projects – UGX.2,904,354,985 • Other inspection observations at Soroti Fruit Factory Project • Failure to verify deliveries by UDC • Failure to include equipment and related costs in the lease agreement • Un-verified property and inclusion in the lease agreement • Unplanned project funds – UGX.477,000,000 • Stalled government project • Kiira Motors Corporation • Lack of land tittle
	AGRICULTURE SECTOR	
54.	National Agricultural Research Organization (NARO)	• Inadequate Controls Surrounding Management of Domestic Arrears • Budgetary performance • Under collection of Non Tax Revenue • Land encroachment and Ownership • Establishment of NARO Holdings Ltd • Infrastructural status at the Institutes • Failure to Renew Expired Marine Hull Insurance Cover for Research Vessels • Grounded Vessel • Non Payment of Rent by Gulu University- UGX.192,720,000
55.	Agricultural technology and agribusiness advisory services (ATAAS)-NARO PROJECT	• Low Absorption of ATAAS Funds 12.5% under-absorption. • Un-executed Planned Procurements- UGX.3,905,485,200 • Incomplete Installation of Irrigation system at SLM Evaluation site Kawanda • Delayed Construction of Cattle Shed at Nakyesasa • Nugatory Expenditure on Cancelled CGS Projects- UGX.125,640,000 • Delayed environment compliance audit of ATAAS – UGX.250,366,500
56.	Diary Development Authority (DDA)	• Inadequate Controls Surrounding Management of Domestic Arrears • Failure to collect CESS revenue as per the dairy industry Act 1998 and the Dairy Regulations, 2003

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
		• Failure to collect revenue- UGX.528,891,240 • Lack of land titles for Milk Collection Centers and other matters of Land • Staffing gaps • Advances to Individual Personal Accounts- UGX.243,991,658
57.	Centre for Control of Trypanasomiasis in Uganda (COCTU)	• Budget performance • Inadequate Institutional Capacity to achieve mandate • Staffing Gaps
58.	Uganda Coffee Development Authority (UCDA)	• Inadequate Controls Surrounding Management of Domestic Arrears • Mischarge of Expenditure • Budget Shortfall UGX.2,103,480,000 • Inadequate Coffee Extension Services • Centre of Robusta Excellence Project • Under Remittance of NSSF contributions- UGX.41,728,158 • Lack of farmer database
59.	Cotton Development Organisation	• Long outstanding Contingent Liability • Construction of Cotton Seed Processing Plant at Pajule, Pader District
60.	National Agricultural Advisory Services	• Mischarge of Expenditure • Budget performance • Multi-year commitment – UGX.51.8 billion • Failure to execute Performance Security – UGX.25,089,592,589 • Delivery of inputs out of planting season- UGX.5,272,061,145 • Irregular acceptance of bids after bid closure – UGX.574,000,000 • Irregular award for Supply of Pineapple Suckers- UGX.549,500,000 • Commitments through Local Letters of Credit at year end • Special audit of NAADS Project Component 3: supply of tea seedlings to farmers in Kigezi sub region, Buhweiju and Kabarole for the financial year 2013/2014
	GENDER AND SOCIAL DEVELOPMENT SECTOR	
61.	National Children's Authority	• Revenue shortfall
62.	National Women's Council	• Non-remittance of statutory deductions
63.	Uganda National Cultural Centre	• Management of receivables • Non-remittance of statutory deductions and

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
		outstanding gratuity/VAT • Under-collection of internally generated revenue. • Outstanding Staff Advances
64.	National Library of Uganda	• Failure by the National Library of Uganda to exercise its powers • Inadequate space • Staffing gap • Lack of a substantive Executive Director • Expired tenancy agreement
65.	National Youth Council	• Non remittance of statutory deductions • Revenue performance • Staffing Gap
66.	National Social Security Fund	• Failure to make a provision for the liability of Ushs.42.2 billion to URA.
67.	National Council for Disability	• Inadequate Controls Surrounding Management of Domestic Arrears • Revenue Shortfall • Staffing gap
	WATER AND ENVIRONMENT SECTOR	
68.	National Environment Management Authority.	• Outstanding Receivables • Lack of Board of Directors Lack of an Audit Committee
69.	National Water and Sewerage Corporation	• Revenue Recognition • Recoverability of Trade Receivables • Impairment of Underground Assets given their complexity and age • Failure to revalue Property, Plant and Equipment • Absence of land titles for assets taken over
70.	Water Management Development Project National(WMDP) Water and Sewerage Corporation	• Delays to pay Contractors
71.	Kampala water- lake Victoria water sanitation project-WATSAN (NWSC)	• Water Quality at the Ggaba 1 Water Treatment Plants • Ggaba II Filters Performance • Payment of unjustified Claims • Clarifiers Performance at Ggaba I
72.	Kampala Sanitation Programme (KSP) Phase I	• No issue of high significance
73.	Uganda National Meteorological Authority	• Budget Shortfall • Lack of a Board of Directors • Land ownership • Non - functional stations

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
	TOURISM SECTOR	
74.	Uganda Wildlife Research and Training Institute	• Lack of a Land Title • Un authorized Excess Expenditure • Procurement Irregularities
75.	The Hotel and Tourism Training Institute	• Delays in settlement of payables • Accumulation of receivables • Under funding of Government Sponsored students
76.	The Uganda Tourism Board	• Unauthorized payment of the "Thirteenth cheque" • Mischarge of Expenditure • Un–paid tax on Gratuity • Outstanding advances • Budget shortfall
77.	Nile Hotel International Limited	• Contingent Liability • Failure to implement the Strategic plan • Unlimited tenure of the Board of Directors • Failure to hold annual general meeting
78.	Uganda Wildlife Authority	• Weaknesses in concession Management • Failure to submit concession plans and non-commencement of operations • Outstanding revenue collections • Irregular operation of a concessionaire • Funds not accounted for • Non remittance of Revenue to Local Authority • Lack of contract committee minutes • Direct Procurement of Air Tickets • Over assessment of insurance premium • Unnecessary Insurance Policy
79.	Uganda Wildlife Education Centre	• Lack of revenue collection controls • Delayed Transfer of Land Title • Poorly maintained assets • Irregular Direct Procurements
	EDUCATION SECTOR	
80.	National Curriculum Development Centre	• Inadequate Controls Surrounding Management of Domestic Arrears • Revenue Shortfall • Non Remittance of salary deductions
81.	Uganda National Examination Board	• Inadequate Controls Surrounding Management of Domestic Arrears. • Revenue Shortfall
82.	Management Training and Advisory Centre	• Outstanding payables • Outstanding receivables • Programs and Centers without minimal number of

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
		students
83.	National Council for Higher Education	• Revenue Shortfall • Unaccredited programs • Expired provisional licenses
84.	National Council of Sports	• Trade and Other Payables • Revenue shortfalls • Irregularities in Management of Bank Loans
85.	Higher Education Students Financing Board	• Implementation of Board Mandate • Conflicting polices on the Management of staff Advances • Funding students without prior semester academic results
86.	Education Service Commission	• Validation of reported payroll irregularities
	PUBLIC ADMINISTRATION SECTOR	
87.	Electoral commission	• Inadequate Controls Surrounding Management of Domestic Arrears • Mischarge of expenditure • Nugatory expenditure • Non – deduction of withholding tax
	SECURITY SECTOR	
88.	National Enterprise Corporation Headquarters	• Dormant Investments in Subsidiaries – UGX.2,460,326,737 • Sundry debtors and Prepayments • Outstanding Trade Creditors – UGX.174,852,301 • Inactive Board of Directors • Budget Performance
89.	National Enterprise Corporation Luwero Industries	• Net loss of UGx 854,360,481 • Outstanding debtors Ugx 528,565,840 • Outstanding Trade creditors Ugx 174,852,301 • Budget performance
90.	Uganda Air Cargo Corporation	• Rent payable to Civil Aviation Authority • Salary Arrears paid • Repair of C130-5X-UDF Air Craft • Reimbursement from Ministry of Defence for Y12 Aircrafts
91.	National Enterprise Corporation Farm Katonga	• Ability of the farm to continue operations • Lease Of Farm Land To Iranian Investor • Encroachment on Farm Land • Budget performance

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
92.	National Enterprise Corporation Tractor Hire Scheme LTD	• General Performance of the Company
93.	National Enterprise Corporation Tractor Project	• Outstanding Debtors • Nugatory Expenditure - UGX.53,742,465. • Trade Creditors • Budget Performance
94.	National Enterprise Corporation Works	• Outstanding Trade Debtors
95.	National Enterprise Corporation Uzima	• Budget performance • Failure to prepare Manufacturing Accounts • Lack of a Subsidiary Board
96.	Uganda Veterans Assistance Board	• Under funding • Duplication of activities
	ICT SECTOR	
97.	Uganda Communication Commission	• Outstanding receivables • Lack of internal mechanism to verify the operators Gross Annual Revenue • Budget Performance / Lack of Communications Tribunal
98.	Rural Communications Development Fund (RCDF)	• Delay to constitute Rural Communications Development Fund (RCDF) Board • Budget Performance • Under-remittance of funds to Uganda Institute of Information and Communication Technology (UICT) • Delay in operationalization of Luzira upper prison pilot project
99.	Uganda Institute of Information and Communications Technology	• Outstanding Receivables • Revenue shortfall • Staffing Gaps • Acting staff members • Failure to discontinue students • Trade Payables and other payables • Review of legal status
100.	Uganda Post Limited	• Outstanding receivables. • Trade and other payables • Unpaid up share capital • Unimplemented Planned activities
101.	National Information Technology Authority Uganda	• Review of Commercialization of NBI and EGI contract • Project feasibility study • Internet Charges • Inadequate allocation of risks and responsibilities during contract negotiations • Extension of the contract Period by Ten years • Under collection of Appropriations-in-aid • Outstanding Commitments – Increasing payables

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
		– UGX.11,841,297,048 • Receivables • Delayed extension of Internet services to MDAs • Outsourcing of NITAU's core activities • Budget performance
102.	Regional Communications Infrastructure Program (RCIP)	• Inadequate GOU counterpart funding • Budget performance- Low budget absorption capacity • Project Performance against the Logical Frame work
103.	New vision Ltd	• Trade Receivables impairments • Commission expenses • Revaluation of Property Plant and Equipment
	JUSTICE LAW AND ORDER SECTOR (JLOS)	
104.	Amnesty Commission	• Non implementation of planned activities • Revenue shortfall by UGX. 217,708,642 representing 9% shortfall. • Unfilled positions for commissioners • Dilapidated rented office buildings
105.	Uganda Registration Service Bureau-Operation	• Inadequate Controls Surrounding Management of Domestic Arrears • Failure to Implement Budget as approved by Parliament: ➢ Under Collection of Non Tax Revenue (NTR) - UGX.11,791,035,955: ➢ Implementation of planned activities: ➢ Under-utilization of available resources - UGX.393,497,956
106.	Uganda Registration Service Bureau-Liquidation	• Receivables - UGX. 6,252,764,629 • Appointment of Data Entry Clerks
107.	Law Development Centre	• Domestic Arrears • Trade Debtors/Receivables of UGX.258,934,000 • Budget performance • Fees collection account - garnished funds of UGX.1,357,883,885 • Land issues
108.	Uganda Law Reform Commission	• Budget implementation • Delayed supply of motor vehicle • Irregular deposit of Staff NSSF contributions – UGX.406,651,531
109.	Uganda Human Rights Commission	• Domestic Arrears • Budget implementation • Absence of legal justification for allowances paid to staff • Irregular Remuneration to the Secretary of the Commission
110.	Judicial Service Commission	• Budget performance • Case Backlog
	WORKS SECTOR	

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
111.	Uganda Road Fund	• Failure to Implement Budget as approved by Parliament • Increasing designated agencies against fixed budget • Non-collection of designated funds • Mischarge of Expenditure- UGX.337,656,021 • Lack of the Uganda Road Fund Regulations • Un-approved policies/guidelines on various URF operations • Board remuneration - Monthly Retainer fees for Government Employees

112.	RSSP IV (UNRA)	• Compensation to the Project Affected People (PAPs)
		  ➢ Poor land acquisition consultancy services contract
		  ➢ Delayed payment to Project Affected People (PAPs)
		  ➢ Signed transfer forms for titled properties before payment
		• Implemented Design
		  ➢ The completed section on the Hoima-Bulima was not re-done as per instructions from UNRA.
		  ➢ I was informed that the design by the initial firm (original pavement structural design) will indeed be used for the 20km stretch from Hoima to Bulima.
		  ➢ The drawings on the site show that the UNRA design (base course layer thickness of 250mm and a sub-base course layer thickness 250mm) is being implemented on the remaining sections of the road.
		  ➢ I noted that no formal approval for the UNRA design had been given to the contractor, despite being implemented.
		• Contractor mobilization
		  ➢ Personnel
		  ➢ Equipment
		• Swamp treatment method and target quantities
		• Cost Control
		• Inter-Project Re-allocations

	PUBLIC SECTOR MANAGEMENT SECTOR	
113.	Kampala Capital City Authority	• Outstanding Domestic arrears • Outstanding Receivables • Legal costs • Under collection of Revenue • Staffing • Lack of Detailed Lower Level Physical Development Plans • Enforcement of physical planning guidelines

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
		• Land titles for Government Grant Aided Primary Schools under KCCA • Management of Youth Livelihood Programme (YLP)
	KCCA Engineering Audits (6 road projects)	• Unjustifiable Lump sum Prices for Some Items in the Activity Schedules (Shs 4,430,009,188 Minimum) • Double Payments for Some Items (Shs 101, 464,550) • Loss of Key KCCA assets in some contracts • Undocumented Changes in Priced Activity Schedule and Designs • Avoidable Expenditures (Shs 60,000,000) • Lack of Detailed/Accurate Engineer's Estimates • Interest on Delayed Payments (shs 427,767,009) • Delayed Execution of Projects • Defective Work
114.	Second Kampala Institutional And Infrastructure Development Project (KIIDP 2)	• Budget Performance –Low absorption of funds • Overall Performance as per the logical framework
115.	The Kampala Feacal Sludge Management Project	• Budget Performance - Under-absorption of funds
116.	Public Service Commission	• Inadequate Controls Surrounding Management of Domestic Arrears • Budget Performance • Mischarge (UGX.236,362,000) • Support to District Service Commissions • Handling of Appeals from Districts and Central Government
	LEGISLATURE SECTOR	
117.	Parliamentary Commission	• Failure to Implement Budget as approved by Parliament • Payment for vehicles to Members of Parliament
118.	Treasury Operations	• Unrecognized government investments initiated by individual votes • Increased payment of commitment fees on undisbursed debt • Increasing interest payments • Increasing stock of government debt (borrowing) Multi-year contracts without parliamentary approvals
119.	Contingency Fund	• Failure to operationalize the Contingencies Fund • Supplementary expenditure on natural disasters outside the Contingencies Fund
120.	Ottawa Mission	• Unauthorised Expenditure- UGX.585,194,445 • Advance Payment for Consultancy Services • Unspent Balances not returned to UCF -

S/N	ENTITY	KEY AUDIT MATTERS/EMPHASIS OF MATTER/OTHER MATTER
		UGX.3,261,173,649
121.	Kigali Mission	• Unauthorised Expenditure- UGX.94,382,736 Unspent Balances not returned to UCF - UGX.161,338,096
122.	Washington Mission	• Excess Expenditure Failure to budget for Non Tax Revenue
123.	New York Mission	

2.2 Qualified Opinions

S/N	ENTITY	Basis of Qualification	Key Audit Matters/Emphasis of Matter/Other Matter
	ENERGY SECTOR		
1.	Uganda Electricity Distribution Company Limited	• Inappropriate assumptions on the useful life of utility assets	• Conversion of Loan to Equity - Government of Uganda • Un-billed revenue from the assets leased to UMEME Ltd by UEDCL
2.	Uganda Electricity Generation Company Limited	• Non-recognition of Impairment Loss.	• Compliance with the Concession and Assignment Agreement • Progress of Karuma and Isimba Hydro Power Plants. • Unimplemented Activities • Cracks at the power house - Nalubaale Dam • Conflict between Loan Agreement, Power Purchase Agreement and Generation and Sale License
	ACCOUNTABILITY SECTOR		
3.	Uganda Bureau of Statistics	• Mischarge of Expenditure – UGX.289,895,041	• Failure to Implement the Budget as approved by Parliament • Transfer of Funds to Staff Personal Accounts • Theft of the entity motor vehicle • Non deduction of income tax on allowances
	TRADE SECTOR		
4.	Uganda Export Promotion Board	• Mischarge of Expenditure- UGX 170,139,170	• Failure to collect Non-Tax Revenue • Failure to Implement the Budget as approved by Parliament • Non-alignment of the Act to the PFMA 2015
	AGRICULTURE SECTOR		

5.	National Animal Genetics Centre and Data Bank	• Mischarge of Expenditure – UGX.305,561,786 • Unaccounted for force on account Funds- UGX.322,443,441	• Inadequate Controls Surrounding Management of Domestic Arrears • Budget Performance • Encroachment on Farmland • Loss of Livestock through Death and Theft –UGX290,000,000 • Utilization of Revenue at Source - UGX.35,393,950 • Dilapidated infrastructure at the farms/Ranches • Procurement Irregularities • Irregular Direct Procurement
	WATER AND ENVIRONMENT SECTOR		
6.	National Forest Authority.	• Failure to Value Land • Mischarge of expenditure	• Inadequate Controls Surrounding Management of Domestic Arrears • Outstanding receivables • Encroachment on forests and Irregular tittling of forest land • Un Licensed masts in Central Forest reserves • Failure to enforce terms of the license agreements
	EDUCATION SECTOR		
7.	Makerere University	• Mischarge of Expenditure on Domestic Arrears - UGX.10,012,543,167	• Inadequate Controls Surrounding Management of Domestic Arrears • Absence of Council approval for additional funding - UGX.22,123,350,422 • Shortfall in revenue collection • Staffing gaps • Weaknesses in land management • Budget shortfall for the Presidential Initiative Project • Non refund of project funds by the university - UGX.3,555,066,979 • Project outstanding commitments – UGX.1,507,901,813 • Weaknesses in the University Investments • Advances to personal accounts
8.	kivubo War Memorial Stadium		• No Financial Statements produced
9.	Mandela National Sports Limited	• Irregular Disclosure of Going Concern Status	• Increase in the amount of outstanding payables • Outstanding receivables
	LANDS SECTOR		
10.	National Housing and Construction Company Ltd	• Non-compliance with IAS 40: Investment Property	• Un-supported transactions • Material Uncertainty related to going concern
11.	Uganda Land Commission	• Mischarge of Expenditure • Inconsistent figures of non-produced	• Inadequate Controls Surrounding Management of Domestic Arrears • Failure to properly manage Government Leases

		assets	• Non-registration of bonafide occupants in Kibale • Payment of ineligible claimants • Lack of Comprehensive Government Land inventory • Excess payment of Compensations • Titles not transferred to ULC after compensations • Delayed payment of compensations • Missing Lease files • Missing Compensation files
	INFORMATION AND COMMUNICATIONS TECHNOLOGY SECTOR		
12.	Uganda Printing and Publishing Corporation	• Non-provision for bad debts	• Long Outstanding trade debtors
	WORKS SECTOR		
13.	Uganda National Roads Authority	• Mischarge of Expenditure – UGX.60,521,959,235	• Inadequate Controls Surrounding Management of Domestic Arrears • Outstanding Advances to Contractors – UGX.563,229,373,730 • Land compensation anomalies • Lack of register for land tittles received from PAPs • Non utilization of Right of Way Management Information System (ROWMIS) • Backlog in titling of land acquired • Delays in possession of land by UNRA after compensation of PAPs • Lack of accountability provided by RAP Consultant for cash payments to PAPs • Budget performance for 2016/2017 • Failure to withhold tax from Joint Venture contractors- UGX.4,128,164,027 • Maintenance Funds • Non-compliance to performance agreement • Diversion of Maintenance Funds for Capital expenditure • Diversion of Maintenance Funds for Land acquisition • Diversion of Maintenance Funds for acquisition of Ford ranger pick-ups
		Engineering Audit- 6 road/bridge projects	• Inadequate Document Management System • Poor project planning • Land Acquisition delays • Inadequate Projects Designs • Delayed Procurement of Supervision Consultants • Procurement of Contractors

			• Change in Scope of Works/ Variation Orders • Errors in Measurement and Payments (IPCs) for the works • Poor Quality of Works • Non-renewal or Extension of Supervising Consultants
14.	Civil Aviation Authority (2015)	• Valuation of property , plant and equipment • Trade receivables - adequacy of the provision for impairment of losses • Non-compliance with the requirements of IAS 19 for measurement of employee benefits	• Financial reporting and compliance with statutory requirements • Working capital Management • Monitoring of User access Rights • Monitoring privileged access
	PUBLIC SECTOR MANAGEMENT SECTOR		
15.	Local Government Finance Commission	• Mischarge of Expenditure – UGX.133,945,068	• Failure to Implement Budget as approved by Parliament • Absence of Commission members • Staffing gaps
	GENDER AND SOCIAL DEVELOPMENT SECTOR		
16.	Equal Opportunities Commission	• Mischarge of expenditure UGX.134,402,487	• Inadequate control surrounding Management of domestic arrears • Long outstanding salary advances UGX.120,066,996 • Nugatory expenditure UGX.69,876,980 • Payment in lieu of leave • Appointment of staff on contract terms • Use of inappropriate procurement methods • Budget performance-under funding

2.3 Disclaimers of Opinions

		Basis for Disclaimer	Key Audit Matters/Emphasis Of Matter/Other Matter
	INFORMATION AND COMMUNICATION TECHNOLOGY SECTOR		
1.	Uganda Broadcasting Corporation	• Valuation of Property, Plant and Equipment (PPE) – UGX. 15,410,766,654 • Unsupported Stanbic Lease Obligation - UGX.227,029,547 • Unsupported Dormant bank accounts balances- UGX. 97,740,000	• Trade and other receivables- UGX.13,011,508,074 • Trade and other payables –UGX.37,955,104,359 • Budget Implementation • Land Matters • Review of the implementation of digital migration policy
	WORKS SECTOR		
2.	Uganda Railways Corporation	• Property, Plant and Equipment UGX. 94,867,332,000 • Un-serviced Long Term Loans - UGX.22,067,482,000	• Long outstanding receivables UGX.15,870,630,000 • Trade and other Payables UGX.4,691,725,000 • Outstanding Employee benefits UGX.9,360,508,000 • Proceeds from Disposal of non-core assets (Land) UGX.69.5bn • Performance of RVRU Concession • Land matters • Implementation of the strategic plan

ANNEXURE 3: LOCAL GOVERNMENT

3.1 Unqualified Opinions

MASAKA BRANCH		
S/N	**ENTITY**	**KAM/EOM/OTHER MATTER ISSUES**
1	Masaka DLG	• Utilization of medicines and health supplies ➢ Understaffing • Encroachment on Lake Birinzi
2	Lwengo DLG	• Utilization of medicines and health supplies ➢ Medicines and health supplies accountability • Low recovery of Youth Livelihood Program Funds
3	Rakai DLG	• Utilization of medicines and health supplies ➢ Lack of stock cards ➢ Understaffing • Failure to Implement Budget as approved by Parliament
4	Kalangala DLG	• Failure to Implement Budget as approved by Parliament • Understaffing • Low recovery of Youth Livelihood Program Funds
5	Sembabule DLG	• Irregular payment of salary to Teachers with suspected forged registration certificates • Failure to Implement Budget as approved by Parliament • Understaffing • Lack of Land Titles
6	Mubende DLG	• Utilization of medicines and health supplies ➢ Stock-outs at Kassanda HC IV ➢ Understaffing • Failure to Implement Budget as approved by Parliament
7	Mityana DLG	• Utilization of medicines and health supplies ➢ Medicines and health supplies accountability ➢ Stock-outs of Medicines and Health Supplies ➢ Understaffing at the health facilities • In adequate controls surrounding Management of domestic arrears

		• Failure to Implement Budget as approved by Parliament • Understaffing • Low recovery of Youth Livelihood Program Funds • Lack of Land Titles
8	Kalungu DLG	• In adequate controls surrounding Management of domestic arrears • Expired drugs • Low recovery of Youth Livelihood Program Funds • Understaffing
9	Bukomansimbi DLG	• Utilization of medicines and health supplies ➢ Stock-outs of Medicines and Health Supplies ➢ Expired drugs • Understaffing
10	Kiboga DLG	• Failure to Implement Budget as approved by Parliament • Stock-outs at Kiboga Hospital and Bukomero Health Centre
11	Kyankwanzi DLG	• Low recovery of Youth Livelihood Program Funds • Lack of accountability of Borehole Spare parts
12	Lyantonde DLG	• Under Collection of Local Revenue • Understaffing • Lack of Land Titles
13	Masaka MC	• Low recovery of Youth Livelihood Program Funds
14	Mubende MC	• Understaffing
15	Mityana Mc	• Understaffing • Lack of Land Titles • Under Collection
SOROTI BRANCH		
16	AMUDAT DLG	• In adequate controls surrounding Management of domestic arrears • Diversion of funds • Low recovery of YLP • Failure to deduct and remit taxes • Understaffing • Payment for no works done • Delays in construction of solar powered mini water

		supply system • Un verified Assets
17	AMURIA DLG	• Utilization of medicines and health supplies • Salary arrears • Low absorption/Unspent balances • Low recovery of YLP funds • Under staffing • Non disposal of Assets
18	BUKEDEA DLG	• Utilization of medicines and health supplies ➢ Stock out of medicines • Unauthorized excess expenditure • Failure to Implement Budget as approved by Parliament • Idle dental machine • Under collection of local revenue • Low recovery of YLP funds • Under staffing
19	KABERAMAIDO DLG	• Utilization of medicines and health supplies; ➢ Stock out of Medicines • Domestic Arrears • Low recovery of YLP funds • Understaffing • Non disposal of assets
20	KATAKWI DLG	• Utilization of medicines and health supplies; ➢ Accountability of medicines ➢ Stock out of medicines ➢ Expiry of drugs ➢ Understaffing • In adequate controls surrounding Management of domestic arrears
21	KOTIDO DLG	• In adequate controls surrounding Management of domestic arrears • Failure to Implement Budget as approved by Parliament • Unspent balances • Failure to Implement Budget as approved by Parliament • Understaffing

		• Abandoned construction works of cattles dip
22	KUMI DLG	• Utilization of medicines and health supplies; ➢ Stock out of medicines ➢ Expired drugs ➢ Understaffing • Receivable • Failure to Implement Budget as approved by Parliament • Low recovery of YLP funds • Lack of land titles
23	MOROTO DLG	• Failure to Implement Budget as approved by Parliament • Under collection of local revenue • Understaffing • Failure to implement board of survey recommendations • Routine Mechanized maintenance of roads under force account
24	Moroto MC	• In adequate controls surrounding Management of domestic arrears • Low recovery of YLP funds • Receivables • Understaffing • Construction of bus terminal phase 2 • Exceptions in PPDA audit report
25	Soroti MC	• Utilization of medicines and health supplies; ➢ Accountability of medicines ➢ Medicines stock-outs ➢ Understaffing • Domestic arrears • Failure to Implement Budget as approved by Parliament • Delayed completion of USMID road works • Understaffing
26	Nakapiripirit DLG	• Utilization of medicines and health supplies; ➢ Stock-outs of medicines ➢ Expired drugs • Under collection of local revenue • Low recovery of YLP funds

		• Non disposal of assets
27	Soroti DLG	• Utilization of Medicines and Medical Supplies ➢ Stock-outs of Medicines and Health Supplies ➢ Expiry of Tracer drugs • Utilization of Medicines and Medical Supplies • Failure to Implement Budget as approved by Parliament • Under Collection of Local Revenue • Low Recovery of Youth Livelihood programme funds. • Understaffing • Lack of Land Titles
28	Ngora DLG	• Utilization of Medicines and Medical Supplies ➢ Stock-outs ➢ Human Resources • Un authorised Excess Expenditure
29	Serere DLG	• Utilization of Medicines and Health Supplies ➢ Medicines and Health supplies accountability. ➢ Stock-outs of Medicines and Health Supplies ➢ Expired of Drugs • Inadequate Controls Surrounding Management of Domestic Arrears • Failure to Implement Budget as approved by Parliament • Low Recovery of Youth Livelihood program funds. • Abandoned Construction of Education Block
ARUA BRANCH		
30	Arua District Local Government	• Utilization of Medicines and Health Supplies ➢ Medicines and health supplies accountability ➢ Drug stock-outs • Low recovery of Youth Livelihood program funds • Under collection of Local Revenue • Understaffing • Irregular payment of salary to retired staff • Inspection of Adumi Health Centre IV

31	Arua Municipal Council	• Utilization of Medicines and Health Supplies ➢ Medicines and health supplies accountability ➢ Drug stock-outs ➢ Expired drugs • Outstanding receivables • Understaffing • Under-absorption/unspent balances • Poor maintenance of council vehicles • Loss of council Motorcycles • Remittances of withholding taxes • Failure to deduct and remit withholding taxes • Non acknowledgement of payment by URA • Wasteful expenditure • Fraudulent opening of bank accounts • Failure to recover council funds from staff as recommended by DPAC • Grounded machines at Municipal parking yard • Dilapidated classroom structures at Arua Parents primary school
32	Adjumani District Local Goverment	• Failure to implement Budget as approved by Parliament • Delayed completion of Council Hall • Loss of motorcycle • Lack of Land titles • Low recovery Rate of Youth Livelihood funds • Exceptions raised in PPDA audit report of district for financial year ended 30th June, 2017
33	Koboko District Local Government	• Utilization of Medicines and Health Supplies ➢ Drug stock-outs ➢ Understaffing • Outstanding Domestic Arrears • Failure to implement budget as approved by Parliament • Low recovery rate of Youth Livelihood Project Funds • Review of Internal Audit Department • Inadequate Internal Audit staff • Release of USE funds to a non-Operational school

		• Irregular award of contract
34	Koboko Municipal Council	• Failure to implement Budget as approved by Parliament • Mismanagement of Youth Livelihood project Funds • Failure to meet the minimum Education National standards
35	Maracha District Local Government	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines and commodities ➢ Stock-outs at Ovujjo Health Centre III ➢ Understaffing • Failure to implement Budget as approved by Parliament • Low recovery of Youth Livelihood program Funds • Lack of Land titles • Understaffing • Non-operationalization of Liko Health Centre II
36	Moyo District Local Government	• Utilization of Medicines and Health Supplies ➢ Stock-outs • Failure to implement Budget as approved by Parliament • Low recovery rate of Youth Livelihood Funds • Understaffing • Poor Management of motor vehicles and motorcycles • Encroachment on Chala Swamp
37	Nebbi District Local Government	• Utilization of Medicines and Health Supplies ➢ Stock-outs ➢ Understaffing at Nebbi District Hospital • Failure to implement Budget as approved by Parliament • Understaffing at the district • Low recovery of Youth Livelihood program funds
38	Nebbi Municipal Council	• Failure to implement Budget as approved by Parliament • Understaffing • Lack of Land titles
39	Yumbe District Local Government	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines and health commodities ➢ Stock-outs • Understaffing • Low recovery rate of Youth Livelihood project funds

		• Missing district vehicle • Delayed utilization of Nyori Health Centre II
40	Zombo District Local Government	• Utilization of Medicines and Health Supplies ➢ Stock out of medicines and health supplies • Inadequate controls surrounding Management of domestic arrears • Failure to implement Budget as approved by Parliament • Low absorption capacity of NUSAF • Audit of Youth Livelihood project • Mismanagement of funds • Low recovery of YLP funds • Non-operationalization of the OPD at Kigezi Health Centre II • Poor routine mechanized maintenance of Paidha Otheko road • Follow up of implementation of Auditor General's recommendations for the previous year's Audit
FORT-PORTAL BRANCH		
41	Kabarole District	• Utilization of medicines and medical supplies ➢ Stock-outs of medicines and health supplies • Under collection of local revenue
42	Kamwenge District	• Failure to Implement Budget as approved by Parliament • Under Collection of Local Revenue
43	Kasese District	• Under Staffing at Bwera Hospital
44	Bundibugyo District	• In adequate controls surrounding Management of domestic arrears • Utilization of medicines and medical supplies ➢ Stock-outs of medicines and medical supplies • Understaffing • Employees paid but not on pay roll
45	Ntoroko District	• Utilization of Medicines and medical Supplies ➢ Medicines and medical supplies accountability ➢ Stock-outs of Medicines and Health Supplies
46	Kyenjojo District	• Utilization of Medicines and Medical Supplies ➢ Unaccounted for Medicines and Health Supplies

		➢ Expired Drugs ➢ Understaffing
47	Kyegegwa District	• Utilization of Medicines and Medical Supplies ➢ Stock-outs ➢ Expired drugs • Failure to Implement Budget as approved by Parliament • Lack of Land Titles
48	Kibaale District	• Failure to Implement Budget as approved by Parliament
49	Hoima District	• In adequate controls surrounding Management of domestic arrears • Failure to Implement Budget as approved by Parliament • Under collection of local revenue • Understaffing • Lack of Land Titles
50	Masindi District	• Inadequate Controls Surrounding Management of Domestic Arrears • Failure to Implement Budget as approved by Parliament • Under Collection of Local Revenue • Lack of Land Titles
51	Kiryandongo District	• In adequate controls surrounding Management of domestic arrears • Under Collection of Local Revenue • Failure to Implement Budgets as Approved by Parliament • Understaffing • Low Recovery of Youth Livelihood program funds.
52	Buliisa District	• Failure to Implement Budget as approved by Council
53	Kagadi District	• Utilization of medicines and medical supplies ➢ Understaffing • Low Recovery of Youth Livelihood and Uganda Women Empowerment program funds • Salary Overpayment
54	Kakumiro District	• Understaffing • Lack of land titles

		• Utilization of Donor funds • Expired drugs
55	Hoima MC	• Under Collection of Local Revenue • Over Paid Salary above Validated Payroll Net Pay • Under-paid Deductions • Diversion of USMID Funds to Purchase Abattoir Land in Bulera
56	Fort Portal MC	• Failure to Implement Budget as approved by Council
57	Kasese MC	• Inadequate Controls Surrounding Management of Domestic Arrears • Understaffing
58	Masindi MC	• Non Remittance Of Shared Local Revenue
MBARARA BRANCH		
59	Rukungiri DLG	• Utilization of Medicines and Health Supplies ➢ Stock-outs ➢ Expiry ➢ Understaffing
60	Buhwejju DLG	• Failure to Implement Budget as approved by Parliament • Purchases not taken on charge • Understaffing • Encroachment on Wetlands
61	Kisoro DLG	• Outstanding Salary Arrears • Mischarge of Expenditure • Lack of Land Titles • Understaffing • Inadequate facilities in Primary Schools
62	Rubanda DLG	• Utilization of Medicines and Health Supplies ➢ Staffing at the Health Centre IVs ➢ Stock-outs • Failure to Implement Budget as approved by Parliament • Understaffing at the District Headquarter
63	Ibanda DLG	• Utilization of Medicines and Health Supplies

		➢ Inadequate record keeping ➢ Stock-outs ➢ Expired Drugs ➢ Understaffing in_Ishongororo Health centre • Understaffing in Ibanda District Administration Offices • Lack of land titles
64	Mbarara DLG	• Utilization of Medicines and Health Supplies ➢ Understaffing levels in the Health Center IVs ➢ Stock-outs of Medicines and Health Supplies ➢ Medicines and health Supplies Accountability • Domestic arrears • Under-collection of local revenue • Understaffing at the district • Lack of land titles
65	Kiruhura DLG	• Utilization of Medicines and Health Supplies ➢ Understaffing in the health facilities ➢ Stock-outs ➢ Expired Drugs ➢ Medicines and health supplies accountability • Inadequate Controls Surrounding Management of Domestic Arrears • Under Collection of Local Revenue • Understaffing at the District • Lack of Land Titles
66	Sheema DLG	• Utilization of Medicines and Health Supplies ➢ Stock-outs ➢ Expired Drugs
67	Kabale DLG	• Inadequate Controls Surrounding Management of Domestic Arrears • Under Staffing at the District
68	Isingiro DLG	• Utilization of Medicines and Health Supplies ➢ Medicines and medical supplies accountability ➢ Stock-outs ➢ Understaffing at the Health Centre • Under-collection of Local Revenue

		• Shortfall in Central Government Releases
69	Mitooma DLG	• Utilization of Medicines and Health Supplies ➢ Stock-outs of Medicines and Health Supplies • Understaffing • Lack of Land Titles
70	Bushenyi DLG	• Utilization of Medicines and Health Supplies ➢ Medicines and Health Supplies Accountability ➢ Stock-outs of Medicines and Health Supplies • Failure to implement budget as approved by Parliament • Understaffing
71	Ntungamo DLG	• Utilization of Medicines and Health Supplies ➢ Medicines and Health Supplies Accountability ➢ Stock-outs of Medicines and Health Supplies ➢ Understaffing • Inadequate Controls Surrounding Management of Domestic Arrears • Understaffing at the district • Lack of land titles
72	Kanungu DLG	• Utilization of Medicines and Health Supplies ➢ Understaffing at the Health Centre IVs ➢ Expired drugs • Unpaid salary and pension arrears • Failure to Implement Budget as approved by Parliament • Understaffing at the district • Irregular Direct Procurements • Lack of land titles
73	Rubirizi DLG	• Utilization of Medicines and Health Supplies ➢ Medicines and Health supplies accountability ➢ Stock-outs of Medicines and Health Supplies • Understaffing • Lack of land titles
74	Rukungiri MC	• Utilization of Medicines and Health Supplies ➢ Stock-outs

		➢ Understaffing at the Health Centre IV • Inadequate Controls Surrounding Management of • Utilization of Medicines and Health Supplies ➢ Domestic Arrears • Lack of Land Titles • Understaffing at the Municipal Council Headquarter
75	Kisoro MC	• Understaffing
76	Ibanda MC	• Utilization of Medicines and Health Supplies ➢ Stock-outs • Outstanding salary arrears • Understaffing
77	Mbarara MC	• Utilization of Medicines and Health Supplies ➢ Stock-outs of Medicines and Health Supplies ➢ Understaffing at the health centre • Lack of Land Titles • Delayed pension payments • Irregularities in procurements as per PPDA report
78	Sheema MC	• Lack of land titles • Understaffing
79	Kabale MC	• Inadequate Controls Surrounding Management of Domestic Arrears • Failure to Implement Budget as approved by Parliament • Funds not accounted for
80	Bushenyi-Ishaka MC	• Utilization of Medicines and Health Supplies ➢ Unaccounted for Medicines and Health Supplies ➢ Stock-outs • Inadequate Controls Surrounding Management of Domestic Arrears
81	Ntungamo MC	• Purchases and Stores not Taken on Charge • Lack of Land Titles • Understaffing
KAMPALA BRANCH		
82	Buikwe DLG	• Utilization of medicines and health supplies; ➢ Understaffing at Kawolo Hospital ➢ Non Availability of Records at Kawolo Hospital

		• Failure to Implement Budget as approved by Parliament • Illegal Management of Buikwe land by Mukono District Land Board • Mismanagement of Public Land at Bugoba LC 1 • Outstanding Commitments • Low Recovery of Youth Livelihood Program Funds • Lack of Ownership of Kawolo Hospital Land
83	Butambala DLG	• Utilization of medicines and health supplies; ➢ Medicines and Health Supplies Accountability ➢ Expired Drugs ➢ Understaffing at the Health Facilities • Pension and Gratuity Arrears • Low Recovery of Youth Livelihood program funds • Understaffing • Lack of a Property valuation list • Lack of a fully Constituted District Land Office • Lack of Land Title for the Lagoon Land • Lack of laboratory Reagents
84	Gomba DLG	• Utilization of medicines and health supplies; ➢ Stock-outs ➢ Expired drugs ➢ Key Vacant Positions at the Health Facilities • Low Recovery of Youth Livelihood Program funds. • Encroachment on Forest Reserves • Un-Operational Theatre at Maddu HC IV • Understaffing
85	Luwero DLG	• Utilization of medicines and health supplies; • Stock-outs • Unpaid Pension Arrears • Outstanding Salary Arrears • Failure to Implement Budget as approved by Parliament • Low Recovery of Youth Livelihood program funds. • Management of Local Forest Reserves • Nonfunctional boreholes. • Lack of maintenance programme for Roads constructed

		under projects • Luwero Rwenzori Development Project
86	Mpigi DLG	• Utilization of medicines and health supplies ➢ Unaccounted for Medicines and Health Supplies ➢ Expired drugs • Failure to Implement Budget as approved by Parliament • Low Recovery of Youth Livelihood Program funds • Under Staffing • Failure to meet the minimum standards in Primary Schools
87	Mukono DLG	• Utilization of medicines and health supplies ➢ Stock-outs • Unpaid Pension and Gratuity Arrears • Receivables • Low Recovery of Youth Livelihood program funds • Lack of a District Service Commission • Issuing of Illegal Land Titles in Zirimiti Central Forest Reserve
88	Nakaseke DLG	• Utilization of medicines and health supplies ➢ Lack of stock cards ➢ Expired Drugs ➢ Under staffing at the Health Facilities • Unpaid Pension Arrears • Failure to Implement Budget as approved by Parliament • Understaffing • Unresolved Disciplinary Case
89	Nakasongola DLG	• Outstanding Pension and Gratuity Liability • Failure to Implement Budget as approved by Parliament • Low Recovery of Youth Livelihood program funds. • Under Staffing • Failure to Meet Minimum standards in Primary Schools
90	Wakiso DLG	• Utilization of medicines and health supplies ➢ Stock-outs ➢ Expired Drugs ➢ Under Staffing at the Health Facilities

		• Unpaid Pension Arrears • Failure to Implement Budget as approved by Parliament • Low Recovery of Youth Livelihood Program Funds • Forest Reserves • Wetlands • Outstanding Utility Bills at Entebbe Hospital
91	Mukono MC	• Utilization of medicines and health supplies ➢ Stock-outs • Failure to meet minimum standards at Mukono HC IV
92	Entebbe MC	• Outstanding Receivables • Failure to Implement Budget as approved by Parliament • USMID Project - Under Absorption of Funds
93	Kira MC	• Failure to Implement Budget as approved by Parliament • UPE under Releases of Capitation Grant • Understaffing
94	Nansana MC	• Failure to Implement Budget as approved by Council • Low Recovery of Youth Livelihood program funds • Understaffing • Lack of Land Titles
95	Makidye-Ssabagabo MC	• Utilization of medicines and health supplies ➢ Stock-outs ➢ Under staffing at the Health Facilities ➢ Inadequate Controls Surrounding Management of Domestic Arrears • Lack of Oxygen at Ndejje HC IV • Untitled land for Ndejje HC IV • Inadequate Infrastructure Ndejje HC IV • Awarding of titles in Wetlands • Under staffing • Lack of a Physical Development Plan
MBALE BRANCH		
96	Manafwa DLG	• Low Recovery of Youth Livelihood program funds • Funds not accounted for • Failure to meet the Minimum Education Standards
97	Butaleja DLG	• Utilization of Medicines and Health Supplies

		➢ Drug Stock-outs ➢ Expired drugs • Domestic Arrears • Irregular Award of Contracts • Understaffing • Lack of Land Titles • Lack of Hospital Supplies Utilization Records • Status of Kachonga HC III
98	Kibuku DLG	• Utilization of Medicines and Health Supplies ➢ Drug Stock-outs ➢ Understaffing • Failure to Implement Budget as approved by Parliament • Unpaid Salary Arrears • Lack of Land Titles • Low Recovery of Youth Livelihood Program Funds • Failure to meet minimum required Standards of UPE Schools
99	Sironko DLG	• Utilization of Medicines and Health Supplies ➢ Drug Stock-outs • Domestic Arrears • Failure to Implement Budget as approved by Parliament • Under-collection of Local Revenue • Funds not accounted for
100	Kapchorwa MC	• Domestic Arrears • Failure to Implement Budget as approved by Parliament • Understaffing
101	Bukwo DLG	• Utilization of Medicines and Health Supplies ➢ Unaccounted for Medicines and supplies ➢ Expired drugs • Domestic Arrears • Under Collection of Local Revenue • Understaffing • Lack of Land Titles
102	Bududa DLG	• Utilization of Medicines and Health Supplies ➢ Drug Stock-outs

		• Low Recovery of Youth Livelihood program funds • Under Collection of Local Revenue • Understaffing
103	Mbale DLG	• Utilization of Medicines and Health Supplies ➢ Drug Stock-outs ➢ Expired drugs • Domestic Arrears • Receivables • Funds not accounted for • Failure to implement the Board of Survey recommendation
104	Tororo DLG	• Utilization of Medicines and Health Supplies ➢ Drug Stock-outs ➢ Unaccounted for Medicines and supplies • Failure to Implement Budget as approved by Parliament • Low Recovery of Youth Livelihood program funds • Understaffing • Loss of revenue through use of old property rates
105	Tororo M C	• Utilization of Medicines and Health Supplies ➢ Drug Stock-outs ➢ Expired drugs • Failure to Implement Budget as approved by Parliament • Poor Management of Revenue Arrears • Failure to Adhere to the Strategic Plan • Staffing Gaps • Low Recovery of Youth Livelihood Program Funds
106	Busia MC	• Utilization of Medicines and Health Supplies ➢ Drug Stock-outs ➢ Understaffing • Domestic Arrears • Unpaid Pension Arrears • Under Collection of Local Revenue • Understaffing • Lack of Land Titles • Stalled Construction of the Administration Block

107	Pallisa DLG	• Failure to Implement Budget as approved by Parliament • Low Recovery of Youth Livelihood program funds • Understaffing • Failure to meet the minimum required Standards of UPE Schools
108	Kween DLG	• Utilization of Medicines and Health Supplies ➢ Drug Stock-outs ➢ Expired drugs • Failure to Implement Budget as approved by Parliament • Low Recovery of Youth Livelihood program funds Understaffing
109	Bulambuli	• Utilization of Medicines and Health Supplies ➢ Drug Stock-outs ➢ Unaccounted for drugs • Local Revenue Shortfall • Understaffing • Low Recovery of Youth Livelihood program funds
110	Budaka DLG	• Utilization of Medicines and Health Supplies ➢ Drug Stock-outs ➢ Unaccounted for drugs • Idle Incubators and Ultra Sound Scanner • Local Revenue Shortfall • Low Recovery of Youth Livelihood program funds • Understaffing
111	Busia DLG	• Utilization of Medicines and Health Supplies ➢ Understaffing • Unpaid Pension Arrears • Failure to Implement Budget as approved by Parliament • Low Recovery of Youth Livelihood program funds
JINJA BRANCH		
112	Bugiri DLG	• Utilization of Medicines and Health Supplies ➢ Medicines accountability • Pension arrears • YLP recovery • Outstanding hospital utility bills

113	Buyende DLG	• Utilization of Medicines and Health Supplies ➢ Medicines accountability ➢ Medicine stock-outs ➢ Expired drugs • YLP recovery
114	Iganga DLG	• Utilization of Medicines and Health Supplies ➢ Medicine stock-outs ➢ Hospital staffing ➢ Domestic arrears • YLP recovery • Budget performance • Lack of land titles • Community without water sources
115	Jinja DLG	• Utilization of Medicines and Health Supplies ➢ Medicine stock-outs ➢ Expired drugs • Domestic arrears • YLP recovery
116	Kaliro DLG	• Utilization of Medicines and Health Supplies ➢ Medicine stock-outs ➢ Domestic arrears • YLP recovery • Budget performance • Lack of land titles
117	Kamuli DLG	• Budget performance YLP recovery
118	Kayunga DLG	• Utilization of Medicines and Health Supplies ➢ Medicines accountability ➢ Medicine stock-outs ➢ Expired drugs • Lack of land titles • Understaffing
119	Luuka DLG	• Utilization of Medicines and Health Supplies ➢ Medicines accountability ➢ Understaffing at HC IV

		➢ Domestic arrears • YLP recovery • Understaffing
120	Mayuge DLG	• Utilization of Medicines and Health Supplies ➢ Medicine stock-outs ➢ Understaffing at HC IV • YLP recovery • Budget performance • Understaffing • Lack of land titles
121	Namayingo DLG	• Budget performance • YLP recovery • Lack of land titles • Award of contracts to non-responsive bidders
122	Namutumba DLG	• Utilization of Medicines and Health Supplies ➢ Medicines accountability ➢ Medicine stock-outs ➢ Understaffing at HC IV • Domestic arrears • Understaffing • YLP recovery
123	Jinja MC	• Domestic arrears • Receivables • YLP recovery • Lack of land titles
124	Iganga MC	• Domestic arrears • YLP recovery • Lack of land titles
125	Kamuli MC	• Budget performance • Lack of land titles
126	Lugazi MC	• Domestic arrears • Budget performance • Lack of land titles • Understaffing
127	Bugiri MC	• Lack of land titles

		• Lack of Health Centre III & IV Understaffing
128	Njeru MC	• Domestic arrears • Receivables • Budget performance • Lack of land titles • Understaffing in the health sector
GULU BRANCH		
129	Agago DLG	• Irregularly incurred domestic arrears. • Unaccounted for funds • Funds wrongly paid out • Understaffing • Non- functional HC III
130	Alebtong DLG	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines ➢ Stock out of Medicines and Heath supplies • Salary Arrears • Failure to implement Budget as approved by Parliament • Low recovery of YLP Fund • Unaccounted for funds • Understaffing • Failure to meet the Primary Education Minimum Standards
131	Amolatar DLG	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines • Irregularly incurred domestic arrears. • Low recovery of YLP Fund • Unaccounted for funds • Understaffing • Under collection of Local Revenue • Exceptions raised in the PPDA Audit Report
132	Amuru DLG	• Salary Arrears • Low recovery of YLP Fund • Unaccounted for funds • Understaffing • Absence of an Incinerator at Atiak HC IV

		• Exceptions raised in the PPDA Audit Report
133	Apac DLG	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines and health supplies • Pension and gratuity arrears • Salary Arrears • Failure to implement Budget as approved by Parliament • Unaccounted for funds
134	Apac MC	• Unaccounted for funds
135	Gulu MC	• Irregularly incurred domestic arrears. • Receivables • Low recovery of YLP Fund • Under absorption/Unspent Balances • Understaffing • Under collection of Local Revenue • Failure to implement Budget as approved by Parliament
136	Kitgum DLG	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines and health supplies ➢ Stock out of Medicines and Heath supplies ➢ Understaffing • Failure to implement Budget as approved by Parliament • Inspection of Education and Health Supplies • Failure to meet minimum Education Standards • Dilapidated structures at Kitgum District Hospital
137	Kitgum MC	• Unaccounted for funds • Under collection of Local Revenue • Non-assessment of Taxable Revenue • Non-maintenance of a local revenue Register
138	Kole DLG	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines and health supplies ➢ Stock out of Medicines and Heath supplies ➢ Expired Drugs ➢ Understaffing at Aboke HC IV • Salary Arrears • Unaccounted for funds
139	Lamwo DLG	• Utilization of Medicines and Health Supplies

		➢ Unaccounted for medicines and health supplies ➢ Stock out of Medicines and Heath supplies ➢ Expired Medicines • Pension and gratuity arrears • Salary Arrears • Low recovery of YLP Fund • Under collection of Local Revenue • Funds not Accounted for • Salary overpayment • Lack of a land title
140	Lira DLG	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines and health supplies ➢ Stock out of Medicines and Heath supplies ➢ Expired Medicines ➢ Understaffing • Low recovery of YLP Fund • Under collection of Local Revenue • Failure to implement Budget as approved by Parliament • Non-assessment of Taxable Revenue • Illegal Collection of Market Dues.
141	Lira MC	• Pension and gratuity arrears • Under absorption/Unspent Balances • Funds not Accounted for • Low recovery of YLP Fund
142	Nwoya DLG	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines and health supplies ➢ Stock out of Medicines and Heath supplies ➢ Expired Medicines ➢ Understaffing
143	Omoro DLG	• Loss of Funds • Construction of Opit-Akwo Low cost Sealing Road.
144	Otuke DLG	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines and health supplies ➢ Stock out of Medicines and Heath supplies • Pension and gratuity arrears

		• Unremitted Tax • Low recovery of YLP Fund • Understaffing • Unaccounted for funds • Non-utilization of a school structure. • Failure to meet the Minimum UPE Standards
145	Oyam DLG	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines and health supplies ➢ Expired Medicines • Failure to implement Budget as approved by Parliament • Low recovery of YLP Fund • Unaccounted for Funds
146	Pader DLG	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines and health supplies ➢ Stock out of Medicines and Heath supplies • Diversion of conditional grants • Failure to implement Budget as approved by Parliament • Under collection of Local Revenue • Low recovery of YLP Fund • Unaccounted for Funds • Understaffing

3.2 Qualified Opinions

	KAMPALA BRANCH		
S/N	**ENTITY**	**BASIS FOR QUALIFICATION**	**KAM/EOM/OTHER MATTER ISSUES**
1	Buvuma DLG	• Lack of supporting documents for expenditure worth UGX.1,774,509,673	• Utilization of Medicines and Health Supplies; ➢ Unaccounted for Medicines and Health Supplies • Failure to Implement Budget as approved by Parliament • Low Recovery of Youth Livelihood program funds • Irregular Management of Buvuma District Land by Mukono District Land Board • Under staffing • Failure to meet the Minimum standards of UPE Schools
SOROTI BRANCH			
2	Abim DLG	• Un accounted for funds • Un supported pension payments	• Utilization of Medicines and Health Supplies; ➢ Un Accounted For Medicines ➢ Stock-outs ➢ Expired Drugs ➢ Human Resources • Salary Over payments • Failure to Implement Budget as approved by Parliament • Non-compliance with commitment control procedures • Irregularities in Renovation of Abim Hospital • Low recovery of YLP funds • Lack of land titles
3	Kaabong DLG	• Unaccounted for funds	• Utilization of medicines and health supplies • Domestic Arrears • Un authorized excess expenditure • Failure to Implement Budget as approved by Parliament • Lack of land titles • Low recovery of YLP funds
4	Kotido MC	• Un supported cash and cash equivalents • Unaccounted for funds	• Domestic Arrears • Failure to Implement Budget as approved by Parliament • Understaffing • Lack of land titles • Stalled tarmacking of 1km road
5	Kumi MC	• Un supported adjustments in the statement of changes in	• Utilization of medicines and health supplies; ➢ Un accounted for medicines

		equity	➢ Stock out of medicines ➢ Expired drugs • Domestic Arrears • Outstanding receivables • Failure to Implement Budget as approved by Parliament • Lack of land titles
6	Napak DLG	• Unaccounted for funds. um of UGX.76,732,264 lacked supporting documents	• Inadequate Controls Surrounding Management of Domestic Arrears • Non- compliance with commitment control procedures • Unpaid Pension Arrears • Failure to Implement Budget as approved by Parliament • Low Absorption/Unspent balances • Understaffing • Delayed Deletion of Staff who left service • Low Recovery of Youth Livelihood program funds. • Lack of Land Titles
MBALE BRANCH			
7	Mbale MC	• Funds not accounted for- UGX.145,455,416	• Utilization of Medicines and Health Supplies ➢ Drug Stock-outs ➢ Expired drugs • Failure to Implement Budget as approved by Parliament • Under collection of local revenue • Abandoned Contractual Works
8	Kapchorwa DLG	• Undisclosed YLP and UWEP balances- UGX.328,791,751	• Domestic Arrears • Undisclosed rent arrears • Failure to Implement Budget as approved by Parliament • Unrealized royalties revenue • Irregular Expenditure on Councilors' Allowances
GULU BRANCH			
	Gulu DLG	• Unaccounted for funds- UGX.101,215,454	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines ➢ Stock out of Medicines and Heath supplies • Irregularly incurred domestic arrears. • Low recovery of YLP Fund • Failure to conduct Property Rates Valuation • Theft of district Motorcycles • Under absorption/Unspent Balances
10	Dokolo DLG	• Mischarged Expenditure- UGX.455,334,300 • Unaccounted for funds- UGX.35,122,774	• Utilization of Medicines and Health Supplies ➢ Unaccounted for medicines and health supplies

			➢ Stock out of Medicines and Heath supplies ➢ Doubtful transfer of drugs to Dokolo HC IV • Pension and gratuity arrears • Low recovery of YLP Fund • Revenue from Ayugi Rock • Under collection of Local Revenue

ANNEXURE 4: REPORTS AND CONSOLIDATED GOVERNMENT OF UGANDA FINANCIAL STATEMENTS